

Legal & General European Trust

**Interim Manager's Report
for the period ended
28 January 2019
(Unaudited)**



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Manager's Investment Report

Investment Objective and Policy

The 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.

The Trust may hold derivatives for the purpose of Efficient Portfolio Management.

Manager's Investment Report

During the period under review, the bid price of the Trust's R-Class distribution units fell by 17.34%. This compares to a 10.23% fall, 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

Global equity indices have performed poorly over the review period. Markets became increasingly volatile as the year ended, recording heavy losses before regaining some lost ground in January. Concerns that the Federal Reserve was raising US interest rates too quickly, the risk of a prolonged government shutdown in the US, the ongoing US-China trade dispute and weaker global economic indicators all combined to trigger widespread risk aversion amongst investors. The healthcare sector outperformed the broader global equities, boosted by robust earnings growth. As global economic prospects became more uncertain, technology stocks struggled while the energy sector lagged behind the equity market, as the oil price fell back to a 15-month low in December.

Returns from European equities have also been disappointing over the review period. Political concerns have resurfaced, most notably in Italy. The new coalition government comprising the populist Five Star Movement and the Northern League appeared set on a collision course with the European Central Bank over its spending plans, which threatened to breach the latter's fiscal deficit limits, before finally reaching an agreement in December. This reawakened the debate on the existential future of the Eurozone. As a result, renewed fears of contagion risk drove down financial stocks, notably banks. The European Central Bank (ECB) acknowledged the weaker momentum of the Eurozone economy, which grew at its slowest rate since the second quarter of 2014 during the three months to September, as the German economy contracted for the first time in three-and-a-half years while Italy slipped into recession.

Trust Review

Against a difficult market environment, the Trust delivered a negative return. Stock selection was a large driver of returns. Cyclical and mid-caps were the major detractors while autos, retailers and tech hardware had a large negative impact on returns. Sector positioning was also negative including our underweight position in the healthcare sector; however, this was partially offset by our underweight allocation to banks. Our exposure to Germany and Switzerland were drags on relative performance at a country level, while stocks AMS, Ferratum and Home24 also hindered performance.

Manager's Investment Report continued

Payments processor business Adyen was a positive contributor. Having seen the shares de-rate during the fourth quarter, we maintained faith given their considerable exposure to larger global merchants, which reduces some of the cyclical risk, and the conservative consensus growth expectations from the market. Adyen continues to benefit from the secular global move towards digital payments as it looks to increase aggregate total payment volumes from existing clients.

In respect of trading activity, we exited our positions in Atlas Copco and Hella GmbH & Co. This was driven by growing concerns over the cyclicity of both businesses and signs of a slowdown in their respective end markets. We opened positions in Westwing Group and luxury retailer Moncler. Conversely, we sold out of footwear giant Adidas, Pandora and Sequa Petroleum.

We introduced a new position in seismic company Petroleum Geo-Services (PGS). The company provides imaging and 3D data about subsurface terrain on the ocean bed to global oil companies. Based on our expectations for an increase in exploration & production (E&P) spending, this move proved well-timed after the company's share price rallied following a strong fourth quarter update. The management reported its best quarter ever for multi-client sales, leading to higher full-year earnings. On the market outlook, this was also robust, with the company forecasting higher activity and pricing in the contract market this year. Cashflow generation is also expected to increase in 2019.

Outlook

Looking ahead, while we maintain the view that economic fundamentals remain generally positive, the biggest risk is that markets could well bring about a self-fulfilling prophecy. Growing fears over the downside of fiscal stimulus, end of cycle worries and the potential for a recession in 2019 are exacerbated by potential political mistakes across Europe that threaten to depress market and business sentiment.

While we acknowledge a slowdown in economic growth, this correction does not automatically mean recession. Eurozone forecasts were under pressure for most of 2018 in the face of a slowing domestic economy, and those forces intensified during the final quarter. Revisions trends suggest they will likely remain negative through the first quarter of 2019, though we could also see opportunity for a number of stocks to surprise on the upside, given robust fundamentals from a bottom-up perspective. We feel that slower growth is now a 'known known' and there is clear value in areas of the European market. In this context, we remain optimistic that a less negative narrative can unfold and boost markets as we move through 2019.

