

Legal & General European Trust

**Interim Manager's Report  
for the period ended  
28 January 2017  
(Unaudited)**

**EVERY  
DAY  
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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 period under review, the bid price of the Trust's E-Class distribution units rose by 7.65%. This compares to a 10.41% 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 significant gains over the last six months, shrugging off the shock of the UK referendum vote to leave the European Union in June. In the UK, equities were led higher by globally focused large cap stocks, as Sterling's depreciation was positive for international earnings. More domestically-focused mid-cap and smaller companies also performed well as indicators suggested the UK economy has weathered the post-referendum volatility well.

In the autumn, the US presidential election was the focus of attention and Donald Trump's victory led investors to discount the prospect of fiscal stimulus in the form of increased infrastructure spending and tax cuts. Although the strengthening Dollar remains a significant impediment for revenue growth, the latest quarterly earnings season has been broadly encouraging with results from leading IT and banking stocks exceeding forecasts. Financials have also been boosted by expectations that the new Republican administration will loosen the regulatory regime for the banking sector. Following the US election, the Dollar rebounded sharply against the Yen, which provided a significant boost to Japanese stocks, particularly major exporting companies.

In Europe, corporate results generally exceeded low expectations, although this was mainly due to cost cutting. Concerns over the fragility of the European banking system resurfaced with Deutsche Bank in the spotlight, although Germany's leading bank subsequently reported it had returned to profit during the third quarter. Asia Pacific and emerging markets gained ground as commodity prices rallied and concerns over the economic background in China abated. However, indications that the incoming Trump administration would herald a protectionist approach to US trade policy preoccupied investors at the turn of the calendar year.

# Manager's Investment Report continued

## Trust Review

The Trust delivered a positive return over the review period, but underperformed the benchmark Index. Stock selection weighed on relative returns, driven by some of our positions in the technology and consumer services sectors. Our underweight position in the healthcare sector weighed on performance initially but came to contribute positively over the rest of the period.

European Banks defied expectations and rallied hard at the start of the review period, particularly those with rising payouts, top-line growth and sustainable dividends, which meant significant performance contributions from financial names. Bank of Ireland, CaixaBank and Société Générale continued to contribute over the review period as part of a wider rally in value stocks. Pharmaceutical Novo Nordisk weighed on returns, after the group reported weak sales against a backdrop of intensifying pricing pressures and competition in the insulin diabetes market in the US. There was also a contract loss in the US for NovoLog.

In terms of trading activity, we introduced new positions in Dassault Systems, Credit Agricole and Publicis Group. We also introduced specialist performance eyewear designer Luxottica to the Trust, which rallied well in the last few months of 2016. On the flipside, we sold our positions in Capgemini, Bank of Ireland and Novo Nordisk and took profits from Vestas Wind Systems and ING Groep.

## Outlook

We see steady global growth continuing in 2017, aided by increasingly supportive US government spending. While global equity markets have been buoyed by diminishing deflation concerns, the perception of a 'goldilocks' economy, with good growth and low inflation, might prove short lived. Equity markets could be well on their way to anticipating the next global recession by the end of the year.

Financial conditions remain exceptionally loose in the Eurozone, with the European Central Bank expected to announce an extension to its asset purchase programme. Investor sentiment surveys suggest that growth will remain at a reasonable pace, while unemployment is falling in most European countries. However, European equities face the dual headwinds of the uncertain macroeconomic environment and political risks in the months and quarters ahead, as voters in several countries will be heading to the polls.

Legal & General Investment Management Limited  
(Investment adviser)  
16 February 2017

## Authorised Status

### Authorised Status

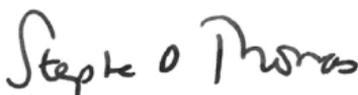
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

