



Electric & General Investment Fund

Interim Report

Authorised Corporate Director's Short Report
for the six months ended 31 December 2017

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, collective investment schemes, money market instruments, warrants, deposits, derivatives and forward transactions for purposes of efficient portfolio management (including hedging).

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 8.

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.

Change of Independent Director

On 1 August 2017, Nicholas Rundle was appointed as an Independent Director for the Electric & General Investment Fund. He replaces Clemmie Vaughan who ceased to be an Independent Director on 30 June 2017.

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Fund Information

Change in net asset value per income share

All prices quoted are based on bid price

	Six months ended 31 December 2017 p	Year ended 30 June 2017 p	Year ended 30 June 2016 p
Opening net asset value per share	191.58	169.15	138.12
Return before operating charges [†]	4.85	27.41	35.67
Operating charges	(1.08)	(2.03)	(1.63)
Return after operating charges[†]	3.77	25.38	34.04
Distributions on income shares			
Interim	(1.01)	(1.06)	(1.00)
Final	-	(1.89)	(2.01)
Total distributions on income shares	(1.01)	(2.95)	(3.01)
Closing net asset value per share	194.34	191.58	169.15
[†] after direct transaction charges of	0.01	0.05	0.15

Performance

Return after operating charges	2.0%	15.0%	24.6%
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Other information

Closing net asset value (NAV)	£102,129,160	£103,628,316	£98,756,749
Closing number of shares	52,553,090	54,091,074	58,385,413
Operating charges	1.12%	1.12%	1.12%
Direct transaction charges	0.01%	0.03%	0.10%

Prices (p)

Highest	198.10	201.40	171.20
Lowest	184.80	166.50	131.80

Investment manager's report

Portfolio Review

The Electric and General Investment Fund lagged a very strong equity market in the second half of the year under review, returning +2.0% on a total return basis compared to the MSCI World Index NR (£) of +6.2%*. However, for the calendar year of 2017 the Fund returned +11.8% on a total return basis, which was the same as the MSCI World Index NR (£) return of +11.8%*.

2017 was the sixth year in a row of very buoyant global equity markets. The last time we had such an unbroken pattern of positive global equity returns was in the 1980s when every year of the decade had positive returns, with 1987 a notable exception. The S&P 500 Index went up each calendar month in 2017, a monthly sequence not seen before. An improvement in growth momentum internationally meant that the strongest global equity returns during the period under review came from emerging markets (+11.5%), Asia ex. Japan (+11%) and Japan (+8.7%). Europe ex. UK (+4%) was the worst performing region and the United States (+7.1%) and the UK (+6.8%) were close to in-line with the benchmark. As for currencies, sterling appreciated +4% against both the US dollar and the Japanese yen, and +5.5% against the Swiss franc, whilst it weakened slightly against the euro. (Source: Bloomberg)

Currencies were a substantial headwind to the Fund's returns for much of 2017, with sterling appreciating from the post-Brexit lows to end the year up around +10% against the US dollar, and +5% against both the Swiss franc and the Japanese yen. The majority of the Fund's US companies are multi-nationals, generating revenues all over the world, and they have battled against the strength of the US dollar for many years. Some respite in 2017 was good for reported profits and the Fund's investments in the United States were the largest contributors to geographical returns for the year, appreciating +14.7%.

The biggest contributors to the Fund's performance during the six months came from Information Technology and Financials sectors. Stock markets were characterised by a marked rotation into more cyclical areas and the Fund's holdings in Consumer Staples and Healthcare both lagged as a result. Strong performance contributions came from holdings in PayPal, Microsoft, American Express, Diageo and Sage, amongst others. Detractors to performance included the tobacco holdings Philip Morris International, Japan Tobacco and Altria plus the Healthcare companies Medtronic and Roche.

Portfolio Activity

Two holdings were sold in their entirety during the period. Sky plc no longer offer a regular dividend and uncertainties persist about whether or not its announced acquisition by Twenty-First Century Fox will be approved by the UK government. We have better uses for the capital and so the shares were sold. The US food and beverage company Mondalez, inherited when Troy took over managing the Fund, was also removed. The shares have done well over the life of the holding but we see better opportunities elsewhere. Towards the end of 2017, profits were also taken in Microsoft, PayPal, Sage and Jardine Matheson.

Existing and longstanding holdings in Roche and Experian were increased as both fundamentals and valuations appear compelling.

