

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





## Investment Objective and Policy

The objective of the Trust is to track the capital performance of the European equity markets, as represented by FTSE World Europe (excluding UK) Index by investment in a representative sample of stocks selected from all economic sectors.

Securities in the FTSE World Europe (excluding UK) Index will be held with weightings generally proportionate to their company's market capitalization.

From time to time non-Index constituents may be held as a result of a corporate action and these holdings will be sold or transferred as soon as reasonably practical.

The Trust may hold derivatives for Efficient Portfolio Management purposes.

## 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.

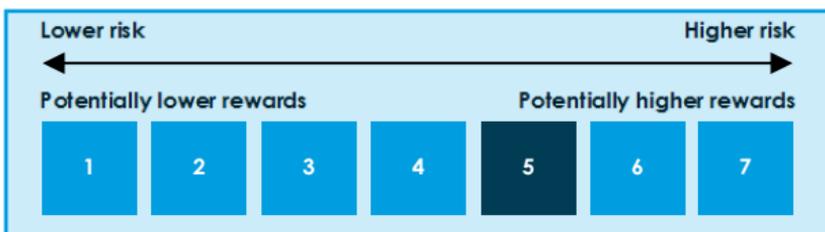
## Trust Facts

Period End Date for Distribution:		31 July
Distribution Date:		30 September
Ongoing Charges Figures:	31 Jan 19	31 Jul 18
R-Class	0.50%	0.78%
F-Class	0.36%	0.36%
I-Class	0.12%	0.12%
C-Class	0.09%	0.09%

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 five 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.

## Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	971,398,065	371,102,387	261.76
Accumulation Units	221,795,388	59,816,699	370.79
F-Class			
Distribution Units	116,137	44,274	262.31
Accumulation Units	466,384	122,368	381.13
I-Class			
Distribution Units	626,145,409	238,693,519	262.32
Accumulation Units	504,836,764	127,124,881	397.12
C-Class			
Distribution Units	176,203,573	67,174,785	262.31
Accumulation Units	413,917,238	104,023,160	397.91

**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.**

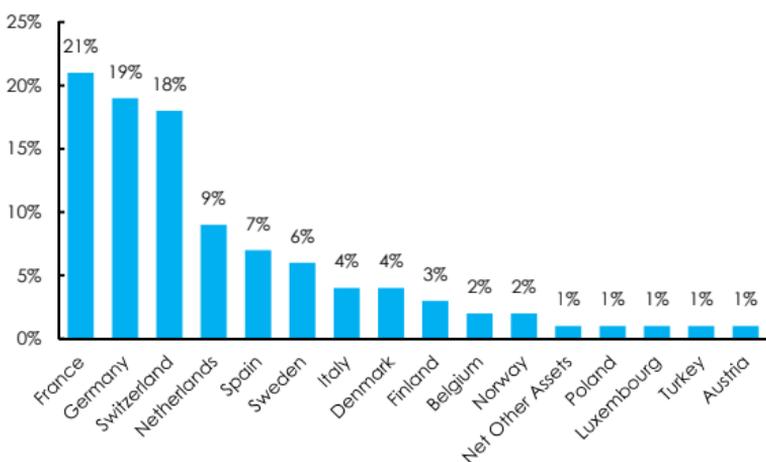
**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

## Portfolio Information

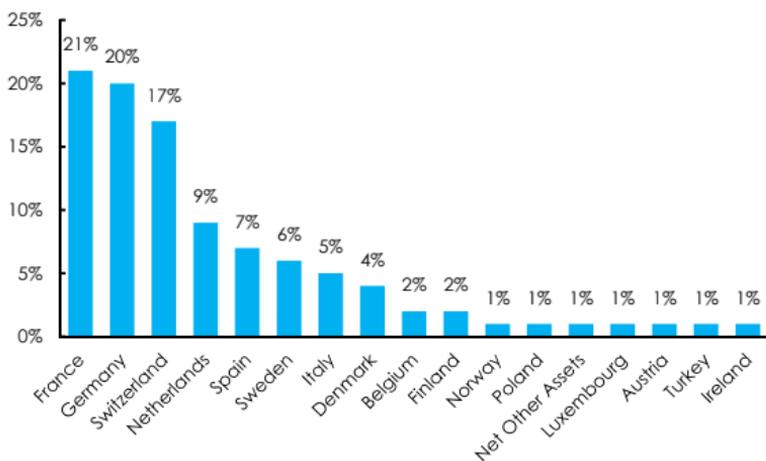
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 31 January 2019		Top 10 Holdings at 31 July 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Nestle	4.13%	Nestle	3.57%
Novartis	2.99%	Novartis	2.60%
Roche (Part Certified)	2.94%	Roche (Part Certified)	2.46%
Total	2.17%	Total	2.32%
SAP	1.55%	SAP	1.60%
Sanofi	1.48%	Siemens	1.53%
Allianz	1.41%	Bayer	1.47%
Siemens	1.32%	Allianz	1.38%
Novo Nordisk	1.26%	Sanofi	1.32%
Unilever	1.25%	Banco Santander	1.28%

