

## **Electric & General Investment Fund**

Annual Report

Authorised Corporate Director's Short Report  
for the year ended 30 June 2015



# Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT  
FOR THE YEAR ENDED 30 JUNE 2015

# 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 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.

## Investment manager

The investment manager of the Company was Taube Hodson Stonex Partners LLP to 30 June 2015. From 1 July 2015, the investment manager to the Fund is Troy Asset Management Limited.

## 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 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 10.

## Changes to the Board of Independent Directors

During the period the following changes occurred:

Mr C G Clarke appointed 7 October 2014, subsequently resigned 14 January 2015.

## 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.

# Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT  
FOR THE YEAR ENDED 30 JUNE 2015

## Changes to the Fund

Following the circular letter dated 5 May 2015 concerning important changes taking effect from the beginning of the next scheme year, 1 July 2015, the following proposals were approved at the Shareholders Extraordinary General Meeting held on 29 June 2015.

The following changes to the Company will take effect from 1 July 2015:

- **Investment objective**

The investment objective of the Company is unchanged.

- **Investment policy**

The investment policy for achieving the objective of the Company remains unchanged.

- **Valuation point**

Remains unchanged each business day at 10am or, if that is not a business day, then the next business day.

- **Investment Manager appointed to the Company from 1 July 2015**

Troy Asset Management Limited (as noted on page 1).

- **Change in Auditor**

The auditor has now changed from Ernst & Young to Shipleys LLP.

- **Change in annual charges**

- Investment management fee

Troy Asset Management Limited – 0.75% per annum of assets under management from the 1 August 2015.

- Performance fee

From 1 July 2015 a performance fee will no longer apply to the Company.

- **'B' Income class restructure**

The implementation of a Scheme of Arrangement on 30 June 2015 resulted in all 'B' Income class shareholders' assets being transferred to the THS International Growth & Value Fund (IGV) in exchange for IGV 'Y' Accumulation shares.

The transfer of 'B' Income shareholders will not have a detrimental effect on the management of the Company or the remaining 'A' Income shareholders.

The 'A' Income shares will continue to be offered as outlined on page 9 and the Company will be managed in accordance with the regulations and prospectus.

## 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 2014	100,918,944	72,409,750	139.37
30 June 2015	84,983,521	61,528,931	138.12

\*based on bid price.

## Price and income history

Income 'A' shares Calendar Year	Highest p	Lowest p	Income paid pence per share
30 June 2014	145.30	121.20	2.6757
30 June 2015	149.50	126.80	2.6249

Performance*	1 year	3 year	Since launch
Electric & General Investment Fund	1.1%	46.0%	50.9%
Benchmark Index**	8.3%	40.1%	52.1%

\*Source: Bloomberg

\*\* MSCI World Index

Ongoing charges figure (OCF)	30 June 2015	30 June 2014
ACD fee	0.04%	0.04%
Other expenses	0.71%	0.66%
Total OCF	<u>0.75%</u>	<u>0.70%</u>

The OCF measures the total annual charges and expenses of the Company 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.

In addition to the above, the Company is charged a performance fee (up to 30 June 2015). As outlined on page 9 a performance fee is payable on returns, when the performance of the Company, over a Performance Period (commencing 1 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 2015 with respect to both share classes ('B' shares for the period 9 June to 30 June 2015 only) was £0 (2014: £672,284 - 'A' shares) representing 0% (2014: 0.66%) of the average net assets of the Company.

# Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT  
FOR THE YEAR ENDED 30 JUNE 2015

## Financial market review

The Company's shares made good progress in the second half, outperforming the benchmark index by 4.3% on a total return basis\*. This strong rise, however, was not sufficient to make up for performance in the first half when many of the holdings which had risen strongly last year gave back a portion of their gains.

During the first six months of the Company's year concerns over Russia's actions in Ukraine, the stability of the Portuguese banking system and fears over the spread of Ebola affected sentiment. The collapse in the oil price also unnerved investors although oil consuming regions such as Europe are net beneficiaries.

Greece's problems have been a cause for concern for much of the period under review. At the time of writing, however, following the resounding 'No' vote in the referendum, a deal between Greece and its European creditors appears to have been agreed. It is disappointing that Europe has had to face another serious political and economic hurdle but at least this time there is significant momentum in the region's economy, including peripheral countries other than Greece. The turnaround in Spain, for example, has been particularly strong.

In the first half US equities significantly outperformed European shares; in the second half, European shares held their own, despite the problems in Greece. Although equities are not as cheap as they were, we still think that they will provide good returns. European shares have improved considerably but continue to offer a near record discount to US equities.

During the year, and following the strong performance of the US dollar, we reviewed our US holdings and sold a number of positions that we felt had reached full value: Stanley Black & Decker, Varian Medical Systems and Walt Disney. Indeed the US market now appears to be losing momentum.

The US economy has improved recently but the pace of expansion is still slightly patchy, held back by the strong US dollar which has affected exports. Merger and acquisition activity continues to be extremely active with a number of transactions reported during the last three months of the period under review.

