

# Electric & General Investment Trust plc: As at 31.12.08

International / Equity Growth



## Investment Manager's Commentary

2008 was a torrid year for both the global economy and equity markets. However, at the end of the year markets bounced, the Dow Jones Industrial Average bottoming on 20 November 2008 but by the year end recovering some 16.2% (in US Dollar terms), and the FTSE 100 bottoming the day after but by the year end recovering 17.3% (in Sterling terms). Whether this is a classic rally in a bear market, or we have seen the lows in this cycle, it is too early to tell at present. However, investors were heartened by the rate cuts in December 2008, with the Federal Reserve slashing US interest rates to almost zero and in Europe the European Central Bank ("ECB") making its biggest ever cut, reducing the main lending rate to 2.5%. Also, the prospect of the new US President Barack Obama being inaugurated on 20 January 2009 holds the promise of a new dawn, although the exact details of his stimulus package are going to be a little bit delayed. During December, we reduced the Company's liquidity with a programme trade. Over and above that, we continued to build up the holding in Land Securities and switched from DirecTV into News Corporation. No new positions were started during the month. The sale of Tokyu Corp was completed and we continued to sell Mitsubishi Heavy Industries and Sekisui House to take advantage of the strength of the Yen and a bounce in the Japanese stock market. The first quarter of 2009 is going to be very interesting from an investment perspective. The economic and corporate news flow will continue to be dull, allowing for the fact that we do not yet know what Barack Obama is going to propose, and the corporate calendar is filling up with prospective rights

We suspect that large sensible companies with a good story will be able to raise funds fairly easily, but the second-liners will continue to find life rather difficult. More to the point, how much real appetite there is for the equity markets will be tested. In the current low interest rate environment, we suspect that companies with sensible balance sheets and good yields will show some relative performance, which may sound as though we are stating the obvious but, until recently, companies like these had suffered along with the markets in general. It is interesting to note that the best performing holding over the month was Newcrest Mining, the Australian gold company, which benefited both from a rising share price and the appreciation in the Australian currency. Many of the other main positive contributors were financial stocks which had suffered particularly in the past few months. During December, we hedged some more of the Company's foreign currency exposure back into Sterling, taking one third of the unhedged Euro exposure and half of the Yen exposure (which so far has not been hedged at all). In the short term, the Euro hedge was slightly premature, but in the same way as we bought the US Dollar when it was very out of favour, we feel Sterling is now very much in over-sold territory, especially as the European economies are slowing fairly abruptly and the ECB will most likely continue to cut rates.

Source: THS Partners

### Top Ten Holdings (as at close 31.12.08)

1	NEWCREST MINING A\$0.50	2.83%
2	NESTLE SA CHF1 (REGD)	2.79%
3	FRANCE TELECOM EUR4	2.62%
4	SNC LAVALIN GROUP COM NPV CAD	2.28%
5	VODAFONE GROUP USD0.11428571	2.10%
6	ROYAL DUTCH SHELL EUR0.07 'B' SHS	2.05%
7	VIVENDI UNIVERSAL EUR5.50	1.89%
8	ELECTRICITE DE FRANCE EUR0.5	1.78%
9	QBE INSURANCE GROUP NPV	1.75%
10	ANF EUR1	1.75%

### NAV per Share Performance 01.01.06 (rebased to £100) to 31.12.08



Source: Bloomberg

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

	December 2008	December 2007	December 2006	December 2005	December 2004
<b>Ordinary Price</b>	-23.67	4.62	10.78	21.17	25.68
<b>NAV</b>	-22.49	10.95	12.38	24.35	6.84
<b>Morgan Stanley Capital International World Index in Sterling</b>	-19.81	5.69	3.75	19.74	5.05

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 31.12.08 (%)

NAV Per Share (P)	Ordinary Share Price (P)		1 Month %	YTD %	1 Year %	3 Year %	5 Year %	10 Year %
376.89	324.00	<b>Ordinary Price</b>	12.11	-23.67	-23.67	-11.54	35.88	-1.27
Yield	Discount	<b>NAV</b>	8.39	-22.49	-22.49	-3.36	29.51	6.69
2.30%	-14.03%	<b>Morgan Stanley Capital International World Index in Sterling</b>	8.59	-19.81	-19.81	-13.93	8.67	8.97

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

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## International / Equity Growth



### Company Objective

The Company is a closed-end fund. The aim of the Company is to produce above average capital growth by investing in an international portfolio of companies.

### 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:**  
 £253.0m (As at 31.12.08)

**Dealing:**

Daily (Stockmarket)

**NAV Frequency:**

Daily

**Legal Status:**

UK Investment trust

**Listing:**

London Stock Exchange

**Dividends:**

March, October

**Investment Manager:**

Taube Hodson Stonex Partners LLP

**Stockbroker:**

JPMorgan Cazenove Limited

**Administrator:**

BNP Paribas Securities Services

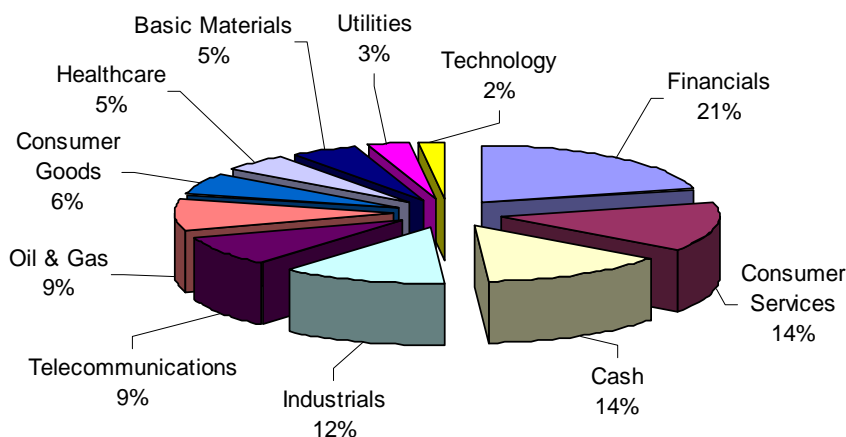
**Registrar:**

Computershare Investor Services PLC

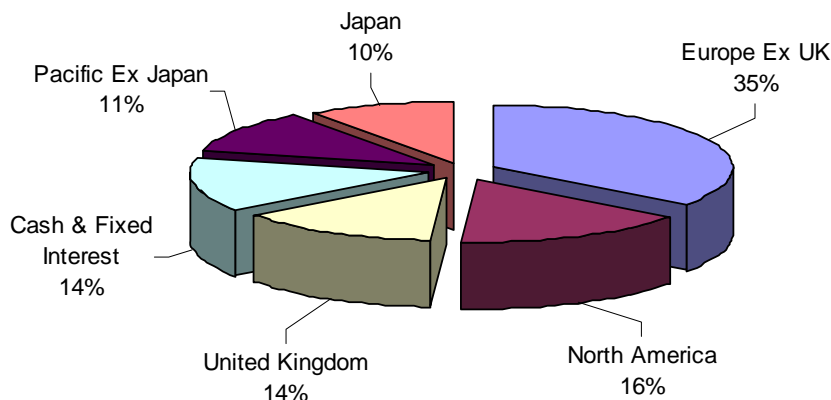
### Wrapped Products

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.

### Sector Allocation



### Geographical Allocation



Source: THS

### 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).