

Electric & General Investment Fund: As at 30.09.11

International / Equity Growth



Investment Manager's Commentary

September was another turbulent month. Fears over global recession and the ever worsening financial crisis in Greece drained sentiment and battered the equity markets. Although the efforts of policymakers to tackle Eurozone sovereign credit resulted in a modest recovery at the end of the period, this brief fillip was not enough to stop major indices posting losses over the month. Indeed, global equities recorded the worst quarterly performance since the end of 2008.

Economic statistics during the period were mixed but generally worsening. Sentiment measures have been particularly weak, but assessments of current conditions have also been generally poor and estimates for global growth have been cut to 3.5 – 4.0 per cent from 4.0 – 4.5 per cent (still a respectable pace of growth historically but lower than had been expected). Chief culprits for this are Eurozone growth - which is now estimated at close to zero (or even negative) for next year - and emerging markets, where growth forecasts have been cut substantially. Emerging market equity and currency markets have already weakened and commodities (including gold) have come down sharply in line with lower growth forecasts.

It is now becoming critical that Eurozone finance ministers produce something to impress markets. Apart from Greece, which is clearly in need of debt relief and assistance to restructure, the Eurozone sovereign debt problem is now largely a political one and it is not unreasonable for markets to expect politicians to rise to the challenge. A clear plan to provide backstop financing to sovereigns and bank funding - including funds for bank recapitalisation - is now crucial.

We see multiple signs that the severity of the crisis is now apparent to politicians and markets are doing a good job of forcing them to act. Ultimately, we believe strong action will be forthcoming but the longer it is left, the larger the undertaking will have to be. At its root the crisis reflects a fundamental division between government and monetary authority in the Eurozone which will have to be resolved.

Cumulative Performance to 30.09.11 (%)

	1 Month %	Inception to Date %	
NAV	-6.31	-4.90	
Morgan Stanley Capital International World Index in Sterling	-4.72	-1.45	Source: Bloomberg Note: Price is month-end mid-price. Benchmark is not total return index.

We anticipate a reversal of ECB rate hikes very soon and a return to money printing in the UK.

Interestingly, companies are still relatively positive about business strength; it is investors who are extremely nervous.

This testing outlook must be contrasted to the very cheap equity valuations. Any investor who can take a long term view is being given a wonderful opportunity to own high quality companies extremely cheaply and this is very much our strategy.

The contrast with the late 1990s is stark – then the world seemed unlimited in its possibilities and shares were valued accordingly. The subsequent decade has been very poor for investors. Shares have been substantially de-rated, which we believe will lead to strong returns over the next decade – reflecting the low starting point.

In September we took advantage of price weakness to add to **Archer**, the Norwegian oilfield services company previously known as Seawell.

Performance over the quarter has been poor on both an absolute and relative basis. This disappointing result is due to a variety of factors including a larger weighting in Europe compared to the index – reflecting the attractive valuations available in that region – and also a portfolio which contains some unpopular, but cheap sectors. In addition, cash balances have been low as we have sought to remain fairly fully invested.

Some unpopular sectors have begun to improve, for example telecoms – one of our bigger themes – and pharmaceuticals, which have held up well. However, extreme weakness in Europe generally – and amongst financials in particular – have weighed on the portfolio. Any improvement in sentiment towards Europe (which we expect) should see a substantial improvement in both absolute and relative performance.

