



Electric & General Investment Fund

Annual Report

Authorised Corporate Director's Short Report
for the year ended 30 June 2019

Introduction

The Electric & General Investment Fund (the 'Company'/the 'Fund') is an investment company with variable capital (ICVC). The Company is a UCITS Scheme which complies with the Financial Conduct Authority's (FCA) Collective Investment Schemes sourcebook (COLL), including the investment and borrowing powers in Chapter 5.

Investment objective and policy

The Company's investment objective is to seek to achieve long term (at least five years) capital growth with some potential for income.

To achieve the investment objective, the Company's investment policy is to invest principally (at least 80%) in a portfolio of global equities, and may also invest in other transferable securities, bonds (both corporate and government debt securities), collective investment schemes ('CIS'), warrants, money market instruments, cash, near cash and deposits. The Company may borrow and may enter into underwriting arrangements. It is the ACD's intention that derivatives and forward currency transactions will only be used for the purposes of efficient portfolio management, including hedging, as defined by the Regulations.

The Company is actively managed and has, with the exception of the above noted minimum, no limit to which it can be invested in each sector or asset type, nor is there any particular geographic focus. The Portfolio Manager has full flexibility to adjust the proportion of the property of the Company depending on their view of market conditions and the assets which it believes are most likely to achieve the Company's investment objective. From time to time the liquidity of the Company may be increased substantially if judged to be in the interests of investors.

The Company may invest in CIS which have different investment strategies or restrictions than the Company, including the ability to invest in derivatives for investment purposes and to gain exposure to assets which are not expressly listed above. Investment in CIS will usually be limited to those which invest primarily in the assets listed above and without exception, CIS will only be held in so far as the rules permit the Company to gain exposure to the assets held by those CIS.

A Glossary of Definitions which provides definitions to some of the technical language used in this document is available from www.carvetian.com/policies.

The Company benefits from a board of Independent Directors whose duties include the oversight of key elements of the Company's operation.

Comparator benchmark

To gauge the relative performance of the Fund, Shareholders may compare the Fund's performance against the Investment Association's Global Sector. This is not a performance target nor constrains the way in which the Fund is managed. For further information on the Sector and its intended use, please refer to the Fund's Prospectus.

Target market

Electric & General Investment Fund may be suitable for all eligible investors (be they retail clients, professional clients or eligible counterparties, each as defined in glossary to the UK Financial Conduct Authorities Handbook of Rules and Guidance) who are seeking long-term capital growth with some potential for income by investing principally in a portfolio of global equities, provided they can meet any minimum age and minimum investment amounts. Financial experience is not considered a necessity. However, investors must at least understand a product where capital is at risk and have the capacity to bear losses (possibly total) on their original investment, accepting risk to their capital. The Fund may be suitable as a component of a portfolio

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and for investors who are looking to set aside their capital for the long term (at least five years), though shares may be redeemed on a daily basis.

The risk and reward profile for the Fund is set out in the Key Investor Information Document(s) for the Fund. Any investor should be willing to accept price fluctuations.

Electric & General Investment Fund is unlikely to be compatible with the requirements of an investor:

- investors looking for guaranteed income or return;
- seeking full capital protection;
- who does not have sufficient resources to bear any loss resulting from the investment;
- who is not able to evaluate the risks and merits of the Fund; and/or
- with a short-term (less than five years) investment horizon.

Investors should also bear in mind the relevant risk factors which are set out on page 10.

Investment manager

The investment manager to the Fund is Troy Asset Management Limited.

