

Legal & General European Equity Income Fund
Interim Manager's Report
for the period ended
31 October 2019
(Unaudited)



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Manager's Investment Report

Investment Objective and Policy

In line with the updated rules and guidance for the asset management industry published by the Financial Conduct Authority (FCA) in February 2019, we have clarified the Investment Objectives and Policies for our UK regulated funds.

The revised Investment Objective and Policy came into effect on 7 August 2019. The previous and revised Investment Objective and Policy are set out below.

Prior to 7 August 2019

The objective of the Fund is to generate income in excess of the FTSE Europe excluding UK Index over rolling three year periods. The Fund does not aim to generate income by sacrificing capital, hence it also aims to achieve capital appreciation in excess of the benchmark. These objectives are before the deduction of any charges.

The Fund will predominantly invest in the shares of companies domiciled in Europe, excluding UK. The Fund may also invest in convertibles, preference shares, warrants, permitted deposits, money market instruments, cash, near cash and units in collective investment schemes. The collective investment schemes in which the Fund may invest in may include schemes which are managed or operated by, or whose authorised corporate director is, the Manager or one of its associates. The Fund may also invest up to 10% of the scheme property in the shares of companies domiciled in the UK and in countries outside Europe.

The Fund may use derivatives for Efficient Portfolio Management only.

From 7 August 2019

The objective of the Fund is to provide income and growth above those of the FTSE Europe ex-UK TR Net Index, the "Benchmark Index". The Fund aims to outperform the Benchmark Index by 2% per annum. This objective is before the deduction of any charges and measured over rolling three year periods.

The Fund is actively managed and will invest at least 85% in the shares of European companies, excluding the UK. These are companies that are incorporated, listed, headquartered or which have their principal business activities in Europe.

Over a market cycle (typically three to five years), the Fund will comprise on average 35 to 70 companies selected by the manager following research of each company. At times the Fund's portfolio may be concentrated.

The Fund may also invest in other shares (including of UK companies), preference shares, collective investment schemes including those managed or operated by the Manager or an affiliate of the Manager as well as participatory notes, cash, permitted deposits and money market instruments (such as treasury bills).

In addition, the Fund is also permitted to receive and hold warrants and convertible bonds as a result of corporate actions.

The Fund may only hold derivatives for the purposes of Efficient Portfolio Management.

Manager's Investment Report continued

Manager's Investment Report

During the period under review, the bid price of the Fund's I-Class accumulation units fell by 0.59%. This compares to a rise in the FTSE Europe (excluding UK) Index of 5.13% on a total return basis (Source: Bloomberg).

Past performance is not a guide to future performance.

The value of investments and any income from them may go down as well as up.

Exchange rate changes may cause the value of any overseas investments to rise or fall.

Market/Economic Review

Central banks' efforts to underpin economic growth in the face of rising US-China trade tensions helped global stock markets to post modest gains over the period. Having raised US interest rates as recently as December 2018, the Federal Reserve (Fed) continued to pivot policy towards supporting economic activity, paving the way for similar action from the European Central Bank (ECB).

After following their global peers lower in May as the breakdown of US-China trade talks and the imposition of new trade tariffs heightened concerns over the world economic outlook, European equities joined their international counterparts by rallying over much of the remainder of the review period. The prospect of reduced global trade friction looked set to underpin demand for European exports, while growing conviction that the ECB would introduce new measures to support the region's lacklustre economic recovery lifted European stock markets. Following the first of the Fed's three interest rate cuts, with the Eurozone economy having grown by just 0.2% during the second quarter and inflation languishing below target, in September the ECB cut the deposit rate, improved its programme to encourage bank lending and announced the restart of quantitative easing. Cheered by encouraging signs from US-China trade talks and hopes that the UK's Brexit-dominated December general election could bring greater political clarity in Europe's second largest economy, European equities ended the review period on a positive note. Over the six months, cyclical sectors such as industrials benefitted from optimism that interest rate cuts will bolster global growth. However, lower oil prices weighed on the energy sector.

Fund Review

The Fund's unit price fell slightly during the period when some sectors traditionally associated with equity income investing, such as consumer goods, underperformed the wider market.

Despite the performance drag from the Fund's relatively large allocation to banks during May's global stock market weakness, overweight allocations to some cyclical stocks, such as steel producer ArcelorMittal and rolling bearings and seal manufacturer SKF 'B', supported returns as optimism over the global economic outlook subsequently returned. Although our relatively low overall allocations to defensive sectors, such as utilities, weighed on the Fund's returns as investors sought out companies with dependable earnings as global trade-related concerns briefly returned in August, several stock-level overweight holdings helped to limit the effect. In particular, the Fund's favouring of pharmaceuticals firm Novo Nordisk produced good returns as rising demand for its diabetes-focused product range in Europe and North America looked set to continue to drive performance. Overall, the portfolio maintained a cautious stance towards the healthcare sector on valuation grounds over the review period, holding no exposure to Swiss-based sector heavyweight Novartis.