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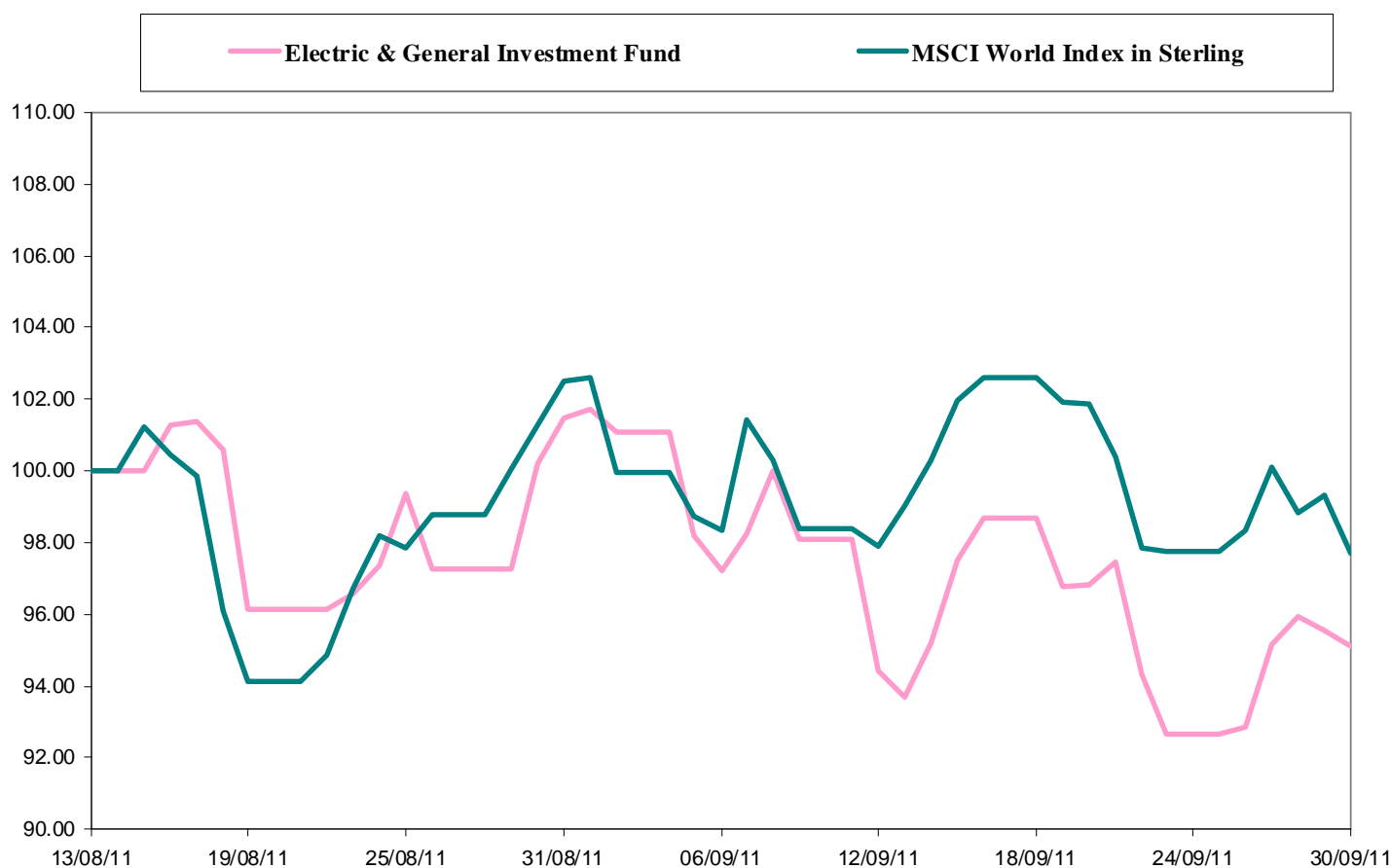


Top Ten Holdings (as at close 30.09.11)

1	TAG Immobilien AG	3.14%
2	ANF-Immobilier S.A.	2.98%
3	Nestle S.A.	2.67%
4	Vodafone Group PLC	2.32%
5	Royal Dutch Shell PLC (CL B)	2.26%
6	Newcrest Mining Ltd.	2.26%
7	Intel Corp.	2.16%
8	Fornebu Utvikling ASA	2.08%
9	Hutchison Whampoa Ltd.	2.08%
10	News Corp. Cl B	2.06%

