

Electric & General Investment Fund

Annual Report

Authorised Corporate Director's Short Report
for the year ended 30 June 2014

Introduction

The Electric & General Investment Fund (the "Company"/the "Fund") is a UK authorised open-ended investment company (OEIC). The Company is a UCITS Scheme which complies with the Financial Conduct Authority's (FCA) Collective Investment Schemes Sourcebook (COLL), including the investment borrowing powers rules in Chapter 5.

The Company benefits from a board of Independent Directors whose duties include the oversight of key elements of the Company's operation. A statement of the Directors' Responsibilities and the Chairman's report on the governance of the Company is available from the Authorised Corporate Director (ACD).

Investment manager

The investment manager of the Company is Taube Hodson Stonex Partners LLP.

Investment objective

The investment objective of the Company is to provide long-term capital growth with potential for income.

Investment policy

The investment policy for achieving the objective is to invest in transferable securities including global securities, bonds, collective investment schemes, money market instruments, warrants, deposits, derivatives and forward transactions for purposes of efficient portfolio management (including hedging).

Investor profile

The Company may be marketed to all types of investor being both retail and institutional investors. However, a typical investor in the Company will understand and appreciate the risks associated with investing in shares in the Company and/or will have received advice from an appropriately qualified financial adviser. The Company is appropriate for investors who might need to access their capital in the medium to long term (5 years plus). Investors should also bear in mind the relevant risk factors which are set out on page 9.

Distribution

All shareholders own income shares, which entitle them to a share in any distribution made by the Company. Normal distribution dates are 31 August and the last day of February for income accrued as at 30 June and 31 December respectively. The net distribution for the current period is shown overleaf.

Future distributions may fluctuate depending on the mix of assets over any specific reporting period.

Important information

Shareholders are advised that from 6 October 2014, securities traded on most of the European regulated markets will be required to settle two days after the trade ("T+2") instead of the current three day settlement cycle ("T+3"). As a consequence of this change in settlement cycles for regulated markets it is considered appropriate by our industry body, the Investment Management Association, to reduce the settlement cycle for authorised investment funds. This means that Fund buy orders will have to be paid for no later than three days after purchase and proceeds from Fund sale orders will be paid by the ACD three days after trade date (subject to receipt of correct renunciation papers).

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Fund information

Net asset value per share Income 'A' shares	Net asset value £	Net asset value per share p*	No. of shares in issue
30 June 2013	94,914,539	121.58	78,070,106
30 June 2014	100,918,944	139.37	72,409,750

*based on bid price.

Price and income history

Income 'A' shares Calendar Year	Highest p	Lowest p	Income paid pence per share
2011*	104.90	90.69	-
2012	115.40	98.38	2.4799
2013	139.30	114.00	3.0629
2014**	145.30	132.50	2.6757

*12 August to 31 December 2011

**to 30 June 2014

Performance*	6 Months	1 year	Since launch
Electric & General Investment Fund	2.68%	16.86%	49.31%
Benchmark Index**	1.83%	8.18%	40.50%

*Source: Bloomberg

** MSCI World Index

Ongoing charges figure (OCF)	30 June 2014	30 June 2013
ACD fee	0.04%	0.02%
Other expenses	0.66%	0.68%
Total OCF	<u>0.70%</u>	<u>0.70%</u>

The OCF measures the total annual charges and expenses of the Fund that impact on any returns to the investor. Most funds highlight the OCF to help investors compare the annual charges and expenses of different funds.

During the year ended 30 June 2013 the Authorised Corporate Director (ACD) Fee has increased from 0.02% to 0.04%, this was effective from 1 May 2013.

In addition to the above, the Fund is charged a performance fee. As outlined on page 8 a performance fee is payable on returns, when the performance of the Fund, over a Performance Period (commencing 1st July annually), exceeds the Benchmark. Further information on the performance fee and methodology can be found in the Company Prospectus.

The performance fee charged for the accounting period ended 30 June 2014 with respect to 'A' Income Shares was £672,284, representing 0.66% of the average net assets of the Fund.

For the accounting period ending 30 June 2013 the comparative performance fee charged was : £0, representing 0.0% of the average net assets of the Fund).

Financial market review

The Company has had an extremely good year, returning almost twice as much as its benchmark. Over the year to 30 June 2014, the MSCI World, the benchmark index for the Company, rose by 8.2% on a total return basis. The Electric & General Investment Fund significantly outperformed, rising by 16.9%.