Distribution

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

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

Fund Information
Change in net asset value per income share
All prices quoted are based on bid price

| | Year ended 30 June 2019 p | Year ended 30 June 2018 p | Year ended 30 June 2017 p |
|---|------------------------------------|------------------------------------|------------------------------------|
| Opening net asset value per share | 190.39 | 191.58 | 169.15 |
| Return before operating charges [†] | 40.91 | 3.39 | 27.41 |
| Operating charges | (2.10) | (2.13) | (2.03) |
| Return after operating charges[†] | 38.81 | 1.26 | 25.38 |
| Distributions on income shares | | | |
| Interim | (1.14) | (1.01) | (1.06) |
| Final | (1.85) | (1.44) | (1.89) |
| Total distributions on income shares | (2.99) | (2.45) | (2.95) |
| Closing net asset value per share | 226.21 | 190.39 | 191.58 |
| [†] after direct transaction charges of | 0.01 | 0.03 | 0.05 |

Performance

| | | | |
|--------------------------------|-------|------|-------|
| Return after operating charges | 20.4% | 0.6% | 15.0% |
|--------------------------------|-------|------|-------|

Other information

| | | | |
|-------------------------------|--------------|-------------|--------------|
| Closing net asset value (NAV) | £104,076,132 | £92,729,789 | £103,628,316 |
| Closing number of shares | 46,008,810 | 48,704,745 | 54,091,074 |
| Operating charges | 1.03% | 1.12% | 1.12% |
| Direct transaction charges | 0.01% | 0.01% | 0.03% |

Prices (p)

| | | | |
|---------|--------|--------|--------|
| Highest | 231.00 | 198.10 | 201.40 |
| Lowest | 187.00 | 174.10 | 166.50 |

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Investment manager's report

Portfolio Review

The last 12 months provided favourable conditions for equity investors in general, and for the Fund's strategy in particular. The first half of the year was marked by losses for global equities, and compared to approximately flat returns for the Fund. In the subsequent six months global equity markets came racing back and the Fund outperformed a rising market. The cumulative effect of these two periods is strong absolute and relative returns for the Fund.

A broad mixture of companies has driven the Fund's returns over the last year. The top five contributions came from companies whose primary business is enterprise software (Microsoft), digital payments (PayPal Holdings), prescription pharmaceuticals (Novartis), financial services (American Express) and packaged food and beverages (Nestlé). Each of these companies faces different challenges and opportunities; all of them are highly cash generative and enjoy recurring and growing sources of demand for their products and services. This class of business found wider popularity in the last 12 months against a confusing and often depressing economic and political backdrop. Cyclical sectors, such as Energy and Materials, with low levels of cash generation have suffered in contrast. The Fund habitually avoids these areas.

The Fund's own laggards were few over the past 12 months. There were four detractors from performance. Three are tobacco companies which have had a torrid year weighed down by a long list of concerns, some more apparent (e.g. adverse US regulation) and others more real (e.g. foreign-exchange headwinds and competition from novel reduced-risk products). The other is Wells Fargo which was lower due to general macro-economic concerns about the health of the U.S. economy and the direction of credit markets, combined with more company-specific regulatory and governance issues related to the company's misselling scandal, details of which first emerged in 2016. Both Wells and the tobacco companies are diminished parts of the portfolio, but they remain important contributors to the Fund's income. They appear inexpensive against current rates of earnings and dividends.

Dividend

The Fund will provisionally pay a final dividend of 1.85 pence per share to give a total dividend for the year ending 30 June 2019 of 2.99 pence per share. This total dividend is substantially above 2018's level of 2.45p, but only modestly above 2017's distribution of 2.95p. This variable pattern reflects currency effects that distort year-over-year comparisons, as well as some slippage of dividends from one year into the next. Allowing for this, and observing the more modest growth between 2017 and 2019, we highlight continued growth in dividends per share from the vast majority of the dividend-paying companies in the portfolio, offset by a rising mix of non-dividend paying companies in the portfolio. As discussed in the Fund's 2018 Annual Review, we remain mindful of the Fund's total income generation without restricting ourselves to investing in dividend-paying companies.

Portfolio Activity

Novartis spun out Alcon to its shareholders on 9 April 2019, giving the Fund a small stake in the world's leading eye care business. The shares are richly priced today, but we believe Alcon has attractive assets with a clear path to improvement under a new and independent management team. Novartis should also benefit from a greater focus on its core activity of designing and manufacturing prescription drugs.

