



# Half Year Report 2013/14

## JPMorgan Elect plc

Half Year Report & Accounts for the six months ended 28th February 2014

- Managed Growth shares
- Managed Income shares
- Managed Cash shares

# Features

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JPMorgan Elect plc (the 'Company') has three share classes, each with distinct investment policies, objectives and underlying investment portfolios. Each share class is listed separately and traded on the London Stock Exchange. The Company's capital structure means that shareholders may benefit from greater investment flexibility in a tax-efficient manner.

### Objectives

**Managed Growth** - Long term capital growth from investing in a range of investment trusts and open-ended funds managed principally by JPMorgan Asset Management.

**Managed Income** - A growing income return with potential for long term capital growth by investing in equities, investment companies and fixed income securities.

**Managed Cash** - Preservation of capital with a yield based on short term interest rates by investing in a range of liquidity funds and short dated AAA-rated UK or G7 government securities hedged into sterling.

Based on its return characteristics and the costs incurred in transacting in its shares, an investment in Managed Cash should only be considered by existing holders of Managed Growth and/or Managed Income shares who wish to switch into Managed Cash on the designated quarterly conversion dates.

### Gearing

The Board does not intend to utilise borrowings to increase the funds available for investment.

### Benchmarks

**Managed Growth** - A composite comprising 50% FTSE All-Share Index and 50% FTSE World Index (ex-UK).

**Managed Income** - A composite comprising 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms.

**Managed Cash** - There is no benchmark for this portfolio.

### Capital Structure

**Managed Growth** - At 28th February 2014, the Managed Growth share class comprised 37,536,735 ordinary shares (excluding Treasury shares).

**Managed Income** - At 28th February 2014, the Managed Income share class comprised 51,241,036 ordinary shares (excluding Treasury shares).

**Managed Cash** - At 28th February 2014, the Managed Cash share class comprised 4,686,009 ordinary shares (no shares are held in Treasury).

### Conversions and Repurchase of Managed Cash Shares

Shareholders in any of the three share classes are able to convert some or all of their shares into shares of the other classes on a quarterly basis without such conversion being treated, under current law, as a disposal for UK Capital Gains Tax purposes. It is also possible for holders of Managed Cash shares to elect to have all or part of their holding of those shares repurchased by the Company for cash at a price close to net asset value at each conversion date.

### Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets.

### FCA regulation of non-mainstream pooled investments

The Company currently conducts its affairs so that the shares issued by JPMorgan Elect plc can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

# Chairman's Statement



I am pleased to report that our investment managers have delivered strong performance over the six months to 28th February 2014. Important though the headline figures are, I encourage shareholders to read the full Investment Managers' reports which give detailed reviews of market and portfolio performance, together with a market outlook for each share class.

## **Managed Growth**

### **Performance**

Over the six months to 28th February 2014 the Managed Growth portfolio delivered a total return on net assets of 12.3%, outperforming the composite benchmark (up 6.8%) by 5.5 percentage points. The benchmark is comprised equally of the FTSE All-Share and FTSE World (ex-UK) indices. The share price total return was 11.3%, reflecting a slight widening of the discount.

### **Dividends**

Two quarterly dividends totalling 4.30 pence per share have been declared in respect of the half year. A third quarterly dividend will be paid on 18th June 2014 to shareholders on the register on 30th May 2014. The amount of the third quarterly dividend payment will be notified to shareholders in May 2014. Dividends on Managed Growth shares are paid quarterly in March, June, September and December each year and due to the frequency and timing of distributions from the underlying investments, are not usually of equal amounts.

### **Share Capital**

In the six months to 28th February 2014, 98,130 Managed Growth shares were repurchased for Treasury. As is the case for all three share classes, these shares were repurchased at a discount to net asset value, thereby benefiting continuing shareholders. No shares were repurchased for cancellation during that period. The Company has since repurchased a further 110,686 shares for Treasury and none for cancellation. In December 2013, 35,000 shares were reissued from Treasury at a premium to net asset value.

## **Managed Income**

### **Performance**

The Managed Income portfolio produced a total return on net assets of 12.5% over the six months to 28th February 2014, outperforming the composite benchmark (up 8.1%) by 4.4 percentage points. The benchmark is comprised of 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms. The share price total return was 13.2%, reflecting a slight narrowing of the discount.

# Chairman's Statement continued

## Dividends

Two quarterly dividends totalling 1.70 pence per share have been declared in respect of the half year. A third quarterly dividend will be paid on 18th June 2014 to shareholders on the register on 30th May 2014. The amount of the dividend payment will be notified to shareholders in May 2014. Dividends on Managed Income shares are paid quarterly in March, June, September and December each year and due to the frequency and timing of distributions from the underlying investments, are not usually of equal amounts.

## Share Capital

In the six months to 28th February 2014, a total of 51,201 Managed Income shares were repurchased for Treasury. No shares were repurchased for cancellation during that period. 98,750 shares have been repurchased for Treasury since the period end. None have been repurchased for cancellation since the period end. In March 2014, 170,000 shares were reissued from Treasury at a premium to net asset value.

## Managed Cash

### Performance

The Managed Cash portfolio produced a total return on net assets of 0.1% over the six months to 28th February 2014. The total return to shareholders was 0.0%. The assets of the Managed Cash portfolio remain invested in sterling liquidity funds with a credit rating of AAA (or equivalent).

## Dividends

Against a background of interest rates at persistently low levels the Directors must balance the frequency of dividend payments against the cost of distribution. No interim dividends have been declared in respect of the period and Directors believe that, at current rates of return, any interim dividend declared in respect of the year ending 31st August 2014 is likely to be minimal if at all. Shareholders should not expect a return to quarterly dividend payments until interest rates have returned to more normal levels.

## Share Capital

In the six months to 28th February 2014, a total of 35,000 Managed Cash shares were repurchased for cancellation. The Board has made a decision that repurchases of Managed Cash shares should be for cancellation, rather than for Treasury, and the 141,167 shares held for Treasury were cancelled in January 2014. Since the period end, the Company has repurchased 150,000 Managed Cash shares for cancellation.

## Conversion Opportunities

Shareholders are reminded that they are able to convert all or part of any class of holding into any other class at the end of February, May, August and November, each year. The next opportunity to convert is on 2nd June 2014 (31st May 2014 being a non-business day). Details of how to convert can be found on page 35 of this report and on the Company's website, [www.jpmelect.co.uk](http://www.jpmelect.co.uk).

**Change in Accounting Policy**

The Board recognises that the Managed Cash share class is predominantly maintained for the benefit of Managed Growth and Managed Income shareholders through the conversion process. Because the Managed Cash share class is not actively marketed, and given the background of very low interest rates and commensurately low income, expenses will be allocated as to 0.25% of the total costs of the Company as a whole, excluding marketing expenses. This change has been backdated to 1st September 2013.

**Communication with Shareholders**

I always welcome comments or questions from shareholders; please address any letters to me at the Company's registered office, or follow the 'Ask the Chairman' link on the Company's website.

**Robert Ottley**  
Chairman

17th April 2014

# Half Year Performance

## Managed Growth Share Class

**+11.3%**  
Return to shareholders<sup>1</sup>

**+12.3%**  
Return on net assets<sup>2</sup>

**+6.8%**  
Benchmark return<sup>3</sup>

**4.30p**  
Dividend<sup>4</sup>  
(2013: 3.95p)

The above are total returns and include dividends reinvested.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

<sup>3</sup>Source: FTSE. The Managed Growth benchmark is a composite comprising 50% FTSE All-Share Index & 50% FTSE World Index (ex-UK).

<sup>4</sup>Represents two quarterly dividends. Dividends are usually paid quarterly in March, June, September and December.

### Financial Data

	28th February 2014	31st August 2013	% change
Shareholders' funds (£'000)	<b>216,894</b>	192,737	+12.5
Number of shares in issue	<b>37,536,735</b>	37,182,261	+0.9
Net asset value per share	<b>577.8p</b>	518.4p	+11.5
Share price	<b>560.5p</b>	507.5p	+10.4
Share price discount to net asset value per share	<b>3.0%</b>	2.1%	

A glossary of terms and definitions is provided on page 36.