Manager's Investment Report continued

Improving sentiment towards financials, where the portfolio maintained an overweight position relative to the benchmark, supported the Fund's returns late in the period, helped by exposure to insurers Zurich Insurance 'A' and AXA. The former's results highlighted the company's strong capital position and positive messaging on pricing, while AXA's results, albeit affected by a write-down relating to its remaining stake in AXA Equitable Holdings, nevertheless showed healthy revenue growth. The holding in Valeo also had a positive effect on returns late in the review period, boosted by some optimism over the demand outlook following the release of more encouraging Chinese car sales figures. We believe that the auto component supplier's cost savings and measures to mitigate weaker pricing should offer some downside protection in the event that market conditions soften given the still-challenging outlook for much of the global auto sector. Our stake in Adecco Group, the world's leading temporary staffing services provider, also performed relatively well late in the review period. Following disappointing third quarter share price performance, Adecco Group shares subsequently rallied strongly as leading indicators raised some optimism that the staffing demand outlook was improving. We retained the view that the company's prospects remained positive, based on investment and potential margin improvement.

Outlook

Developments in the US-China trade dispute remain a major focus of global investors' attention. Should the recent optimism over the prospects for an initial deal be vindicated, then the improved outlook for global growth should act as a tailwind for Europe-listed companies, with the export-orientated German economy likely to be a major beneficiary. Even as recent indicators from the manufacturing sector have remained soft, we note signs that industrial data have been bottoming out, while, at the company level, the latest quarterly reporting season has struck a better-than-expected note. Helped by the much more supportive tone of central bank policy, both in Europe and in key markets for European exports, we take the view that even a modest improvement in the global trade scenario and greater clarity over the path of Brexit would bolster stock market confidence into 2020.

Legal & General Investment Management Limited
(Investment Adviser)
28 November 2019

Authorised Status

Authorised Status

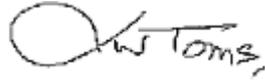
This Fund is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

Directors' Statement

We hereby certify that this Manager's Report has been prepared in accordance with the requirements of the FCA Collective Investment Schemes sourcebook.



A. J. C. Craven
(Director)



L. W. Toms
(Director)

Legal & General (Unit Trust Managers) Limited
18 December 2019

Portfolio Statement

Portfolio Statement as at 31 October 2019

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 30 April 2019.

| Holding/ Nominal Value | Investment | Market Value £ | % of Net Assets |
|------------------------------|------------------------------------|----------------------|-----------------------|
| | CONTINENTAL EUROPE | | |
| | — 97.14% (98.90%) | | |
| | Denmark — 9.54% (8.66%) | | |
| 3,680 | A.P. Moller - Maersk 'B' | 3,641,190 | 1.47 |
| 15,200 | Genmab | 2,503,991 | 1.01 |
| 258,000 | Novo Nordisk | 10,892,146 | 4.39 |
| 144,000 | Pandora | 5,479,032 | 2.21 |
| 26,800 | The Drilling Company of 1972 | 1,154,271 | 0.46 |
| | | <hr/> | <hr/> |
| | | 23,670,630 | 9.54 |
| | Finland — 1.20% (1.21%) | | |
| 136,000 | Tieto | 2,969,465 | 1.20 |
| | France — 23.84% (25.28%) | | |
| 414,000 | AXA | 8,403,651 | 3.39 |
| 170,000 | BNP Paribas | 6,807,218 | 2.74 |
| 248,000 | Carrefour | 3,262,172 | 1.32 |
| 168,000 | Cie de Saint-Gobain | 5,279,668 | 2.13 |
| 28,700 | Gaztransport Et Technigaz | 2,032,027 | 0.82 |
| 49,700 | Ingenico Group | 4,103,787 | 1.65 |
| 363,000 | Orange | 4,492,252 | 1.81 |
| 134,000 | Publicis Groupe | 4,449,793 | 1.79 |
| 407,000 | Rexel | 3,863,798 | 1.56 |
| 84,900 | Schneider Electric | 6,108,990 | 2.46 |
| 286,000 | Societe Generale | 6,212,624 | 2.51 |
| 145,000 | Valeo | 4,126,494 | 1.66 |
| | | <hr/> | <hr/> |
| | | 59,142,474 | 23.84 |
| | Germany — 13.77% (13.30%) | | |
| 98,000 | BASF | 5,736,382 | 2.31 |
| 162,000 | Daimler | 7,301,483 | 2.94 |
| 88,200 | HELLA GmbH & Co. | 3,297,661 | 1.33 |
| 53,500 | Merck | 4,899,448 | 1.98 |
| 82,700 | SAP | 8,457,889 | 3.41 |
| 74,400 | Wacker Chemie | 4,461,217 | 1.80 |
| | | <hr/> | <hr/> |
| | | 34,154,080 | 13.77 |
| | Italy — 2.92% (3.28%) | | |
| 618,000 | Eni | 7,242,309 | 2.92 |
| | Luxembourg — 3.96% (3.76%) | | |
| 349,000 | ArcelorMittal | 3,954,803 | 1.59 |
| 395,000 | SES | 5,875,431 | 2.37 |
| | | <hr/> | <hr/> |
| | | 9,830,234 | 3.96 |
| | Netherlands — 3.68% (4.28%) | | |
| 184,000 | Flow Traders | 3,368,504 | 1.36 |

