

Legal & General European Trust

**Interim Manager's  
Short Report  
for the period ended  
28 January 2014**

**EVERY  
DAY  
MATTERS.®**





## 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.

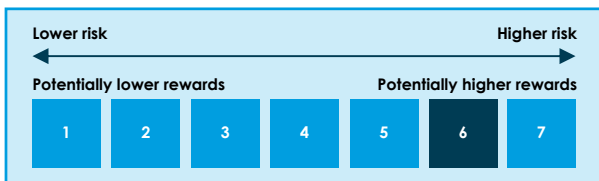
## Trust Facts

Period End Date for Distribution:		28 Jul
Distribution Date:		28 Sep
Ongoing Charges Figures:	28 Jan 14	28 Jul 13
E-Class	1.71%	1.70%
R-Class	1.71%	1.70%
I-Class	0.82%	0.81%
F-Class	1.21%	1.20%

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 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.

## 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
28 Jan 14			
E-Class			
Distribution Units	£112,856,793	306.56p	36,813,536
Accumulation Units	£1,662,817	334.84p	496,602
R-Class			
Distribution Units	£570,827	306.56p	186,207
Accumulation Units	£34,220,079	334.84p	10,219,874
I-Class*			
Distribution Units	£452,406	308.17p	146,805
Accumulation Units	£354,537	339.79p	104,340
F-Class**			
Distribution Units	£1,257	306.59p	410
Accumulation Units	£1,270	337.77p	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**

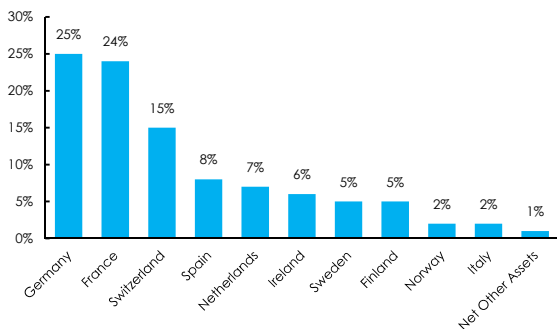
The policy is to distribute, on an annual basis, all available revenue, after deduction of those expenses which are chargeable in calculating the distribution. This being the case, there is no interim distribution.

## Portfolio Information

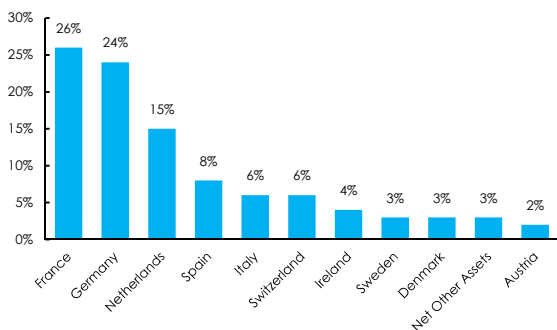
The top 10 holdings and their associated weighting for the current period and preceding year are:

Top 10 Holdings at 28 January 2014		Top 10 Holdings at 28 July 2013	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Sky Deutschland	4.93%	Sky Deutschland	4.03%
AXA	3.48%	Philips Electronics	3.76%
Roche Holdings	3.46%	Roche Holdings	3.68%
Banco Santander	3.40%	BNP Paribas	3.51%
Prosieben Sat.1 Media	3.19%	Aegon	3.47%
Commerzbank	3.15%	AXA	3.36%
Ryanair Holdings	3.07%	Société Générale	3.32%
Swiss Re	3.06%	Sanofi	3.26%
Daimler	3.05%	Compagnie de Saint-Gobain	3.23%
Novartis	3.05%	European Aeronautic Defence & Space	3.12%

## Trust Holdings as at 28 January 2014



## Trust Holdings as at 28 July 2013



## Unit Price Range and Net Revenue

### E-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
<b>Distribution Units</b>			
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	312.30p	244.00p	0.7565p
2014 <sup>(1)</sup>	324.20p	305.40p	—
<b>Accumulation Units</b>			
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	341.10p	265.80p	0.6751p
2014 <sup>(1)</sup>	354.20p	333.60p	—

### R-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
<b>Distribution Units</b>			
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	327.90p	243.90p	0.7565p
2014 <sup>(1)</sup>	340.40p	305.40p	—
<b>Accumulation Units</b>			
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	358.20p	265.80p	0.6751p
2014 <sup>(1)</sup>	371.90p	333.60p	—

<sup>(1)</sup> The above tables show the highest offer and lowest bid prices to 28 January 2014.

