

Legal & General European Trust

**Annual Manager's
Short Report
for the year ended
28 July 2013**



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.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. 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 Jul
Distribution Date:		28 Sep
Ongoing Charges Figures:	28 Jul 13	28 Jul 12
E-Class	1.70%	1.69%
R-Class	1.70%	1.69%
I-Class*	0.81%	—
F-Class**	1.20%	—

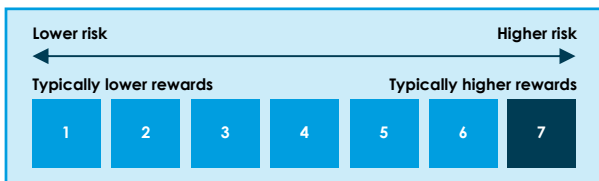
* There are no prior year comparatives for the I-Class which launched on 17 August 2012.

** There are no prior year comparatives for the F-Class which launched on 19 December 2012.

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.

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 seven 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.

Trust Performance

Accounting Date	Net Asset Value of Trust	Net Asset Value Per Unit	Number of Units In Issue
4 Aug 11†			
E-Class			
Distribution Units	£80,643,392	227.40p	35,463,364
Accumulation Units	£1,485,526	246.45p	602,759
R-Class			
Distribution Units	£408,989	227.40p	179,855
Accumulation Units	£32,057,522	246.45p	13,007,486
28 Jul 12			
E-Class			
Distribution Units	£70,103,428	202.50p	34,618,380
Accumulation Units	£1,211,838	220.54p	549,483
R-Class			
Distribution Units	£456,268	202.50p	225,314
Accumulation Units	£25,438,853	220.54p	11,534,718
28 Jul 13			
E-Class			
Distribution Units	£106,686,889	284.19p	37,540,878
Accumulation Units	£1,581,058	310.41p	509,350
R-Class			
Distribution Units	£576,417	284.19p	202,829
Accumulation Units	£32,488,983	310.41p	10,466,568
I-Class*			
Distribution Units	£270,551	284.35p	95,147
Accumulation Units	£135,360	313.56p	43,169
F-Class**			
Distribution Units	£1,163	283.66p	410
Accumulation Units	£1,174	312.23p	376

† To accommodate the transfer of fund administration, the Trust's period end date, normally 28 July, was moved to 4 August.

* There are no prior year comparatives for the I-Class which launched on 17 August 2012.

** There are no prior year comparatives for the F-Class which launched on 19 December 2012.

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.

Distribution Information

E-Class

The distribution payable on 28 September 2013 is 0.7565p net per unit for distribution units and 0.6751p net per unit for accumulation units.

R-Class

The distribution payable on 28 September 2013 is 0.7565p net per unit for distribution units and 0.6751p net per unit for accumulation units.

I-Class

The distribution payable on 28 September 2013 is 3.6317p net per unit for distribution units and 3.9893p net per unit for accumulation units.

F-Class

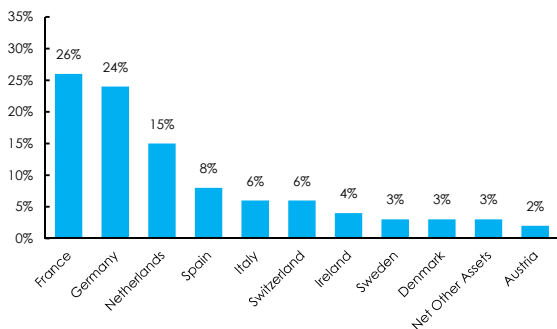
The distribution payable on 28 September 2013 is 3.0146p net per unit for distribution units and 3.2845p net per unit for accumulation units.

Portfolio Information

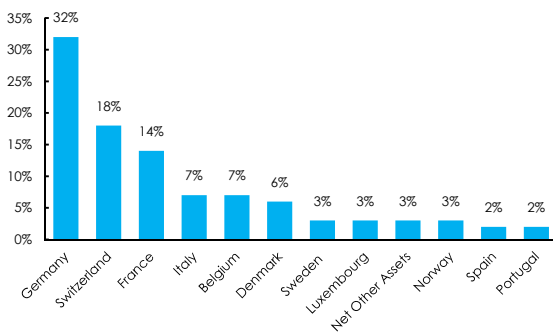
The top 10 holdings and their associated weighting for the current and preceding year are:

