

Legal & General European Trust

**Interim Manager's Report
for the period ended
28 January 2018
(Unaudited)**

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Manager's Investment Report

Investment Objective and Policy

The investment objective of the Trust is to secure capital growth from a portfolio exclusively invested directly or indirectly in European securities, other than those of the UK, which may be selected from all economic sectors.

The Manager will select those securities that generally reflect both leading industrial and commercial concerns as well as opportunities offered by newly emerging companies.

Manager's Investment Report

During the six months under review, the bid price of the Trust's E-Class distribution units rose by 3.71%. This compares to a 4.28% rise, in Sterling terms on a capital only basis, in the FTSE World Europe (excluding UK) Index (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

Globally, equity markets have made further gains over the last six months, reflecting a steady improvement in global economic indicators and earnings growth that has exceeded expectations. Investors have favoured technology stocks in anticipation of an upturn in the semiconductor industry, while earnings announcements from the major technology companies, particularly in the US, have also been encouraging. Mining stocks have performed well as commodity markets rallied, while energy stocks also outperformed as the oil price climbed to a three-year high above \$70/barrel in January. In contrast, utilities, real estate and telecoms, that are sectors more sensitive to bond markets, underperformed. US equities ended the review period at an all-time high, boosted by congressional approval for the Trump administration's tax reforms which included a substantial cut in corporation tax. The UK equity market ended 2017 on a positive note, as progress in Brexit negotiations with the European Union underpinned investor confidence, before faltering in January, underperforming international markets over the review period.

In Europe, although corporate results have highlighted improving earnings momentum and indicators suggest regional economic activity is accelerating, markets trailed the World Index, as political concerns resurfaced. Talks to form a coalition government in Germany have been protracted, while in Spain regional elections in Catalonia failed to resolve the independence issue. More broadly, emerging markets have outperformed developed markets, supported by the improving global economic backdrop and underlying corporate earnings growth.

Trust Review

The Trust delivered a positive return over the period. Stock selection helped drive returns, led by portfolio holdings in the materials and consumer services sectors. Our relative overweight allocation to the technology sector weighed on returns early in the period but this was reversed towards the end.

Ferrari contributed positively in the period. With an aspiration luxury brand, this has been an exceptionally strong performer for the Trust since we initiated a position. We believe that management are gearing for the next long-term growth phase, given that demand tends to outstrip supply and costs via its superior pricing power.

Manager's Investment Report continued

In terms of trading, we introduced spirits company Davide Campari-Milano, where we see superior top-line growth and potential for margin expansion. Aperol and Grand Marnier brands are in a strong position, with scope for more value-added M&A. We also reduced our sector underweight in healthcare, driven by our purchase of Novo Nordisk. We consider this a good, long term growth story. Finally, we switched our semiconductor exposure, from Dialog to ams. We have preference for the latter, given attractive exposure to long-term themes, where we anticipate greater opportunities in 3D sensing.

Outlook

Following a strong 2017, we see potential for another year of double-digit earnings growth. European margins are still below pre-crisis levels, which leave scope for improvement. Additionally, M&A and corporate buybacks should provide additional support to EPS growth. Equities are not cheap overall, but attractive relative to fixed income and sector dispersion remains. In terms of risk, we are cognisant of a potential fiscal drag from the ECB beyond September 2018.

Legal & General Investment Management Limited
(Investment Adviser)
16 February 2018

Authorised Status

Authorised Status

This Trust 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)



