

Legal & General European Trust

**Interim Manager's Report  
for the period ended  
28 January 2020  
(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 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.

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

### From 7 August 2019

The objective of the Trust is to provide growth above that of the FTSE World Europe ex UK TR Net Index, the "Benchmark Index". The Trust aims to outperform the Benchmark Index by 4% per annum. This objective is before the deduction of any charges and measured over rolling three year periods.

The Trust is actively managed and invests at least 90% in the shares of European companies that the Manager believes have strong growth prospects. These are companies that are incorporated, listed, headquartered or which have their principal business activities in Europe excluding the UK.

Over a market cycle (typically 3 to 5 years), the Trust will comprise on average 20 to 50 companies selected by the Manager following research of each company. At times the Trust's portfolio may be concentrated.

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

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

The Trust may only 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 accumulation units rose by 2.68%. This compares to a 1.69% rise, in Sterling terms, in the FTSE World Europe (excluding UK) TR 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.**

## Manager's Investment Report continued

### Market/Economic Review

Global equity indices gained ground over the review period, despite volatility reasserting itself in August with an escalation in US-China trade tensions, and again in January following the outbreak of the coronavirus in China. Markets were underpinned by an accommodative stance from the major central banks with US Federal Reserve (Fed) sanctioning further interest rate cuts in September and October. As 2019 ended, equities received a further boost as the US and China reached a phase one trade agreement. For UK-based investors, Sterling's appreciation against other major currencies has substantially diluted gains from overseas equity markets.

European equity markets posted more modest gains, as the European Central Bank (ECB) announced it would recommence its monthly asset purchase programme, with effect from November, at €20 billion a month and maintain this policy until inflation returns to its 2% target. As 2019 ended, financials rebounded as the ECB introduced deposit tiering to reduce the impact of negative interest rates on banks' profitability. The ECB's policy loosening was in response to weakening economic indicators. The closely-watched Purchasing Managers' Index (PMI) for the Eurozone fell to a six-year low in September, while activity in Germany's manufacturing sector declined to its lowest level since mid-2009, as the country's export-led economy continued to suffer from global trade tensions and weakening growth.

### Trust Review

At the beginning of the reporting period, the Trust's exposure to several cyclical stocks detracted from performance as the spike in market volatility during August heralded an element of rotation towards more defensive stocks with less economically sensitive earnings. Holdings in Austrian chipmaker ams, Global Fashion Group, an emerging markets-focused online fashion retailer newly listed on the Frankfurt stock exchange, and Shop Apotheke Europe, which owns and operates online pharmacies in Germany, Austria and Switzerland, all lost ground in these market conditions.

Subsequently, rotation out of growth stocks, particularly evident for disruptive innovation and technology companies, weakened the Trust's holdings in Dutch fintech group Adyen and French video games publisher Ubisoft Entertainment. Remy Cointreau, the French beverages group, was another detractor on concerns that Cognac sales performance had been impacted by disruption in Hong Kong and travel-related retail sales. Meanwhile, negative sentiment over the impact of US tariffs on European spirits companies also weakened the share price with the environment slightly tougher than expected across the spirits sub-sector. However, we maintained conviction in Remy's strong spirits strategy, pricing potential in Cognac and the global opportunity for success across its portfolio of brands.

Looking at positive contributors to the Trust's performance, micro batteries business Varta continued its impressive outperformance. The long-term pricing and volume trajectory of the group remains on course for strong growth, while market share wins in the healthcare sector are additionally encouraging. Management expects further contracts and new customers to come through over the coming months.

The Trust's holding in Umicore rebounded strongly. The speciality chemicals business agreed a multi-year strategic supply agreement with LG Chem for the use of high end NMC (nickel-manganese-cobalt) cathode material, which is to be used in automotive applications. There is also an IP (intellectual property) sharing element to the agreement, though from Umicore's perspective, it actually enhances their IP leadership.

## Manager's Investment Report continued

On activity, we introduced new positions in Puma and TeamViewer. For Puma, the sportswear industry as a whole has favourable secular drivers for both revenue and profit margin growth, driven by growing participation in sports, increasing penetration into China, increasing prices and product mix shift to retail. Puma specifically has a long runway for top-line growth, with low market share globally despite its high brand awareness. There remains ample opportunity for the company to take shelf-space and increase store footprint in the US and in China as they re-establish their brand. Meanwhile, TeamViewer is a leading application software company which focuses on its global connectivity platform. The company recently successfully launched its IPO on the German exchange.