### 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 2017

## Portfolio Statement

### Portfolio Statement as at 28 January 2017

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent country holdings at 28 July 2016.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>IRELAND — 0.00% (2.31%)</b>		
	<b>CONTINENTAL EUROPE — 96.43% (94.19%)</b>		
	<b>Austria — 1.42% (0.00%)</b>		
59,476	Porr	1,959,084	1.42
	<b>Cyprus — 0.00% (2.45%)</b>		
	<b>Denmark — 6.99% (11.88%)</b>		
50,650	Pandora	5,232,876	3.80
80,000	Vestas Wind Systems	4,386,361	3.19
		<b>9,619,237</b>	<b>6.99</b>
	<b>Finland — 8.94% (9.24%)</b>		
123,158	Basware	3,621,143	2.63
301,400	Ferratum Oyj	4,244,501	3.09
127,235	Kone Oyj	4,435,808	3.22
		<b>12,301,452</b>	<b>8.94</b>
	<b>France — 22.20% (20.02%)</b>		
427,450	Credit Agricole	4,522,461	3.29
66,420	Dassault Systems	4,039,563	2.94
170,937	Maisons du Monde	3,821,977	2.78
87,000	Publicis Group	4,820,581	3.50
123,300	Société Générale	4,969,821	3.61
150,000	Tarkett	4,667,613	3.39
49,815	Thales	3,703,783	2.69
		<b>30,545,799</b>	<b>22.20</b>
	<b>Germany — 16.52% (15.39%)</b>		
43,500	Aurelius Equity Opportunities	2,163,842	1.57
40,850	HeidelbergCement	3,189,194	2.32
50,000	Hella Hueck	1,639,488	1.20
338,000	Infineon Technologies	4,896,911	3.56
87,577	KION Group	4,161,358	3.02
38,500	SAP	2,783,008	2.02
137,569	Scout24	3,891,683	2.83
		<b>22,725,484</b>	<b>16.52</b>
	<b>Italy — 10.57% (2.96%)</b>		
412,200	Leonardo	4,375,183	3.18
92,675	Luxottica	3,961,577	2.88
138,000	Unicredit	3,314,556	2.41
140,700	Yoox Net-A-Porter Group	2,894,404	2.10
		<b>14,545,720</b>	<b>10.57</b>
	<b>Luxembourg — 3.25% (2.12%)</b>		
688,800	Arcelormittal	4,476,565	3.25
	<b>Netherlands — 10.79% (15.05%)</b>		
323,486	Altice	5,574,003	4.05
450,000	ING Groep	5,204,510	3.78

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>Netherlands — (cont.)</b>		
2,100,000	RNTS Media NV	3,906,102	2.84
2,300,000	Sequa Petroleum	156,995	0.12
		<hr/>	<hr/>
		14,841,610	10.79
	<b>Norway — 4.72% (4.25%)</b>		
306,150	Marine Harvest	4,317,301	3.14
145,060	Statoil	2,170,357	1.58
		<hr/>	<hr/>
		6,487,658	4.72
	<b>Spain — 3.24% (3.35%)</b>		
170,240	Inditex	4,459,311	3.24
	<b>Sweden — 5.56% (2.62%)</b>		
260,000	Assa Abloy	3,953,483	2.87
116,870	Hexagon	3,697,614	2.69
		<hr/>	<hr/>
		7,651,097	5.56
	<b>Switzerland — 2.23% (4.86%)</b>		
7,745	Partners Group	3,072,564	2.23
	<b>Portfolio of investments</b>	<hr/>	<hr/>
		132,685,581	96.43
	<b>Net other assets</b>	<hr/>	<hr/>
		4,916,584	3.57
	<b>Total net assets</b>	<hr/>	<hr/>
		£137,602,165	100.00%

Total purchases for the period: £80,623,925.

Total sales for the period: £117,665,400.

# Financial Statements

## Statement of Total Return for the period ended 28 January 2017

	28/01/17		28/01/16	
	£	£	£	£
<b>Income</b>				
<b>Net capital gains/(losses)</b>		10,789,065		(9,569,006)
<b>Revenue</b>		1,093,767		345,204
<b>Expenses</b>		(1,269,834)		(1,283,012)
<b>Interest payable and similar charges</b>		(7,295)		(1,041)
<b>Net expense before taxation</b>		(183,362)		(938,849)
<b>Taxation</b>		(23,401)		(33,570)
<b>Net expense after taxation for the period</b>		(206,763)		(972,419)
<b>Total return before distributions</b>		10,582,302		(10,541,425)
<b>Distributions</b>		(69,079)		(1,812)
<b>Change in net assets attributable to Unitholders from investment activities</b>		<b>£10,513,223</b>		<b>£(10,543,237)</b>