The sale of Jardine Matheson was completed in the first six months of the year in order to finance investments in areas where we have greater conviction. Existing holdings in Alphabet and Visa were increased at valuations which we consider to be compelling for these two unique, growing and globally dominant franchises.

Elsewhere we reduced the holdings of certain investments within Consumer Staples and Healthcare, taking advantage of the strong performance of their shares.

Outlook

The last 12 months have laid bare the challenges faced by investment plans that attempt adjustments according to macro-economic or political news. Headlines on most fronts have remained negative and yet most asset classes have recovered strongly from the lows visited in the final weeks of December 2018. It is easy to be wrong-footed by all the noise. We find it simpler to focus on the things which we think we can thoroughly understand – a small group of companies with predictable characteristics that are well-run and reasonably priced. Investors should not expect predictable returns from these companies, or any other, at least in the near term. For a fully-invested fund such as Electric & General's, there will be periods of strong performance and times of weakness. The swings of the last 12 months show that returns will be lumpy and there will be occasions when the sum total of discrete periods is far less attractive than what we see today. Over longer stretches we continue to believe that investors are well served by a globally diversified collection of high-class companies that produce tremendous amounts of cash as they grow. Their consistency, and ours in following them, will be essential in navigating any future turbulence.

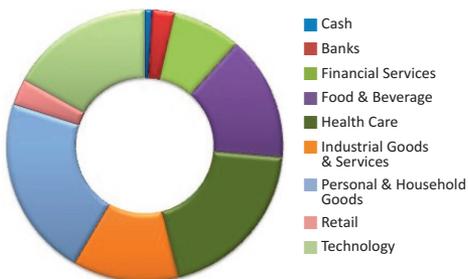
Troy Asset Management Limited
11 July 2019

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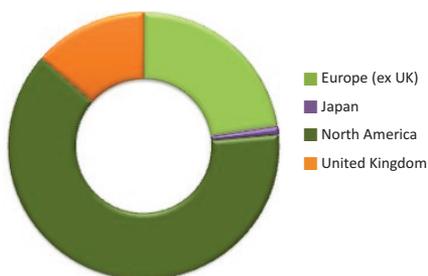
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30 June 2019

Sector Allocation



Geographical Allocation

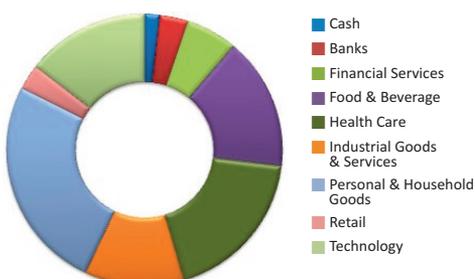


Currency Exposure

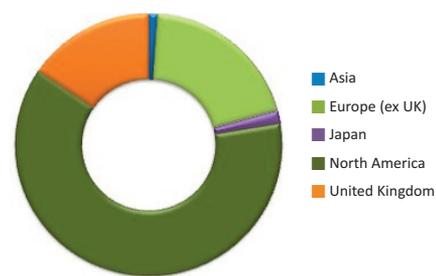
| Currency | GBP |
|------------------------|--------------------|
| Euro | 4,797,785 |
| Japanese yen | 1,019,205 |
| Sterling | 17,916,244 |
| Swiss franc | 14,824,997 |
| United States dollar | 65,517,901 |
| Net asset value | 104,076,132 |

30 June 2018

Sector Allocation



Geographical Allocation



Currency Exposure

| Currency | GBP |
|------------------------|-------------------|
| Euro | 3,893,333 |
| Japanese yen | 1,512,348 |
| Sterling | 17,269,044 |
| Swiss franc | 11,298,524 |
| United States dollar | 58,756,540 |
| Net asset value | 92,729,789 |

