

Electric & General Investment Fund

Interim Report

Authorised Corporate Director's Short Report
for the six months ended 31 December 2013

Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

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. A statement of the Directors' Responsibilities and the Chairman's report on the governance of the Company is available from the ACD.

Investment manager

The investment manager of the Company is Taube Hodson Stonex Partners LLP.

Investment objective

The investment objective of the Company is to provide long-term capital growth with potential for income.

Investment policy

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 9.

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 SIX MONTHS ENDED 31 DECEMBER 2013

Fund information

Net asset value per share Income 'A' shares	Net asset value £	Net asset value per share p*	No. of shares in issue
30 June 2013	94,914,539	121.58	78,070,106
31 December 2013	103,485,795	137.74	75,129,540

*based on bid price.

Price and income history

Income Shares Calendar Year	Highest p	Lowest p	Income pence per share
2011*	104.90	90.69	0.4231
2012	115.40	98.38	2.9210
2013	139.40	114.00	2.7879

*12 August to 31 December 2011

Performance*	6 Months	1 year	Since launch
Electric & General Investment Fund	13.81%	25.30%	45.42%
Benchmark Index**	6.24%	21.99%	37.97%

*Source: Bloomberg/FE Analytics

** MSCI World Index

Ongoing charges figure (OCF)	31 December 2013	30 June 2013
ACD fee	0.04%	0.02%
Other expenses	0.64%	0.68%
Total OCF	<u>0.68%</u>	<u>0.70%</u>

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

During the year the Authorised Corporate Director (ACD) Fee has increased from 0.02% to 0.04%, this was effective from 1 May 2013.

The OCF is an annualised figure.

Financial market review

Stock markets performed very well in 2013, with all major indices posting strong gains. During the year, concerns over the prospect of the US Federal Reserve scaling back its monthly asset purchase programme produced some bouts of volatility, but when the Fed finally announced it would begin reducing its support in December markets took this in their stride. Indeed, all major indices rose over the second half of the year. Against this backdrop the Company has continued its robust performance, rising by 13.81 per cent over the six months to December 31 compared with 6.24 per cent for its benchmark index*.

A large number of holdings in the portfolio have produced excellent returns. The e-commerce related investments were again the top performers: Schibsted, a Norwegian media group with a successful online classified advertising business, was the top performer and in second place was Kinnevik, a new investment made in the first half of the Company's year. Kinnevik is a telecom holding company which also owns a number of e-commerce companies including a leading fashion 'e-tailer' in non-Anglo-Saxon markets. Deutsche Post, which is heavily involved in e-commerce through DHL, produced the fourth highest contribution. We see further potential from our investments within this theme, however, towards the end of the period we decided to take some profits from these holdings.

Sky Deutschland continued its impressive run, producing the third highest contribution over the period and in December we also decided to trim this longstanding and successful investment. We are still very enthusiastic about the potential for pay TV in Germany and Sky Deutschland; however, it seems to us that the share price is beginning to discount growth some years ahead.

European financials were again strong, with companies within this key theme such as ING Groep, BNP Paribas, Unicredit and Aegon all producing very good returns.

The weakest performers were Potash Corporation of Saskatchewan and Mosaic, which were adversely affected by the sudden break up of a major potash marketing group. Other weak holdings were QBE Insurance Group and the resource companies Newcrest Mining and Niko Resources.

Although there are fewer bargains in the market than in the past, we are still positive about global equity markets and are continuing to find some interesting opportunities. One of our most recent themes, for example, centres on economic recovery in Spain, where considerable progress has been made in tackling the country's deficiencies but assets remain cheap. As discussed in the annual report, early in 2013 we invested in Sacyr, a Spanish construction and property conglomerate with a number of financial investments, the largest of which is a substantial stake in the oil company Repsol. During the period under review new investments within this theme were made in CaixaBank, one of Spain's two remaining savings banks; Banco Popular, a domestic Spanish bank; and NH Hoteles a Spanish hotel group. All of these investments have performed well, with Sacyr producing the fifth highest contribution over the period under review.