## Statement of Change in Net Assets attributable to Unitholders for the period ended 28 January 2017

	28/01/17		28/01/16	
	£	£	£	£
<b>Opening net assets attributable to Unitholders</b>		164,749,169		157,180,583
<b>Amounts received on issue of units</b>		437,728		1,395,298
<b>Amounts paid on cancellation of units</b>		(38,097,955)		(2,600,706)
		(37,660,227)		(1,205,408)
<b>Change in net assets attributable to Unitholders from investment activities</b>		10,513,223		(10,543,237)
<b>Unclaimed distributions</b>		—		62
<b>Closing net assets attributable to Unitholders</b>		<b>£137,602,165</b>		<b>£145,432,000</b>

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 2017

	28/01/17	28/07/16
	£	£
<b>ASSETS</b>		
<b>Fixed assets:</b>		
Investments	132,685,581	158,983,260
<b>Current assets:</b>		
Debtors	3,314,883	2,782,313
Cash and bank balances	3,817,605	5,979,860
<b>Total assets</b>	<b><u>139,818,069</u></b>	<b><u>167,745,433</u></b>
<b>LIABILITIES</b>		
<b>Investment liabilities</b>	—	—
<b>Creditors:</b>		
Bank overdrafts	(1,223,183)	(1,926,431)
Distributions payable	—	(2,474)
Other creditors	(992,721)	(1,067,359)
<b>Total liabilities</b>	<b><u>(2,215,904)</u></b>	<b><u>(2,996,264)</u></b>
<b>Net assets attributable to Unitholders</b>	<b><u>£137,602,165</u></b>	<b><u>£164,749,169</u></b>

# 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 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)
E-Class			
Distribution Units	98,144,823	25,256,413	388.59
Accumulation Units	1,587,544	371,407	427.44
R-Class			
Distribution Units	588,799	151,519	388.60
Accumulation Units	34,438,448	8,056,880	427.44
I-Class			
Distribution Units	676,601	171,780	393.88
Accumulation Units	2,150,068	482,790	445.34
F-Class			
Distribution Units	553	141	392.20
Accumulation Units	15,329	3,502	437.72

**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 17	28 Jul 16
E-Class	1.85%	1.75%
R-Class	1.85%	1.75%
I-Class	0.96%	0.86%
F-Class	1.35%	1.25%

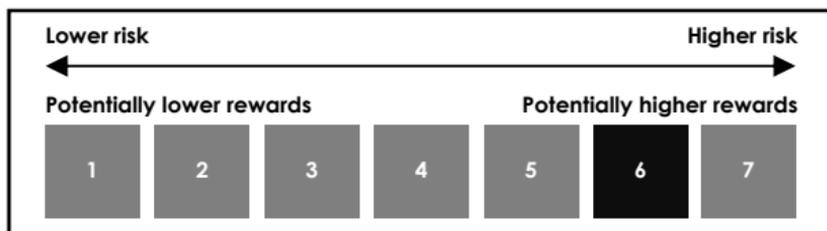
The Ongoing Charges Figure (OCF) is the ratio of the Trust's total discloseable costs (excluding overdraft interest) to the average net assets of the Trust.

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 is based on the rate at which the value of the Trust has moved up and down in the past.
- This Trust is in category six because it invests in European company shares which generally provide higher rewards and higher risks than other investments such as bonds, cash or commercial property.
- 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:	E-Class £100,000 R-Class £500 I-Class £1,000,000 F-Class* £500
Minimum monthly contributions:	E-Class N/A R-Class £50 I-Class N/A F-Class* £50
Valuation point:	12 noon
Fund management fees:	E-Class Annual 1.85% R-Class Annual 1.85% I-Class Annual 0.96% F-Class* Annual 1.35%
Initial charges:	E-Class Nil R-Class 5% I-Class Nil F-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.

### Pricing and Dealing

The prices are published on the internet at [www.legalandgeneral.com/investments/fund-information/daily-fund-prices](http://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](http://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.

### **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.

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

### **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. With effect from 1 January 2016, 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, through the size of any return will be dependent on the size of subscriptions and redemptions.

## 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

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

### Directors of the Manager

R. M. Bartley

A. J. C. Craven

S. Hynes

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 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

## **General Information continued**

### **Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

### **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**

Legal & General  
(Unit Trust Managers) Limited  
Registered in England and Wales No. 01009418  
Registered office:  
One Coleman Street,  
London EC2R 5AA  
[www.legalandgeneral.com](http://www.legalandgeneral.com)