Major holdings

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

| | % of net assets as at 30 June 2019 | | % of net assets as at 30 June 2018 |
|--------------------------|---|-----------------------------|---|
| Microsoft | 7.64 | Microsoft | 6.07 |
| American Express Company | 5.72 | American Express Company | 4.90 |
| PayPal Holdings | 5.46 | Unilever | 4.43 |
| Roche Holding | 4.69 | PayPal Holdings | 4.28 |
| Unilever | 4.61 | Roche Holding | 4.27 |
| Novartis | 4.51 | Alphabet 'A' | 4.12 |
| Nestlé | 4.43 | Philip Morris International | 4.06 |
| Alphabet 'A' | 4.26 | Novartis | 4.05 |
| Medtronic | 4.17 | Becton Dickinson & Company | 3.99 |
| Intuit | 4.05 | Medtronic | 3.95 |

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Major purchases and sales

The total purchases and top ten sales for the reporting period:

| Purchases | Cost £'000 | Sales | Proceeds £'000 |
|------------------|---------------|-----------------------------|-------------------|
| Visa 'A' | 721 | The Coca-Cola Company | 1,606 |
| Alphabet 'A' | 600 | PepsiCo | 1,034 |
| Alcon | 400 | Jardine Matheson Holdings | 989 |
| eBay | 264 | Philip Morris International | 881 |
| Heineken Holding | 254 | Procter & Gamble | 645 |
| | | Johnson & Johnson | 565 |
| | | Nestlé | 298 |
| | | Roche Holding | 281 |
| | | Japan Tobacco | 265 |
| | | Fiserv | 251 |

General 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 rates
- Key Investor Information document (KIID)
- Full Report and Accounts

The daily price is published in the Financial Times under the Funds page and online at <http://electricandgeneral.com>. The Company Prospectus is 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 11, or online at <http://electricandgeneral.com>.

Investment manager's fee

The investment manager, Troy Asset Management Limited, receives for its own account a periodic fee of 0.60% (0.75% up to 31 October 2018) per annum.

Distribution dates

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

Authorised Corporate Director's fee

The annual fee due to the Authorised Corporate Director is 0.04% per annum.

Buying and selling shares

The minimum initial investment in Net Income 'A' Shares which any one person can purchase, and the minimum holding in Net Income 'A' Shares, is £1,000. The ACD at its discretion can waive these requirements.

Shares may be purchased or sold by telephoning 0345 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. Settlement is due within three business days or, in the case of sales, receipt by the ACD of a signed and completed form of renunciation.

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

The ACD may waive the minimum purchase threshold at its discretion.

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Risk and reward rating

The risk and reward indicator as published in the latest KIID is illustrated below:



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 this Fund is in category 5

The share class is ranked in risk category 5 as its price has experienced above average rises and falls historically (2018: category 5).

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 stock market 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.
- Currently, two thirds of the Investment Manager's periodic fee is charged to capital. This treatment of charges may increase the amount of income available for distribution, but may constrain capital growth.

Key parties

Authorised Corporate Director (the ACD)

Carvetian Capital Management Limited
Stuart House
St. John's Street
Peterborough
PE1 5DD
Tel: 0345 850 0255
Fax: 01733 286833
e-mail: carvetian@yealand.com

Registered in England Number 6923395

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

Independent Directors of Electric & General Investment Fund

G P Aherne (Chairman)
J D W Pocock
N Rundle

Fund administration, dealing and registration

Yealand Administration Limited
Stuart House
St. John's Street
Peterborough
PE1 5DD
Tel: 0345 850 0255
Fax: 01733 286833
e-mail: carvetian@yealand.com
Website: www.yealand.com

Investment manager

Troy Asset Management Limited
33 Davies Street
London
W1K 4BP
*(Authorised and regulated by the
Financial Conduct Authority)*

Depository

NatWest Trustee and Depository
Services Limited
Registered and Head Office:
250 Bishopsgate
London
EC2M 4AA

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

Auditor

Shipleys LLP
10 Orange Street
Haymarket
London
WC2H 7DQ

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