



Electric & General Investment Fund

Interim Report

Authorised Corporate Director's Short Report
for the six months ended 31 December 2018

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 investment objective of the Company is to seek to achieve long-term capital growth with some potential for income.

The investment policy for achieving the objective is to invest principally in a portfolio of global equities, and may also invest in other transferable securities, bonds, units and/or shares in collective investment schemes, warrants, money market instruments, cash, near cash and deposits. There is no limit to which the Company can be invested in each sector or asset type, nor is there any particular geographic focus. 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 may invest in collective investment schemes ('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.

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

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 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.

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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

	Six months ended 31 December 2018 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 [†]	1.25	3.39	27.41
Operating charges	(1.08)	(2.13)	(2.03)
Return after operating charges[†]	0.17	1.26	25.38
Distributions on income shares			
Interim	(1.14)	(1.01)	(1.06)
Final	-	(1.44)	(1.89)
Total distributions on income shares	(1.14)	(2.45)	(2.95)
Closing net asset value per share	189.42	190.39	191.58
[†] after direct transaction charges of	0.01	0.03	0.05

Performance

Return after operating charges	0.1%	0.6%	15.0%
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Other information

Closing net asset value (NAV)	£90,840,592	£92,729,789	£103,628,316
Closing number of shares	47,956,969	48,704,745	54,091,074
Operating charges	1.05%	1.12%	1.12%
Direct transaction charges	0.00%	0.01%	0.03%

Prices (p)

Highest	206.40	198.10	201.40
Lowest	187.60	174.10	166.50

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Investment manager's report

Portfolio Review

The Electric and General Investment Fund was almost flat returning +0.1% on a total return basis for the six months under review, which compares to -5.8% for the MSCI World Index NR (£). For the calendar year of 2018, the Fund returned -1.2% on a total return basis, which compares to the MSCI World Index NR (£) return of -3.0% (Source: Lipper).

In many respects, challenging market conditions experienced over the last six months are the exact opposite of those of the previous 12 to 18 months. Throughout 2017, and for the first half of 2018, investors appeared to be generally optimistic about the prospects for economic growth and corporate earnings. Nearly all asset classes rose in value, and equity markets were led by some of the more cyclical industrial sectors – Energy and Consumer Discretionary, for instance. By contrast, more economically resilient sectors, such as Consumer Staples, were relatively dull. Now the opposite is true; investors appear spooked by the outlook for the global economy, and sector leadership has reversed back towards more 'defensive' companies, to the general benefit of the Fund's performance. By region, the U.S. market performed better than most other developed countries, including Japan and most countries in Western Europe. Emerging markets generally underperformed developed markets.

The top five contributors to the Fund's returns in the past six months were investments in Novartis, Roche, Coca-Cola, Medtronic and Microsoft. The bottom five contributors were British American Tobacco, eBay, Philip Morris International, Wells Fargo and Heineken.

Currency effects again played an important role in generating the Fund's returns, with sterling once more proving itself to be a volatile currency. In this more risk-averse period, the Fund benefitted as sterling fell -3.0% against the US dollar, -4.1% against the Swiss franc, and -1.5% against the euro. As a reminder, the Fund's currency exposures are unhedged.

Dividend

The Fund will pay an interim dividend of 1.14p per share, payable on 28 February 2019. This is +12.1% higher than the interim dividend paid this time last year. The growth reflects the combination of dividend growth from the Fund's underlying companies, the shift of some payments from the second half of the Fund's financial year – which had reduced the Final dividend for FY 2018 – into this latest period, and favourable currency effects on overseas income.

As detailed in the 2018 Annual Report, we remain careful in managing the Fund's income account whilst retaining the flexibility to invest in non-dividend paying companies, many of which have potential for substantial capital growth.

Portfolio Activity

Portfolio activity was quite limited in the last six months. No companies entered the portfolio for the first time.

The sale of Jardine Matheson was completed in the period in order to fund investment ideas where we have greater conviction.

The existing holding in Heineken was increased. Like Jardine, Heineken offers investors access to attractive market positions in several young and dynamic Asian economies. It does so, however, with a clearer operational focus on a single industry and with transparent corporate practices, despite also being family controlled. Heineken's Asian assets are diversified by large market shares in other parts of the world, most notably in central and southern America and sub-Saharan Africa. Heineken's shares are attractively priced with a free-cash flow (FCF) yield approaching 6%.