Stock markets in general have done well over the last twelve months as the recovery in the US has gathered momentum and the problems in the eurozone have diminished. Many holdings in the portfolio have therefore produced notable performances but exceptionally high returns from a number of investments delivered the Company's strong outperformance. For example Sacyr, a Spanish construction and property group with a number of financial investments, produced the highest contribution overall while CaixaBank - a new investment in the first half of the Company's year - produced the second highest contribution. Both companies have benefited from Spain's economic recovery – a theme which we have been developing since early last year. In the first half, as discussed in the interim report, we added to this theme with new investments in NH Hoteles, a Spanish hotel group, and Banco Popular, a domestic Spanish bank; both holdings produced good returns over the period under review. More recently, shares have been purchased in Indra Sistemas, a Spanish IT services company.

Other areas which have produced strong returns include the portfolio's e-commerce related investments, Kinnevik and Deutsche Post. The European financials also performed well with Unicredit and ING Groep the leading performers. Within the energy sector, both Archer and Patterson-UTI produced excellent returns. Both companies benefitted from an improvement in the US onshore oil services market. Our confidence in Archer, a Norwegian oilfield services company, was further rewarded when it succeeded in winning a large contract in Argentina.

One company which has repeatedly been a top performer is Sky Deutschland. In December we trimmed this very successful investment; although still enthusiastic about both Sky Deutschland and the German pay TV market, we felt that the share price was beginning to discount future growth. The price subsequently dipped in the spring and we took the opportunity to buy back some of the shares at a lower price. Sky Deutschland then appreciated and the holding produced the eighth highest contribution over the year.

The weakest performers were Sumitomo Mitsui Financial, which gave back some of its previous gains, and QBE Insurance where the strong Australian dollar and poor results in the US weighed on the company. As explained in the interim report, Potash Corporation of Saskatchewan and Mosaic were adversely affected by the sudden break up of a major potash marketing group. Niko Resources, which owns gas resources in India, was very disappointing. Agreement was reached with the Indian authorities to raise the price of gas but the company is struggling to finance its commitments.

During the year we took advantage of price weakness to top up existing holding such as The St Joe Company, which owns a large area of development land in Florida; UPS, which is part of our e-commerce theme; and BNP Paribas, which has agreed to pay the settlement imposed in the US following alleged transactions involving sanctioned countries. The bank is sufficiently large and well capitalised to withstand the fine. The shares were purchased at a good price and we consider the valuation to be very undemanding.

A number of new investments have been made during the year including Rolls-Royce, the aero engine manufacturer; Varian Medical Systems, which produces radio therapy machines for treating cancer; and Santos. Santos, as we explained in the interim report, is an Australian oil and gas company which is involved in large Liquefied Natural Gas (LNG) projects. We are interested in the potential offered by LNG and in the second half made a new investment in Golar LNG which participates in the entire LNG value chain. Other new investments in the second half include Telecom Italia, which provides fixed line, mobile and data transmission services in Italy and overseas; and Ubiquiti Networks, an American wireless network equipment maker.

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In June, Banca Monte Dei Paschi di Siena finally launched its long awaited rights issue and the Company took up the new shares.

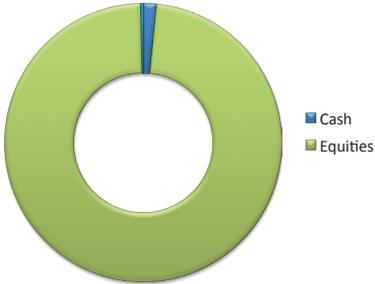
We have become less keen on large pharmaceutical companies. In the first half we sold GlaxoSmithKline and Pfizer, as discussed in the interim report, and early in 2014 we took advantage of a strong price to sell Novartis, the remaining holding in traditional pharmaceutical companies. We sold Lagardere, Adobe and Allianz, which have all performed well; and sold EDF following a strong recovery. Towards the end of the period we took some profits from Caixabank and started to sell Swiss Re.

This was a successful year for the Company. Performance has continued to benefit as the global economy and financial markets recover from the financial crisis. The mood of investors, however, continues to be cautious and somewhat sceptical - there is certainly no sign of over exuberance in the stock markets. We believe that global growth will benefit as the major regions contribute to a synchronised recovery and that stock markets can continue to provide good returns with this backdrop. The Company is now close to fully invested, reflecting this positive view of equity markets.