Portfolio Statement continued

| Holding/ Nominal Value | Investment | Market Value £ | % of Net Assets |
|---|---------------------------------|----------------------|-----------------------|
| Netherlands — (cont.) | | | |
| 661,000 | ING Groep | 5,767,303 | 2.32 |
| | | 9,135,807 | 3.68 |
| Norway — 5.74% (5.98%) | | | |
| 1,330,000 | Norsk Hydro | 3,645,428 | 1.47 |
| 4,110,000 | Petroleum Geo-Services | 5,455,449 | 2.20 |
| 190,000 | Telenor | 2,731,089 | 1.10 |
| 79,900 | Yara International | 2,402,645 | 0.97 |
| | | 14,234,611 | 5.74 |
| Portugal — 2.91% (2.91%) | | | |
| 933,000 | Energias de Portugal | 2,941,734 | 1.18 |
| 346,000 | Galp Energia | 4,284,848 | 1.73 |
| | | 7,226,582 | 2.91 |
| Spain — 4.04% (4.62%) | | | |
| 1,200,000 | CaixaBank | 2,634,569 | 1.06 |
| 677,000 | Mediaset Espana Comunicacion | 3,210,299 | 1.30 |
| 706,000 | Telefonica | 4,174,445 | 1.68 |
| | | 10,019,313 | 4.04 |
| Sweden — 11.04% (11.21%) | | | |
| 452,000 | AB Volvo | 5,217,561 | 2.10 |
| 371,000 | Getinge | 4,895,830 | 1.97 |
| 405,000 | SKF 'B' | 5,640,434 | 2.28 |
| 401,000 | Svenska Handelsbanken 'A' | 3,096,577 | 1.25 |
| 290,000 | Swedbank 'A' | 3,115,966 | 1.26 |
| 802,000 | Telefonaktiebolaget LM Ericsson | 5,402,838 | 2.18 |
| | | 27,369,206 | 11.04 |
| Switzerland — 14.50% (14.41%) | | | |
| 155,000 | Adecco Group | 7,079,173 | 2.85 |
| 525,000 | Credit Suisse Group | 5,005,642 | 2.02 |
| 85,200 | Nestlé | 7,082,043 | 2.85 |
| 15,900 | Roche | 3,686,227 | 1.49 |
| 676,000 | UBS Group | 6,120,450 | 2.47 |
| 23,200 | Zurich Insurance 'A' | 6,987,797 | 2.82 |
| | | 35,961,332 | 14.50 |
| Portfolio of investments¹ | | 240,956,043 | 97.14 |
| Net other assets² | | 7,100,784 | 2.86 |
| Total net assets | | £248,056,827 | 100.00% |

¹ All investments are admitted to an official stock exchange unless otherwise stated.

² Includes 6,996,104 of nominals in the LGIM Sterling Liquidity Fund Class 1 which is shown as a cash equivalent in the balance sheet of the Fund.

Total purchases for the period: £8,755,868.

Total sales for the period: £43,211,328.