Top 10 Holdings at 28 July 2013		Top 10 Holdings at 28 July 2012	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Sky Deutschland	4.03%	Nestlé	5.34%
Philips Electronics	3.76%	Novo Nordisk	4.45%
Roche Holdings	3.68%	SAP	4.08%
BNP Paribas	3.51%	Anheuser-Busch InBev	4.07%
Aegon	3.47%	Bayer	3.85%
AXA	3.36%	Allianz	3.67%
Société Générale	3.32%	Electrolux	3.37%
Sanofi	3.26%	Henkel (preference shares)	3.24%
Compagnie de Saint-Gobain	3.23%	Volkswagen (preference shares)	3.22%
European Aeronautic Defence & Space	3.12%	SES	3.18%

Trust Holdings as at 28 July 2013



Trust Holdings as at 28 July 2012



Unit Price Range and Net Revenue

E-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2008	272.60p	151.80p	2.7984p
2009	254.00p	150.60p	3.4758p
2010	249.50p	201.10p	1.2702p
2011	266.30p	182.70p	1.6560p
2012	244.00p	192.30p	0.9875p
2013 ⁽¹⁾	287.90p	244.00p	0.7565p
Accumulation Units			
2008	283.40p	159.70p	2.9089p
2009	271.70p	158.50p	3.6564p
2010	266.90p	215.10p	1.3588p
2011	286.50p	198.00p	1.7819p
2012	265.80p	208.40p	1.0703p
2013 ⁽¹⁾	313.60p	265.80p	0.6751p

R-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2008	286.20p	151.80p	2.7984p
2009	266.70p	150.60p	3.4758p
2010	262.00p	201.10p	1.2702p
2011	279.60p	182.70p	1.6560p
2012	256.10p	192.30p	0.9875p
2013 ⁽¹⁾	302.10p	243.90p	0.7565p
Accumulation Units			
2008	297.60p	159.70p	2.9089p
2009	285.30p	158.50p	3.6564p
2010	280.30p	215.10p	1.3588p
2011	300.90p	198.00p	1.7819p
2012	279.10p	208.40p	1.0703p
2013 ⁽¹⁾	329.30p	265.80p	0.6751p

⁽¹⁾ The above tables show the highest offer and lowest bid prices to 28 July 2013 and the net revenue per unit to 28 September 2013.

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.

Unit Price Range and Net Revenue continued

I-Class Units*

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2012 ⁽¹⁾	245.30p	211.70p	—
2013 ⁽³⁾	290.90p	245.30p	3.6317p
Accumulation Units			
2012 ⁽¹⁾	267.20p	230.60p	—
2013 ⁽³⁾	316.80p	267.20p	3.9893p

F-Class Units**

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2012 ⁽²⁾	244.60p	240.90p	—
2013 ⁽³⁾	289.60p	244.60p	3.0146p
Accumulation Units			
2012 ⁽²⁾	266.60p	262.50p	—
2013 ⁽³⁾	315.60p	266.60p	3.2845p

* I-Class units launched on 17 August 2012.

** F-Class units launched on 19 December 2012.

⁽¹⁾ The above table shows the highest offer and lowest bid prices from 17 August 2012 to 31 December 2012.

⁽²⁾ The above table shows the highest offer and lowest bid prices from 19 December 2012 to 31 December 2012.

⁽³⁾ The above tables show the highest offer and lowest bid prices to 28 July 2013 and the net revenue per unit to 28 September 2013.

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The price of units and any income from them may go down as well as up.

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Manager's Investment Report

During the year under review, the bid price of the Trust's E-Class distribution units rose by 41.09% compared to a rise of 29.74% in the FTSE World Europe (excluding UK) Index (Source: Bloomberg).

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Market/Economic Review

The year under review saw a strongly rising European equity market in the first half and a more steadily rising market in the second half, but the performance for the 12 months, particularly in Sterling terms, was very strong. Yields on 10-year government bonds from countries in southern Europe contracted in the first half of the review year to the lows of the financial crisis and remained generally low during the second half, with the odd temporary move back up. These upward moves, which coincided with weak periods in the equity markets, were in response to heightened political tensions or worries about the ending of quantitative easing in the US.