*Taube Hodson Stonex Partners LLP
Investment Manager to the Electric & General Investment Fund
10 July 2014*

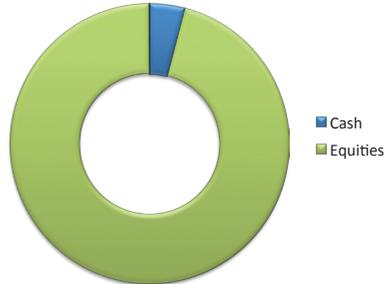
30 June 2014

Asset Allocation

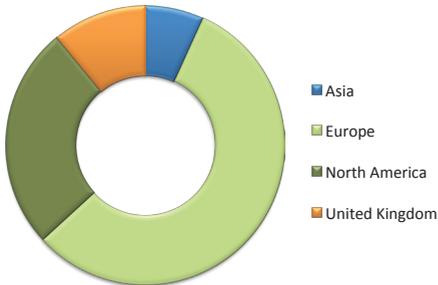


30 June 2013

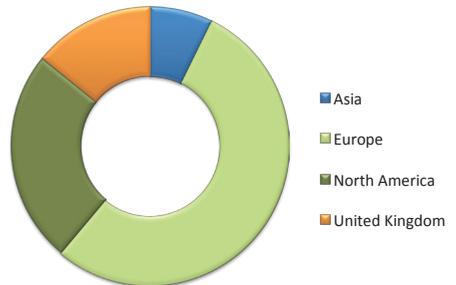
Asset Allocation



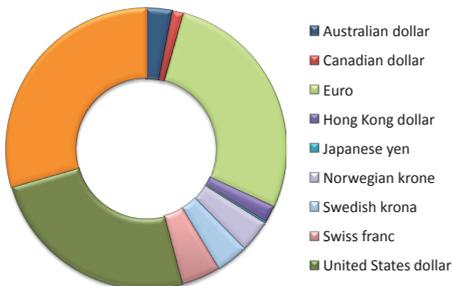
Geographical Allocation



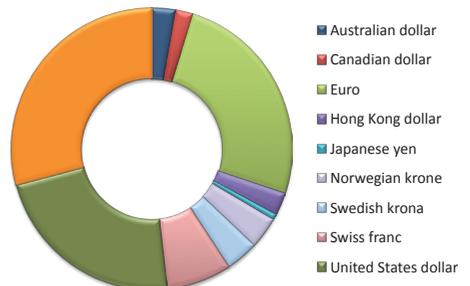
Geographical Allocation



Currency Exposure



Currency Exposure



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Major holdings

The top ten holdings at the end of each reporting period are shown below:

	% of net assets as at 30 June 2014		% of net assets as at 30 June 2013
TAG Immobilien	3.51	TAG Immobilien	3.86
Schibsted	2.76	Schibsted	3.29
Banca Monte dei Paschi di Siena	2.48	Deutsche Post	2.89
Sacyr SA	2.41	Nestlé	2.83
ING Groep	2.40	Hutchison Whampoa	2.58
CaixaBank	2.38	GAGFAH	2.48
GAGFAH	2.30	Pfizer	2.44
BNP Paribas	2.29	BNP Paribas	2.35
Eurazeo	2.05	Sky Deutschland	2.26
Vivendi	2.02	Sumitomo Mitsui Financial Group	2.12

Major purchases and sales

The top ten purchases and sales for the reporting period ended 30 June 2014:

Purchases	Cost £'000	Sales	Proceeds £'000
CaixaBank	2,141	Pfizer	2,366
The Fresh Market	1,792	Lagardère	2,189
Banca Monte dei Paschi di Siena	1,776	GlaxoSmithKline	1,964
Golar LNG	1,508	Adobe Systems	1,710
Varian Medical Systems	1,474	Deutsche Post	1,499
Rolls-Royce Holdings	1,467	Novartis	1,320
NH Hoteles	1,238	Nestlé	1,300
Belgacom Warrants 21/05/2015	1,113	Allianz	1,296
Belgacom	1,104	Belgacom	1,240
Indra Sistemas	1,095	Belgacom Warrants 21/05/2015	1,185

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Other information

The information in this report is designed to enable shareholders to make an informed judgement on the activities of the Company during the period it covers and the result of those activities at the end of the period.

The following are available online at www.yealand.com or at the registered office of the ACD:

- Historical
 - Price
 - Yield
 - Distribution
- Annual Key Investor Information Document (KIID)
- Full Report & Accounts

The daily price is published in the Financial Times under the Funds page and online at <http://electricandgeneral.com>. The Company Prospectus are available free of charge on request from the ACD.

