

Legal & General Ethical Trust
**Annual Manager's
Short Report**
for the year ended
12 December 2018



Investment Objective and Policy

The investment objective of this Trust is to secure capital growth from a portfolio of securities for companies whose business conforms to a range of ethical and environmental guidelines (as set out below).

Securities representing all such companies in the FTSE 350 Index will be held with weightings generally proportionate to their market capitalisation.

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

Companies have been excluded if they are substantially involved in or cause:

Animal testing	Military – nature of involvement
Gambling	Non-sustainable Timber
Health & safety convictions	Nuclear power
Countries with poor human rights records	Ozone depleting chemicals
Intensive farming	Pornography
Investment Trusts	Tobacco
	Water pollution

Independent monitoring of companies is carried out by Ethical Investment Research Services (“EIRIS”) based on the criteria above.

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 that 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.

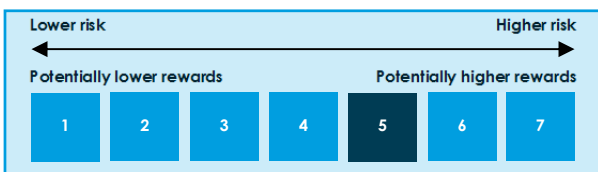
Trust Facts

Period End Dates for Distributions:	12 Jun, 12 Dec	
Distribution Dates:	12 Aug, 12 Feb	
Ongoing Charges Figures:	12 Dec 18	12 Dec 17
R-Class	0.81%	1.05%
F-Class	0.45%	0.45%
I-Class	0.31%	0.31%

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



- 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 number highlighted above reflects the rate at which the Trust's unit price has moved up and down in the past. If the Trust has less than five years' track record, the number also reflects the rate at which the Index the Trust tracks has moved up and down in the past. Higher numbers mean the potential reward could be greater, but this comes with increased risk of losing money.
- 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.
- 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.

Distribution Information

R-Class

The distribution payable on 12 February 2019 is 0.7398p per unit for distribution units and 1.1049p per unit for accumulation units.

F-Class

The distribution payable on 12 February 2019 is 0.8155p per unit for distribution units and 1.2630p per unit for accumulation units.

I-Class

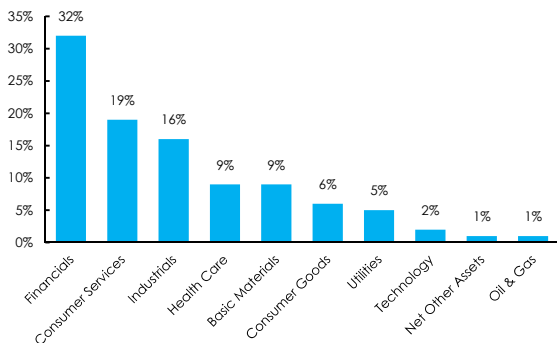
The distribution payable on 12 February 2019 is 0.8510p per unit for distribution units and 1.4021p per unit for accumulation units.

Portfolio Information

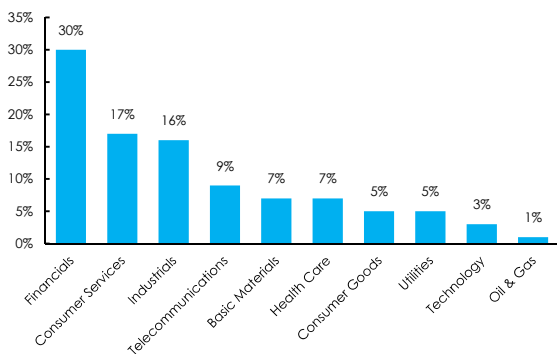
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 12 December 2018		Top 10 Holdings at 12 December 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
SHIRE	5.24%	Vodafone Group	6.44%
Lloyds Banking Group	4.92%	Lloyds Banking Group	4.93%
Prudential	4.84%	Prudential	4.91%
BHP Group	4.36%	SHIRE	3.49%
National Grid	3.76%	National Grid	3.14%
Tesco	2.52%	BHP Group	2.97%
Experian	2.27%	BT Group	2.36%
CRH	2.20%	CRH	2.28%
Aviva	1.95%	Aviva	2.14%
Legal & General Group	1.79%	Tesco	1.76%