# Investment Manager's Report



Katy Thorneycroft

## Market Review

Performance of global equities was positive over the period under review. The FTSE World Index rose by more than 5% for sterling investors on a total return basis. In local currencies, US, European and Japanese equities were all strong, however for a sterling investor, currency movements diminished returns in the US and Japan in particular. Versus the US dollar, sterling strengthened from 1.55 to 1.68 over the six month period and this was a headwind for sterling investors in overseas markets. The trend of developed markets outperforming emerging markets continued.

The new financial year for JPM Elect brought investors a series of surprises: the Federal Reserve did not start to taper, the probability of a conflict in the Middle East receded significantly and the US budget impasse turned out to be worse than some had expected. Markets once again were dominated by US politics and policy in October. After some initial weakness due to the US government shutdown, risk assets rebounded robustly with many markets hitting multi-year highs. The delayed US labour market data was much better than feared putting a December taper back on the table. This saw the US 10-year bond yield jump to nearly 2.75%, about the mid-point of the range since the start of taper talk in May.

The tapering announcement was broadly anticipated by equity investors and equities rose in response to the guidance that this would be at a slow pace of \$10 billion per month. However, the year did not get off to the start that many investors may have hoped for. Equity markets were volatile in January with the overriding driver being weakness in emerging markets due to concerns over rising US interest rates. This led to falls in global equity markets and a surprise rally in global bonds. The yield on the 10-year Treasury fell by 39 basis points over the month of January, with similar sized declines in Bund and Gilt yields. There was renewed enthusiasm in February as markets shrugged off disappointing economic data from around the world, leading the S&P 500 and the FTSE 100 to new highs.

## Performance

The return on the Managed Growth portfolio for the six months to the end of February was 12.3%. This was ahead of its benchmark return of 6.8%. The return to shareholders was 11.3%.

### Total returns to 28th February 2014

	Six months	One year	Three years	Five years	Ten years
NAV return (%)	12.3	21.4	41.7	147.8	180.2
Benchmark return (%)	6.8	10.6	28.2	118.7	131.0
FTSE All-Share Index (%)	8.8	13.3	31.2	126.2	131.7
FTSE World (ex UK) Index (%)	4.8	7.8	24.9	110.4	121.1

Source: Datastream/J.P. Morgan.

Composite Benchmark returns are rebalanced on a month to month basis which will accordingly not necessarily result in the Composite Benchmark comprising exactly 50% of each of the underlying indices' returns.

# Investment Manager's Report continued

Asset allocation was a detractor over the period given the outperformance of UK equities for sterling investors.

Elsewhere in the non-UK allocation the Managed Growth portfolio was positioned to be overweight US equities for most of the period under review. In general, we were more positive on developed markets than emerging markets over the period and this was reflected in our neutral positioning towards Asia and emerging markets. We commented in our last Annual Report that we now use index futures in the portfolio. This enables us to implement our asset allocation views more efficiently. In particular we have benefited from being able to more easily reflect our positive view on US equities by investing in S&P 500 index futures. The use of futures also enables us to more readily reflect a change in view such as reducing our exposure to Europe modestly by selling some DJ Euro Stoxx 50 index futures rather than selling our underlying fund positions which were still performing well. We also make use of Hang Seng index futures and Topix index futures.

Small and mid cap equities outperformed large caps over the period and this benefited the Managed Growth portfolio. This was particularly striking in the UK and Europe.

This was a strong period for the underlying fund manager performances. Of our larger holdings JPM UK Dynamic, JPM Claverhouse IT and Mercantile IT demonstrated strong performances versus their benchmarks. We also benefited from positive performances in the US from JPM US Select and JPM US Growth. The performance of the JPMorgan holdings in general was strong, but so too was that of the third party managers. Biotech Growth Trust, Blackrock Frontiers, Edinburgh Worldwide, Fidelity Special Values, Hansa, RCM Technology, Perpetual Income & Growth and Schroder UK Growth are all worthy of mention. Of the laggards, the six month performances versus their own company benchmarks were disappointing for Fidelity European Values, Edinburgh Dragon and JPM Brazil IT. The gearing of some of these investment companies contributed to their net asset value returns, but even taking this into consideration the first six months of the new financial year have continued to be a good environment for stock pickers.

Tightening discounts contributed to the returns of the Managed Growth portfolio as the average discount of the universe tightened to levels under 5%. This is the tightest we have seen since the mid 2000s. There has been both a structural and cyclical support for discounts. The structural one is that Discount Control Mechanisms are more common place; the cyclical one is that the income oriented trusts are trading at extreme premia versus their history.

## Portfolio Review

At the end of February, 46% of the portfolio was invested in JPMorgan managed investment trusts, 26% in JPMorgan managed open-ended funds and 23% in investment trusts managed by third party managers. The main trades over the last six months have been to take profits in names that have performed strongly

and have seen their discounts tighten (RCM Technology, Fidelity Special Values, JPM Claverhouse IT, JPM European Smaller Companies IT). These proceeds were reinvested into positions in the US, open-ended positions and trusts with lower levels of gearing (JPM US Select, JPM US Value, Perpetual Income & Growth and Schroder UK Growth).

### Outlook

Our core themes remain in place with respect to a positive view on global equity markets and a preference for developed markets over emerging markets. We retain a positive outlook for equities as supportive performance drivers remain in place for now: improving global growth with quiescent inflation, accommodative monetary policy, and reasonable valuations. Our earnings outlook is also unchanged in that we expect acceleration in earnings going in to 2014. We think that bond markets are now discounting continued tapering by the Fed. With the recent statement by Janet Yellen referencing a Fed Funds Rate increase 'six months' after the end of tapering there is less certainty than before over short term interest rates remaining anchored by the policy rate – but it still appears that most market participants expect rates to rise from the summer of next year.

The recent market volatility was consistent with the two major risks that we see over coming months. The first is the risk of yield curves steepening ahead of growth in developed markets and the second is of the credit cycle in emerging markets entering a more difficult phase.

In the investment trust universe, valuations continue to be expensive versus history. We have taken the opportunity to invest more into open-ended funds and to reduce the trusts on the tightest discounts. There remain pockets of value, however, we would anticipate that the current level of discounts may cause share prices to lag net asset values over the course of 2014.

Katy Thorneycroft  
Investment Manager

17th April 2014

# List of Investments

at 28th February 2014

Company	Value £'000	%	Company	Value £'000	%
JPMorgan UK Dynamic ('A' shares) <sup>1,2</sup>	22,539	10.4	JPMorgan Chinese	1,143	0.5
JPMorgan Claverhouse	22,198	10.2	Hansa Trust ('A' non-voting shares)	1,098	0.5
JPMorgan American	13,303	6.1	Schroder Japan Growth	1,059	0.5
The Mercantile	12,078	5.6	JPMorgan Indian	839	0.4
JPMorgan US Select Equity ('C' shares) <sup>1,2</sup>	11,983	5.5	Edinburgh Dragon	798	0.4
JPMorgan US Growth ('C' shares) <sup>1,2</sup>	11,146	5.1	JPMorgan Income & Growth (Capital shares)	677	0.3
JPMorgan US Value ('C' shares) <sup>1,2</sup>	10,915	5.0	JPMorgan Russian Securities	590	0.3
JPMorgan Smaller Companies	9,496	4.4	JPMorgan Overseas <sup>3</sup>	570	0.3
JPMorgan European (Growth shares)	9,442	4.4	JPMorgan Brazil	512	0.2
JPMorgan Japanese	8,755	4.0	JPMorgan Income & Growth (Units)	394	0.2
RCM Technology	6,189	2.9	<b>Total investments</b>	<b>205,935</b>	<b>95.0</b>
Schroder UK Growth	5,917	2.7	<b>Derivative Instruments</b>		
Fidelity Special Values	5,400	2.5	<b>Futures<sup>4</sup></b>		
Finsbury Growth & Income	4,912	2.3	FTSE 100 Index Futures Mar 2014	329	0.2
JPMorgan European Smaller Companies	4,573	2.1	S&P500 E-Mini Futures Mar 2014	235	0.1
Biotech Growth	4,173	1.9	Topix Index Futures Mar 2014	17	0.0
Fidelity European Values	4,152	1.9	Hang Seng Index Futures Mar 2014	(43)	(0.0)
JPMorgan Asian <sup>3</sup>	4,034	1.9	Euro Stoxx 50 Futures Mar 2014	(135)	(0.0)
JPMorgan US Smaller Companies	3,817	1.8	<b>Total Derivative Instruments</b>	<b>403</b>	<b>0.3</b>
Edinburgh Worldwide	3,685	1.7	Other net current assets	10,555	4.7
Perpetual Income & Growth	3,258	1.5	<b>Net assets</b>	<b>216,893</b>	<b>100.0</b>
Artemis Alpha <sup>3</sup>	3,197	1.5			
JPMorgan Income & Capital (Ordinary shares)	2,829	1.3			
Impax Environmental Markets	2,615	1.2			
JPMorgan Emerging Markets	2,612	1.2			
Jupiter European Opportunities	2,033	0.9			
JPMorgan Japan Smaller Companies <sup>3</sup>	1,706	0.8			
BlackRock Frontier	1,298	0.6			