Source: THS Partners

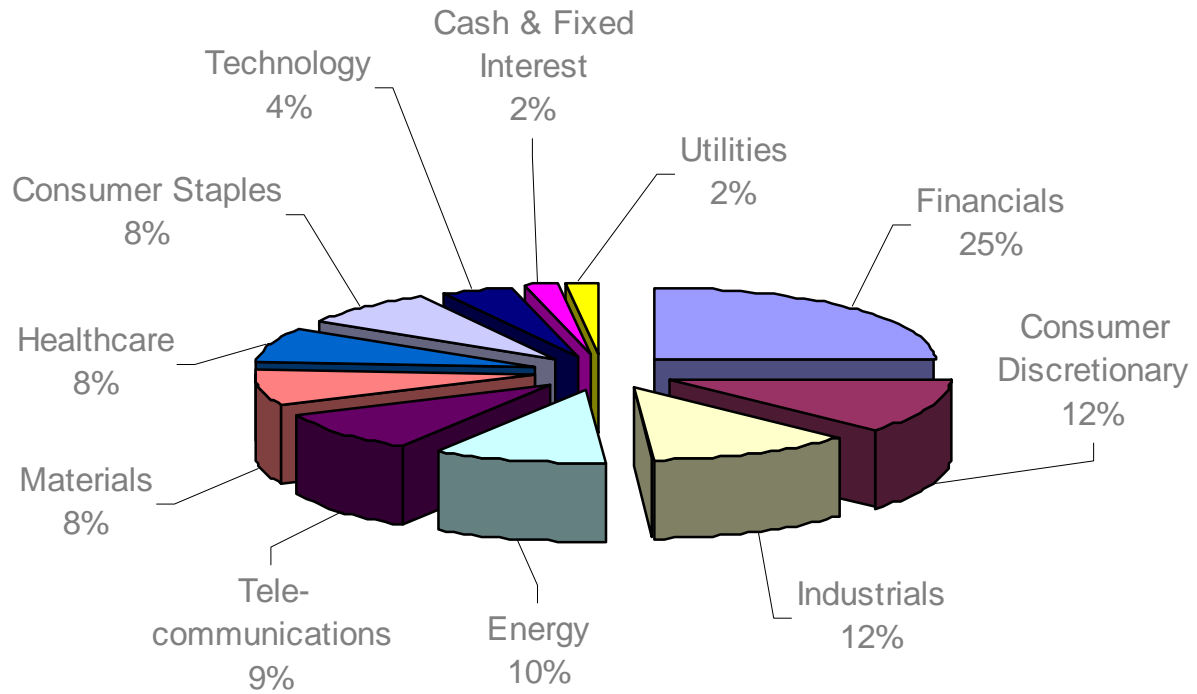
NAV per Share Performance 12.08.11 to 30.09.11



Source: Bloomberg

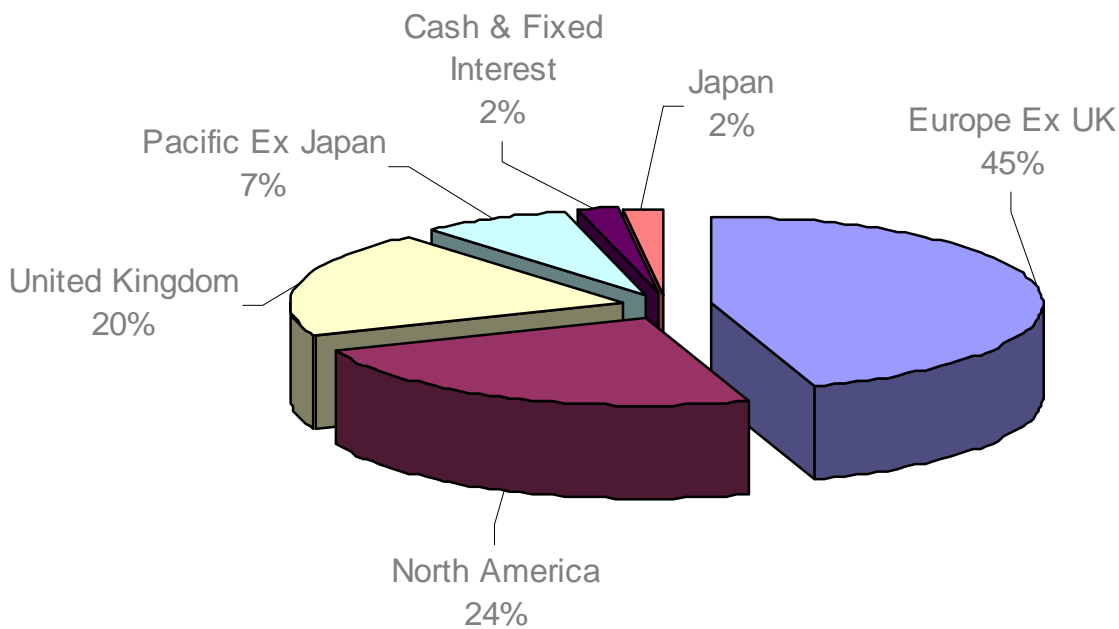
Past performance is not a guide to the future. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested.