Legal & General Investment Management Limited
(Investment Adviser)
19 February 2019

Authorised Status

Authorised Status

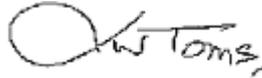
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

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)



L. W. Toms
(Director)

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

Portfolio Statement

Portfolio Statement as at 28 January 2019

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 3 August 2018.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
CONTINENTAL EUROPE			
— 98.39% (99.19%)			
Austria — 4.80% (6.27%)			
117,355	AMS	2,482,548	1.86
81,620	KTM Industries	3,928,649	2.94
		6,411,197	4.80
Belgium — 3.40% (3.65%)			
143,620	Umicore	4,547,134	3.40
Denmark — 7.54% (7.12%)			
137,350	Novo Nordisk	4,807,322	3.60
88,000	Vestas Wind Systems	5,271,018	3.94
		10,078,340	7.54
Finland — 4.59% (4.37%)			
115,369	BasWare	3,824,903	2.86
284,414	Ferratum	2,307,972	1.73
		6,132,875	4.59
France — 11.34% (10.99%)			
35,291	Rémy Cointreau	3,062,894	2.29
33,750	Teleperformance	4,402,513	3.30
64,191	Ubisoft Entertainment	4,342,127	3.25
140,000	Valeo	3,336,541	2.50
		15,144,075	11.34
Germany — 25.66% (30.50%)			
114,300	Daimler	5,201,086	3.89
119,580	Delivery Hero	3,428,993	2.57
164,609	Home24	1,274,772	0.95
285,000	Infineon Technologies	4,896,303	3.67
79,800	KION Group	3,594,498	2.69
66,900	SAP	5,364,954	4.02
234,387	Vapiano	1,261,227	0.94
214,355	Varia	5,849,033	4.38
227,039	Westwing Group	3,408,902	2.55
		34,279,768	25.66
Italy — 8.99% (5.57%)			
240,675	Assicurazioni Generali	3,231,389	2.42
680,800	Davide Campari-Milano	4,602,830	3.44
157,700	Moncler	4,182,664	3.13
		12,016,883	8.99
Luxembourg — 4.98% (5.15%)			
207,291	ArcelorMittal	3,663,809	2.74

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
Luxembourg — (cont.)			
315,000	Tenaris	2,990,858	2.24
		6,654,667	4.98
Netherlands — 12.83% (10.09%)			
11,072	Adyen	6,393,101	4.79
43,500	ASML	5,788,366	4.33
55,390	Ferrari	4,690,943	3.51
1,531,652	Fyber	269,851	0.20
		17,142,261	12.83
Norway — 0.82% (0.00%)			
732,445	Petroleum Geo-Services	1,097,004	0.82
Spain — 4.90% (4.69%)			
70,470	Amadeus IT Group	3,914,283	2.93
373,998	Euskaltel	2,630,815	1.97
		6,545,098	4.90
Sweden — 2.53% (4.68%)			
457,500	Epiroc 'A'	3,378,044	2.53
Switzerland — 6.01% (6.11%)			
84,615	Sensirion	3,080,548	2.30
498,300	UBS Group	4,951,655	3.71
		8,032,203	6.01
Portfolio of investments¹		131,459,549	98.39
Net other assets		2,147,369	1.61
Total net assets		£133,606,918	100.00%

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

Total purchases for the period: £22,755,180.

Total sales for the period: £25,035,130.