S. D. Thomas
(Director)

Legal & General (Unit Trust Managers) Limited
16 March 2018

Portfolio Statement

Portfolio Statement as at 28 January 2018

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 28 July 2017.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM — 0.00% (2.54%)		
	CONTINENTAL EUROPE — 95.70% (94.35%)		
	Austria — 4.87% (1.92%)		
69,300	ams	3,945,013	2.50
630,000	KTM Industries	3,725,368	2.37
		<hr/>	<hr/>
		7,670,381	4.87
	Belgium — 3.21% (2.81%)		
130,620	Umicore	5,053,445	3.21
	Denmark — 7.95% (6.25%)		
95,250	Novo Nordisk	3,901,010	2.48
64,360	Pandora	4,382,590	2.78
88,000	Vestas Wind Systems	4,233,661	2.69
		<hr/>	<hr/>
		12,517,261	7.95
	Finland — 5.53% (8.11%)		
95,595	BasWare	3,463,462	2.20
205,596	Ferratum	5,241,127	3.33
		<hr/>	<hr/>
		8,704,589	5.53
	France — 17.95% (12.63%)		
320,000	Credit Agricole	4,307,859	2.74
147,184	Maisons du Monde	4,903,386	3.11
39,211	Remy Cointreau	3,611,499	2.29
61,175	Schneider Electric	4,013,029	2.55
123,480	Tarkett	3,447,484	2.19
22,493	Teleperformance	2,403,565	1.53
98,900	Valeo	5,575,984	3.54
		<hr/>	<hr/>
		28,262,806	17.95
	Germany — 26.30% (20.10%)		
82,800	Daimler	5,381,733	3.42
163,630	Delivery Hero	4,828,439	3.07
39,857	Hella GmbH & Co	2,033,838	1.29
309,412	HelloFresh	3,182,069	2.02
236,600	Infineon Technologies	4,909,882	3.12
79,800	KION Group	5,195,800	3.30
67,010	SAP	5,341,769	3.39
113,000	Scout24	3,685,636	2.34
239,758	Vapiano	4,877,038	3.10
108,800	Varta	1,977,592	1.25
		<hr/>	<hr/>
		41,413,796	26.30
	Italy — 11.15% (8.72%)		
234,000	Assicurazioni Generali	3,295,166	2.09
825,000	Davide Campari-Milano	4,595,172	2.92

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Italy — (cont.)		
92,675	Luxottica Group	4,166,745	2.65
349,270	UniCredit	5,500,789	3.49
349,270	UniCredit Rights	1,473	—
		<hr/> 17,559,345	<hr/> 11.15
	Luxembourg — 4.70% (3.28%)		
161,506	ArcelorMittal	4,187,668	2.66
255,000	Tenaris	3,214,656	2.04
		<hr/> 7,402,324	<hr/> 4.70
	Netherlands — 8.42% (11.77%)		
46,100	ASML	6,618,536	4.20
62,010	Ferrari	5,167,314	3.28
2,100,000	Fyber	1,433,683	0.91
2,300,000	Sequa Petroleum	38,151	0.03
		<hr/> 13,257,684	<hr/> 8.42
	Norway — 0.00% (1.32%)		
	Spain — 3.31% (7.64%)		
95,000	Amadeus IT Group	5,213,449	3.31
	Sweden — 0.00% (2.90%)		
	Switzerland — 2.31% (6.90%)		
249,000	UBS Group	3,629,633	2.31
	Portfolio of investments¹	<hr/> 150,684,713	<hr/> 95.70
	Net other assets	6,769,114	4.30
	Total net assets	<hr/> £157,453,827	<hr/> 100.00%

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

Total purchases for the period: £54,544,509.

Total sales for the period: £57,965,150.

Financial Statements

Statement of Total Return for the period ended 28 January 2018

	28/01/18		28/01/17	
	£	£	£	£
Income				
Net capital gains		7,080,769		10,789,065
Revenue	242,388		1,093,767	
Expenses	(1,393,807)		(1,269,834)	
Interest payable and similar charges	(5,943)		(7,295)	
Net expense before taxation	(1,157,362)		(183,362)	
Taxation	(37,901)		(23,401)	
Net expense after taxation for the period		(1,195,263)		(206,763)
Total return before distributions		5,885,506		10,582,302
Distributions		—		(69,079)
Change in net assets attributable to Unitholders from investment activities		£5,885,506		£10,513,223

Statement of Change in Net Assets attributable to Unitholders for the period ended 28 January 2018

	28/01/18		28/01/17	
	£	£	£	£
Opening net assets attributable to Unitholders		151,724,424		164,749,169
Amounts received on issue of units	2,211,695		437,728	
Amounts paid on cancellation of units	(2,367,798)		(38,097,955)	
Change in net assets attributable to Unitholders from investment activities		(156,103)		(37,660,227)
Closing net assets attributable to Unitholders		£157,453,827		£137,602,165

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 28 January 2018

	28/01/18 £	28/07/17 £
ASSETS		
Fixed assets:		
Investments	150,684,713	147,007,923
Current assets:		
Debtors	6,308,330	5,482,263
Cash and bank balances	4,976,462	4,594,956
Total assets	161,969,505	157,085,142
LIABILITIES		
Creditors:		
Bank overdrafts	(2,345,590)	(901,756)
Distributions payable	—	(164,275)
Other creditors	(2,170,088)	(4,294,687)
Total liabilities	(4,515,678)	(5,360,718)
Net assets attributable to Unitholders	£157,453,827	£151,724,424

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 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.

