

Electric & General Investment Fund

Interim Report

Authorised Corporate Director's Short Report
for the six months ended 31 December 2012

Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

Carvetian
Carvetian Capital Management Limited

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 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 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).

Fund charging structure changes effective from 1 May 2013

Following FSA approval the following changes will be effective:

Authorised Corporate Director's Annual Management Charge will increase from 0.02% to 0.04%.

Administration Fee will increase from 0.12% from 0.07% on the first £50m of the NAV, then 0.08% from 0.05% on the next £50m of NAV, then 0.04 % on the remainder of the Net Asset Value.

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.

Changes to the Independent Board of Directors

During the period the following changes occurred:

J G Ruffer retired on 12 November 2012

C M Vaughan appointed on 12 November 2012

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.

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Fund information

Net asset value per share Income 'A' shares	Net Asset Value £	No. of Shares* in issue	Net Asset Value per share p
30 June 2012	85,146,776	83,409,283	102.08
31 December 2012	90,585,495	80,952,300	111.90

*Based on bid price

Price and income history

Calendar Year	Highest p	Lowest p	Income Pence per share p
2012	115.40	98.38	2.4799
2013*	-	-	0.8642

*Distribution payable 28 February 2013

Performance	6 Months	1 Year	Since launch
Electric & General Investment Fund*	12.11%	18.47%	15.68%
Benchmark Index**	4.58%	8.08%	13.58%

* Source: Bloomberg

** Benchmark Index - MSCI World Sterling Index (total return basis)

Ongoing charges figure (OCF)*	31 December 2012	30 June 2012
Net ACD fee	0.02%	0.02%
Other Expenses	0.66%	0.72%
Total OCF	0.68%	0.74%

*The ongoing charges figure (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. The OCF is an annualised figure.

Financial market review

Equities performed well in the second half of 2012. As a result, all leading indices posted strong end of year gains. In December, performance was tempered by nervousness over America's impending fiscal cliff, but global equities surged on the first day of trading in 2013 following the US politicians' 11th hour deal. Over the six months to December 31 the MSCI, the benchmark index for the Fund rose by 4.52 per cent (4.6% on a total return basis) while the Fund increased by 10.11 per cent (12.1% on a total return basis) after fees on a simple price appreciation basis, an out performance of 5.59 per cent. This performance is stated after deducting the annual management fee and any performance fee for the period as detailed on page 7. (Source: Bloomberg).

In the annual report published last August, we stated that we saw considerable upside in some of Europe's least loved stocks, which is why we had added to the position in BNP Paribas. This strategy has been rewarded as BNP Paribas was the Fund's second highest contributor over the six months to December 31.

Indeed many of the Fund's European financial holdings produced significant contributions over the period, rising substantially as sentiment towards both the region and the sector improved. Strong performers include: ING Groep, Royal Bank of Scotland, Allianz, Aegon, HSBC and Unicredit. We feel this trend has further to go and recently bought more shares in Royal Bank of Scotland following a constructive meeting with the Finance Director.

Similarly, our German property theme has now performed well, with Gagfah producing a good return and TAG Immobilien making the highest contribution over the last six months. We also see further upside in this theme and during the period took up rights in TAG Immobilien.

Other top performers include Schibsted, the Norwegian media company, which once again reported positive results, driven by the strong growth of its online classified business in France; and Sky Deutschland, which has a new entry level offer and a distribution deal with Germany's largest cable company.

Our United States housing theme investments – Wolseley, St Joe and HeidelbergCement - performed well, in response to increased confidence in the recovery of the US housing market. Stanley Black & Decker, a new holding which fits in this theme, has also made good progress.

During the period we started to build up a new theme centred on e-commerce. Our approach is to benefit from increasing online purchasing through investment in service providers and less well known e-commerce companies rather than invest in expensive household names such as Amazon. On this basis a new investment was made in Kinnevik, a telecom holding company which also owns a number of e-commerce companies including a leading fashion 'etailer' in non-Anglo Saxon markets; we added to Deutsche Post which is heavily involved in e-commerce through DHL; and towards the end of the year made a new investment in UPS. This has traditionally been a premium rated company but is available now at an attractive price. Schibsted, a leader in online classified advertising and a long standing holding is also included in this theme.

