



Electric & General Investment Fund

Annual Report

Authorised Corporate Director's Short Report
for the year ended 30 June 2016

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 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.

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.

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 31 August and the last day of February for income accrued as at 30 June and 31 December respectively.

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

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FOR THE YEAR ENDED 30 JUNE 2016

Fund information

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
Change in net asset value per income share			
<i>All prices quoted are based on bid price</i>	p	p	p
Opening net asset value per share	138.12	139.37	121.58
Return before operating charges [†]	35.67	2.40	22.30
Operating charges	(1.63)	(1.02)	(1.83)
Return after operating charges[†]	34.04	1.38	20.47
Distributions on income shares			
Interim	(1.00)	(0.50)	(0.59)
Final	(2.01)	(2.13)	(2.09)
Total distributions on income shares	(3.01)	(2.63)	(2.68)
Closing net asset value per share	169.15	138.12	139.37
[†] after direct transaction charges of	0.15	0.15	0.14

Performance

Return after operating charges	24.6%	1.0%	16.8%
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Other information

Closing net asset value (NAV)	£98,756,749	£84,983,521	£100,918,944
Closing number of shares	58,385,413	61,528,931	72,409,750
Operating charges total	1.12%	0.75%	0.70%
Direct transaction charges	0.10%	0.09%	0.10%

Prices

Highest	171.20	149.50	145.30
Lowest	131.80	126.80	121.20

Financial market review

The Electric and General Investment Fund produced a total return in the twelve months to the end of June 2016 of +24.6% which compares to the benchmark MSCI World Index NR (£) return of +14.4%.*

As a reminder Troy Asset Management was appointed to manage the Electric and General Investment Fund on 1 July 2015. Our approach to achieving capital growth over the long term without taking excessive risks is to invest in exceptional companies with high returns on their invested capital, sustained by durable competitive advantages and strong balance sheets and run by sensible managers. We aim to buy when their shares are quoted at a price that underestimates the value of future cash flows. The portfolio is constructed bottom up without regard to the benchmark composition and stock selection is the key driver of long-term results. We discussed the significant changes made to the Fund following Troy's appointment as manager in the Interim Report and there has been very little adjustment made since the initial restructuring in July 2015.

Performance was broad-based over the year with a particular highlight being the Fund's investments in the United States where the combination of the appreciation of the US dollar against sterling and strong stock selection positively impacted returns. Our investments in the consumer staples industry, which represent 46% of the Fund at the end of June, were an important driver of returns over the year. Particular highlights included Altria, Philip Morris International, British American Tobacco, Procter & Gamble, Heineken, Unilever, Coca-Cola and Nestlé. Investments in the healthcare sector including Johnson & Johnson, Medtronic and Becton Dickinson were also big contributors. In technology Fiserv, Intuit, Microsoft and Sage all returned more than 20% over the year.*

Detractors to performance over the period included the Fund's investments in financials. Rathbones, American Express and Wells Fargo have been disappointing. In retrospect, we were slow to reduce the inherited positions in HSBC, Aegon and ING as we anticipated the payment of substantial dividends. HSBC and Aegon have been sold from the Fund and a reduced investment is retained in ING. Elsewhere investments in SKY plc and Aveva in the UK have been disappointing but remain core holdings in the Fund.

Dividend

As already outlined, the investment objective of the Fund is to seek to achieve long-term capital growth with some potential for income and we are pleased to have grown the annual dividend per share by more than 10% this year, helped by the strong US dollar, whilst improving the overall quality of the companies the Fund is invested in. The growth in the dividend has been achieved without compromising on our objective of seeking to invest in companies that have the capacity to grow and reinvest their cash flows at high rates of return on capital over time. We own some companies in the Fund that don't yet pay a dividend (eBay, PayPal and Fiserv) and we are keen to retain the flexibility to invest in growing businesses that are earlier in their development than some of our more mature companies (such as tobacco, for example). With this in mind, we will not be 'reaching for yield' by investing in more capital intensive or cyclical companies and we would not expect to achieve the same rate of dividend growth in the near term. Instead we aim to invest in fundamentally strong businesses with healthy cash flows and sound balance sheets that are growing over the long-term and where the management teams are responsible allocators of capital. We are confident that these companies will grow their distributions to shareholders over time.

Outlook

The last twelve months have proved to be tumultuous politically, economically and in financial markets. Just when it seemed that bond yields couldn't fall any further they have. The US dollar has defied the sceptics and strengthened particularly against sterling. Brexit has added a huge layer of uncertainty and complexity to an already challenged economic outlook in the UK. In a world starved of yield, with interest rates negative in many countries, cash generating, income-paying assets remain incredibly 'well bid' and the Fund has seen the price of many of its holdings appreciate markedly. Our approach is always to concentrate on company