The Trust holdings in auto manufacturer Daimler, steelmaker ArcelorMittal and German meal-kit provider HelloFresh were sold during the reporting period, with the latter performing well on the back of an improvement in financial performance. The holdings in Daimler and ArcelorMittal were both sold on concerns over faltering global economic growth.

### Outlook

Looking ahead, we expect economic growth in the Eurozone to remain sluggish but stable. The region remains heavily dependent on export-led growth, and we take the view that the phase one US-China trade deal has reduced, rather than eliminated, the risk of a further escalation in trade frictions, particularly as simmering US-EU trade stresses could open a new front in the global trade spat. Meanwhile, the economic impact from the coronavirus remains difficult to assess and, despite greater post-election political clarity, uncertainties over the future UK-EU trading relationship are likely to persist. ECB monetary policy appears set to remain on hold, outside of a lurch towards recession. Eurozone wage inflation has picked up over the past year, reflecting low unemployment. Analysis suggests anchored inflation expectations mean corporate profit margins, rather than inflation, have become more sensitive to wage pressures than in the past. Accordingly, rising wages should underpin household spending power but are likely to squeeze corporate profit margins.

Legal & General Investment Management Limited  
(Investment Adviser)  
20 February 2020

## Authorised Status

### Authorised Status

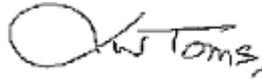
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

### 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 2020

# Portfolio Statement

## Portfolio Statement as at 28 January 2020

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 28 July 2019.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>CONTINENTAL EUROPE</b>		
	<b>— 96.52% (97.13%)</b>		
	<b>Austria — 3.11% (5.95%)</b>		
37,923	ams	1,198,988	0.87
78,429	PIERER Mobility	3,088,687	2.24
		<b>4,287,675</b>	<b>3.11</b>
	<b>Belgium — 2.58% (2.68%)</b>		
102,326	Umicore	3,565,236	2.58
	<b>Denmark — 3.04% (3.27%)</b>		
91,467	Novo Nordisk	4,187,020	3.04
	<b>Finland — 0.68% (2.05%)</b>		
90,555	Ferratum	933,215	0.68
	<b>France — 19.69% (18.74%)</b>		
46,191	Compagnie Generale des Etablissements Michelin	4,138,751	3.00
36,235	EssilorLuxottica	4,186,354	3.04
38,365	Rémy Cointreau	3,111,310	2.26
37,400	SOITEC	2,708,702	1.96
25,944	Teleperformance	4,982,860	3.61
232,742	Tikehau Capital	4,253,481	3.08
66,040	Ubisoft Entertainment	3,772,727	2.74
		<b>27,154,185</b>	<b>19.69</b>
	<b>Germany — 25.82% (23.65%)</b>		
65,341	CTS Eventim	3,253,480	2.36
105,699	Cyan	1,990,281	1.44
65,207	Delivery Hero	3,747,208	2.72
239,884	Infineon Technologies	4,203,367	3.05
74,753	Puma	4,639,217	3.37
42,645	SAP	4,274,210	3.10
168,039	TeamViewer	4,472,854	3.24
69,615	Varta	4,623,687	3.35
30,290	Volkswagen	4,395,720	3.19
		<b>35,600,024</b>	<b>25.82</b>
	<b>Italy — 6.98% (7.15%)</b>		
636,845	Davide Campari-Milano	4,668,939	3.39
150,285	Moncler	4,956,481	3.59
		<b>9,625,420</b>	<b>6.98</b>
	<b>Luxembourg — 0.86% (6.75%)</b>		
720,675	Global Fashion Group	1,182,925	0.86
	<b>Netherlands — 24.01% (12.83%)</b>		
7,428	Adyen	5,114,528	3.71
36,370	Airbus	4,140,098	3.00

## Portfolio Statement continued

<b>Holding/ Nominal Value</b>	<b>Investment</b>	<b>Market Value £</b>	<b>% of Net Assets</b>
<b>Netherlands — (cont.)</b>			
176,910	Alfen Beheer	3,667,198	2.66
20,503	ASML	4,520,722	3.28
97,732	Basic-Fit	2,737,037	1.98
32,767	Ferrari	4,232,037	3.07
85,510	Prosus	4,688,219	3.40
104,372	Shop Apotheke Europe	4,009,182	2.91
		33,109,021	24.01
<b>Norway — 3.08% (4.49%)</b>			
182,533	Schibsted 'A'	4,254,259	3.08
<b>Spain — 0.00% (3.19%)</b>			
<b>Sweden — 4.62% (3.11%)</b>			
339,678	Elekta	2,972,775	2.15
370,198	Epiroc 'A'	3,403,718	2.47
		6,376,493	4.62
<b>Switzerland — 2.05% (3.27%)</b>			
158,762	Aluflexpack	2,821,415	2.05
<b>Portfolio of investments<sup>1</sup></b>		133,096,888	96.52
<b>Net other assets</b>		4,805,433	3.48
<b>Total net assets</b>		£137,902,321	100.00%

<sup>1</sup> All investments are admitted to an official stock exchange unless otherwise stated.