We are keeping a watchful eye on China where economic momentum appears to be flagging. The authorities have a number of tools at their disposal and we do not think that any slowdown will be catastrophic. We do, however, keep hearing anecdotes of a slow loss of competitiveness by China and there is no doubt that the country's development model, with its associated financial exposure, is working less well. The Company has no direct exposure to China.

Conversely, we do like the Japanese recovery story. After decades of very little growth, and slowly declining relative prosperity, Japan seems to be progressing with its reform plans. Following a number of visits to the country we have been raising our exposure, with holdings concentrated in financials and the Tokyo property market. In the Company's first half, as discussed in the interim report, we closed the Yen hedge after the Yen's steep fall and bought shares in Mitsubishi Estate, one of Japan's largest real estate companies. In the second half two further investments were made within the Japanese office property theme: Mitsui Fudosan and Tokyu Fudosan Holdings.

One of our key themes focuses on e-commerce. In the first half, a new investment was made in ASOS, the online fashion retailer. ASOS has made a very good contribution to performance. The top performer over the year was Schibsted, the Norwegian media group, which is one of our long standing e-commerce related investments. Kinnevik, also within this theme, has performed well and we decided to sell the holding.

Germany property is another core theme and this produced two top ten contributors over the period – GAGFAH, which was sold following a takeover bid; and TAG Immobilien.

During the second half three new healthcare investments were made within our 'ageing west' theme: Ablynx, Innate Pharma and Circassia Pharmaceuticals. Ablynx focuses on the development of antibodies derived

from Llamas called 'Nanobodies.' These have a number of benefits over conventional antibodies and we are very positive on the company's development programmes. The small, initial investment in the company has already made a positive contribution to performance. Innate Pharma focuses on immunopharmacology and antibody technology. It recently signed a co-development and commercialization agreement with AstraZeneca, and the share price rose significantly in response. During the period Circassia unexpectedly announced its decision to issue equity in order to acquire two other companies. This is not in line with our original investment thesis and we started to sell the holding.

Other new investments over the Company's year include Bharti Airtel, India's leading telecom company, and Saint-Gobain, a French construction materials conglomerate. Saint-Gobain is attractively priced and should benefit from economic recovery in France and Europe as a whole. Most recently shares were purchased in NetSuite, a US based cloud software vendor, which fits in with our subscription software theme.

In June, rights were taken up in Banca Monte dei Paschi di Siena . We have written extensively on the risks and opportunities around Banca Monte. Following a visit to the company where we were able to meet with management from all of the important divisions, we decided to participate in the fund raising.

Rights were also taken up in Axia Real Estate SOCIMI. Axia invests in commercial property in Barcelona and Madrid. It is a new company in which shares were purchased during the first half; it is run by a highly experienced team who have assembled a very attractive portfolio of assets.

The weakest performer over the year was Banca Monte dei Paschi di Siena, following its failure of the Asset Quality Review process. Energy related holdings such as Archer, Transocean, Patterson-UTI and Santos were weak; and some of the holdings within our Spanish recovery theme, including Sacyr, CaixaBank and Banco Popular Espanol, gave back earlier strong gains.

A number of holdings were sold following strong performances including Computershare, Elders, Experian; and the US shares, Stanley Black & Decker, Varian Medical Systems and Walt Disney.

*Taube Hodson Stonex Partners LLP*

*Investment Manager to the Electric & General Investment Fund to 30 June 2015  
17 July 2015*

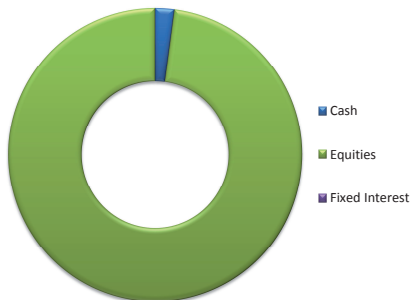
*\*Source: Bloomberg as at 30 June 2015. Please note that past performance is not necessarily a guide to future growth or rates of return.*

# Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT  
FOR THE YEAR ENDED 30 JUNE 2015