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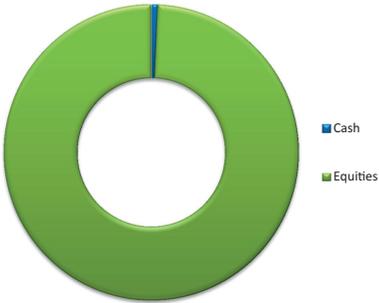
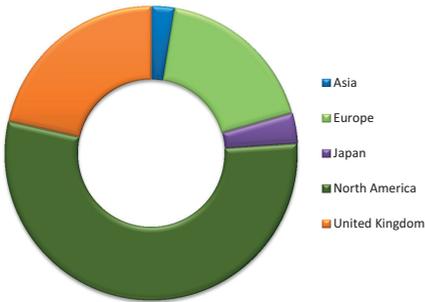
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fundamentals and valuations. A review of the financial characteristics of the Fund shows that the average price earnings ratio has risen from 18.6x at the end of July 2015 (post the restructuring) to 19.6x this year's expected earnings. The free cash flow yield is up on last year at 5.8% compared to 5.4% in July last year as our companies do a good job of generating cash.* We are encouraged by the operating performance of the Fund's investments and for the most part, company management teams have successfully stewarded their businesses through challenging times. Revenues, profits, cash flows and dividends have grown over the year and the average return on equity for the Fund stands at a very respectable 36.3% at the end of June 2016 supported by the average operating margin at 23.2%.*

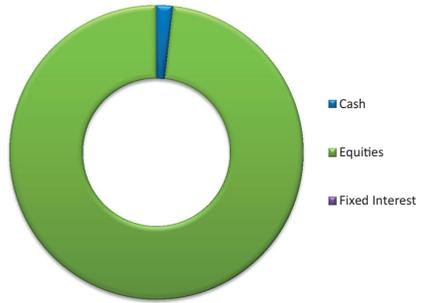
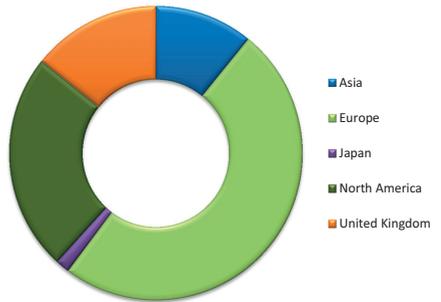
We don't claim to have any great insight into how political and economic events will unfold in the next few years. We are confident, however, that this is a period of profound technological and social change which is impacting all of the companies we analyse and invest in. Our unwavering response to this great uncertainty is to own the most durable, cash generative franchises we can find, where valuations are sensible, and to stick with them.

Troy Asset Management Limited
21 July 2016

**Source: MSCI World and Bloomberg 30 June 2016*

30 June 2016
Asset Allocation

Geographical Allocation

Currency Exposure

Currency	GBP
Australian dollar	-
Canadian dollar	-
Euro	3,194,468
Hong Kong dollar	-
Indian rupee	-
Japanese yen	3,342,775
Norwegian krone	-
Sterling	22,542,080
Swedish krona	-
Swiss franc	13,072,191
United States dollar	56,605,235
Net asset value	98,756,749

30 June 2015
Asset Allocation

Geographical Allocation

Currency Exposure

Currency	GBP
Australian dollar	1,962,796
Canadian dollar	1,048,617
Euro	37,673,457
Hong Kong dollar	2,319,876
Indian rupee	1,951,714
Japanese yen	5,151,365
Norwegian krone	3,047,837
Sterling	6,744,454
Swedish krona	654,905
Swiss franc	3,164,354
United States dollar	21,264,146
Net asset value	84,983,521

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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 30 June 2016		% of net assets as at 30 June 2015
Altria Group	5.63	TAG Immobilien	4.01
Microsoft	5.27	ING Groep	3.20
Philip Morris International	5.05	Golar LNG	2.87
British American Tobacco	4.76	Royal Bank of Scotland Group	2.50
Novartis	4.30	Mondelez International 'A'	2.44
Roche Holding	4.20	Sky	2.37
Nestlé	3.76	Intuit	2.32
Johnson & Johnson	3.70	BNP Paribas	2.31
Unilever	3.55	Bharti Airtel	2.30
Coca-Cola	3.46	Sumitomo Mitsui Financial Group	2.25

Major purchases and sales

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

Purchases	Cost £'000	Sales	Proceeds £'000
Novartis	4,341	TAG Immobilien	3,464
Microsoft	3,865	Golar LNG	2,367
Roche Holding	3,793	Royal Bank of Scotland Group	2,198
British American Tobacco	3,411	Bharti Airtel	2,037
Philip Morris International	3,392	BNP Paribas	2,012
Wells Fargo & Co	3,382	Sumitomo Mitsui Financial Group	1,940
Altria Group	3,376	Vivendi	1,816
eBay	3,011	Eurazeo	1,667
American Express Company	2,928	HeidelbergCement	1,597
Becton Dickinson & Company	2,563	UniCredit	1,582

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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 10, 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.

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 if later.

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

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

Risk and reward rating

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



Lower potential
risk/reward
(not risk-free)

Higher potential
risk/reward

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 (2015: category 6).

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:

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Peterborough

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Fax: 01733 286833

e-mail: 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

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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Haymarket

London

WC2H 7DQ

Fund administration, dealing and registration

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Website: www.yealand.com

Investment Manager

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Financial Conduct Authority)*

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



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