Outlook

We enter 2018 with stronger growth in the global economy than we have seen for many years. A stimulus package in the US in the form of corporate tax cuts is being accompanied by the Fed tightening their ultra-loose monetary policy. Equity markets are at all-time highs, the credit cycle appears close to peaking and the most cyclical assets (oil, commodities, industrials, emerging market equities, high yield debt) have all moved up a long way. The prospect of an end to 10 years of quantitative easing looks set to bring some serious challenges to over-extended, global asset markets. Meanwhile, the disruptive forces of technological change are gaining pace across all industries and segments of the economy.

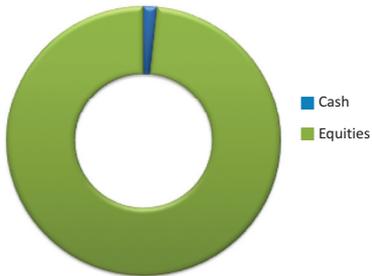
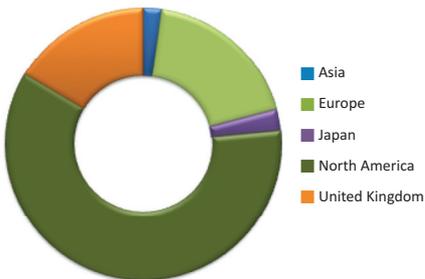
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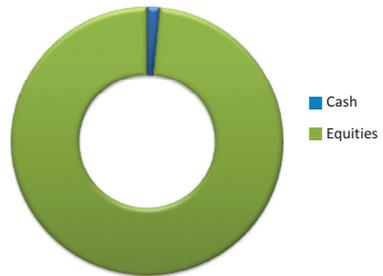
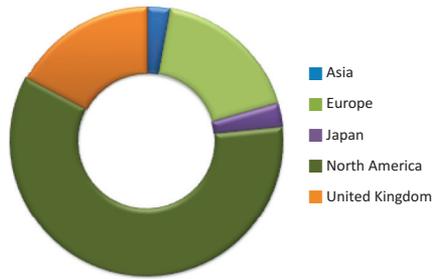
The Fund's approach to dealing with all of this uncertainty is, as always, to invest in the healthiest companies we can find trading at reasonable stock-market valuations. We own companies at the vanguard of technological change (Alphabet, PayPal and Microsoft) and others where we have confidence they can navigate and survive (such as Roche, Unilever and Philip Morris). At the same time we continue to avoid the most cyclical companies and sectors. Against the backdrop of elevated equity market valuations we are encouraged that the weighted average valuation and financial characteristics of the Fund are robust with an average free cash flow yield of 5.6%, free cash flow margin of just under 20% and very low levels of financial leverage.

Troy Asset Management Limited
23 January 2018

**Source: Lipper 31 December 2017.*

31 December 2017
Asset Allocation

Geographical Allocation

Currency Exposure

Currency	GBP
Euro	3,885,353
Japanese yen	2,666,343
Sterling	19,044,088
Swiss franc	12,728,072
United States dollar	63,805,304
Net asset value	102,129,160

30 June 2017
Asset Allocation

Geographical Allocation

Currency Exposure

Currency	GBP
Euro	3,759,345
Japanese yen	3,013,102
Sterling	19,284,113
Swiss franc	12,747,104
United States dollar	64,824,652
Net asset value	103,628,316

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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 31 December 2017		% of net assets as at 30 June 2017
Microsoft	5.84	Microsoft	5.47
Philip Morris International	4.72	Philip Morris International	5.36
American Express Company	4.61	British American Tobacco	4.51
British American Tobacco	4.38	Nestlé	4.13
Roche Holding	4.31	Altria Group	4.06
Wells Fargo & Co	4.07	Novartis	4.06
Johnson & Johnson	4.05	American Express Company	3.99
Novartis	4.03	Roche Holding	3.96
Nestlé	3.99	Unilever	3.93
Unilever	3.96	Johnson & Johnson	3.92

Major purchases and sales

Total purchases and sales for the reporting period:

Purchases	Cost £'000	Sales	Proceeds £'000
Roche Holding	481	Mondelez International 'A'	1,371
Experian	421	Sky	1,041
		Microsoft	828
		PayPal Holdings	525
		Jardine Matheson Holdings	410
		The Sage Group	392

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 9, 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 0.75% 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 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.

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 (2016: 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

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 (from 1 August 2017)

Fund administration, dealing and registration

Yealand Administration Limited
Stuart House
St. John's Street
Peterborough
PE1 5DD
Tel: 0845 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

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Financial Conduct Authority)*

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

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

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