Carvetian
Carvetian Capital Management Limited

Electric & General Investment Fund

Annual Report
Authorised Corporate Director's Short Report
for the year ended 30 June 2013

Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT
FOR THE YEAR ENDED 30 JUNE 2013

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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 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 YEAR ENDED 30 JUNE 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 2012	85,146,776	102.08	83,409,283
30 June 2013	94,914,539	121.58	78,070,106

Price and income history Calendar Year	Highest p	Lowest p	Income Pence per share p
2011*	104.90	90.69	0.4231
2012	115.40	98.38	2.9210
2013**	131.20	114.00	2.1987

** 12 August to 31 December 2011*
***1 January to 30 June 2013*

Performance*	6 Months	1 Year	Since launch
Electric & General Investment Fund	9.17%	18.81%	23.80%
Benchmark Index**	14.56%	19.78%	30.11%

** Source: Bloomberg*
*** MSCI World Index*

Ongoing charges figure (OCF)	30 June 2013	30 June 2012
Authorised Corporate Director fee	0.02%	0.02%
Other expenses	0.68%	0.72%
Total OCF	0.70%	0.74%

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 for 30 June 2012 has been annualised based on expenses for the period since the company launched in August 2011 until 30 June 2012.

Financial market review

Stock markets performed extremely well over the Company's year. Improved sentiment around Europe led to strong rises in 2012 and markets started 2013 on an upbeat note. Towards the end of the year some of the gains were given back as markets responded to increasing nervousness over the prospect of the US Federal Reserve scaling back its monthly asset purchase programme. However, reassurances from Federal Reserve officials that support would not be withdrawn until conditions were right and encouraging noises from European central bankers calmed markets towards the end of the period. Over the twelve months to June 30th all major indices were well ahead. The MSCI World Index, the benchmark for the company for example, was up by 19.78% while the Electric and General Fund rose by 18.81%

Strong growth from our key investment themes contributed to the robust performance of the Company. European financial holdings for instance, performed well throughout the year with BNP Paribas, ING Groep, Swiss Re, Allianz and Aegon all making significant contributions.

The German residential property investments in GAGFAH and TAG Immobilien also continued to build on the success of the first half, and recently, following an encouraging meeting with the management in Berlin, we bought further shares in GAGFAH. We like this sector as residential values are at large discounts to other similar markets and yields are also attractive.

As we discussed in the interim report, one of our newest themes is participating in the growth in e-commerce. Investments within this theme made a substantial contribution to performance over the year: Schibsted, a Norwegian media group with a successful online classified advertising business, was the portfolio's second highest contributor; and Deutsche Post which benefits from the increasing demand for delivery services through DHL, was the third highest contributor. Two of the portfolio's new e-commerce investments, Kinnevik and UPS both produced good returns.

The Company's top performing investment was Sky Deutschland, the German pay TV company which has benefited from steady subscriber growth.

Our view of commodities softened a couple of years ago and we decided to reduce exposure to the sector. The remaining resource holdings have been weak and the poorest performer over the period was Newcrest Mining which fell with the gold price. Other resource related investments such as Archer, a Norwegian oil services company, Niko Resources and Bumi were also disappointing.

Cloud-based subscription software is one of our latest themes. This new approach to selling software has several major advantages including reduced selling costs, the possibility of offering a broader range of services, improved client retention and much lower piracy. Our first purchase within this theme - which was in the first half - was Adobe, a leading US software company whose products include Dreamweaver and Photoshop. The shares have performed well and we have recently added to the theme with a new investment in Intuit, the largest producer of tax and personal/small business accounting software in the US. Intuit is now vigorously promoting its QuickBooks Online globally, and is targeting emerging markets such as India. We feel the scope for growth is significant.

Another theme on which we have been focusing is the ageing of Western societies and the associated increase in the demand for healthcare. For a long time we purposefully avoided the big pharmaceutical companies. We were wary of looming 'patent cliffs' where generic medicines replace the high priced branded products when the patent expires; the pipelines for new drugs were disappointing; and the prospect of drug pricing controls in the US threatened profitability. These concerns have diminished in the last couple of years. The sector has also begun to look more interesting as emerging markets have started to provide a lucrative new outlet for the products of western healthcare companies and of course demand for drugs is set to rise in response to the growing number of elderly people worldwide. We began by investing in Pfizer, Roche and GlaxoSmithKline and each of these companies has performed very well. We also invested very successfully in Human Genome Sciences, which was taken over by GlaxoSmithKline last year.

We recently made some changes to the Company's pharmaceutical investments: Roche was sold following a very strong run and a new investment was made in Novartis which has a broader range of businesses including generic drugs, eye care and consumer health products as well as prescription medicines.

A new investment has also been made in Amgen, one of the original American biotechnology companies which produced some extremely profitable red blood cell boosting drugs. The company's share price fell when it became clear such drugs were being overprescribed but the company is beginning to look attractive again. It now has a compelling late stage pipeline of products which includes a drug designed to treat high cholesterol that cannot be reduced sufficiently with statins. The valuation has already increased.

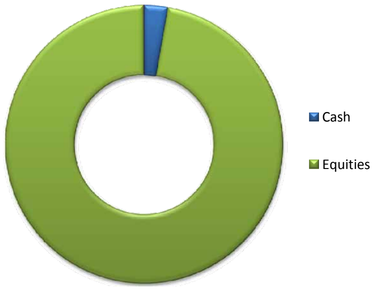
In the interim report we discussed our decision to restructure the portfolio's telecommunication investments because of a possible increase in competition within the US mobile phone market. Having reduced the holding in Vodafone in the first half, we decided to sell the remaining shares in the second half as much of the company's value is derived from its stake in Verizon in the US. Verizon indicated its interest in purchasing Vodafone's stake in Verizon Mobile, however, we felt that the market price adequately reflected the value of the Verizon stake and therefore decided to sell the rest of the holding.