<sup>1</sup>Unlisted investment.

<sup>2</sup>Represents a holding in an Open Ended Investment Company ('OEIC') or a Société d'Investissement à Capital Variable ('SICAV').

<sup>3</sup>Both ordinary and subscription shares held.

<sup>4</sup>Representing the profit (or loss) on each contract.

# Geographical Analysis

(on a look through basis)

	28th February 2014		31st August 2013	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
UK	47.6	50.0	44.4	50.0
North America	33.1	29.3	28.8	29.3
Continental Europe	8.6	10.0	12.0	9.2
Japan	6.1	4.6	6.0	4.9
Asia (excluding Japan)	2.3	3.0	2.0	3.2
Emerging Markets and others	2.3	3.1	6.8	3.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

<sup>1</sup>Based on a total portfolio of £206.3m (2013: £186.8m), including open exposure to futures contracts.

# Income Statement

for the six months ended 28th February 2014

	(Unaudited) Six months ended 28th February 2014			(Unaudited) Six months ended 28th February 2013			(Audited) Year ended 31st August 2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains on investments held at fair value through profit or loss</b>	–	22,388	22,388	–	29,762	29,762	–	43,403	43,403
Net foreign currency losses	–	(28)	(28)	–	–	–	–	(3)	(3)
Income from investments	1,799	–	1,799	1,722	–	1,722	3,180	–	3,180
Other interest receivable and similar income	1	–	1	1	–	1	1	–	1
<b>Gross return</b>	<b>1,800</b>	<b>22,360</b>	<b>24,160</b>	<b>1,723</b>	<b>29,762</b>	<b>31,485</b>	<b>3,181</b>	<b>43,400</b>	<b>46,581</b>
Management fee	(75)	(224)	(299)	(61)	(182)	(243)	(129)	(387)	(516)
Other administrative expenses	(236)	–	(236)	(237)	–	(237)	(508)	–	(508)
<b>Net return on ordinary activities before taxation</b>	<b>1,489</b>	<b>22,136</b>	<b>23,625</b>	<b>1,425</b>	<b>29,580</b>	<b>31,005</b>	<b>2,544</b>	<b>43,013</b>	<b>45,557</b>
Taxation credit	1	–	1	2	–	2	2	–	2
<b>Net return on ordinary activities after taxation</b>	<b>1,490</b>	<b>22,136</b>	<b>23,626</b>	<b>1,427</b>	<b>29,580</b>	<b>31,007</b>	<b>2,546</b>	<b>43,013</b>	<b>45,559</b>
<b>Return per Managed Growth share</b>	<b>3.99p</b>	<b>59.28p</b>	<b>63.27p</b>	<b>3.76p</b>	<b>78.03p</b>	<b>81.79p</b>	<b>6.77p</b>	<b>114.44p</b>	<b>121.21p</b>

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The 'Total' column of this statement is the profit and loss account of the Managed Growth pool of assets and the 'Revenue' and 'Capital' columns represent supplementary information.

# Balance Sheet

at 28th February 2014

	(Unaudited) 28th February 2014 £'000	(Unaudited) 28th February 2013 £'000	(Audited) 31st August 2013 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	<b>205,935</b>	179,170	186,821
<b>Current assets</b>			
Financial assets: Derivative financial instruments	<b>582</b>	–	72
Debtors	<b>982</b>	490	694
Cash and short term deposits	<b>9,657</b>	2,120	5,347
	<b>11,221</b>	2,610	6,113
<b>Creditors:</b> amounts falling due within one year	<b>(85)</b>	(805)	(126)
Financial liabilities: Derivative financial instruments	<b>(178)</b>	–	(71)
<b>Net current assets</b>	<b>10,958</b>	1,805	5,916
<b>Net assets</b>	<b>216,893</b>	180,975	192,737
<b>Net asset value per Managed Growth share</b>	<b>577.8p</b>	482.8p	518.4p

# Half Year Performance

## Managed Income Share Class

**+13.2%**  
Return to shareholders<sup>1</sup>

**+12.5%**  
Return on net assets<sup>2</sup>

**+8.1%**  
Benchmark return<sup>3</sup>

**1.70p**  
Dividend<sup>4</sup>  
(2013: 1.70p)

The above are total returns and include dividends reinvested.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P. Morgan.

<sup>3</sup>Source: Morningstar/Bloomberg. The Managed Income benchmark is a composite comprising 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms.

<sup>4</sup>Represents two quarterly dividends. Dividends are usually paid quarterly in March, June, September and December.

### Financial Data

	28th February 2014	31st August 2013	% change
Shareholders' funds (£'000)	<b>53,625</b>	49,271	+8.8
Number of shares in issue	<b>51,241,036</b>	51,894,454	-1.3
Net asset value per share	<b>104.7p</b>	94.9p	+10.3
Share price	<b>101.5p</b>	91.3p	+11.2
Share price discount to net asset value per share	<b>3.2%</b>	3.8%	

A glossary of terms and definitions is provided on page 36.

# Investment Managers' Report



John Baker



Sarah Emly

## Market Review

The UK equity market performed well in the six months to 28th February 2014, with the FTSE All-Share Index returning 8.8% over the period. Following strong gains towards the end of 2013, the performance of UK equities was weaker in the first two months of the new year, but returns remained in positive territory. Small and medium sized companies outperformed their larger counterparts over the six months. (All performance total return, gross.)

Although equities continued to provide a more attractive level of return than the global credit market, corporate bond investors were also positively rewarded, with the Barclays Global Aggregate Corporate Index (total return, gross) in sterling terms up 4.3% in the period. The market remained supported by investors' ongoing search for yield.

Investor sentiment was shaped in the period by speculation about when the US Federal Reserve would begin reducing, or tapering, its \$85 billion programme of monthly asset purchases. The taper decision came in December, following sustained improvement in US labour market conditions, with the Fed announcing that it would to reduce its monthly bond purchases by \$10 billion starting in January 2014.

Following strong gains in 2013, a reversal of fortunes saw the UK stock market struggle to make headway in the first month of the new year. Growing uncertainty about Russia's engagement in the Crimean peninsula also weighed on sentiment towards the end of the period. However, for the most part, UK stocks were supported by an improving global and domestic economic backdrop. The pace of the UK economic recovery continued to exceed expectations, with broad-based growth across the manufacturing, services and construction sectors. GDP expanded by 0.7% in the final three months of 2013, while the UK economy grew by 1.9% for the year as a whole, the strongest rate of growth since 2007. As the recovery becomes further entrenched, the ability of cash-rich UK companies with strong balance sheets to deliver earnings and dividend growth should increase.