Trust Information

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	792,875	175,905	450.74
Accumulation Units	37,879,531	7,632,451	496.30
E-Class			
Distribution Units	111,030,049	24,640,267	450.60
Accumulation Units	1,708,107	344,197	496.26
F-Class			
Distribution Units	641	141	454.61
Accumulation Units	15,610	3,056	510.80
I-Class			
Distribution Units	1,936,751	424,072	456.70
Accumulation Units	4,090,263	783,672	521.94

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

	28 Jan 18	28 Jul 17
R-Class	1.68%	1.85%
E-Class	1.68%	1.85%
F-Class	1.18%	1.35%
I-Class	0.87%	0.96%

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

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

Distribution Information

The policy is to distribute, on an annual basis, all available revenue, after deduction of those expenses which are chargeable in calculating the distribution. This being the case, there is no interim distribution.

Risk and Reward Profile



- This risk and reward profile is based on historical data which may not be a reliable indication of the Trust's risk and reward category in the future.
- The category number highlighted above reflects the rate at which the Trust's unit price has moved up and down in the past. If the Trust has less than 5 years' track record, the number also reflects the rate at which a representative benchmark has moved up and down in the past. Higher numbers mean the potential reward could be greater, but this comes with increased risk of losing money.
- The Trust is in category six 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.
- The Trust's category is not guaranteed to remain the same and may change over time.
- Even a trust in the lowest category is not a risk free investment.

General Information

Constitution

Launch date:	9 September 1985
Period end date for distribution:	28 July
Distribution date:	28 September
Minimum initial lump sum investment:	R-Class £500 E-Class £100,000 F-Class* £500 I-Class £1,000,000
Minimum monthly contributions:	R-Class £50 E-Class N/A F-Class* £50 I-Class N/A
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.56%† (1.85% Prior to 2 January 2018) E-Class Annual 1.56%† (1.85% Prior to 2 January 2018) F-Class* Annual 1.06%† (1.35% Prior to 2 January 2018) I-Class Annual 0.81%† (0.96% Prior to 2 January 2018)
Initial charges:	R-Class Nil E-Class Nil F-Class* Nil I-Class Nil

* F-Class units are only available to:

- (i) investors who have received advice from authorised intermediaries and platforms in relation to their investment in units in the Trust and
- (ii) authorised intermediaries or distributors who the Manager reasonably considers will adequately bear the costs of marketing to and acquiring investors at no or limited cost to the Manager, and to whom the Manager has confirmed that such distributor or investor meets the criteria for investment in such units.

† With effect from 2 January 2018 - See Significant Changes on page 13.

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.

General Information continued

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.

ISA Status

This Trust may be held within this tax advantaged savings arrangement. The favourable tax treatment of ISAs may not be maintained. For full written information, please contact your usual financial adviser or ring 0370 050 0955.

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

Prospectus and Manager's Reports

The Manager will send to all persons on the Unitholder Register annual and interim short form 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.

Dual Pricing Arrangement

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Trust. 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 Trust in the form of a payment from the Manager. This provides an enhanced return to the Trust, though the size of any return will be dependent on the size of subscriptions and redemptions.

Significant Changes

Reduction of FMF

With effect from 2 January 2018, the Fund Management Fees (FMF) have been reduced as follows:

	Old FMF	New FMF
R-Class	1.85%	1.56%
E-Class	1.85%	1.56%
F-Class	1.35%	1.06%
I-Class	0.96%	0.81%

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

R. M. Bartley
A. J. C. Craven
S. Hynes
H. Morrissey (appointed 5 July 2017)
H. Solomon
S. D. Thomas
L. W. Toms
A. R. Toutouchi*
M. J. Zinkula

*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 Limited
Trustee and Depository Services
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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

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Investment Adviser

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One Coleman Street,
London EC2R 5AA
Authorised and regulated by the Financial Conduct Authority

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Financial Conduct Authority**

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