Financial Statements

Statement of Total Return for the period ended 28 January 2019

	28/01/19		28/01/18	
	£	£	£	£
Income				
Net capital (losses)/ gains		(27,266,438)		7,080,769
Revenue	168,989		242,388	
Expenses	(1,070,846)		(1,393,807)	
Interest payable and similar charges	(859)		(5,943)	
Net expense before taxation	<u>(902,716)</u>		<u>(1,157,362)</u>	
Taxation	(22,591)		(37,901)	
Net expense after taxation for the period		<u>(925,307)</u>		<u>(1,195,263)</u>
Total return before distributions		<u>(28,191,745)</u>		<u>5,885,506</u>
Distributions		—		—
Change in net assets attributable to Unitholders from investment activities		<u>£(28,191,745)</u>		<u>£5,885,506</u>

Statement of Change in Net Assets attributable to Unitholders for the period ended 28 January 2019

	28/01/19		28/01/18	
	£	£	£	£
Opening net assets attributable to Unitholders		162,283,419		151,724,424
Amounts received on issue of units	1,494,911		2,211,695	
Amounts paid on cancellation of units	(1,979,667)		(2,367,798)	
		<u>(484,756)</u>		<u>(156,103)</u>
Change in net assets attributable to Unitholders from investment activities		<u>(28,191,745)</u>		<u>5,885,506</u>
Closing net assets attributable to Unitholders		<u>£133,606,918</u>		<u>£157,453,827</u>

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 2019

	28/01/19 £	03/08/18 ¹ £
ASSETS		
Fixed assets:		
Investments	131,459,549	160,975,002
Current assets:		
Debtors	810,798	687,275
Cash and bank balances	4,510,036	3,836,436
Total assets	<u>136,780,383</u>	<u>165,498,713</u>
LIABILITIES		
Creditors:		
Bank overdrafts	(2,903,531)	(2,261,248)
Distributions payable	—	(8,256)
Other creditors	(269,934)	(945,790)
Total liabilities	<u>(3,173,465)</u>	<u>(3,215,294)</u>
Net assets attributable to Unitholders	<u>£133,606,918</u>	<u>£162,283,419</u>

¹ The Trust's final accounting date, usually 28 July, was moved to 3 August 2018 in order to facilitate the closure of E-Class (See significant changes on page 13).

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.

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	96,720,701	25,458,383	379.92
Accumulation Units	31,903,008	7,624,338	418.44
F-Class			
Distribution Units	543	141	385.11
Accumulation Units	14,258	3,294	432.85
I-Class			
Distribution Units	1,476,722	382,353	386.22
Accumulation Units	3,489,985	787,458	443.20
C-Class			
Distribution Units	847	2,000	42.35
Accumulation Units	854	2,000	42.70

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 19	3 Aug 18 ¹
R-Class	1.56%	1.69%
E-Class ¹	—	1.69%
F-Class	1.06%	1.18%
I-Class	0.81%	0.88%
C-Class	0.60%	0.60%

¹ The Trust's final accounting date, usually 28 July, was moved to 3 August 2018 in order to facilitate the closure of E-Class (See significant changes on page 13).

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



- The Risk and Reward Indicator table demonstrates where the Trust 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 Trust. The shaded area in the table above shows the Trust's ranking on the Risk and Reward Indicator.
- 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.
- 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 £100 F-Class* £500 I-Class £1,000,000 C-Class** £20,000,000
Minimum monthly contributions:	R-Class £20 F-Class* £50 I-Class N/A C-Class** N/A
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.56% F-Class* Annual 1.06% I-Class Annual 0.81% C-Class** Annual 0.60%
Initial charges:	Nil for all existing unit classes

* Class F units are available to:

- (i) investors who have received advice from authorised intermediaries, platforms or other distributors in relation to their investment in units in the Trust; and
- (ii) 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.

** 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.

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.

General Information continued

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

Closure of E-Class

As at 3 August 2018, the E-Class was closed. All unitholders in the E-Class as at 3 August 2018 have been moved into the R-Class which is identical to the E-Class. The terms and charges are identical between the classes.

Change of Accounting Date

The Trust's annual accounting date, usually 28 July, was moved to 3 August 2018 in order to facilitate the closure of E-Class as detailed above. The accounting date has reverted to its normal date after this event.

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 (resigned 31 December 2018)
A. J. C. Craven
S. Hynes
H. Morrissey
H. Solomon
S. D. Thomas (resigned 17 October 2018)
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 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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(Unit Trust Managers) Limited
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