## Dividend Review

A number of our holdings have continued to deliver strong annual dividend growth during the recent full year results announcements, including Rio Tinto, Legal & General, Prudential and ITV, which all delivered double digit dividend growth, often exceeding the market's expectations. In addition to these regular dividends, some of our holdings have also paid special dividends to their shareholders, including Beazley and Bodycote. The outlook for corporate dividend growth in 2014 remains positive. We continue to focus on income and dividend growth prospects when selecting our best stock ideas for the portfolio, and when selecting new stocks we focus on cash generative companies with strong dividend growth prospects, ideally with premium starting yields. We are aiming to generate a further increase in revenue per Managed Income share in the current financial year to the end of August 2014.

# Investment Managers' Report continued

## Performance Review

In the six months to 28th February 2014 the Managed Income portfolio delivered a return on net assets of 12.5%, against the total return of the composite benchmark of 8.1%. Over the six month period the FTSE All-Share index rose by 8.8% whilst the Barclays Capital Global Corporate Bond index rose by a more modest 4.3%. The portfolio benefited from strong stock selection within the UK equity portfolio and from being overweight in equities and correspondingly underweight in corporate bonds, whose returns underperformed those of equities.

The table below summarises the performance of the Managed Income portfolio over the past five years.

### Total returns to 28th February 2014

	Six months	One year	Two years	Three years	Five years
Return to shareholders (%)	13.2	18.0	36.6	44.3	126.1
Return on net assets (%)	12.5	18.1	37.3	44.3	131.8
Benchmark return (%)	8.1	11.7	26.4	29.6	111.8
FTSE All-Share Index (%)	8.8	13.3	29.2	31.2	126.2
Barclays Capital Global Corporate Bond Index (hedged) in sterling terms (%)	4.3	2.6	5.0	5.9	8.7

Source: Datastream/J.P. Morgan.

Composite Benchmark returns are rebalanced on a month to month basis which will accordingly not necessarily result in the Composite Benchmark comprising exactly 85% of the FTSE All-Share Index and 15% of the Barclays Capital Global Corporate Bond Index (hedged) in sterling terms.

Prior to 1st March 2009, the Benchmark was a composite comprising 85% FTSE 350 High Yield Index and 15% Merrill Lynch 5-10 year Sterling Corporate Bond Index.

The most significant contributor to performance over the six months was our continued zero weighting in the low dividend yielding oil and gas major, BG Group, whose share price fell significantly due to the recent profit warning, the second in less than two years. The Trust's long term overweight position in DS Smith, a leading European packaging company, was one of the most positive contributors to performance as its share price rose strongly as the company continued to deliver strong profit growth. Some of our more domestically oriented stocks were also strong performers over the six months, including the retailer WH Smith and the two housebuilders Berkeley Group and Taylor Wimpey. Our holding in the recently listed London estate agency business, Foxtons, was also a strong performer; as it delivered very strong results and announced both a regular dividend earlier than the market had anticipated and an unexpected special dividend.

By contrast, our holding in the defence group, BAE Systems, underperformed the rising equity market as it announced disappointing results and cautioned on its near term outlook. Our holding in Barclays Bank was also unhelpful over the period. However, the Trust benefited from not owning the Asian bank, Standard Chartered, and from being strongly underweight in the beverage group, Diageo, with both of these companies being adversely impacted by concerns over their emerging market exposure.

### Portfolio Review

Over the course of the six months we have maintained our overweight position in equities relative to the portfolio's composite benchmark, due to the attractive valuations, the potential for superior income growth and continued positive newsflow from those companies in which we chose to invest.

Over the half year we have introduced some new stocks to the Managed Income portfolio, including a position in Foxtons, which is a highly cash generative business where the management has stated that excess cash will be returned to shareholders as special dividends. We also introduced a holding in the clothing retailer Next, after it announced excellent earnings growth and introduced a strategy of returning excess cash to shareholders through special dividends. We added to our holdings in some of the premium dividend yielders that we most favour, including Imperial Tobacco, Rio Tinto and Direct Line Insurance, all of which have announced good dividend growth. By contrast, we have sold stocks that were no longer compelling on valuation grounds or which we believed were at risk of disappointing newsflow. One key example was the global beverage producer, Diageo, which was facing headwinds in relation to its emerging market exposure, whilst being relatively expensively valued with a low dividend yield. We also sold our holding in the water company Severn Trent, as we thought that the stock's future dividend prospects could be at risk. The proceeds were reinvested in more compelling stock ideas, with greater potential dividend growth. As always, we will continue to focus our investments in companies where the newsflow is positive, valuations attractive and where balance sheet strength and strong cash flow generation allow for sustainable dividend growth.

### Outlook

The pace of UK economic recovery looks set to continue exceeding expectations. Consensus forecasts for UK growth in 2014 have roughly doubled since the middle of last year, and unemployment has fallen much faster than anticipated by the Bank of England.

In March, the Office for National Statistics released its labour market report for the three months ending January 2014. The unemployment rate, at 7.1%, was down from 7.8% a year earlier. With unemployment falling and inflation also down sharply – the

# Investment Managers' Report continued

rate of consumer price inflation fell to a four-year low in February – real wage growth is beginning to pick up. A narrowing in the gap between earnings growth and inflation is viewed as a positive, given that falling real incomes have hindered the UK economic recovery thus far.

In the corporate sector, profitability continues to recover in many industries. Given the robustness of many UK company balance sheets and managements' focus on cash flow generation, their ability to increase dividend payouts is likely to continue.

John Baker  
Sarah Emly  
Investment Managers

17th April 2014

# List of Investments

at 28th February 2014

Company	Value £'000	%
Royal Dutch Shell	3,577	6.7
HSBC	3,035	5.7
JPMorgan Global High Yield Bond ('A' Income shares) <sup>1</sup>	2,837	5.3
BP	2,441	4.6
JPMorgan Income & Growth (Income shares)	2,383	4.4
GlaxoSmithKline	2,253	4.2
British American Tobacco	1,828	3.4
Vodafone	1,674	3.1
Rio Tinto	1,615	3.0
AstraZeneca	1,561	2.9
BT	1,506	2.8
Barclays	1,479	2.8
Imperial Tobacco	1,178	2.2
Prudential	1,167	2.2
Legal & General	1,111	2.1
BHP Billiton	1,078	2.0
ITV	883	1.6
DS Smith	842	1.6
JPMorgan European (Income shares)	818	1.5
Standard Life	784	1.5
Direct Line Insurance	748	1.4
TUI Travel	742	1.4
Taylor Wimpey	737	1.4
Berkeley Group	685	1.3
WPP	663	1.2
GKN	654	1.2
WH Smith	610	1.1
Foxtons Group	603	1.1
Micro Focus International	578	1.1
Interserve	564	1.1
Glencore Xstrata	563	1.1
Halfords	559	1.0
Kcom	553	1.0
Henderson Group	540	1.0
Berendsen	513	1.0
National Grid	503	0.9
Schroders	499	0.9
Next	498	0.9
Scottish & Southern Energy	495	0.9
Persimmon	494	0.9

# List of Investments continued

Company	Value £'000	%
Beazley	465	0.9
BAE Systems	452	0.8
British Land	446	0.8
RPC	439	0.8
Compass	430	0.8
Intercontinental Hotels	426	0.8
Provident Financial	420	0.8
Diploma	416	0.8
Bodycote	402	0.7
Aberdeen Asset Management	387	0.7
Mondi	349	0.7
Senior	344	0.6
Drax	322	0.6
Informa	311	0.6
Elementis	305	0.6
Filtrona	292	0.5
John Menzies	243	0.5
JPMorgan Income & Growth (Capital shares)	152	0.3
Galliford Try	10	–
<b>Total investments</b>	<b>52,462</b>	<b>97.8</b>
Net current assets	1,163	2.2
<b>Net assets</b>	<b>53,625</b>	<b>100.0</b>

<sup>1</sup>Unlisted and represents holdings in an Open Ended Investment Company ('OEIC') or a Société d'investissements à Capital Variable ('SICAV').

