Carvetian
Carvetian Capital Management Limited

Electric & General Investment Fund

Interim Report

Authorised Corporate Director's Short Report

for the six months ended 31 December 2014

Electric & General Investment Fund

AUTHORISED CORPORATE DIRECTOR'S SHORT REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

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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 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 is Taube Hodson Stonex Partners LLP.

Investment objective

The investment objective of the Company is to seek to achieve long-term capital growth with some 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.

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.

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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 2014	100,918,944	139.37	72,409,750
31 December 2014	93,417,362	133.81	69,811,028

**based on bid price.*

Price and income history

Income 'A' shares Calendar Year	**Highest p**	**Lowest p**	**Income paid pence per share**
2011*	104.90	90.69	-
2012	115.40	98.38	2.4799
2013	139.30	114.00	3.0629
2014	145.30	126.80	2.6757
2015**	-	-	0.4996

**12 August to 31 December 2011*
***payable 27 February 2015*

Performance*	**1 year**	**3 year**	**Since launch**
Electric & General Investment Fund	-1.1%	46.1%	43.8%
Benchmark Index**	9.4%	43.9%	51.2%

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

Ongoing charges figure (OCF)	**31 December 2014**	**30 June 2014**
ACD fee	0.04%	0.04%
Other expenses	0.71%	0.66%
Total OCF	0.75%	0.70%

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.

In addition to the above, the Fund is charged a performance fee. As outlined on page 8 a performance fee is payable on returns, when the performance of the Fund, over a Performance Period (commencing 1st 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 annual accounting period ended 30 June 2014 with respect to 'A' Income Shares was £672,284, representing 0.66% of the average net assets of the Fund.

Financial market review

After a very pleasing return of over 14.0% last year, it is disappointing that the Company's shares fell by 5.1% (total return -3.7%) over the half year while the MSCI World, the benchmark index for the Company rose by 7.6%.*

The reasons for this disappointing performance are threefold. Firstly, some of the stocks which did particularly well in the previous period gave back a portion of their gains; secondly, although we were quite negative on oil prices, we were caught with a number of oil price sensitive stocks and oil service companies, which given the rout in oil prices, were very poor performers; lastly, from a relative performance point of view, our low weighting in US equities - which outperformed European equities by around 20 per cent* - was clearly a drag on relative performance.

Our investment process is focussed on bottom up stock research and we do not chase those sectors and markets which are currently in fashion; we buy companies, wherever they may be, where our three criteria of theme, quality and value are maximized. This results in a portfolio which is significantly different from the benchmark. This inevitably leads to performance divergence, both positive and negative, which can last some time. We are convinced that the portfolio contains a good list of attractively valued companies which have the characteristics that we seek.

The headlines in Europe were unhelpful during the period. A combination of Ukraine; Banco Espirito Santo, which effectively collapsed in Portugal; renewed worries around Greece; as well as a general feeling that austerity and slow growth is encouraging populist politics, all weighed on sentiment. Growth forecasts came down, particularly in Germany, which was very much affected by the on-going problems in Ukraine. Data from the US on the other hand, has been largely benign, making American shares feel much less risky to the investment community.

On the positive side, the problem of the peripheral European nations has been largely resolved with some countries posting remarkable turnarounds – even Greece has made heroic efforts – and it is politics rather than economics that are the problem.

Generally, even though global growth expectations have been significantly reduced, equities seem to us highly attractive compared to the alternatives, particularly high quality bonds which are now without return.

One of the most significant developments over the period has been the sharp decline in the price of oil. As a major consumer, the European economy should benefit from lower energy prices. We conducted a review of the oil market some years ago, particularly in view of the sharp increase in US oil production which we were expecting. We concluded that oil prices would probably weaken and therefore sold a number of oil producers. However, we did continue to hold some oil producers and oil services companies where we felt the valuation or opportunities were attractive. Oil majors, with their widely diversified businesses, have not suffered greatly. However, oil price sensitive companies – including the oil services companies – have been weak. Archer, Golar LNG, Transocean and Patterson-UTI Energy for example, are at the bottom of the contribution list.