Trust Holdings as at 12 December 2018



Trust Holdings as at 12 December 2017



Comparative Tables

R-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	65.18	60.00	59.78
Return before operating charges*	(4.49)	7.25	2.20
Operating charges (calculated on average price)	(0.53)	(0.67)	(0.69)
Return after operating charges*	(5.02)	6.58	1.51
Distributions on income units	(1.73)	(1.40)	(1.29)
Closing net asset value per unit	58.43	65.18	60.00
* after direct transaction costs of:	0.05	0.04	0.06

Performance

Return after charges	(7.70)%	10.97%	2.52%
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Other Information

Closing net asset value (£)	78,295,510	140,053,019	132,721,704
Closing number of units	133,989,562	214,856,492	221,207,301
Operating charges†	0.81%	1.05%	1.15%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	70.07p	67.77p	63.56p
Lowest unit price	58.37p	59.87p	52.94p

† Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

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.

Comparative Tables continued

R-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	95.94	86.45	84.28
Return before operating charges*	(6.80)	10.47	3.14
Operating charges (calculated on average price)	(0.78)	(0.98)	(0.97)
Return after operating charges*	(7.58)	9.49	2.17
Distributions	(2.56)	(2.03)	(1.83)
Retained distributions on accumulation units	2.56	2.03	1.83
Closing net asset value per unit	88.36	95.94	86.45
* after direct transaction costs of:	0.07	0.05	0.08

Performance

Return after charges	(7.90)%	10.98%	2.57%
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Other Information

Closing net asset value (£)	65,478,756	72,637,471	69,935,470
Closing number of units	74,100,543	75,707,435	80,900,260
Operating charges†	0.81%	1.05%	1.15%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	103.10p	97.64p	90.80p
Lowest unit price	87.15p	86.25p	75.44p

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Comparative Tables continued

F-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	65.56	60.34	60.13
Return before operating charges*	(4.53)	7.32	2.20
Operating charges (calculated on average price)	(0.29)	(0.29)	(0.27)
Return after operating charges*	(4.82)	7.03	1.93
Distributions on income units	(1.97)	(1.81)	(1.72)
Closing net asset value per unit	58.77	65.56	60.34
* after direct transaction costs of:	0.05	0.04	0.06

Performance

Return after charges	(7.35)%	11.65%	3.21%
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Other Information

Closing net asset value (£)	104,448	116,514	96,470
Closing number of units	177,729	177,729	159,875
Operating charges†	0.45%	0.45%	0.45%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	70.62p	68.38p	64.07p
Lowest unit price	58.77p	60.21p	53.25p

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Comparative Tables continued

F-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	99.84	89.42	86.58
Return before operating charges*	(7.11)	10.86	3.23
Operating charges (calculated on average price)	(0.45)	(0.44)	(0.39)
Return after operating charges*	(7.56)	10.42	2.84
Distributions	(3.03)	(2.70)	(2.50)
Retained distributions on accumulation units	3.03	2.70	2.50
Closing net asset value per unit	92.28	99.84	89.42
* after direct transaction costs of:	0.08	0.06	0.08

Performance

Return after charges	(7.57)%	11.65%	3.28%
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Other Information

Closing net asset value (£)	221,068	258,278	148,222
Closing number of units	239,566	258,700	165,765
Operating charges†	0.45%	0.45%	0.45%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	107.50p	101.30p	93.80p
Lowest unit price	91.01p	89.22p	77.58p

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Comparative Tables continued

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	65.13	59.94	59.73
Return before operating charges*	(4.50)	7.28	2.20
Operating charges (calculated on average price)	(0.20)	(0.20)	(0.19)
Return after operating charges*	(4.70)	7.08	2.01
Distributions on income units	(2.05)	(1.89)	(1.80)
Closing net asset value per unit	58.38	65.13	59.94
* after direct transaction costs of:	0.05	0.04	0.06

Performance

Return after charges	(7.22)%	11.81%	3.37%
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Other Information

Closing net asset value (£)	35,631,732	56,892,883	54,432,055
Closing number of units	61,034,461	87,359,138	90,805,171
Operating charges†	0.31%	0.31%	0.31%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	70.20p	67.97p	63.67p
Lowest unit price	58.42p	59.81p	52.90p