## Ten Largest Dividend Payers

For the six months ended 28th February 2014

	£'000
Royal Dutch Shell	82
JPMorgan Global High Yield Bond ('A' Income shares)	77
BP	55
Micro Focus International	54
GlaxoSmithKline	54
Vodafone	45
AstraZeneca	45
Beazley	39
Imperial Tobacco	36
JPMorgan Income & Growth (Income shares)	29
<b>Total (63.0%)</b>	<b>516</b>

# Sector Analysis

	28th February 2014		31st August 2013	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Financials	21.9	19.1	19.1	18.1
Oil & Gas	11.2	12.3	10.8	12.7
Consumer Goods	10.4	11.4	11.5	11.5
Consumer Services	9.5	9.4	8.9	9.0
Industrials	8.3	8.8	9.5	8.4
Basic Materials	7.3	7.0	6.9	6.9
Health Care	7.1	6.8	6.4	6.3
Telecommunications	7.0	4.3	8.7	5.7
Investment Trusts	6.2	1.6	6.3	1.8
Utilities	2.5	3.1	3.2	3.3
Technology	1.1	1.2	1.3	1.3
Bond Funds	5.3	15.0	5.5	15.0
Net current assets	2.2	–	1.9	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

<sup>1</sup>Based on net assets of £53.6m (2013: £49.3m).

# Income Statement

for the six months ended 28th February 2014

	(Unaudited) Six months ended 28th February 2014			(Unaudited) Six months ended 28th February 2013			(Audited) Year ended 31st August 2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains on investments held at fair value through profit or loss</b>	–	5,249	5,249	–	5,681	5,681	–	6,920	6,920
Net foreign currency gains	–	4	4	–	–	–	–	–	–
Income from investments	855	–	855	942	–	942	2,304	–	2,304
Other interest receivable and similar income	4	–	4	7	–	7	11	–	11
<b>Gross return</b>	<b>859</b>	<b>5,253</b>	<b>6,112</b>	<b>949</b>	<b>5,681</b>	<b>6,630</b>	<b>2,315</b>	<b>6,920</b>	<b>9,235</b>
Management fee	(62)	(63)	(125)	(43)	(56)	(99)	(100)	(119)	(219)
Other administrative expenses	(58)	–	(58)	(59)	–	(59)	(126)	–	(126)
<b>Net return on ordinary activities before taxation</b>	<b>739</b>	<b>5,190</b>	<b>5,929</b>	<b>847</b>	<b>5,625</b>	<b>6,472</b>	<b>2,089</b>	<b>6,801</b>	<b>8,890</b>
Taxation (charge)/credit	–	–	–	(7)	7	–	(4)	–	(4)
<b>Net return on ordinary activities after taxation</b>	<b>739</b>	<b>5,190</b>	<b>5,929</b>	<b>840</b>	<b>5,632</b>	<b>6,472</b>	<b>2,085</b>	<b>6,801</b>	<b>8,886</b>
<b>Return per Managed Income share</b>	<b>1.44p</b>	<b>10.10p</b>	<b>11.54p</b>	<b>1.58p</b>	<b>10.62p</b>	<b>12.20p</b>	<b>3.97p</b>	<b>12.93p</b>	<b>16.90p</b>

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The 'Total' column of this statement is the profit and loss account of the Managed Income pool of assets and the 'Revenue' and 'Capital' columns represent supplementary information.

# Balance Sheet

at 28th February 2014

	(Unaudited) 28th February 2014 £'000	(Unaudited) 28th February 2013 £'000	(Audited) 31st August 2013 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	52,462	47,732	48,355
<b>Current assets</b>			
Financial assets: Derivative financial instruments	4	–	–
Debtors	1,900	692	622
Cash and short term deposits	404	104	518
	2,308	796	1,140
<b>Creditors:</b> amounts falling due within one year	(1,145)	(116)	(224)
<b>Net current assets</b>	1,163	680	916
<b>Net assets</b>	53,625	48,412	49,271
<b>Net asset value per Managed Income share</b>	104.7p	92.0p	94.9p

# Half Year Performance

## Managed Cash Share Class

**0.0%**  
Return to shareholders<sup>1</sup>

**+0.1%**  
Return on net assets<sup>2</sup>

**0.00p**  
Dividend<sup>3</sup>  
(2013: 0.15p)<sup>3</sup>

The above are total returns and include dividends reinvested.

<sup>1</sup>Source: Morningstar.

<sup>2</sup>Source: J.P.Morgan.

<sup>3</sup>Represents a half yearly interim dividend.

### Financial Data

	28th February 2014	31st August 2013	% change
Shareholders' funds (£'000)	<b>4,732</b>	13,557	-65.1
Number of shares in issue	<b>4,686,009</b>	13,432,185	-65.1
Net asset value per share	<b>101.0p</b>	100.9p	+0.1
Share price	<b>100.5p</b>	100.5p	0.0
Share price discount to net asset value per share	<b>0.5%</b>	0.4%	

A glossary of terms and definitions is provided on page 36.

# Investment Manager's Report



Katy Thorneycroft

The six months to the end of February was another period of low returns for the Managed Cash portfolio. At its January meeting, the Bank of England's (BoE's) Monetary Policy Committee voted unanimously to keep interest rates on hold at the historic low of 0.5%, and asset purchases at £375 billion. The economic backdrop in the UK remains positive with Q4 GDP growth of 0.7%. Business investment was the largest driver of growth and the housing market remains robust. BoE governor Mark Carney announced that the existing forward guidance would be replaced by a looser arrangement if the 7% unemployment threshold was reached. At this point the committee would look at measures for spare capacity and would not act to raise rates until spare capacity has been removed from the economy.

The Managed Cash portfolio invests in AAA-rated liquidity funds which are members of the Institutional Money Market Fund Association. This is a trade organisation which has a strict Code of Practice to which all its members must adhere. The primary aim of the funds the Managed Cash portfolio invests in is to provide preservation of capital and liquidity with a yield in line with money market rates as a secondary aim. The AAA-rating accorded the funds in which we invest does not mean that all of their underlying holdings must be AAA-rated (although the securities they hold are still of very high credit quality) but it is based on the funds following strict criteria determining the portfolio interest rate and maturity profile, credit quality of securities and counterparties, guidelines surrounding portfolio construction and the fund manager's operations. As the instruments in the portfolios tend to be held until maturity, they are accounted for using amortised cost accounting and have a constant net asset value of 100%.

The Managed Cash portfolio currently invests in liquidity funds managed by Deutsche, Insight, Blackrock, JPMorgan, Scottish Widows and Fidelity. The Managed Cash weighted average maturity (WAM) was 49 days at the end of February and the seven day gross yield was 0.51%. We would expect a slight increase in yields over the coming months but of the order of basis points, rather than any large enhancement to returns.

Katy Thorneycroft  
Investment Manager

17th April 2014

# List of Investments

at 28th February 2014

Company	Yield % <sup>1</sup>	Rating <sup>2</sup>	Value £'000	%
Blackrock ICS Institutional Sterling Liquidity Fund	0.51	AAA	834	17.6
Deutsche Global Liquidity Fund	0.52	AAA	829	17.5
Insight Sterling Liquidity Fund	0.50	AAA	803	17.0
Fidelity Institutional Sterling Liquidity Fund	0.48	AAA	774	16.3
JPMorgan Sterling Liquidity Fund	0.50	AAA	760	16.1
Scottish Widows Investment Partnership Liquidity Fund	0.49	AAA	743	15.7
<b>Total investments</b>			<b>4,743</b>	<b>100.2</b>
Net current liabilities			(9)	(0.2)
<b>Net assets</b>			<b>4,734</b>	<b>100.0</b>

<sup>1</sup>1 year gross return to 28th February 2014. Source: IMMFA Money Fund Report, iMoneyNet.

<sup>2</sup>Ratings are given by recognised credit rating agencies as at 28th February 2014.

## Portfolio Analysis

	28th February 2014 % <sup>1</sup>	31st August 2013 % <sup>1</sup>
Sterling Liquidity Funds and Cash Funds	100.2	100.1
Net current liabilities	(0.2)	(0.1)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup>Based on net assets of £4.7m (2013: £13.6m).