Financial Statements

Statement of Total Return For the period ended 31 October 2019

| | 01/05/19 to 31/10/19 | | 19/12/17 to 31/10/18 ¹ | |
|--|-------------------------|---------------------|--------------------------------------|----------------------|
| | £ | £ | £ | £ |
| Income | | | | |
| Net capital losses | | (6,874,749) | | (21,137,339) |
| Revenue | 6,885,437 | | 9,615,493 | |
| Expenses | (68,751) | | (116,066) | |
| Interest payable and similar charges | (1,858) | | (7,159) | |
| Net revenue before taxation | 6,814,828 | | 9,492,268 | |
| Taxation | (413,924) | | (741,501) | |
| Net revenue after taxation for the period | | 6,400,904 | | 8,750,767 |
| Total return before distributions | | (473,845) | | (12,386,572) |
| Distributions | | (6,469,655) | | (8,866,829) |
| Change in net assets attributable to Unitholders from investment activities | | £(6,943,500) | | £(21,253,401) |

Statement of Change in Net Assets attributable to Unitholders for the period ended 31 October 2019

| | 01/05/19 to 31/10/19 | | 19/12/17 to 31/10/18 ¹ | |
|--|-------------------------|---------------------|--------------------------------------|---------------------|
| | £ | £ | £ | £ |
| Opening net assets attributable to Unitholders | | 285,343,140 | | — |
| Amounts received on issue of units | 232,530 | | 325,341 | |
| Amounts received on in-specie transactions | — | 271,684,997 | | |
| Amounts paid on cancellation of units | (31,155,306) | | (259,845) | |
| Change in net assets attributable to Unitholders from investment activities | | (30,922,776) | | 271,750,493 |
| Retained distributions on accumulation units | | 579,963 | | 576 |
| Closing net assets attributable to Unitholders | | £248,056,827 | | £250,497,668 |

¹ The Fund launched on 19 December 2017.

The difference between the opening net assets and the comparative closing net assets is the movement in the second half of the year.

Financial Statements continued

Balance Sheet as at 31 October 2019

| | 31/10/19 | 30/04/19 |
|---|----------------------------|----------------------------|
| | £ | £ |
| ASSETS | | |
| Fixed assets: | | |
| Investments | 240,956,043 | 282,215,530 |
| Current assets: | | |
| Debtors | 860,697 | 2,863,577 |
| Cash and bank balances | 323,694 | 3,795,073 |
| Cash equivalents | 6,996,104 | 4,002 |
| Total assets | <u>249,136,538</u> | <u>288,878,182</u> |
| LIABILITIES | | |
| Creditors: | | |
| Bank overdrafts | (294,915) | (182) |
| Distributions payable | (762,179) | (3,518,734) |
| Other creditors | (22,617) | (16,126) |
| Total liabilities | <u>(1,079,711)</u> | <u>(3,535,042)</u> |
| Net assets attributable to Unitholders | <u>£248,056,827</u> | <u>£285,343,140</u> |

Notes to the Financial Statements

1. Statement of Compliance

The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014 (2014 SORP).

2. Accounting Policies

The accounting policies applied are consistent with the most recent annual Financial Statements.

(a) Basis of Preparation

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

Fund Information

Net Asset Values and Units in Issue

| Class | Net Asset Value (£) | Units in Issue | Net Asset Value per Unit (p) |
|--------------------|---------------------|----------------|------------------------------|
| I-Class | | | |
| Distribution Units | 119,926 | 264,934 | 45.27 |
| Accumulation Units | 176,210 | 363,206 | 48.52 |
| C-Class | | | |
| Distribution Units | 908 | 2,000 | 45.40 |
| Accumulation Units | 974 | 2,000 | 48.70 |
| L-Class | | | |
| Distribution Units | 223,965,899 | 488,551,865 | 45.84 |
| Accumulation Units | 23,792,910 | 48,359,427 | 49.20 |

Past performance is not a guide to future performance.

The price of units and any income from them may go down as well as up.

Exchange rate changes may cause the value of any overseas investments to rise or fall.

Ongoing Charges Figures

| | 31 Oct 19 | 30 Apr 19 |
|---------|-----------|-----------|
| I-Class | 0.80% | 0.80% |
| C-Class | 0.60% | 0.60% |
| L-Class | 0.05% | 0.05% |

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a fund and is calculated based on the last period's figures.

Distribution Information

I-Class

The distribution payable on 31 December 2019 is 0.1551p per unit for distribution units and 0.1658p per unit for accumulation units.

C-Class

The distribution payable on 31 December 2019 is 0.1560p per unit for distribution units and 0.1660p per unit for accumulation units.

L-Class

The distribution payable on 31 December 2019 is 0.1559p per unit for distribution units and 0.1667p per unit for accumulation units.

