

# Electric & General Investment Trust plc: As at 31.05.10

## International / Equity Growth

### Investment Manager's Commentary

The recovery in both the economy and the markets that had seemed to be gathering momentum during the first quarter stalled in May, as concerns over the indebtedness of Greece and some other peripheral Eurozone countries escalated. Stock markets and the Euro came under intense pressure and the very existence of the single currency was called into question. There is no doubt that the situation in Greece is grave. It stands alone as a high budget deficit and high debt-to-GDP Eurozone country. At the interest rate levels currently demanded by the market, and without the ability to devalue, it will struggle to arrest its freefall single-handedly. It will need continuing help from other Eurozone countries, primarily Germany – where the politics are quite difficult. However, it is important not to underestimate the will of the European political classes to retain the Euro, which represents the region's claim to be a world power and sustains the Single Market. The bailout package already agreed is huge, underlining the determination to prevent contagion. This does not mean that Greece cannot be ejected from the Euro or restructure its debts - although we think both unlikely - but it does mean that the Euro will not be allowed to fail. Other peripheral countries, notably Ireland, have had considerable success in applying austerity measures. We hope Greece will do likewise. The Greek crisis, is not the only factor currently affecting sentiment.



Spain, North Korea and a slowing Chinese economy are all troubling markets. But, it is because the investment environment is so challenging that shares are once again very cheap - blue chips routinely trade on low P/E ratios and attractive dividend yields. Hence, after years of caution, we recently returned to large pharmaceuticals, buying Pfizer and Roche. In May, we finished buying Pfizer, Roche and Lennar Corp, the Florida-based house builder. The tender offer for Hutchison Telecom was accepted, we sold a few more shares in Schibsted, the Norwegian media group which had done well, and we sold the holding in Telefonica. One new investment was made, in Teliasonera, the Swedish/Finnish telecom company. It seems that the valuation of telecom companies, in particular those in Europe, does not reflect the opportunity and potential of the rapid uptake of smart phones, ipads, etc. We believe that these devices offer incremental benefits to consumers, which they seem to be willing to pay additional monthly subscriptions for. We have already seen that the long term decline in revenues for mobile phone companies is being reversed in those countries where the uptakes of these devices are highest.

Source: THS Partners

### Top Ten Holdings (as at close 31.05.10)

1	SNC LAVALIN GROUP COM NPV CAD	2.80%
2	NESTLE CHF0.1 (REG)	2.20%
3	INTEL CORP COM USD0.001	2.19%
4	NEWS CORPORATION COM USD0.01 CLS B	2.05%
5	ROYAL DUTCH SHELL B ORD SHS EUR0.07	1.92%
6	VODAFONE GROUP ORD USD0.11428571	1.91%
7	HUTCHISON WHAMPOA HKD0.25	1.90%
8	HSBC HLDGS ORD USD0.5	1.86%
9	NEWCREST MINING NPV	1.83%
10	ANF IMMOBILIER EUR1	1.74%

### Discrete Annual Performance (%) 12 Months Ending

	March 2010	March 2009	March 2008	March 2007	March 2006
Ordinary Price	38.16	-30.21	-2.87	4.24	28.57
NAV	42.77	-29.15	-0.31	6.38	30.40
Morgan Stanley Capital International World Index in Sterling	40.89	-22.33	-6.32	0.30	26.34

Note: Price is month-end mid-price. Benchmark is not total return index.

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.

### Cumulative Performance to 31.05.10 (%)

Capital NAV Per Share (P)	Ordinary Share Price (P)	1 Month %	YTD %	1 Year %	3 Year %	5 Year %	10 Year %	
417.12	349.50	Ordinary Price	-8.03	-6.11	11.31	-19.38	14.97	-25.32
Yield	Discount	NAV	-6.93	-3.98	20.00	-13.39	27.40	-17.84
2.76%	-16.21%	Morgan Stanley Capital International World Index in Sterling	-5.09	2.71	23.55	-9.08	18.74	-16.74

Note: Price is month-end mid-price. Benchmark is not total return index.

Source: Bloomberg

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### NAV per Share Performance 01.05.07 (rebased to £100) to 31.05.10



Source: Bloomberg

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### Investment Objective

The Company's investment objective is to maximise total return while pursuing a progressive dividend policy, where achievable, within the over-riding objective of capital growth.

### Charges

Basic Management Fee: 0.4% 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 0.6% in a period of increase and 0.2% in a period of decrease of net assets).