# Income Statement

for the six months ended 28th February 2014

	(Unaudited) Six months ended 28th February 2014			(Unaudited) Six months ended 28th February 2013			(Audited) Year ended 31st August 2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains on investments held at fair value through profit or loss<sup>1</sup></b>	–	–	–	–	–	–	–	–	–
Income from investments	12	–	12	30	–	30	57	–	57
Other interest receivable and similar income	1	–	1	–	–	–	–	–	–
<b>Gross return</b>	<b>13</b>	<b>–</b>	<b>13</b>	<b>30</b>	<b>–</b>	<b>30</b>	<b>57</b>	<b>–</b>	<b>57</b>
Other administrative expenses	(1)	–	(1)	(16)	–	(16)	(30)	–	(30)
<b>Net return on ordinary activities before taxation</b>	<b>12</b>	<b>–</b>	<b>12</b>	<b>14</b>	<b>–</b>	<b>14</b>	<b>27</b>	<b>–</b>	<b>27</b>
Taxation	(1)	–	(1)	(2)	–	(2)	(3)	–	(3)
<b>Net return on ordinary activities after taxation</b>	<b>11</b>	<b>–</b>	<b>11</b>	<b>12</b>	<b>–</b>	<b>12</b>	<b>24</b>	<b>–</b>	<b>24</b>
<b>Return per Managed Cash share</b>	<b>0.16p</b>	<b>0.00p</b>	<b>0.16p</b>	<b>0.09p</b>	<b>0.00p</b>	<b>0.09p</b>	<b>0.17p</b>	<b>0.00p</b>	<b>0.17p</b>

<sup>1</sup>There are no gains or losses from investments for the period.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The 'Total' column of this statement is the profit and loss account of the Managed Cash pool of assets and the 'Revenue' and 'Capital' columns represent supplementary information.

# Balance Sheet

at 28th February 2014

	(Unaudited) 28th February 2014 £'000	(Unaudited) 28th February 2013 £'000	(Audited) 31st August 2013 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	<b>4,743</b>	13,991	13,566
<b>Current assets</b>			
Debtors	<b>1</b>	6	6
Cash and short term deposits	<b>4</b>	473	3
	<b>5</b>	479	9
<b>Creditors:</b> amounts falling due within one year <sup>1</sup>	<b>(14)</b>	(491)	(18)
<b>Net current liabilities</b>	<b>(9)</b>	(12)	(9)
<b>Net assets</b>	<b>4,734</b>	13,979	13,557
<b>Net asset value per Managed Cash share</b>	<b>101.0p</b>	101.0p	100.9p

<sup>1</sup>At 28th February 2013, includes any amounts payable in respect of Managed Cash shares redeemed in the February opportunity.

# Income Statement

for the six months ended 28th February 2014

	(Unaudited) Six months ended 28th February 2014			(Unaudited) Six months ended 28th February 2013			(Audited) Year ended 31st August 2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	–	27,637	27,637	–	35,443	35,443	–	50,323	50,323
Net foreign currency losses	–	(24)	(24)	–	–	–	–	(3)	(3)
Income from investments	2,666	–	2,666	2,694	–	2,694	5,541	–	5,541
Other interest receivable and similar income	6	–	6	8	–	8	12	–	12
<b>Gross return</b>	<b>2,672</b>	<b>27,613</b>	<b>30,285</b>	<b>2,702</b>	<b>35,443</b>	<b>38,145</b>	<b>5,553</b>	<b>50,320</b>	<b>55,873</b>
Management fee	(137)	(287)	(424)	(104)	(238)	(342)	(229)	(506)	(735)
Other administrative expenses	(295)	–	(295)	(312)	–	(312)	(664)	–	(664)
<b>Net return on ordinary activities before taxation</b>	<b>2,240</b>	<b>27,326</b>	<b>29,566</b>	<b>2,286</b>	<b>35,205</b>	<b>37,491</b>	<b>4,660</b>	<b>49,814</b>	<b>54,474</b>
Taxation (charge)/credit	–	–	–	(7)	7	–	(5)	–	(5)
<b>Net return on ordinary activities after taxation</b>	<b>2,240</b>	<b>27,326</b>	<b>29,566</b>	<b>2,279</b>	<b>35,212</b>	<b>37,491</b>	<b>4,655</b>	<b>49,814</b>	<b>54,469</b>
<b>Return per share</b> (note 4):									
Managed Growth	3.99p	59.28p	63.27p	3.76p	78.03p	81.79p	6.77p	114.44p	121.21p
Managed Income	1.44p	10.10p	11.54p	1.58p	10.62p	12.20p	3.97p	12.93p	16.90p
Managed Cash	0.16p	0.00p	0.16p	0.09p	0.00p	0.09p	0.17p	0.00p	0.17p

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. The Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

# Reconciliation of Movements in Shareholders' Funds

Six months ended 28th February 2014 (Unaudited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st August 2013</b>	24	78,259	82,052	92,690	2,540	<b>255,565</b>
Repurchase and cancellation of the Company's own shares	—	—	(7,057)	—	—	<b>(7,057)</b>
Issue of shares from Treasury	—	23	175	—	—	<b>198</b>
Repurchase of shares into Treasury	—	—	(614)	—	—	<b>(614)</b>
Share conversions during the period	—	3,153	(3,153)	—	—	<b>—</b>
Net return on ordinary activities	—	—	—	27,326	2,240	<b>29,566</b>
Dividends appropriated in the period	—	—	—	—	(2,406)	<b>(2,406)</b>
<b>At 28th February 2014</b>	24	81,435	71,403	120,016	2,374	<b>275,252</b>

  

Six months ended 28th February 2013 (Unaudited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st August 2012</b>	24	77,197	89,770	42,876	2,282	<b>212,149</b>
Repurchase and cancellation of the Company's own shares	—	—	—	(3,600)	—	<b>(3,600)</b>
Share conversions during the period	—	798	—	(798)	—	<b>—</b>
Net return on ordinary activities	—	—	—	34,731	2,279	<b>37,010</b>
Dividends appropriated in the period	—	—	—	—	(2,193)	<b>(2,193)</b>
<b>At 28th February 2013</b>	24	77,995	89,770	73,209	2,368	<b>243,366</b>

  

Year ended 31st August 2013 (Audited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st August 2012</b>	24	77,197	89,770	42,876	2,282	<b>212,149</b>
Issue of ordinary shares	—	10	—	—	—	<b>10</b>
Repurchase and cancellation of the Company's own shares	—	—	(4,482)	—	—	<b>(4,482)</b>
Repurchase of shares into Treasury	—	—	(2,184)	—	—	<b>(2,184)</b>
Share conversions during the year	—	1,052	(1,052)	—	—	<b>—</b>
Net return on ordinary activities	—	—	—	49,814	4,655	<b>54,469</b>
Dividends appropriated in the year	—	—	—	—	(4,397)	<b>(4,397)</b>
<b>At 31st August 2013</b>	24	78,259	82,052	92,690	2,540	<b>255,565</b>

# Balance Sheet

at 28th February 2014

	(Unaudited) 28th February 2014				(Unaudited) 28th February 2013	(Audited) 31st August 2013
	Growth £'000	Income £'000	Cash £'000	Total £'000	Total £'000	Total £'000
<b>Fixed assets</b>						
Investments held at fair value through profit or loss	205,935	52,462	4,743	263,140	240,893	248,742
<b>Current assets</b>						
Financial assets: Derivative financial instruments	582	4	—	586	—	72
Debtors	982	1,900	1	2,883	1,188	1,322
Cash and short term deposits	9,657	404	4	10,065	2,697	5,868
	11,221	2,308	5	13,534	3,885	7,262
<b>Creditors:</b> amounts falling due within one year	(85)	(1,145)	(14)	(1,244)	(1,412)	(368)
Financial liability: Derivative financial instruments	(178)	—	—	(178)	—	(71)
<b>Net current assets/(liabilities)</b>	10,958	1,163	(9)	12,112	2,473	6,823
<b>Net assets</b>	216,893	53,625	4,734	275,252	243,366	255,565
<b>Capital and reserves</b>						
Called up share capital	18	4	2	24	24	24
Share premium	28,263	34,342	18,830	81,435	77,995	78,259
Other reserve	77,908	7,664	(14,169)	71,403	89,770	82,052
Capital reserves	109,167	10,860	(11)	120,016	73,209	92,690
Revenue reserve	1,537	755	82	2,374	2,368	2,540
<b>Total equity shareholders' funds</b>	216,893	53,625	4,734	275,252	243,366	255,565