## Trust Holdings as at 31 January 2019



## Trust Holdings as at 31 July 2018



## **Manager's Investment Report**

During the period under review, the bid price of the Trust's R-Class distribution units fell by 11.47%. FTSE, the Index compiler, calculates the benchmark Index at the end of the business day using closing prices, whereas the Trust is valued using prevailing prices at 12 noon. Therefore, for tracking purposes the Trust has been re-valued using closing prices and foreign exchange rates. On this basis, over the review period, the Trust fell by 10.27% on a capital only basis compared with the FTSE World Europe (excluding UK) Index decrease of 10.25% (Source: Bloomberg), producing a tracking difference of 0.02%.

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**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.**

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## **Market/Economic Review**

While the Eurozone economy grew at its fastest pace for a decade in 2017, there has been a sharp loss of momentum during 2018. The single currency area 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. The European Central Bank (ECB) confirmed it had reached the end of its monthly asset purchase programme in December, and signalled interest rates are likely to remain on hold at least until mid-2019 with inflation remaining subdued.

## **Trust Review**

Companies within the Trust are held with weightings generally proportionate to those of the benchmark Index. Therefore, investment activity, other than to raise or invest cash, is only necessary when there are changes to the benchmark Index or as a result of a corporate action.

The quarterly Index review in September 2018 resulted in 18 additions and 25 deletions. The largest additions were GN Store Nord (Denmark) and Investor 'A' (Sweden), the most prominent deletions were Elixir Group (France) and Alior Bank (Poland). There were also 53 changes to the free share capital of constituents with the largest increases being Sika (Switzerland), Intesa Sanpaolo (Italy) and Danone (France) and the

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

largest decreases being Nestlé (Switzerland), Allianz (Germany) and Iberdrola (Spain). Two-way Index turnover was 2.05%.

The Index review in December 2018 resulted in 1 addition, Adyen (Netherlands). There were also 49 changes to the free share capital of constituents with the largest increases being EssilorLuxottica (France), Verbund (Austria) and Deutsche Bank (Germany), and the largest decreases being Koninklijke Ahold Delhaize (Netherlands), adidas and Allianz (both Germany). Two-way Index turnover was 0.40%. Nordea Bank Abp was reclassified in the Index from Sweden to Finland.

## **Outlook**

Two countervailing forces have kept markets in a holding pattern recently: global economy and company earnings growth, and the ascent of populist economic policies. Trade wars continue to occupy markets' attention and although there has yet to be any major fall-out, our economists do anticipate some damage to growth over the next year.

The Trust remains well positioned to capture the performance of the benchmark.

Legal & General Investment Management Limited  
(Investment Adviser)  
8 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](http://www.legalandgeneral.com/investments/fund-information/managers-reports).

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

## **Information on Tracking Error**

The 'Tracking Error' of a Trust is the measure of the volatility of the differences between the return of the Trust and the return of the benchmark Index. It provides an indication of how closely the Trust is tracking the performance of the benchmark Index after considering things such as Trust charges and taxation.

Using monthly returns, over the review period, the annualised Tracking Error of the Trust is 0.03%, whilst over the last three years to the end of January 2019, the annualised Tracking Error of the Trust is 0.16%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Trust's Prospectus of +/-0.50% per annum.

## **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	£100,000,000

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.

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## **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



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

Legal & General  
(Unit Trust Managers) Limited  
Registered in England and Wales No. 01009418  
Registered office:  
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