Total purchases for the period: £47,486,642.

Total sales for the period: £58,531,593.

## Financial Statements

### Statement of Total Return for the period ended 28 January 2020

	28/01/20		28/01/19	
	£	£	£	£
<b>Income</b>				
Net capital gains/ (losses)		4,438,277		(27,266,438)
Revenue	189,945		168,989	
Expenses	(496,854)		(1,070,846)	
Interest payable and similar charges	(7,134)		(859)	
<b>Net expense before taxation</b>	<b>(314,043)</b>		<b>(902,716)</b>	
Taxation	(15,930)		(22,591)	
<b>Net expense after taxation for the period</b>		<b>(329,973)</b>		<b>(925,307)</b>
<b>Total return before distributions</b>		<b>4,108,304</b>		<b>(28,191,745)</b>
Distributions		(6,034)		—
<b>Change in net assets attributable to Unitholders from investment activities</b>		<b>£4,102,270</b>		<b>£(28,191,745)</b>

### Statement of Change in Net Assets attributable to Unitholders for the period ended 28 January 2020

	28/01/20		28/01/19	
	£	£	£	£
<b>Opening net assets attributable to Unitholders</b>		143,734,164		162,283,419
Amounts received on issue of units	1,100,967		1,494,911	
Amounts paid on cancellation of units	(11,035,094)		(1,979,667)	
		(9,934,127)		(484,756)
<b>Change in net assets attributable to Unitholders from investment activities</b>		<b>4,102,270</b>		<b>(28,191,745)</b>
Unclaimed distributions		14		—
<b>Closing net assets attributable to Unitholders</b>		<b>£137,902,321</b>		<b>£133,606,918</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 2020

	28/01/20 £	28/07/19 £
<b>ASSETS</b>		
<b>Fixed assets:</b>		
Investments	133,096,888	139,604,387
<b>Current assets:</b>		
Debtors	572,786	697,977
Cash and bank balances	8,010,726	6,493,558
<b>Total assets</b>	<b><u>141,680,400</u></b>	<b><u>146,795,922</u></b>
<b>LIABILITIES</b>		
<b>Creditors:</b>		
Bank overdrafts	(2,699,805)	(2,596,637)
Distributions payable	—	(5,224)
Other creditors	(1,078,274)	(459,897)
<b>Total liabilities</b>	<b><u>(3,778,079)</u></b>	<b><u>(3,061,758)</u></b>
<b>Net assets attributable to Unitholders</b>	<b><u>£137,902,321</u></b>	<b><u>£143,734,164</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 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	11,532,995	2,694,967	427.95
Accumulation Units	33,389,734	7,084,854	471.28
F-Class			
Accumulation Units	17,253	3,521	490.00
I-Class			
Distribution Units	890,046	204,240	435.78
Accumulation Units	2,872,070	571,046	502.95
C-Class			
Distribution Units	955	2,000	47.75
Accumulation Units	971	2,000	48.55
L-Class			
Accumulation Units	89,198,297	169,088,348	52.75

**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 20	28 Jul 19
R-Class	1.56%	1.56%
F-Class	1.06%	1.06%
I-Class	0.81%	0.81%
C-Class	0.60%	0.60%
L-Class	0.08%	0.08%

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 fund 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 L-Class*** £100,000
Minimum monthly contributions:	R-Class £20 F-Class* £50 I-Class N/A C-Class** N/A L-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% L-Class*** Annual 0.08%
Initial charges:	Nil for all existing unit classes

\* 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.

\*\*\* Class L units are only available to other Legal & General funds and/or companies which have entered into 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/funds/prices-and-reports/daily-fund-prices](http://www.legalandgeneral.com/investments/funds/prices-and-reports/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.

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

### **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.

### **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**

#### **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.

#### **Closure of F-Class Distribution Units**

As at 12 December 2019, the F-Class Distribution Units ceased to exist.

## 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

A. Clare\* (appointed 10 September 2019)  
E. Cowhey\* (appointed 9 October 2019)  
A. J. C. Craven  
S. Hynes  
H. Morrissey (resigned 18 October 2019)  
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 Depository 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**

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)