	28th February 2014		28th February 2013		31st August 2013	
	Net asset value (pence)	Net assets £'000	Net asset value (pence)	Net assets £'000	Net asset value (pence)	Net assets £'000
Net asset value per share (note 5)						
<b>Managed Growth</b>	577.8	216,894	482.8	180,975	518.4	192,737
<b>Managed Income</b>	104.7	53,625	92.0	48,412	94.9	49,271
<b>Managed Cash</b>	101.0	4,732	101.0	13,979	100.9	13,557

Company registration number: 3845060

# Cash Flow Statement

for the six months ended 28th February 2014

	(Unaudited) Six months ended 28th February 2014 £'000	(Unaudited) Six months ended 28th February 2013 £'000	(Audited) Year ended 31st August 2013 £'000
<b>Net cash inflow from operating activities</b> (note 6)	<b>2,040</b>	1,870	3,994
<b>Taxation recovered</b>	<b>17</b>	15	16
<b>Net cash inflow from capital expenditure and financial investment</b>	<b>12,045</b>	3,600	9,903
Dividends paid	<b>(2,406)</b>	(2,193)	(4,397)
<b>Net cash outflow from financing</b>	<b>(7,473)</b>	(3,606)	(6,656)
<b>Increase/(decrease) in cash for the period</b>	<b>4,223</b>	(314)	2,860
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net cash movement	<b>4,223</b>	(314)	2,860
Exchange movement	<b>(27)</b>	–	(3)
Net funds at the beginning of the period	<b>5,868</b>	3,011	3,011
<b>Net funds at the end of the period</b>	<b>10,064</b>	2,697	5,868
<b>Represented by:</b>			
Cash and short term deposits	<b>10,064</b>	2,697	5,868
	<b>10,064</b>	2,697	5,868

# Notes to the Accounts

for the six months ended 28th February 2014

## 1. Financial statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st August 2013 are extracted from the latest published accounts of the Company and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

## 2. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these interim accounts are consistent with those applied in the accounts for the year ended 31st August 2013 with the exception of the change detailed in the Chairman's Statement.

## 3. Dividends

	(Unaudited) Six months ended 28th February 2014 £'000	(Unaudited) Six months ended 28th February 2013 £'000	(Audited) Year ended 31st August 2013 £'000
<b>Dividends paid</b>			
Managed Growth 4th interim dividend of 1.35p (2012: 1.10p)	502	423	424
Managed Growth 1st interim dividend of 2.55p (2013: 2.20p)	947	836	836
Managed Growth 2013 2nd interim dividend of 1.75p	—	—	657
Managed Growth 2013 3rd interim dividend of 1.70p	—	—	633
Managed Income 4th interim dividend of 1.00p (2012: 0.85p)	519	448	448
Managed Income 1st interim dividend of 0.85p (2013: 0.85p)	438	452	451
Managed Income 2013 2nd interim dividend of 0.85p	—	—	449
Managed Income 2013 3rd interim dividend of 0.85p	—	—	444
Managed Cash 4th interim dividend of 0.00p (2012: 0.25p)	—	34	34
Managed Cash 2013 2nd interim dividend of 0.15p	—	—	21
Total dividends paid in the period	2,406	2,193	4,397
<b>Dividends proposed</b>			
Managed Growth 2013 4th interim dividend of 1.35p	—	—	502
Managed Growth 2nd interim dividend of 1.75p (2013: 1.75p)	657	657	—
Managed Income 2013 4th interim dividend of 1.00p	—	—	519
Managed Income 2nd interim dividend of 0.85p (2013: 0.85p)	435	447	—
Managed Cash 2013 4th interim dividend of 0.00p	—	—	—
Managed Cash 2nd interim dividend of 0.00p (2013: 0.15p)	—	21	—
Total dividends proposed <sup>1</sup>	1,092	1,125	1,021

<sup>1</sup>In accordance with the accounting policy of the Company, these dividends will be reflected in the accounts of the following period.

# Notes to the Accounts continued

## 4. Return per share

	(Unaudited) Six months ended 28th February 2014 £'000	(Unaudited) Six months ended 28th February 2013 £'000	(Audited) Year ended 31st August 2013 £'000
<b>Managed Growth</b>			
Return per Managed Growth share is based on the following:			
Revenue return	1,490	1,427	2,546
Capital return	22,136	29,580	43,013
Total return	23,626	31,007	45,559
Weighted average number of shares in issue	37,342,290	37,908,452	37,586,399
Revenue return per share	3.99p	3.76p	6.77p
Capital return per share	59.28p	78.03p	114.44p
Total return per share	63.27p	81.79p	121.21p
	(Unaudited) Six months ended 28th February 2014 £'000	(Unaudited) Six months ended 28th February 2013 £'000	(Audited) Year ended 31st August 2013 £'000
<b>Managed Income</b>			
Return per Managed Income share is based on the following:			
Revenue return	739	840	2,085
Capital return	5,190	5,632	6,801
Total return	5,929	6,472	8,886
Weighted average number of shares in issue	51,393,086	53,036,312	52,492,307
Revenue return per share	1.44p	1.58p	3.97p
Capital return per share	10.10p	10.62p	12.93p
Total return per share	11.54p	12.20p	16.90p
	(Unaudited) Six months ended 28th February 2014 £'000	(Unaudited) Six months ended 28th February 2013 £'000	(Audited) Year ended 31st August 2013 £'000
<b>Managed Cash</b>			
Return per Managed Cash share is based on the following:			
Revenue return	10	12	24
Capital return	–	–	–
Total return	10	12	24
Weighted average number of shares in issue	6,531,578	13,829,604	13,739,505
Revenue return per share	0.16p	0.09p	0.17p
Capital return per share	0.00p	0.00p	0.00p
Total return per share	0.16p	0.09p	0.17p

## 5. Net asset value per share

The net asset values per share are calculated as follows:

	Managed Growth	(Unaudited) 28th February 2014 Managed Income	Managed Cash
Net assets attributable (£'000)	216,893	53,625	4,732
Ordinary shares in issue	37,536,735	51,241,036	4,686,009
Net asset value per share (pence)	577.8	104.7	101.0

	Managed Growth	(Unaudited) 28th February 2013 Managed Income	Managed Cash
Net assets attributable (£'000)	180,975	48,412	13,979
Ordinary shares in issue	37,487,966	52,622,315	13,844,584
Net asset value per share (pence)	482.8	92.0	101.0

	Managed Growth	(Audited) 31st August 2013 Managed Income	Managed Cash
Net assets attributable (£'000)	192,737	49,271	13,557
Ordinary shares in issue	37,182,261	51,894,454	13,432,185
Net asset value per share (pence)	518.4	94.9	100.9

## 6. Reconciliation of total return on ordinary activities before taxation to net cash inflow from operating activities

	(Unaudited) Six months ended 28th February 2014 £'000	(Unaudited) Six months ended 28th February 2013 £'000	(Audited) Year ended 31st August 2013 £'000
Net return on ordinary activities before taxation	29,566	37,491	54,474
Less capital return before taxation	(27,326)	(35,205)	(49,814)
Increase/(decrease) in accrued income	161	(116)	(151)
(Increase)/decrease in other debtors	(1)	(16)	10
(Decrease)/increase in accrued expenses	(55)	(22)	16
Scrip dividends received as income	—	(6)	(6)
Management fee charged to capital	(287)	(238)	(506)
Taxation on unfranked income	(18)	(18)	(29)
Net cash inflow from operating activities	2,040	1,870	3,994

# Interim Management Report

The Company is required to make the following disclosures in its half year report:

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company have not changed and fall into the following broad categories: investment and strategy; market; accounting, legal and regulatory; corporate governance and shareholder relations; operational; and financial. Information on each of these areas is given in the Business Review within the Annual Report and Accounts for the year ended 31st August 2013.