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Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	12/12/18 (pence per unit)	12/12/17 (pence per unit)	12/12/16 (pence per unit)
Opening net asset value per unit	105.36	94.23	91.11
Return before operating charges*	(7.51)	11.45	3.41
Operating charges (calculated on average price)	(0.33)	(0.32)	(0.29)
Return after operating charges*	(7.84)	11.13	3.12
Distributions	(3.34)	(2.99)	(2.76)
Retained distributions on accumulation units	3.34	2.99	2.76
Closing net asset value per unit	97.52	105.36	94.23
* after direct transaction costs of:	0.08	0.06	0.09

Performance

Return after charges	(7.44)%	11.81%	3.43%
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Other Information

Closing net asset value (£)	83,899,252	48,862,287	52,970,786
Closing number of units	86,031,182	46,375,716	56,213,320
Operating charges†	0.31%	0.31%	0.31%
Direct transaction costs	0.08%	0.06%	0.10%

Prices

Highest unit price	113.50p	106.80p	98.82p
Lowest unit price	96.18p	94.02p	81.66p

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Manager's Investment Report

During the year under review, the bid price of the Trust's R-Class distribution units fell by 10.06%. Although there is no published Index for those companies assessed as eligible by EIRIS, for comparison over the review year, the FTSE 350 Index (excluding Investment Trusts) on a capital only basis fell by 8.60%. Similarly, the broader based FTSE All-Share Index (excluding Investment Trusts) on a capital only basis increased by 8.62% (Source: Bloomberg). FTSE, the Index compiler, calculates these Indices at the end of the business day using closing prices, whereas the Trust is valued using prevailing prices at 12 noon. Therefore, for comparative purposes the Trust has been revalued using closing prices, on this basis the Trust fell by 10.34%.

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.

Market/Economic Review

Despite closing 2017 on a positive note, UK equities faltered during the first quarter of 2018 recording three consecutive months of losses before rallying in April and May. Initially, Sterling strengthened with the currency reaching its highest level since the 2016 referendum, surpassing \$1.40 at the end of January. This caused a headwind for companies and sectors with high international earnings, notably food & beverages. Subsequently, the currency weakened, providing a boost for the same companies. Although the Bank of England indicated interest rates may need to be increased as soon as May, the economy grew at its slowest pace for six years during the first quarter leading the Bank to adopt a more cautious approach, raising its benchmark base rate to 0.75% in August. The healthcare and energy sectors performed well, boosted by the strength of the oil price and merger and acquisition activity respectively. Companies with significant exposure to emerging markets underperformed, notably mining companies and financials. UK equities struggled in August as Brexit-related headlines intensified, along with the probability attached to a no deal scenario.

In the UK, the domestically focused FTSE 250 Index (-10.38%) and FTSE SmallCap Index (-9.25%) underperformed the more internationally focused FTSE 100 Index (-8.27%).

Trust Activity

The Trust's selection process excludes the Tobacco and Military industries, while the Oil & Gas, Pharmaceuticals & Biotechnology, Banks and Beverages sectors are markedly underweight. Such exclusions are compensated for by an increased presence in Life Insurance, Financial Services and Support Services.

There are three principal reasons for changes to the distribution of investments in the Trust: first, changes in the list of companies which meet the ethical criteria; secondly, changes in the

Manager's Investment Report continued

FTSE 350 ex Investment Trusts Index at its quarterly review; and finally, changes due to corporate activity and takeovers.

FTSE rebalances the Index every quarter and companies added to the Index are only added to the Trust once confirmation of their acceptability for inclusion is received from EIRIS.

There were four Index reviews during the year.

In December 2017, the FTSE 350 ex Investment Trusts Index quarterly Index review resulted in four additions and three deletions. BCA Marketplace, RHI Magnesita, Purecircle and TI Fluid Systems were added and all of these stocks were subsequently assessed as eligible by EIRIS with the exception of RHI Magnesita that was deemed as unacceptable stock. PayPoint, Restaurant Group, Nostrum Oil & Gas were deleted from the Index. The largest increases in free share capital were for IP Group and Hargreaves Lansdown and SSE and the largest decreases were for Hansteen Holdings, National Grid and Aviva.

In March 2018, the quarterly Index review resulted in five additions and seven deletions. Games Workshop Group, On the Beach Group, ContourGlobal, Charter Court Financial Services and Bakkavor Group were added and all of these stocks were subsequently assessed as eligible by EIRIS with the exception of ContourGlobal and Bakkavor Group that were deemed as unacceptable stocks. Mitie Group, Vectura Group, Hansteen Holdings, Dignity, AA, Brown (N.) Group and Acacia Mining were deleted from the Index. The largest increases in free share capital were for Ocado Group, Dechra Pharmaceuticals and TalkTalk Telecom Group and the largest decreases were for Ferguson, Pearson and Carnival.