We still believe that global equity markets are heading up. Some of the competing areas that have received significant investments such as bonds and emerging markets, have already started to fall. There is increasing evidence of recovery in the developed world which is causing short term volatility as investors come to terms with the withdrawal of easy money. There are even very early signs of a recovery in peripheral Europe such as the significant fall in bond yields. In Spain, for example, bond yields fell by around 90bp in April. We are closely monitoring Spain, where we feel that sentiment around the housing market could improve and that this in turn could fuel a more widespread recovery. We are actively looking to expand our investments in this area and have recently purchased Sacyr SA, 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. Sacyr SA has already made a significant contribution to performance.

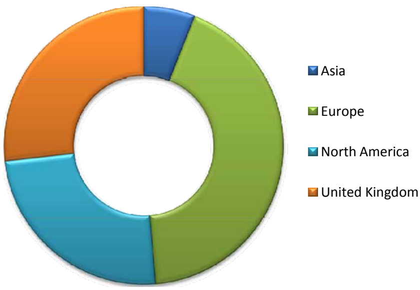
Taube Hodson Stonex Partners LLP
Investment Manager to the Electric & General Investment Fund
16 July 2013

30 June 2013

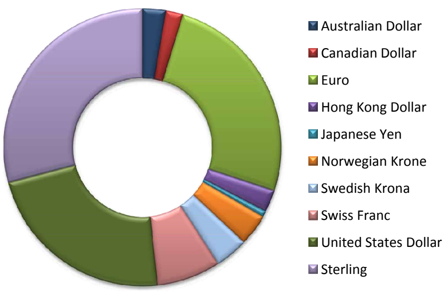
Asset Allocation



Geographical Allocation

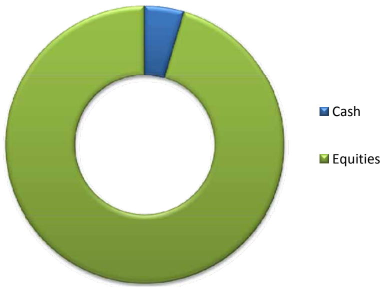


Currency Exposure

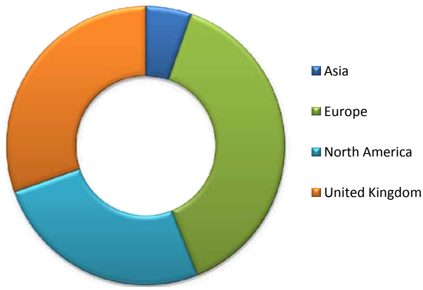


30 June 2012

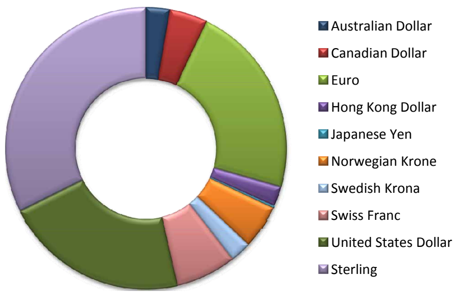
Asset Allocation



Geographical Allocation



Currency Exposure



Major holdings

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

	% of net assets as at 30 June 2013		% of net assets as at 30 June 2012
TAG Immobilien	3.86	TAG Immobilien	3.51
Schibsted	3.29	ANF Immobilier	2.92
Deutsche Post	2.89	Nestlé	2.79
Nestlé	2.83	Schibsted	2.66
Hutchison Whampoa	2.58	Vodafone Group	2.44
GAGFAH	2.48	Human Genome Sciences	2.39
Pfizer	2.44	Hutchison Whampoa	2.29
BNP Paribas	2.35	Vivendi	2.23
Sky Deutschland	2.26	Lennar 'A'	2.19
Sumitomo Mitsui Financial Group	2.12	Pfizer	2.17

Major purchases and sales

The top ten largest purchases and sales for the year ending 30 June 2013

Purchases	Cost £'000	Sales	Proceeds £'000
Intuit	1,585	Human Genome Sciences	4,451
Mondelez International 'A'	1,516	Vodafone Group	2,154
Investment AB Kinnevik 'B'	1,394	Orkla ASA	1,953
Novartis	1,241	Lennar 'A'	1,884
TAG Immobilien	1,224	Intel	1,517
Royal Bank of Scotland Group	1,222	Land Securities Group	1,265
Sacyr SA	939	TAG Immobilien	1,229
Computershare	937	SNC - Lavalin Group	1,208
Adobe Systems	926	Husky Energy	1,185
Stanley Black & Decker	875	ANF Immobilier	1,174

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

Until 30 June 2014, the minimum value of Net Income 'A' Shares which any one person can purchase initially is £10,000. From 1 July 2014 the minimum value of Net Income 'A'. Shares which any one person may purchase initially will increase to £100,000, and the minimum value of additional Net Income 'A' Shares which may purchased subsequently is £10,000.

Net Income 'B' Shares are not currently available. However their characteristics are that the minimum value of Net Income 'B' Shares which any one person may purchase initially is £1,000 and also £1,000 in respect of subsequent purchases.

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

1	2	3	4	5	**6**	7

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 is this fund in category 6

The risk indicator for this Fund reflects the following:

The share class is in risk category 6 as its price has experienced significant 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.

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

**On 1 April 2013, two new regulators, the Financial Conduct Authority and the Prudential Regulation Authority, replaced the former Financial Services Authority.*

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