We reduced the holdings of certain investments within the Consumer Staples and Healthcare sectors, taking advantage of their relatively strong share-price performances, and, in certain cases, valuations that are beginning to look stretched. We also reduced the holding in Fiserv, also to reflect our assessment of the company's valuation.

Outlook

Investors entered 2018 with reassuring economic forecasts for 'synchronised global growth'. Subsequent returns over the last 12 months have proven, yet again, that asset prices and economies rarely move in tandem. Having all but ignored the 'trio of risks' identified in the Fund's 2018 Annual Report – historically high asset prices, tightening U.S. monetary policy and the rising threat of trade wars – these three now receive a lot of investors' attention, almost to the exclusion of everything else.

As ever, the portfolio is shaped by our analysis of businesses, not economies or politics. We acknowledge that many risks remain capable of compressing valuation multiples, yet we are encouraged by the general resilience of the companies in the portfolio. Not only do they enjoy stable and recurring patterns of demand for their products and services – from computing software, to shampoo and medical devices – they also generate tremendous amounts of cash, giving them the luxury of time to adapt and grow. There is no room for complacency. As cyclical pressures mount elsewhere, technological change continues unabated, intensifying competition. These will present challenges for our businesses, as well as opportunities.

The portfolio has a weighted average FCF margin of 20.9% and a FCF yield of 5.0%. We look forward to taking advantage of any future stock-market dislocation to continue to improve the growth, earnings quality and value credentials within the portfolio.

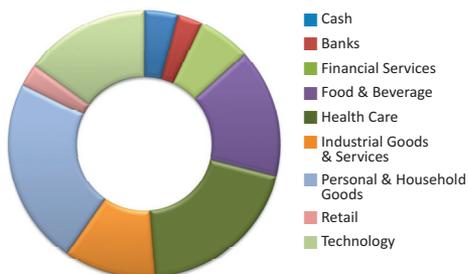
*Troy Asset Management Limited
16 January 2019*

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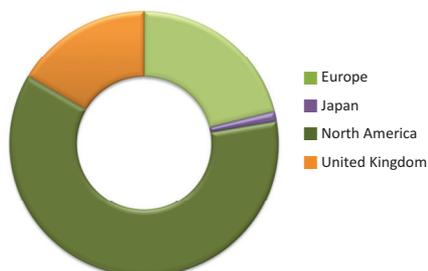
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31 December 2018

Sector Allocation



Geographical Allocation

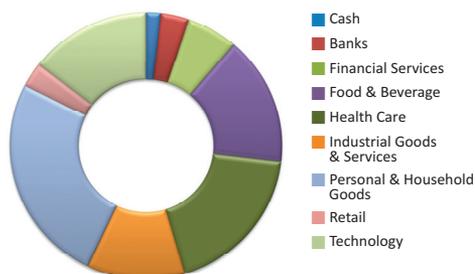


Currency Exposure

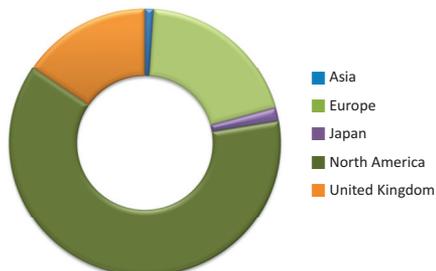
Currency	GBP
Euro	3,850,404
Japanese yen	1,094,291
Sterling	18,020,326
Swiss franc	12,201,956
United States dollar	55,673,615
Net asset value	90,840,592

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 31 December 2018		% of net assets as at 30 June 2018
Microsoft	6.62	Microsoft	6.07
American Express Company	5.05	American Express Company	4.90
Novartis	4.80	Unilever	4.43
Roche Holding	4.69	PayPal Holdings	4.28
PayPal Holdings	4.58	Roche Holding	4.27
Medtronic	4.45	Alphabet 'A'	4.12
Unilever	4.43	Philip Morris International	4.06
Alphabet 'A'	4.04	Novartis	4.05
Becton Dickinson & Company	3.98	Becton Dickinson & Company	3.99
Nestlé	3.94	Medtronic	3.95

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Major purchases and sales

The total purchases and sales for the reporting period:

Purchases	Cost £'000	Sales	Proceeds £'000
eBay	264	Coca-Cola	1,023
Heineken Holding	254	Jardine Matheson Holdings	989
		Proctor & 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 (2017: 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
Registered Office:
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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