Sector Allocation



Source: MSCI Sectors

Geographical Allocation



Source: THS Partners

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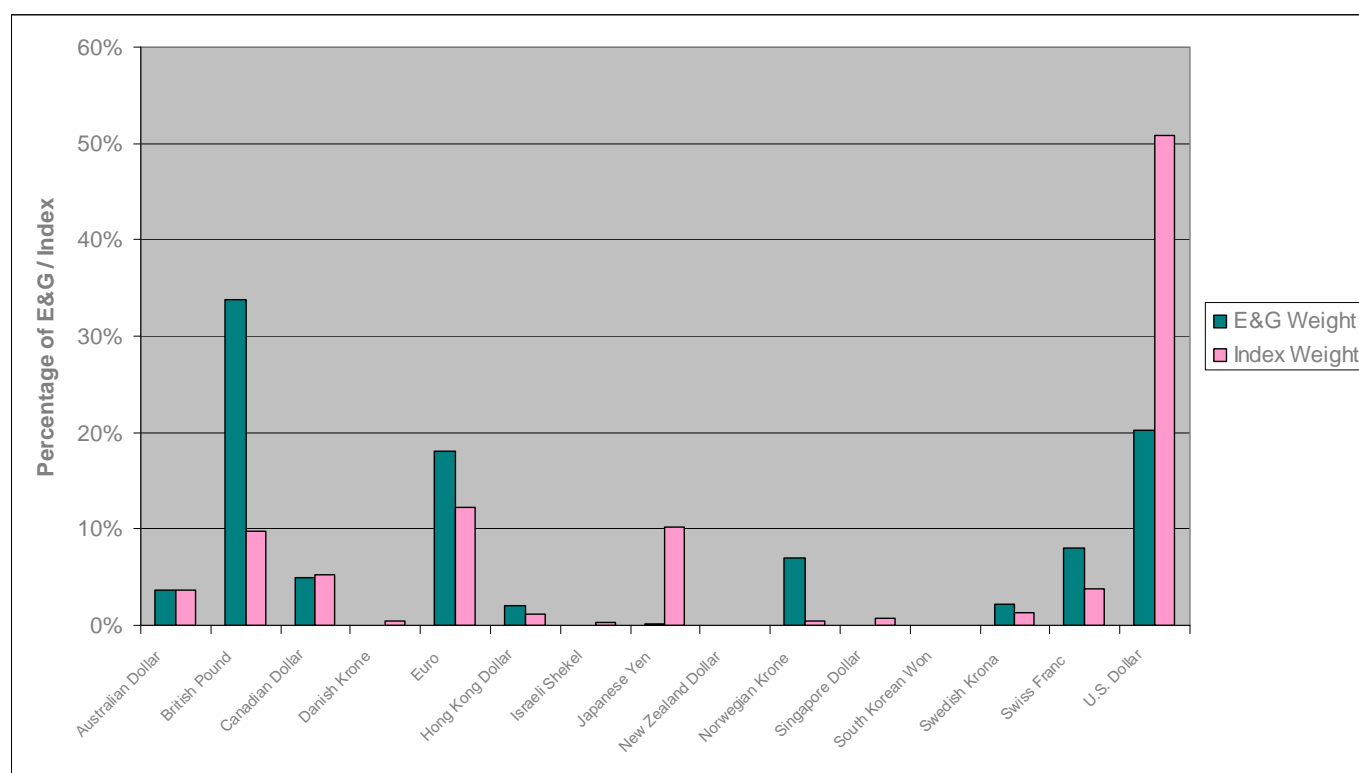