Another significant positive for Europe is the completion of the Asset Quality Review, which was completed during the Company's first half year. The process was generally viewed as supportive as the number of banks which failed was low and much as expected. Unfortunately, one of the more surprising failures was Banca Monte dei Paschi di Sienna; the bank produced the biggest negative contribution over the period.

In contrast a number of holdings have produced very good returns. Schibsted, a Norwegian media group within the e-commerce theme, was the Company's top contributor; it has recently agreed a joint venture with a competitor in emerging markets and towards the end of the period we took some profits from the holding. German property is another key theme and GAGFAH, which owns residential property throughout

Germany, was the second highest contributor. The company is the subject of a takeover bid and we have therefore sold the shares. The Fresh Market, an upmarket US grocery chain, produced the third highest contribution after the competitive environment improved. Other top performers include US biotechnology company Amgen, which has a good product pipeline, and Bunge, a US agribusiness and food company, which is part of our changing diets theme. Bunge is expected to benefit from a good soybean harvest in the US and South America and record grain and rapeseed crops in Europe, which will increase volumes and improve margins.

Over the last six months new investments include AXIA Real Estate SOCIMI, a Spanish real estate investment company. AXIA, which forms part of our Spanish recovery theme, has already made a positive contribution to performance.

Within the mobile data theme a number of changes have been made: Belgacom, which has re-rated substantially, was sold and some of the proceeds were reinvested in Telecom Italia which we feel has more upside. A new investment was made in Bharti Airtel, India's leading mobile telecom company. Telecoms generally have performed well as some of the negatives began to recede.

We have also made a new investment in Japan. Following a visit to the country we came back with a more positive view of the country; 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.

Following the collapse in the oil price and after a review we decided to top up our oil exposure. We recently met with the management of Santos, the Australian Liquefied Natural Gas company which has de-rated very significantly, and decided to add to the holding. Our strategy is to add to companies which will not only benefit from an eventual stabilization and upswing in oil prices, but that are also strong enough to withstand current prices.

During the period, we took profits from a number of holdings including CaixaBank, the Spanish bank; Kinnevik, the telecom and e-commerce holding company; Swiss Re and Walt Disney. We accepted the takeover bid for Sky Deutschland which has been a top performer.

Our view has been, and still is, that there is no reason why Europe cannot recover more strongly – particularly now that the banking system has been thoroughly reviewed, most peripheral countries have stabilized, government bond yields are historically low, reform is well under way and the Euro has finally fallen, aiding European competitiveness. In effect, Europe is much earlier and in a more extended recovery cycle than the US. Finally, the decline in oil should be very positive for consumption in Europe.

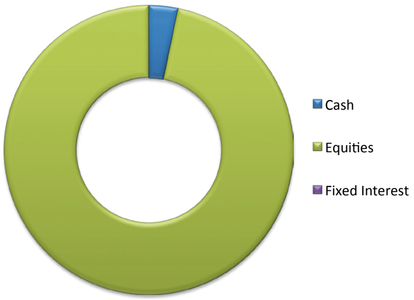
It is frustrating that the positive momentum that produced very good returns, both nominal and relative, in 2013 – and looked to continue coming into 2014 – has not been sustained. We have no doubt that over the medium term, given the large valuation differential, and given margins which are well below peak, European shares will outperform. The timing of a convincing lift-off in Europe has been difficult to predict and is certainly later than we expected.