At the annual review in June 2018 there were four additions and three deletions. Premier Oil, Energean Oil & Gas were new additions to FTSE AllShare Universe and were subsequently assessed as eligible by EIRIS. Laird and Integrafyn Holdings were added to the universe, but not to EIRIS acceptable list. These companies replaced Marstons, Pets At Home Group and Purecircle which were all demoted to the FTSE SmallCap Index.

At the quarterly review in September 2018 there were four additions and four deletions. Plus500, Avast, Vivo Energy and Amigo Holdings were new additions to FTSE AllShare Universe, but were assessed as unacceptable for inclusion by EIRIS. Mccarthy & Stone, RDI REIT, Renewi and Alfa Financial Software Holdings were demoted to the FTSE SmallCap Index.

The merger activity outside the Index reviews included the promotion of Fenner from FTSE SmallCap Index as a result of the acquisition of Worldplay Group (UK) by Worldplay Inc. (US) that was deemed as unacceptable stock by EIRIS. Stocks deleted from the Index as a result of all cash deals included Aldermore Group that was acquired by FirstRand Limited, Fenner that was acquired

Manager's Investment Report continued

by Michelin B, SKY's acquisition by Comcast Corp, ZPG's acquisition by Zephyr Bidco, Fidessa Group's acquisition by ION Investment Group, Laird's acquisition by AI Ladder, Vedanta Resources' acquisition by Volcan Investments Ltd. All stock acquisitions included Virgin Money Holdings' acquisition by CYBG and UBM's acquisition by Informa where the acquirer subsequently increased its weight in the Index. Nex Group was acquired by CME Group (US) in a cash and stock deal. The acquired constituents were replaced by EI Group, Spirent Communications and Hilton Food Group as those were promoted from Small Cap Index and deemed as acceptable by EIRIS.

Outside of the Index reviews, the free float was increased as a result of a secondary placing for Royal Bank of Scotland. Index weight increased as a result of primary placings for Cineworld, John Laing, Provident Financial and Metro Bank.

Capita, Phoenix Group and DS Smith raised capital via a rights issue.

The three largest stocks in the Trust at the end of the year were SHIRE, Prudential and Lloyds Banking Group.

Outlook

Following the rate hike in August to 0.75%, the BoE is likely to stay on hold until next year. Despite above-target inflation, the BoE will be wary to hike again in the midst of a congested Brexit timetable. Better fiscal position opens up space for further easing, more likely to be deployed ahead of next election, e.g. NHS spending. We have maintained our UK GDP growth rate expectation at 1.3% in 2018 and 1.5% in 2019. A Brexit 'No deal' scenario is still possible, however we see this as being an unlikely event. Headline inflation is expected to stay below 3% unless oil rises further. Our view is that the fundamentals driving economic growth remain relatively strong, and global growth is synchronised and therefore see limited recession risks in the next 12 months.

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

Legal & General Investment Management Limited
(Investment Adviser)
7 January 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

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 and £50 per month.

F-Class 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.

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.

Significant Changes

Change in Fund Management Fee (FMF)

With effect from 1 June 2018, the FMF for R-Class units have been reduced from 0.95% to 0.69%.

Change of Auditor

With effect from 28 April 2018, PricewaterhouseCoopers LLP ceased to be Independent Auditors of the Trust and KPMG LLP have been appointed. The change of Auditor has no impact on the way the Trust is operated.

General Data Protection Regulation (GDPR)

Legal & General takes your privacy very seriously. Under data protection legislation, we have classified ourselves as a 'data controller'. This means that we are subject to certain obligations relating to how we process personal data. These obligations include, without limitation, providing individuals with certain information regarding how we process their personal data.

We will use the personal data you have provided to us in connection with an investment in units of Legal & General Ethical Trust, including your name, age, contact details, bank account details, transactions and the invested amount, and any information regarding the dealing in units in accordance with all applicable data protection laws and our Privacy Policy which is available from 25 May 2018 at www.lgim.com/UTMprivacy (or available upon request). Our Privacy Policy sets out, amongst other things, the purpose or purposes for which your personal data is collected and intended to be processed and also contains any other information prescribed by data protection legislation.

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

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

Trustee

Northern Trust Global Services SE

50 Bank Street,

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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**

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