For more information about the activities and performance of the Company during the period, please contact the ACD at the address as noted on page 13, or online at <http://electricandgeneral.com>.

Investment manager's fee

The investment manager receives for its own account a periodic fee as follows:

Net Income 'A' Shares	0.3%
Net Income 'B' Shares	1.0% (shares not currently available)

Performance fee

In addition to the periodic investment manager's fee outlined above, the investment manager is entitled to charge a performance fee to be taken from the capital of the Company. This is payable when the performance of the Company, over a Performance Period, exceeds the Benchmark. The performance fee will be calculated and accrued daily and will be payable annually in arrears in respect of each Performance Period.

Further information on the performance fee and methodology can be found in the Company Prospectus.

Distribution Dates

The Company makes its interim and final distribution on the last business day of February and 31 August respectively.

Buying and selling shares

With effect from 1 January 2014, the minimum initial investment in Net Income 'A' Shares which any one person can purchase, and the minimum holding in Net Income 'A' Shares, have each been reduced to £1,000. The ACD at its discretion can waive these requirements.

Net Income 'B' Shares are not currently available. However, now the minimum pertaining to the Net Income 'A' Shares have been reduced, their minimum investment characteristics are the same.

Shares may be purchased or sold by telephoning 0845 850 0255 or writing to: Carvetian Capital Management Limited, Stuart House, St John's Street, Peterborough, PE1 5DD. For your protection calls are recorded. The time for telephone deals is 09:00 – 17:00 every business day.

The Company is priced daily at 10:00am on Monday to Friday.

The published price may be subject to an initial charge of 5% on the 'B' shares. The ACD at its discretion may waive or discount the initial charge or minimum purchases at its discretion.

Risk and reward rating

The current Risk and Reward indicator contained within the Annual Key Investor Information Document (KIID), as referred to on page 8 is illustrated below:

Risk and reward profile



Lower potential
risk/reward
(not risk-free)

Higher potential
risk/reward

More about this rating

This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The risk category shown is not a target or a guarantee and may change over time.

Why is this fund in category 5

The share class is ranked in risk category 5 as funds of this type have experienced above average price rises and falls historically.

Risk profile

The following are important warnings:

Investors should appreciate that there are risks normally associated with investment in stocks and shares.

- Stock market prices may be volatile and be unpredictably affected by many diverse factors, including political and economic events but also rumours and sentiment. An investment in the Fund should be regarded as a long-term investment. There can be no assurance that the objectives of the Fund will be achieved.
- The capital value and the income from shares in the Fund can fluctuate and the price of shares and the income from them can go down as well as up and are not guaranteed. On encashment, particularly in the short term, investors may receive less than the original amount invested. Any initial charge made by the ACD is deducted from an investment at the outset and consequently an equivalent rise in the value of the shares is required before the original investment can be recovered.
- Defensive investment in cash and money market instruments, at times when relevant stockmarket indices are rising, may constrain the growth of capital invested in the Fund.
- Investments may be made in assets denominated in currencies other than Sterling and the movement in exchange rates may have a separate effect, unfavourable as well as favourable, on the gains and losses otherwise experienced on such investments.
- Investments may be made in securities with floating or fixed rate interest rates, where changes in the prevailing rates or changes in expectation of future rates may result in a change in the value of the securities and the income received therefrom.
- Past performance is not necessarily a guide to future growth or rates of return.
- Exemptions, thresholds and rates of tax may change in future tax years.

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Key parties

Authorised Corporate Director (the ACD)

Carvetian Capital Management Limited
Registered Office
Stuart House
St. John's Street
Peterborough
PE1 5DD

Tel: 0845 850 0255

Fax: 01733 286833

e-mail: carvetian@yealand.com

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

Independent Directors of

Electric & General Investment Fund

G P Aherne (Chairman)

J D W Pocock

C M Vaughan

Fund administration, registration and dealing

Yealand Administration Limited
Stuart House
St. John's Street
Peterborough
PE1 5DD

Tel: 0845 850 0255

Fax: 01733 286833

email: carvetian@yealand.com

Website: www.yealand.com

Investment Manager

Taube Hodson Stonex Partners LLP
Cassini House
57-59 St James's Street
London
SW1A 1LD

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

Depository

National Westminster Bank Plc
Registered and Head Office:
135 Bishopsgate
London
EC2M 3UR

*(Authorised by the Prudential
Regulation Authority and regulated
by the Financial Conduct Authority
and Prudential Regulation Authority)*

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Carvetian

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