Risk and Reward Profile



- The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is not guaranteed to remain the same and may change over time. It is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table above shows the Fund's ranking on the Risk and Reward Indicator.
- The Fund is in category five because it invests in company shares which are sensitive to variations in the stock market. The value of company shares can change substantially over short periods of time. Company shares are generally considered to be higher risk investments than bonds or cash.
- Even a fund in the lowest category is not a risk free investment.

General Information

Constitution

| | |
|--------------------------------------|---|
| Launch date: | 19 December 2017 |
| Period end dates for distributions: | 30 April, 31 July, 31 October, 31 January |
| Distribution dates: | 30 June, 30 September, 31 December, 31 March |
| Minimum initial lump sum investment: | I-Class £1,000,000 C-Class* £50,000,000 L-Class** £100,000 |
| Valuation point: | 12 noon |
| Fund management fees: | I-Class Annual 0.80% C-Class* Annual 0.60% L-Class** Annual 0.05% |
| Initial charges: | Nil for all existing unit classes |

- * Class C units are available to certain eligible investors who meet the criteria for investment in such units as outlined in the share class policy of the Manager, which is available to investors in the C Class upon request. Where investors in the C Class no longer continue to meet the criteria for investment in such units, further investment in such units may not be permitted.
- ** Class L units are only available to other Legal & General funds and/or companies which have entered into an agreement with the Manager or an affiliate of the Manager.

Pricing and Dealing

The prices are published on the internet at www.legalandgeneral.com/investments/fund-information/daily-fund-prices immediately after they become available.

Dealing in units takes place on a forward pricing basis, from 8:30am to 6:00pm, Monday to Friday.

Buying and Selling Units

Units may be bought on any business day from the Manager or through a financial adviser by completing an application form or on the internet at www.legalandgeneral.com. Units may normally be sold back to the Manager on any business day at the bid price calculated at the following valuation point.

Prospectus and Manager's Reports

Copies of the Prospectus and the most recent annual or interim reports are available free of charge by telephoning 0370 050 0955 or by writing to the Manager.

Do you have difficulty in reading information in print because of a disability? If so, we can help. We are able to produce information for our clients in large print and braille. If you would like to discuss your particular requirements, please contact us on 0370 050 0955.

Call charges will vary. We may record and monitor calls.

General Information continued

Dual Pricing Arrangement

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Fund. Where the Manager operates a box through which unit subscriptions and unit redemptions are netted into a single trade instruction to the Trustee, the netting reduces the actual transaction costs and this generates a revenue to the Manager. The revenue generated from this activity is calculated on a monthly basis and returned to the Fund in the form of a payment from the Manager. This provides an enhanced return to the Fund, though the size of any return will be dependent on the size of subscriptions and redemptions.

Assessment of Value

We will be publishing Assessment of Value reports for our funds on legalandgeneral.com and lgim.com on 30 April 2020. Please look out for further information nearer the time.

Significant Changes

Change in Investment Objective and Policy

In line with the updated rules and guidance for the asset management industry published by the Financial Conduct Authority (FCA) in February 2019, we have clarified the Investment Objectives and Policies for our UK regulated funds.

The revised Investment Objective and Policy came into effect on 7 August 2019. The previous and revised Investment Objective and Policy are set out on page 2.

Publication of Short Report Discontinued

With effect from 20 September 2019, the Short Report for this Fund will no longer be issued.

General Information continued

Authorised Fund Manager

Legal & General (Unit Trust Managers) Limited
Registered in England and Wales No. 01009418
Registered office:
One Coleman Street,
London EC2R 5AA
Telephone: 0370 050 3350
Authorised and regulated by the Financial Conduct Authority

Directors of the Manager

E. Cowhey* (appointed 9 October 2019)
A. J. C. Craven
S. Hynes
H. Morrissey
H. Solomon
L. W. Toms
A. R. Toutouchi*
M. J. Zinkula (resigned 15 July 2019)
*Non-executive Director

Secretary

J. McCarthy

Registrar

Legal & General (Unit Trust Managers) Limited
P.O. Box 6080,
Wolverhampton WV1 9RB
Authorised and regulated by the Financial Conduct Authority

Dealing: 0370 050 0956
Enquiries: 0370 050 0955
Registration: 0370 050 0955

Call charges will vary. We may record and monitor calls.

Trustee

Northern Trust Global Services SE UK Branch
Trustee and Depositary Services
50 Bank Street,
Canary Wharf,
London E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Independent Auditors

KPMG LLP
15 Canada Square,
London E14 5GL

Investment Adviser

Legal & General Investment Management Limited
One Coleman Street,
London EC2R 5AA
Authorised and regulated by the Financial Conduct Authority

**Authorised and regulated by the
Financial Conduct Authority**

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