We have also added to the Fund's 'changing diet' related investments. We believe that a growing and increasingly prosperous population in the developing world will want more food and particularly meat and dairy products, which require greater productivity from farm land and therefore more agricultural inputs. Further shares have therefore been purchased in Mosaic, which produces phosphate and potash fertilizers and Potash Corporation of Saskatchewan.

During the period we increased the holding in Niko Resources' ordinary shares and added a new position in the 7 per cent convertible bond issue. While the operating performance of Niko has been disappointing, we feel that there is substantial underlying value which should be revealed now that the financing situation has been resolved.

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Other poor performers over the period were Archer, a Norwegian oil services company which has suffered from a worsening situation in the US, where the rig count has fallen; France Telecom, which fell after reducing its dividend and earnings outlook for 2013; and EDF, which was affected by the increased cost of bringing its nuclear power fleet up to new post-Fukushima safety standards.

Some changes were made to the Fund's telecom holdings as we see the US mobile phone market becoming significantly more competitive. Softbank, one of Japan's largest mobile phone companies has invested \$20bn in Sprint, the third largest carrier in the US. Previously, Sprint had been financially stretched, burdened with large debts and an expensive network transition; following this investment it will be in a position to compete aggressively to gain market share. We therefore sold Deutsche Telekom - US margins and revenues-per-customer are among the highest in the world and T-Mobile USA will be affected by increased competition; we also reduced the holding in Vodafone - while the discount to its holding in Verizon in the US remains substantial, the risks to earnings have increased.

Other sales completed during the period include Husky Energy which was sold following a review of the Fund's energy holdings and Lennar, the US housing related company, which had performed very strongly. We finished selling the non-voting shares in Roche and the remaining shares in Land Securities were sold. Intel was sold after a price rise and also because of some concerns over the forthcoming launch of Windows 8. We began to sell SNC-Lavalin – as a contracting company the global slowdown, particularly in the resources sector, is likely to be unhelpful. In August, GlaxoSmithKline's takeover of Human Genome was completed for which the Fund received payment.

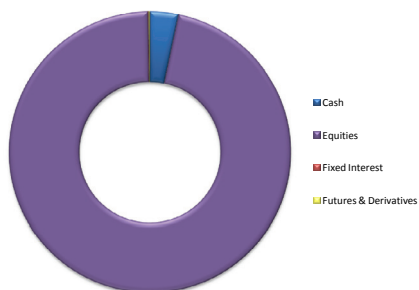
In addition, some profits were taken from Yum! Brands, Experian and Svenska Handelsbanken and most recently, the Fund tendered shares in ANF Immobilier, the French property company, into a buyback offer from the company and sold Clearwire, a US wireless company with extensive spectrum assets, following a good recovery.

Looking ahead, there is no doubt that questions remain, particularly over the future of the euro and the path of global growth. However, we feel that equities are still attractive in both absolute terms and compared to competing asset classes. We have been running the portfolio at as close to fully invested as is practicable for some time and we believe that our list of shares is well placed to participate in a continuing re-rating of equities.

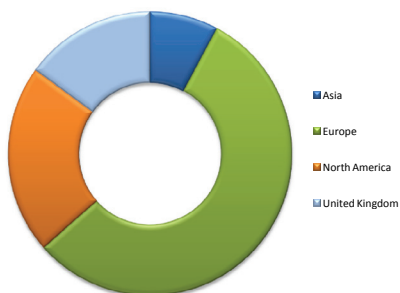
*Taube Hodson Stonex Partners LLP
Investment Manager to the Electric & General Investment Fund
21 January 2013*