Other new investments include Lennar, Rolls-Royce and Varian Medical Systems. We previously bought shares in Lennar, the US homebuilder following the collapse in the US property market triggered by the sub-prime crisis. The holding rose significantly and we decided to lock in profits early in 2013. We now see further growth prospects in the US housing market and have therefore reinvested. Rolls-Royce is well-positioned in the aero engine market; demand for aircraft continues to be strong and the company will benefit as airlines replace dated fleets and the demand for air travel from emerging markets continues to grow. Varian Medical Systems produces radio therapy machines for treating cancer. Growth prospects include catch-up orders in the US and Europe where machines have not been replaced during the recession, and rising demand from emerging markets. These holdings have all produced positive returns.

A new holding was started in Santos, an Australian oil and gas company which is involved in a large Liquefied Natural Gas project in Australia.

Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

Towards the end of the period a new investment was made in The Fresh Market, a high quality US supermarket chain which aims to attract shoppers looking for a more upmarket experience with dedicated fresh meat, fish and bakery counters.

We decided to sell the investments in GlaxoSmithKline and Pfizer. Both companies have performed very well, but the fact remains that healthcare in the US - which accounts for a very large part of the big pharmaceutical companies' sales - is too expensive. The timing of a reduction in drug prices in America is unknown but we feel that the risk/reward ratio is now much less favourable and therefore felt it prudent to lock-in profits.

Looking ahead we remain positive about stock markets. A change in market perception of equities and the much discussed 'great rotation' have only just begun. The global economy is recovering – with Europe, the US and emerging markets all improving; bonds are no longer the performers that they were; and equity valuations are still below long term averages, particularly in Europe. Europe has considerable potential to catch up this year as the valuation differential between the US and Europe is as wide as ever.

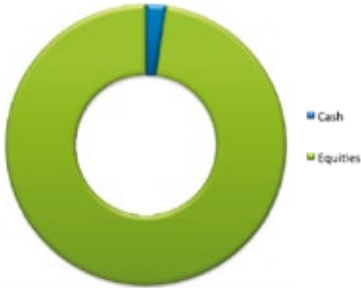
We expect some of the recovery investments in the Fund will begin to mature; the upturn in European financials, for example, has been both swift and sizeable and in the coming months we will be closely monitoring these holdings to see whether the time has come to lock-in some profits. In terms of new investments we feel that high quality growth companies such as Rolls-Royce and Varian Medical Systems remain attractively priced and it is companies like these that are likely to be the focus of our research.

**MSCI World (E), source: Bloomberg*

*Taube Hodson Stonex Partners LLP
Investment Manager to the Electric & General Investment Fund
15 January 2014*