### Fund Details

**Total Gross Assets:**  
 £279.0m (As at 31.05.10)

**Dealing:**  
 Daily (Stockmarket)

**NAV Frequency:**  
 Daily

**Legal Status:**  
 UK Investment Trust

**Type of Fund**  
 Closed-end fund

**Listing:**  
 London Stock Exchange

**Dividends:**  
 March, October

**Investment Manager:**  
 Taube Hodson Stonex Partners LLP

**Stockbroker:**  
 JPMorgan Cazenove Limited

**Administrator:**  
 BNP Paribas Securities Services

**Registrar:**  
 Computershare Investor Services PLC

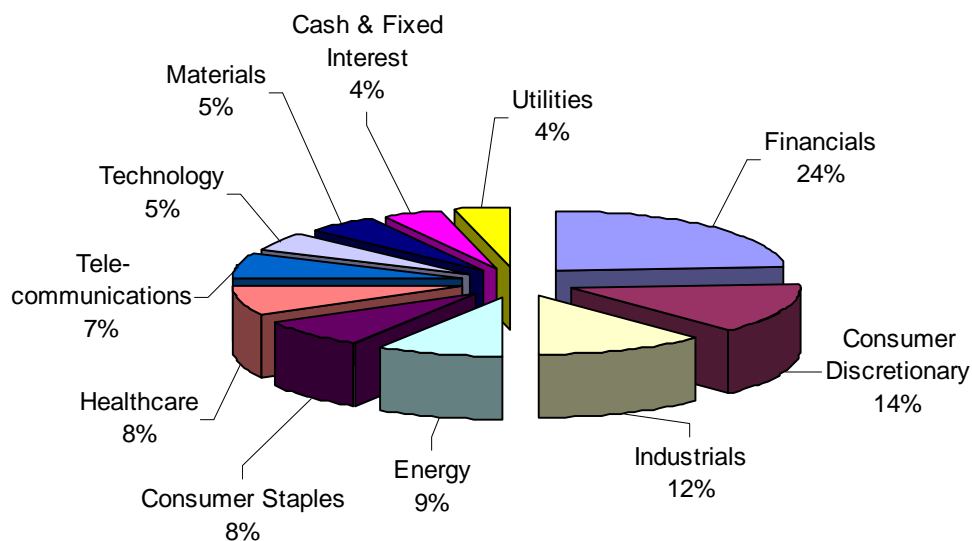
### Wrapped Products

The shares of Electric & General Investment Trust plc ("Electric & General") are offered within the BNP Paribas Electric & General Savings Scheme and ISA. Further details can be obtained from the 'How to Save' section of the Electric & General website on [www.electricandgeneral.com](http://www.electricandgeneral.com) or by calling the Investor Helpline on 0845 358 1113.

### Important Information

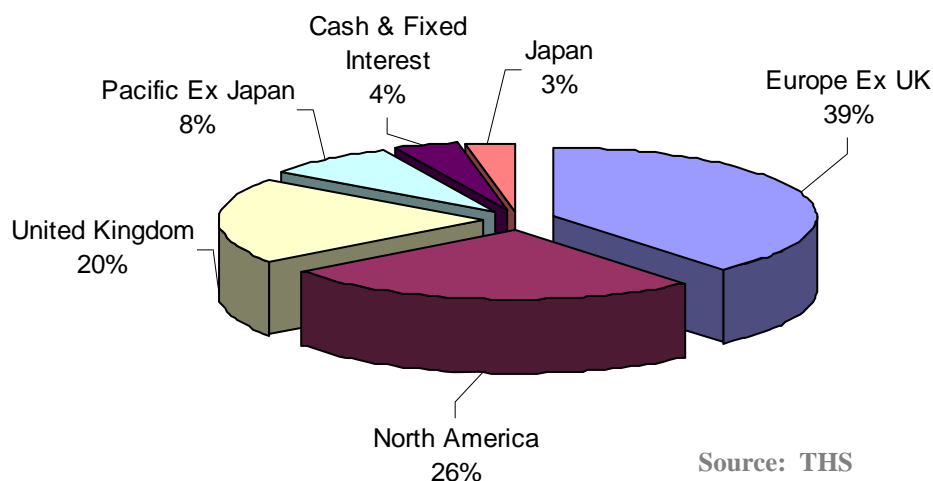
The prices of shares in investment trusts and income received from them can go down as well as up and investors may not get back the full amount invested. Past performance is no guarantee of future performance. Quoted yields are not guaranteed. Changes in the rates of currency exchanges may have an adverse 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. Investment trusts can borrow money to make additional investments on top of shareholders' funds (gearing). The use of gearing can lead to volatility in the NAV, meaning that a relatively small movement, down or up, in the value of a company's assets will result in a magnified movement, in the same direction, of that NAV. Share price performance is not the same as NAV performance and investors may not realise returns the same as NAV performance. The Company 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).

### Sector Allocation



Source: MSCI Sectors

### Geographical Allocation



Source: THS