Taube Hodson Stonex Partners LLP
Investment Manager to the Electric & General Investment Fund
20 January 2015

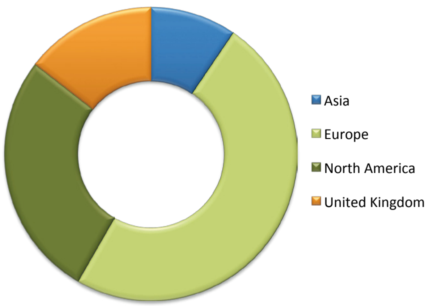
**Source: Bloomberg as at 31 December 2014. Please note that past performance is not necessarily a guide to future growth or rates of return.*

31 December 2014

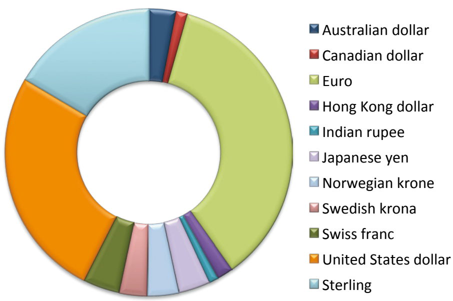
Asset Allocation



Geographical Allocation

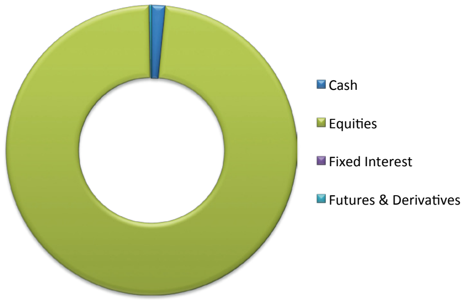


Currency Exposure

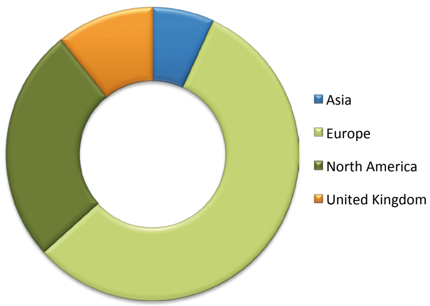


30 June 2014

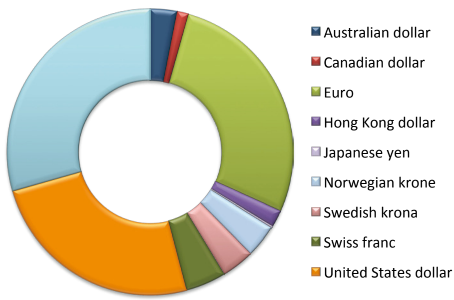
Asset Allocation



Geographical Allocation



Currency Exposure



Major holdings

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

	% of net assets as at 31 December 2014		% of net assets as at 30 June 2014
TAG Immobilien	3.99	TAG Immobilien	3.51
Schibsted	3.05	Schibsted	2.76
ING Groep	2.54	Banca Monte dei Paschi di Siena	2.48
Royal Bank of Scotland Group	2.47	Sacyr SA	2.41
BNP Paribas	2.29	ING Groep	2.40
Mondelez International 'A'	2.16	CaixaBank	2.38
Intuit	2.13	GAGFAH	2.30
Vivendi	2.08	BNP Paribas	2.29
Sky	2.05	Eurazeo	2.05
The Fresh Market	2.05	Vivendi	2.02

Major purchases and sales

The top ten largest purchases and sales for the reporting period ended 31 December 2014:

Purchases	Cost £'000	Sales	Proceeds £'000
Mitsubishi Estate Company	1,626	GAGFAH	2,876
Bharti Airtel	1,063	Sky Deutschland	1,685
AXIA Real Estate Socimi	1,004	Belgacom	1,324
ASOS	759	Schibsted	875
Home Retail Group	549	Swiss Re	626
Santos	525	Walt Disney	624
Yum! Brands	494	Investment AB Kinnevik 'B'	546
Telecom Italia	477	CaixaBank	495
Golar LNG	371	Vivendi	333
Archer	364	Alumina	253

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
- 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 13, 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

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

Risk and reward profile

As referred to on page 8, the current risk and reward indicator is illustrated below:

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 this Fund is 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 (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.

Key parties

Authorised Corporate Director (the ACD)

Carvetian Capital Management Limited
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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
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
Website: www.yealand.com

Investment Manager

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(Authorised and regulated by the Financial Conduct Authority)

Depositary

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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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