The turning point in the market was just before the start of the year under review and was marked by Mario Draghi, Chairman of the European Central Bank (ECB), making a speech in which he said that he was prepared to do 'whatever it takes' to stabilise the European markets. The market peaked in May 2013 when the chairman of the US Federal Reserve signaled one of the more significant changes in monetary policy by making it clear that the US Federal Reserve wished to start tapering the amount of quantitative easing later this year, assuming that unemployment continued on a downward trajectory. In the intervening period, the European markets had also coped with an Italian general election, which produced a lame government and a Cyprus bail-out, which briefly caused concerns about contagion through southern Europe. Later during the review year, it benefited from improving macro economic data.

Macro economic data had remained mixed throughout the first half of the year under review, but gradually improved thereafter, with the Purchasing Managers Index (PMI) data for July 2013 coming in ahead of expectations and Germany's IFO Index also ahead of expectations for current business assessment in July 2013.

Trust Review

The Trust performed well against its benchmark at the start of the review year, helped by an increasingly less underweight position in Financials and a continued underweight position in Utilities. The Trust continued to perform well in the second half of the review year due to its move to an overweight position in Financials, specifically in Banks. An extremely underweight position in the expensive defensive areas, particularly the Food & Beverage sector, also contributed to the performance. In addition to a zero weighting in Utilities and an extreme underweight position in

Manager's Investment Report continued

Food & Beverage, the Trust also had a zero weighting in the underperforming Telecommunications sector until the very tail of the review year when it added Deutsche Telekom. This was added on hopes for a markedly improved performance from its US subsidiary and optimism for an improvement in the competitive nature of its domestic market due to the proposed merger of two smaller mobile operators.

The Trust is run on a bottom up view and, with the exception of the sectors above, has not taken strong sector views but has rather picked best ideas. Amongst the names that benefited the Trust most were Sky Deutschland, which has continued to see positive subscriber growth trends and reached agreement with the Bundesliga over football rights. It also reinforced its balance sheet with an equity issue to allow continued strong growth.

Volkswagen, Europe's strongest and biggest car manufacturer, was again a positive contributor, as was Inditex, owner of Zara, but profits were taken in both late during the year under review. Amongst new holdings, off benchmark German industrial, KUKA, was a good contributor. KUKA is a manufacturer of industrial robots and has a strong and growing order backlog with the global auto industry, particularly in China. Mobile payments was a key theme for the Trust during the review year, but profits were taken in Gemalto, leaving Wirecard as the key holding in this sector.

Outlook

The European equity market is 66.6% up from its financial crisis lows, reached in 2009, but is still 23.5% below the peak achieved in 2007. Consensus earnings forecasts look for 15.3% growth in Europe next year and 12.7% the following year, along with over 9% dividend growth in each year. This still offers attractive opportunities.

It is all about growth. A European economic recovery is going to be long and drawn out. Recent signs are encouraging, but the economies of Europe remain fragile. Growth hopes remain focused on the US and China. Opportunities for European companies remain good in both regions, as well as a number of other emerging markets, such as India, Russia and Brazil. The market is likely to alternate between pinning its hopes on a European recovery and on growth elsewhere, and is likely to continue to worry about a hard landing for the Chinese economy.

The European Trust remains invested for a strong European equity market, with exposure to both domestic European recovery as well as continued international growth.

Legal & General Investment Management Limited
(Investment Adviser)
20 August 2013

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.

Significant Changes

New Unit Classes: I-Class and F-Class

With effect from 17 August 2012, the Trust launched a new I-Class, with distribution and accumulation units available.

With effect from 19 December 2012, the Trust launched a new F-Class with distribution and accumulation units available.

F-Class units are only available for investment through a financial adviser.

Minimum Investment Amounts

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

E-Class	£100,000
R-Class	£500
I-Class	£1,000,000
F-Class	£500

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

Other Information

The information in this report is designed to enable unitholders to understand how the Trust has performed during the year under review and how it is invested at the year 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.

Manager

Legal & General (Unit Trust Managers) Limited

Registered in England No. 01009418

Registered office:

One Coleman Street,

London EC2R 5AA

Telephone: 0370 050 3350

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Trustee

National Westminster Bank Plc

Trustee and Depositary Services

135 Bishopsgate

London EC2M 3UR

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

**Authorised and regulated by the
Financial Conduct Authority**

Legal & General
(Unit Trust Managers) Limited
Registered in England No. 01009418
Registered office:
One Coleman Street,
London EC2R 5AA
www.legalandgeneral.com
EUR0913