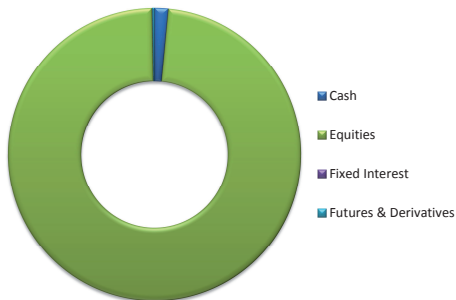
**30 June 2015**

Asset Allocation

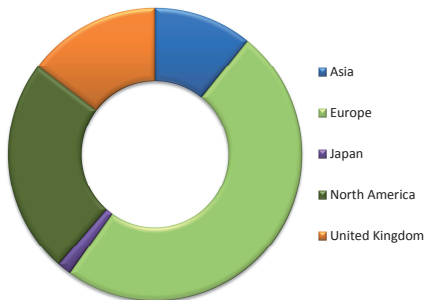


**30 June 2014**

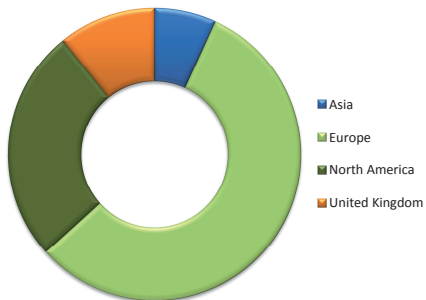
Asset Allocation



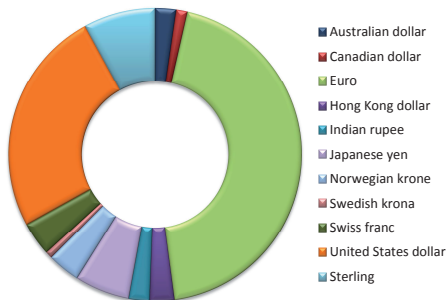
Geographical Allocation



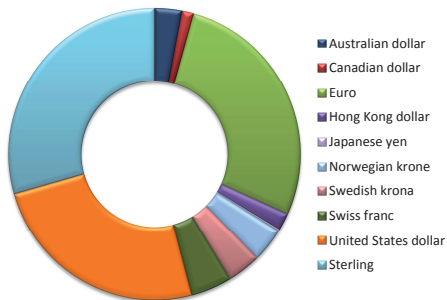
Geographical Allocation



Currency Exposure



Currency Exposure





## Major holdings

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

	% of net assets as at 30 June 2015		% of net assets as at 30 June 2014
TAG Immobilien	4.01	TAG Immobilien	3.51
ING Groep	3.20	Schibsted	2.76
Golar LNG	2.87	Banca Monte dei Paschi di Siena	2.48
Royal Bank of Scotland Group	2.50	Sacyr SA	2.41
Mondelez International 'A'	2.44	ING Groep	2.40
Sky	2.37	CaixaBank	2.38
Intuit	2.32	GAGFAH	2.30
BNP Paribas	2.31	BNP Paribas	2.29
Bharti Airtel	2.30	Eurazeo	2.05
Sumitomo Mitsui Financial Group	2.25	Vivendi	2.02

# Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT  
FOR THE YEAR ENDED 30 JUNE 2015

## Major purchases and sales

The top ten largest purchases and sales for the reporting period ended 30 June 2015:

Purchases	Cost £'000	Sales	Proceeds £'000
Bharti Airtel	1,867	GAGFAH	2,876
Mitsubishi Estate Company	1,626	Walt Disney	2,057
Golar LNG	1,061	Varian Medical Systems	1,890
Netsuite	1,030	Investment AB Kinnevik 'B'	1,843
Banca Monte dei Paschi di Siena	1,026	Swiss Re	1,724
AXIA Real Estate Socimi	1,004	Sky Deutschland	1,685
Compagnie de Saint-Gobain	994	Belgacom	1,324
Mitsui Fudosan	921	Stanley Black & Decker	1,135
ASOS	759	Svenska Handelsbanken 'A'	1,112
Rolls-Royce Holdings	750	Schibsted	991

## 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](http://www.yealand.com) or at the registered office of the ACD:

- Historical
  - Price
  - Yield
  - Distribution
- Annual 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 receives for its own account a periodic fee during the period as follows:

Net Income 'A' Shares	0.3%
Net Income 'B' Shares	1.0% (applicable from 9 June 2015 to 30 June 2015 only and waived by the investment manager)

Further information on the new investment management fee can be found on page 2.

## 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.

As noted on page 2 this fee will no longer apply from 1 July 2015 onwards.

## 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

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.

Shares may be purchased or sold by telephoning 0845 850 0255 (calls cost 5 pence a minute plus your phone company's access charge) 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 if later.

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

The ACD may waive or discount the initial charge or minimum purchases at its discretion.

# Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT  
FOR THE YEAR ENDED 30 JUNE 2015

## Risk and reward rating

The risk and reward indicator as published in the 2015 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 6

The share class is ranked in risk category 6 as its price has experienced significant rises and falls historically (2014: 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: 0845 850 0255\*

Fax: 01733 286833

e-mail: [carvetian@yealand.com](mailto: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

C G Clarke (7/10/14 - 14/01/15)

### 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](mailto:carvetian@yealand.com)

Website: [www.yealand.com](http://www.yealand.com)

*\*Calls cost 5 pence per minute plus your phone  
company's access charge.*

### Investment Manager to 30 June 2015

Taube Hodson Stonex Partners LLP

Cassini House

57-59 St James's Street

London

SW1A 1LD

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

### Investment Manager from 1 July 2015

Troy Asset Management Limited

33 Davies Street

London

W1K 4BP

*(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

Shipleys LLP

10 Orange Street

Haymarket

London

WC2H 7DQ





# Carvetian

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[www.yealand.com](http://www.yealand.com)