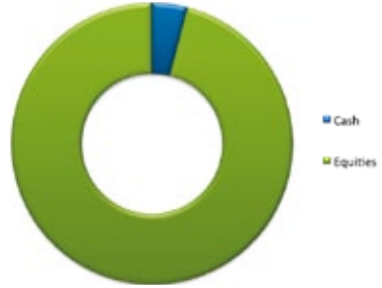
31 December 2013

Asset Allocation

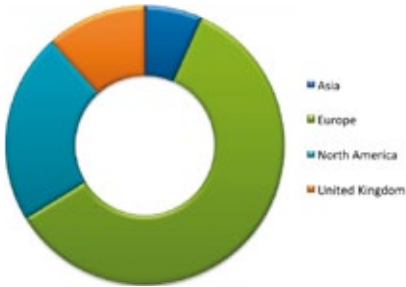


30 June 2013

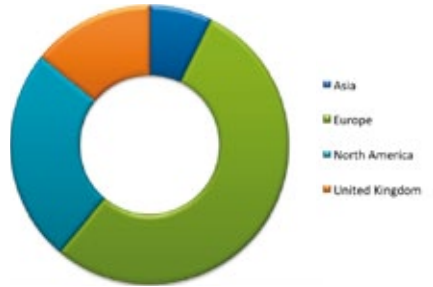
Asset Allocation



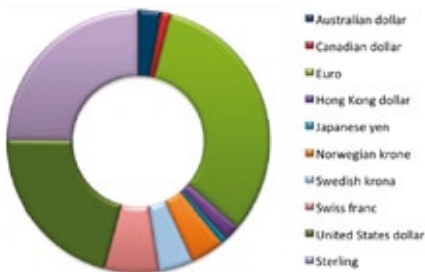
Geographical Allocation



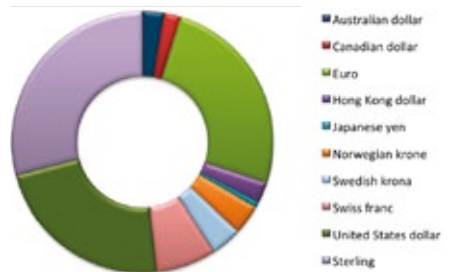
Geographical Allocation



Currency Exposure



Currency Exposure



Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

Major holdings

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

	% of net assets as at 31 December 2013		% of net assets as at 30 June 2013
Schibsted	3.72	TAG Immobilien	3.86
TAG Immobilien	3.53	Schibsted	3.29
BNP Paribas	2.65	Deutsche Post	2.89
ING Groep	2.52	Nestlé	2.83
Nestlé	2.50	Hutchison Whampoa	2.58
GAGFAH	2.45	GAGFAH	2.48
CaixaBank	2.41	Pfizer	2.44
Vivendi	2.30	BNP Paribas	2.35
Investment AB Kinnevik 'B'	2.28	Sky Deutschland	2.26
Deutsche Post	2.11	Sumitomo Mitsui Financial Group	2.12

Major purchases and sales

The top ten purchases and sales for the accounting period ended 31 December 2013

Purchases	Cost £'000	Sales	Proceeds £'000
CaixaBank	2,076	Pfizer	2,366
NH Hoteles	1,114	GlaxoSmithKline	1,964
Rolls-Royce Holdings	1,079	Deutsche Post	1,389
The Fresh Market	1,045	Sky Deutschland	1,087
Santos	1,043	Hutchison Whampoa	745
Varian Medical Systems	1,039	Schibsted	493
Banco Popular Español	970	Investment AB Kinnevik 'B'	401
Lennar 'A'	872	Nestlé	170
Mondelez International 'A'	415	BNP Paribas	169
Royal Bank of Scotland Group	97	ING Groep	156

Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

Other 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 full report and accounts are available free of charge on request from the ACD or online at www.yealand.com. 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 receives for its own account a periodic fee as follows:

Net Income 'A' Shares	0.3%
Net Income 'B' Shares	1.0% (shares not currently available)

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.

Further information on the performance fee and methodology can be found in the Company Prospectus.

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

With effect from 1 January 2014, 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.

Net Income 'B' Shares are not currently available. However, now the minima pertaining to the Net Income 'A' Shares have been reduced, their minimum investment characteristics are the same.

Shares may be purchased or sold by telephoning 0845 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.

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

The current and historic fund prices are available online at www.yealand.com (together with yield information) or at the registered office of the ACD. In addition the daily price is published in the Financial Times under the Funds page. Also available from the website is the distribution information. In addition the annual Key Investor Information Document (KIID), which includes risk and reward numerical indicators of the Company, is published online or available from the ACD.

In addition, the latest prices and monthly investment reports are also available at:
<http://www.electricandgeneral.com>.

The published price may be subject to an initial charge of 5% on the 'B' shares. The ACD at its discretion may waive or discount the initial charge or minimum purchases at its discretion.

Risk and reward rating

As referred to on page 8, the current Risk and Reward indicator is illustrated below:

Risk and reward profile



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 is this fund in category 5

The share class is ranked in risk category 5 as funds of this type have experienced above average price rises and falls historically.

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 stockmarket 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.

Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

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

*(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

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

Website: www.yealand.com

Investment Manager

Taube Hodson Stonex Partners LLP
Cassini House
57-59 St James's Street
London
SW1A 1LD

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

Depositary

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

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

Carvetian

Carvetian Capital Management Limited

Carvetian Capital Management Limited

Stuart House, St. John's Street
Peterborough PE1 5DD

phone: 0845 850 0255

fax: 01733 286833

email: carvetian@yealand.com

www.yealand.com