

Legal & General European Trust
**Interim Manager's
Short Report**
for the period ended
28 January 2019



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.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Trust may suffer through holding market positions in the face of market movements. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Currency Risk

This Trust is invested in overseas financial securities. The performance of the Trust may therefore be affected by changes in exchange rates. This risk may be managed by the use of forward currency contracts, which aim to manage the effect of changing exchange rates.

Trust Facts

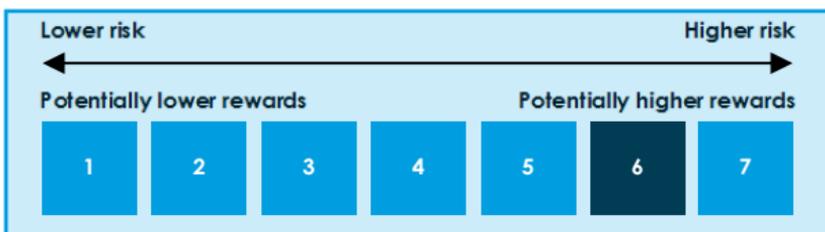
Period End Date for Distribution:		28 July
Distribution Date:		28 September
Ongoing Charges Figures:	28 Jan 19	3 Aug 18 ¹
R-Class	1.56%	1.69%
E-Class ¹	—	1.69%
F-Class	1.06%	1.18%
I-Class	0.81%	0.88%
C-Class	0.60%	0.60%

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 8).

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.

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.

Distribution Information

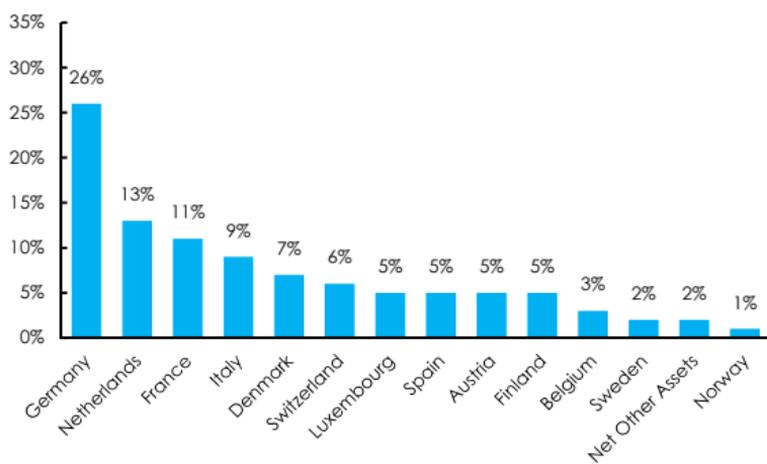
The policy is to distribute, on an annual basis, all available revenue, after deduction of those expenses which are chargeable in calculating the distribution. This being the case, there is no interim distribution.

Portfolio Information

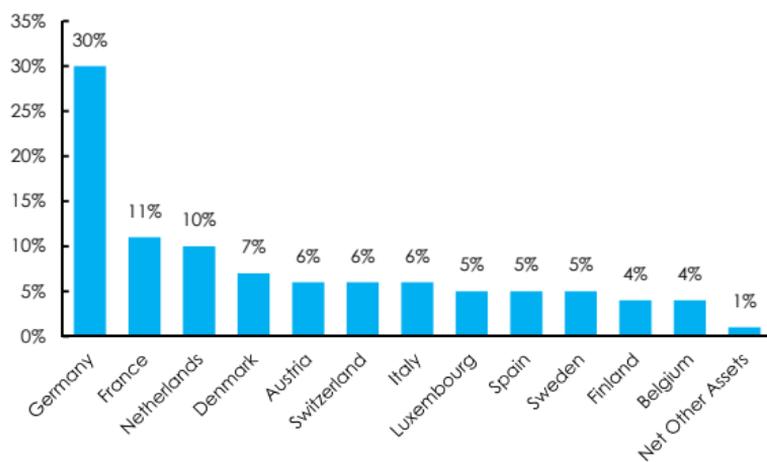
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 28 January 2019		Top 10 Holdings at 3 August 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Adyen	4.79%	ASML	4.24%
Varta	4.38%	SAP	4.15%
ASML	4.33%	Infineon Technologies	3.68%
SAP	4.02%	Umicore	3.65%
Vestas Wind Systems	3.94%	Daimler	3.63%
Daimler	3.89%	UBS Group	3.45%
UBS Group	3.71%	Ferrari	3.40%
Infineon Technologies	3.67%	AMS	3.28%
Novo Nordisk	3.60%	Amadeus IT	3.08%
Ferrari	3.51%	Ubisoft Entertainment	3.06%

Trust Holdings as at 28 January 2019



Trust Holdings as at 3 August 2018



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.

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).

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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.

Payments processor business Adyen was a positive contributor. Having seen the shares de-rate during the fourth quarter, we

Manager's Investment Report continued

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 cyclical nature 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

Manager's Report and Accounts

Copies of the most recent Interim and Annual Long Form Manager's Reports are available free of charge by telephoning 0370 050 0955, by writing to the Manager or are available on the internet at www.legalandgeneral.com/investments/fund-information/managers-reports.

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. 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.

Minimum Investment Amounts

The minimum initial lump sum investment amounts for each class are as follows:

R-Class	£100
F-Class	£500
I-Class	£1,000,000
C-Class	£20,000,000

In addition, monthly contributions can be made into the R-Class with a minimum amount of £20 per month and F-Class with a minimum amount of £50 per month.

Class F units are only 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.

Other Information

The information in this report is designed to enable unitholders to understand how the Trust has performed during the period under review and how it is invested at the period end. Further information on the activities and performance of the Trust can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

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

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 will revert to its normal date after this event.

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

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

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Financial Conduct Authority**

Legal & General
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