

Legal & General Ethical Trust  
**Interim Manager's  
Short Report**  
for the period ended  
**12 June 2018**

**EVERY  
DAY  
MATTERS.®**





## 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.

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 will be considered eligible unless they are involved in the following activities:

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.

## 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 Jun 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 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 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 August 2018 is 0.9883p per unit for distribution units and 1.4546p per unit for accumulation units.

### F-Class

The distribution payable on 12 August 2018 is 1.1584p per unit for distribution units and 1.7641p per unit for accumulation units.

### I-Class

The distribution payable on 12 August 2018 is 1.1993p per unit for distribution units and 1.9404p per unit for accumulation units.

## Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	135,207,278	199,231,173	67.86
Accumulation Units	75,813,535	74,807,801	101.34
F-Class			
Distribution Units	121,303	177,729	68.25
Accumulation Units	264,442	250,170	105.70
I-Class			
Distribution Units	60,033,913	88,543,366	67.80
Accumulation Units	53,184,567	47,642,344	111.63

**Past performance is not a guide to future performance.**

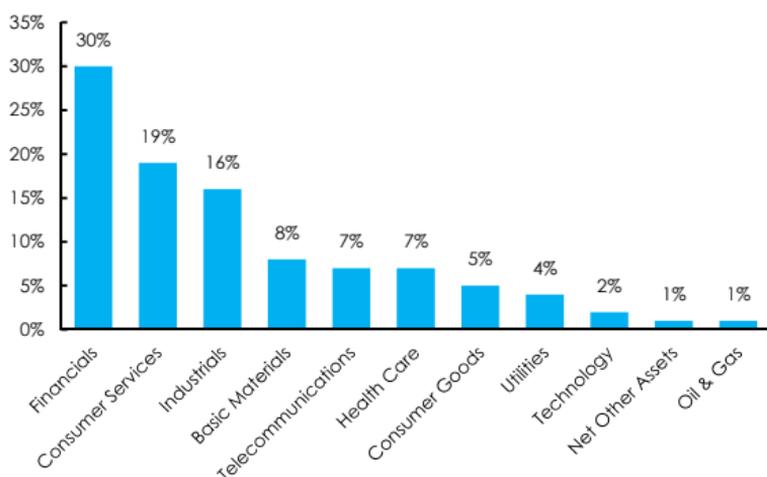
**The price of units and any income from them may go down as well as up.**

## Portfolio Information

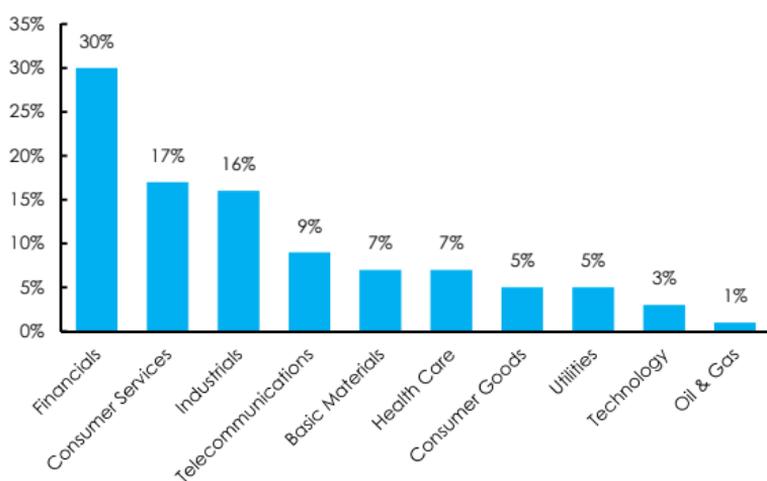
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 12 June 2018		Top 10 Holdings at 12 December 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Vodafone Group	5.00%	Vodafone Group	6.44%
Prudential	4.82%	Lloyds Banking Group	4.93%
Lloyds Banking Group	4.51%	Prudential	4.91%
BHP Billiton	3.61%	Shire	3.49%
Shire	3.56%	National Grid	3.14%
National Grid	2.97%	BHP Billiton	2.97%
CRH	2.39%	BT Group	2.36%
Tesco	2.38%	CRH	2.28%
Aviva	2.04%	Aviva	2.14%
BT Group	1.73%	Tesco	1.76%

## Trust Holdings as at 12 June 2018



## Trust Holdings as at 12 December 2017



## **Manager's Investment Report**

During the period under review, the bid price of the Trust's R-Class distribution units rose by 4.65%. Although there is no published Index for those companies assessed as eligible by EIRIS, for comparison over the same period but using close of business to close of business pricing, the Legal & General Ethical Trust grew by 3.78% whereas, the FTSE 350 Index (excluding Investment Trusts) increased by 3.24% (Source: Bloomberg). Similarly, the broader based FTSE All-Share Index (excluding Investment Trusts) increased by 3.28% (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.**

## **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. Sterling's strength, with the currency reaching its highest level since the 2016 referendum, surpassing \$1.40 at the end of January, has caused a headwind for companies and sectors with high international earnings, notably food & beverages. 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 putting paid to the prospect of an imminent rate hike. The resources sectors have performed well, while autos were boosted by a hostile takeover bid from Melrose Industries for component supplier GKN which eventually received shareholder approval.

In the UK, the domestically focused FTSE 250 Index (+5.82%) and FTSE SmallCap Index (+4.22%) outperformed the more internationally focused FTSE 100 Index (+2.71%).

## **Trust Activity**

The Trust's selection process excludes the Tobacco and Military industries, while the Oil & Gas, Banks, Mining, Pharmaceuticals & Biotechnology and Beverages sectors are markedly underweight. Such exclusions are compensated for by an increased presence in Life Insurance, Mobile Telecommunications and Financial 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 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 two Index reviews during the period.

In December 2017 the FTSE 350 ex Investment Trusts Index quarterly Index review resulted in 4 additions and 3 deletions. BCA Marketplace, RHI Magnesita, PureCircle and TI Fluid Systems were added and all of these stocks were subsequently assessed as eligible

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

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, 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 5 additions and 7 deletions. Games Workshop Group, On the Beach Group, ContourGlobal, Charter Court Financial Services Group 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.

The merger activity outside the Index reviews included 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 were Aldermore Group that was acquired by FirstRand Limited, and Fenner that was acquired by Michelin B.

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

Capita Group raised capital via a rights issue.

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

### **Outlook**

Expectations that the Bank of England would opt to increase interest rates at its May meeting initially grew then subsided as the downside surprise of the first quarter's growth figures were announced. Bond-correlated sectors had a better month as the uptick in bond yields witnessed so far in 2018 came to a halt, benefiting utilities and healthcare stocks. 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)  
5 July 2018

## **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.

## **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, through 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, and F-Class, with a minimum amount of £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 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.

## **Significant Changes**

### **Change of FMF for R-Class**

With effect from 1 June 2018, the Fund Management Fee (FMF) has 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](http://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 PLC

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

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Financial Conduct Authority**

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