31 December 2012

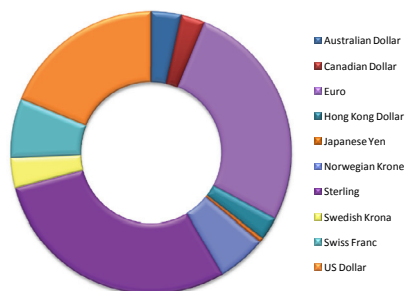
Asset Allocation



Geographical Allocation

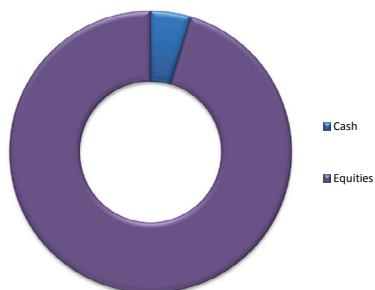


Currency Exposure

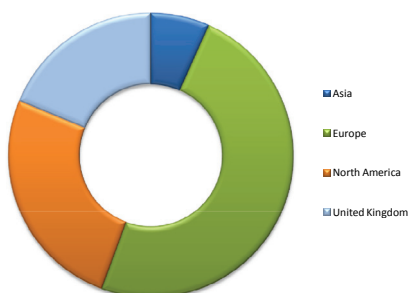


30 June 2012

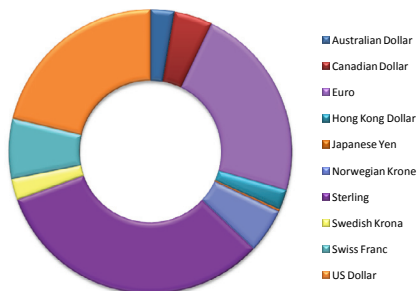
Asset Allocation



Geographical Allocation



Currency Exposure



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Major holdings

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

	% of net assets as at 31 December 2012		% of net assets as at 30 June 2012
TAG Immobilien	5.70	TAG Immobilien	3.51
Schibsted	3.30	ANF Immobilier	2.92
Nestlé	2.87	Nestlé	2.79
Hutchison Whampoa	2.62	Schibsted	2.66
Deutsche Post	2.60	Vodafone Group	2.44
Vivendi	2.53	Human Genome Sciences	2.39
BNP Paribas	2.47	Hutchison Whampoa	2.29
Royal Bank of Scotland Group	2.28	Vivendi	2.23
Pfizer	2.23	Lennar 'A'	2.19
GAGFAH	2.21	Pfizer	2.17

Major purchases and sales

The top ten largest purchases and sales for the period ending 31 December 2012

Purchases	Cost £'000	Sales	Proceeds £'000
Investment AB Kinnevik 'B'	1,394	Human Genome Sciences	2,216
TAG Immobilien	1,224	Lennar 'A'	1,884
Royal Bank of Scotland Group	1,222	Intel	1,517
Computershare	937	Land Securities Group	1,265
Adobe Systems	926	Husky Energy	1,185
Stanley Black & Decker	875	ANF Immobilier	1,174
Potash Corp of Saskatchewan	503	Vodafone Group	1,153
The Mosaic Company	499	Deutsche Telekom	752
UniCredit	494	Experian	724
United Parcel Services	482	SNC - Lavalin Group	708

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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 full report and accounts are available free of charge on request from the ACD or online at www.yealand.com. 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 10.

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

Until 30 June 2013, the minimum value of Net Income 'A' Shares which any one person can purchase initially is £10,000. From 1 July 2013 the minimum value of Net Income 'A' Shares which any one person may purchase initially will increase to £100,000, and the minimum value of additional Net Income 'A' Shares which may be purchased subsequently is £10,000.

Net Income 'B' Shares are not currently available. However their characteristics are the minimum value of Net Income 'B' Shares which any one person may purchase initially is £1,000 and also £1,000 in respect of subsequent purchases.

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 current and historic fund prices are available online at www.yealand.com (together with yield information) or at the registered offices of the ACD. In addition the daily price is published in the Financial Times under the Funds page. Also available from the website is the distribution information. In addition the annual Key Investor Information Document (KIID), which includes Risk and Reward numerical indicators of the Company, is published online or available from the ACD.

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

As referred to on page 8, the current Risk and Reward indicator is illustrated below:

Risk and reward profile



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 Company. The risk category shown is not a target or a guarantee and may change over time.

Why is this fund in category 6

The risk indicator for this Company reflects the following:

The share class is in risk category 6 as its price has experienced significant 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)

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Fax: 01733 286833

e-mail: carvetian@yealand.com

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

Independent Directors of Electric & General Investment Fund

G P Aherne (Chairman)

J D W Pocock

C M Vaughan

Investment Manager

Taube Hodson Stonex Partners LLP
Cassini House
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London
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*(Authorised and regulated by the
Financial Services Authority)*

Depositary

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Registered and Head Office:
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EC2M 3UR

*(Authorised and regulated by the
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Fund administration, registration and dealing

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email: carvetian@yealand.com

Website: www.yealand.com

Auditor

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SE1 2AF

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