Currency Weightings (Including Cash & Hedge) Compared to MSCI World as at 30.09.11

	Electric & General (%)	Index: MSCI World (%)
Australian Dollar	3.6	3.7
British Pound	33.8	9.7
Canadian Dollar	5.0	5.2
Danish Krone	0.0	0.4
Euro	18.0	12.2
Hong Kong Dollar	2.1	1.2
Israeli Shekel	0.0	0.3
Japanese Yen	0.1	10.1
New Zealand Dollar	0.0	0.1
Norwegian Krone	7.0	0.4
Singapore Dollar	0.0	0.7
South Korean Won	0.0	0.0
Swedish Krona	2.2	1.3
Swiss Franc	8.0	3.8
U.S. Dollar	20.2	50.9

Source: THS Partners

E&G Details by Currency (Including Cash & Hedge) Compared to MSCI World as at 30.09.11



Source: THS Partners

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Investment Objective

The Company's investment objective is to seek to achieve long-term capital growth with some potential for income. To achieve the investment objective, the Company's investment policy is to invest principally in a portfolio of global equities, and may also invest in other transferable securities, bonds, units and/or shares in collective investment schemes, warrants, money market instruments, cash, near cash and deposits. There is no limit to which the Company can be invested in each sector or asset type, nor is there any particular geographic focus. The Company may borrow and may enter into underwriting arrangements. It is the ACD's intention that derivatives and forward currency transactions will only be used for the purposes of efficient portfolio management, including hedging, as defined by the Regulations. From time to time the liquidity of the Company may be increased substantially if judged to be in the interests of investors.

Charges

Basic Management Fee: 0.3% of net assets per annum.

Performance Fee: 10% of the outperformance versus the MSCI World Index in Sterling over the relevant performance period (maximum of 0.7% in a period of increase and 0.3% in a period of decrease of net assets).

Fund Details

Total Gross Assets:

£89,025,003.54 (As at 30.09.11)

Dealing:

Daily

NAV Frequency:

Daily

Legal Status:

Open Ended Investment Company

Dividends:

February & August

Investment Manager:

Taube Hodson Stonex Partners LLP

Authorised Corporate Director:

Carvetian Capital Management Limited

Wrapped Products

The shares of Electric & General Investment Fund ("Electric & General") are offered within the Alliance Trust Savings Scheme and ISA. Further details can be obtained from the 'How to Save' section of the Electric & General website on www.electricandgeneral.com or by calling the Investor Services Helpline on 0845 850 0255.

Important Information

The prices of shares in unit trusts and income received from them can go down as well as up and investors may not get back the full amount invested. Past performance is no guarantee of future performance. Quoted yields are not guaranteed. Changes in the rates of currency exchanges may have an adverse effect on the value or price of the shares. Investments in a currency other than your own currency will be subject to movements in foreign exchange rates. Reference to any specific securities should not be construed as a recommendation to buy or sell these securities but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon. The Fund may invest in emerging markets which tend to be more volatile than more established stock markets and the value of your investment could move sharply up or down. If you have any questions about the suitability of this investment for your portfolio, you should contact an independent financial adviser. Nothing in this factsheet should be construed as advice nor be considered an offer or solicitation to deal in investments. Issued by Taube Hodson Stonex Partners LLP, which is authorised and regulated by the Financial Services Authority, (Firm No 480219). Registered office: Cassini House, 1st Floor, 57-59 St. James's Street, London, SW1A 1LD (OC333502).