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**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
<b>Distribution Units</b>			
2012 <sup>(1)</sup>	245.30p	211.70p	—
2013	313.70p	245.30p	3.6317p
2014 <sup>(3)</sup>	325.90p	307.00p	—
<b>Accumulation Units</b>			
2012 <sup>(1)</sup>	267.20p	230.60p	—
2013	345.90p	267.20p	3.9893p
2014 <sup>(3)</sup>	359.30p	338.50p	—

### F-Class Units\*\*

Year	Highest Offer	Lowest Bid	Net Revenue
<b>Distribution Units</b>			
2012 <sup>(2)</sup>	244.60p	240.90p	—
2013	312.60p	244.60p	3.0146p
2014 <sup>(3)</sup>	324.60p	305.80p	—
<b>Accumulation Units</b>			
2012 <sup>(2)</sup>	266.60p	262.50p	—
2013	344.30p	266.60p	3.2845p
2014 <sup>(3)</sup>	357.50p	336.80p	—

\* 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.

<sup>(1)</sup> From 17 August 2012.

<sup>(2)</sup> From 19 December 2012.

<sup>(3)</sup> The above tables show the highest offer and lowest bid prices to 28 January 2014.

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## **Manager's Investment Report**

During the period under review, the bid price of the Trust's E-Class distribution units rose by 7.46% compared to a rise of 3.72% in the FTSE World Europe (excluding UK) Index (Source: Bloomberg).

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## **Market/Economic Review**

The period under review saw another strong rise in the European equity markets. The rise was a steady increase throughout the period aside from a wobble in mid December and a correction in late January, both directly and indirectly blamed on the tapering of quantitative easing (QE) by the US Federal Reserve. The steady rise in the European equity markets was supported by generally improving macroeconomic data in Europe and the US, as well as positive business surveys. This improving backdrop helped to keep European sovereign bond yields at the low levels they achieved in the prior period, which was also generally supportive for equity markets.

The tail end of the period under review saw emerging markets take a tumble and this spilled over into the equity markets in the developed world. Expectations for further tapering of QE by the US Federal Reserve led to outflows of funds from emerging markets, which in turn caused some sharp foreign exchange moves amongst the economically less stable emerging markets. This resulted in some sharp corrections in equity markets. At this stage there is no reason to believe that this is anything other than a correction after a period of sustained strength.

## **Trust Review**

The Trust performed well against its benchmark Index, during a strong period under review, boosted by good exposure to better performing peripheral European banks, such as Bank of Ireland and Banco Popular Espanol, as well as Commerzbank later in the period. However, the most important sector weighting was the underweight position in Health Care, one of the worst performing sectors over the period. Beverages and Household Goods also significantly lagged the overall market gain.

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. Sky Deutschland has been a regular feature of the Trust reviews as one of the most positive contributors and this review is no exception as it continued to provide significant outperformance. It was, however, surpassed this time by Wirecard, a leading provider of internet payment and processing services. Ingenico, which produces electronic terminals and systems for electronic payments also contributed well. ArcelorMittal, the world's largest steel producer was held for a part of the period under review and made a meaningful contribution, as did ACS Actividades Construcción y Servicios, a Spanish contracting and engineering business.

## **Manager's Investment Report continued**

### **Outlook**

The European equity market has doubled from its financial crisis lows, reached in March 2009, but is still below the peak achieved in June 2007. As such, European equities can no longer be described as cheap, but there are still plenty of investment opportunities within European equity markets. The market has risen in the absence of earnings growth, which has pushed valuations to higher levels. We would expect earnings growth to start to show through this year and would expect to see upgrades to earnings estimates as the improving macroeconomic environment leads to improved trading conditions for companies. This will help lower valuation levels and will cause some companies, or sectors, to start to look cheap again.

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. The market is likely to vacillate between pinning its hopes on a European recovery and worrying about growth elsewhere, and is likely to continue to be concerned 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 February 2014

## **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](http://www.legalandgeneral.com/investments/fund-information/managers-reports).

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

## **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.

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

## **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.

**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

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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**

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7 More London Riverside

London SE1 2RT





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

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