## Related Party Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company.

## Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolios and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with the Accounting Standards Board's Statement 'Half-Yearly Financial Reports' and gives a true and fair view of the state of affairs of the Company and of the assets, liabilities, financial position and net return of the Company, as at 28th February 2014, as required by the UK Listing Authority Disclosure and Transparency Rules 4.2.4R; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

and the Directors confirm that they have done so.

For and on behalf of the Board

**Robert Ottley**  
Chairman

17th April 2014

# Capital Structure and Conversion between Share Classes

JPMorgan Elect plc adopted its present structure as a result of the combination of JPMorgan Fleming Managed Growth plc and JPMorgan Fleming Managed Income plc and the subsequent capital reorganisation. The Company's name reflects the capital structure and the investment flexibility it offers to shareholders. There are three share classes, each with distinct investment policies, objectives and underlying investment portfolios. Each share class is listed separately and traded on the London Stock Exchange. This capital structure means that shareholders may benefit from greater investment flexibility in a tax-efficient manner.

## Capital Structure

- **Managed Growth Shares**  
Designed to provide long term capital growth by investing in a range of closed and open-ended funds managed principally by JPMAM.
- **Managed Income Shares**  
Designed to provide a growing income together with the potential for long term capital growth by investing in equities, investment trusts and fixed income securities.
- **Managed Cash Shares**  
Designed to preserve capital with a yield based on short term interest rates by investing in a range of liquidity funds, selected for their yield and credit rating, and short dated AAA-rated UK or G7 government securities hedged into sterling.

## Investing in Managed Cash Shares

Based on its return characteristics and the costs incurred in transacting in its shares, an investment in Managed Cash should only be considered by existing holders of Managed Growth and/or Managed Income who wish to switch into Managed Cash on the designated quarterly conversion dates. Accordingly, Elect Managed Cash shares are not available for purchase through the J.P. Morgan Investment Account, J.P. Morgan ISA or J.P. Morgan SIPP or on J.P. Morgan WealthManager+.

## Repurchase of Managed Cash Shares

In order to mitigate the impact of the market spread on the Managed Cash shares it is possible for holders of Managed Cash shares to elect to have all or part of their holding of such shares repurchased by the Company for cash at a price close to net asset value on each conversion date (see below).

## Conversion Opportunities

Shareholders in any of the three share classes are able to convert some or all of their shares into shares of the other classes on a quarterly basis without such conversion being

treated, under current law, as a disposal for UK capital gains tax purposes.

The conversion mechanism allows shareholders to alter their investment profile to match their changing investment needs in a tax-efficient manner. Conversion dates arise every three months on 28th/29th February, 31st May, 31st August and 30th November (if such a date is not a business day, then the conversion date will move to the next business day). The Company, or its Manager, will make no administrative charge for any of the above conversions.

## Conversion between the share classes

Those who hold shares through the J.P. Morgan Investment Account, J.P. Morgan ISA or J.P. Morgan SIPP must complete and submit a conversion instruction form which can be found at [www.jpmelect.co.uk](http://www.jpmelect.co.uk). Instructions for CREST holders can also be found at this address. Those who hold shares in certificated form on the main register must complete the conversion notice printed on the reverse of their certificate and send it to the Company's Registrars at the following address:

Equiniti Limited  
Repayments Team  
Corporate Actions  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

Instructions must be received no earlier than 45 and no later than 14 calendar days before the chosen conversion date.

The number of shares that will arise upon conversion will be determined on the basis of the relative net asset values of each share class, taking into account the costs of the conversion process. Conversion will not affect the net asset value per share of those shares held by any shareholder who does not convert.

With regard to those who hold shares through the J.P. Morgan Investment Account, J.P. Morgan ISA or J.P. Morgan SIPP, the minimum number of shares of any class which may be converted is 1,000 shares (subject to a minimum value of £500). Conversion of fewer shares may only take place if the number to be converted constitutes the shareholder's entire holding in that class.

Shareholders who hold shares in certificated form on the main register or those who hold their shares in electronic form through CREST may convert a minimum of 1,000 shares or, if lower, their entire holding.

More details concerning conversion dates and conversion instruction forms can be found on the Company's website: [www.jpmelect.co.uk](http://www.jpmelect.co.uk)

# Glossary of Terms and Definitions

## Return to Shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received were reinvested, without transaction costs, into the relevant share class of the Company at the time the shares were quoted ex-dividend.

## Return on Net Assets

Total return on net asset value ("NAV") per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the relevant share class of the Company at the NAV per share at the time the shares were quoted ex-dividend.

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV per share when calculating the total return on net assets.

## Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of

the underlying companies at the time the shares were quoted ex-dividend.

The benchmarks are composites of recognised indices of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not track these indices and consequently, there may be some divergence between the performance of the relevant portfolio and that of its benchmark.

## Share Price Discount/Premium to Net Asset Value ("NAV") Per Share

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

## Financial Conduct Authority

### Beware of share fraud

**Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.**

#### How to avoid share fraud

- 1 Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- 2 Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- 3 Check the Financial Services Register from [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you is authorised by the FCA.
- 4 Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- 5 Use the firm's contact details listed on the Register if you want to call it back.
- 6 Call the FCA on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date.
- 7 Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams).
- 8 Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- 9 Think about getting independent financial and professional advice before you hand over any money.
- 10 **Remember:** if it sounds too good to be true, it probably is!

#### Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams), where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

**5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000**



# Information about the Company

## Financial Calendar

Financial year end	31st August
Final results announced	November
Half year end	28th February
Half year results announced	April
Interim Management Statements announced	June/December
Dividends payable (if any)	March, June, September and December
Annual General Meeting	December

## History

The Company was incorporated on 16th September 1999 and launched as an investment trust on 24th November 1999 with assets of £28 million. The Company changed its name to JPMorgan Fleming Managed Growth plc on 5th December 2002. The Company's name was changed to JPMorgan Fleming Elect plc on 14th January 2004 following the capital reorganisation and combination of JPMorgan Fleming Managed Growth plc and JPMorgan Fleming Managed Income plc. The Company adopted its present name on 2nd February 2006.

## Directors

Robert Ottley (Chairman)  
Alan Hodson  
Angus Macpherson  
James Robinson (Chairman of the Audit Committee)  
Roger Yates

## Company Numbers

Company registration number: 3845060  
London Stock Exchange Sedol numbers:  
Managed Growth: 0852814, Managed Income: 3408021  
Managed Cash: 3408009  
ISIN numbers:  
Managed Growth: GB0008528142  
Managed Income: GB0034080217  
Managed Cash: GB0034080092  
Bloomberg Codes:  
Managed Growth: JPE LN  
Managed Income: JPEI LN  
Managed Cash: JPEC LN

## Market Information

Net asset values per share for each share class are published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the JPMorgan internet site at [www.jpmelect.co.uk](http://www.jpmelect.co.uk), where the share prices are updated every fifteen minutes during trading hours.

## Website

[www.jpmelect.co.uk](http://www.jpmelect.co.uk)

## Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at [www.jpmorganwealthmanagerplus.co.uk](http://www.jpmorganwealthmanagerplus.co.uk)



The Association of  
Investment Companies A member of the AIC

## Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

## Company's Registered Office

Finsbury Dials  
20 Finsbury Street  
London EC2Y 9AQ  
Telephone number: 020 7742 4000  
With effect from 1st April 2014, the Company's registered office will be:  
60 Victoria Embankment  
London EC4Y 0JP  
For company secretarial and administrative matters, please contact  
Rebecca Burtonwood.

## Custodian

JPMorgan Chase Bank, N.A.  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Registrars

Equiniti Limited  
Reference 2018  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone number: 0871 384 2530

Calls to this number cost 8p per minute plus network charges. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday. The overseas helpline number is +44 (0)121 415 7047.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrars quoting reference 2018.

Registered shareholders can obtain further details on their holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).

## Independent Auditor

Ernst & Young LLP  
Chartered Accountants and Statutory Auditor  
1 More London Place  
London SE1 2AF

## Brokers

Winterflood Securities  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA  
Telephone 020 7621 0004

## Savings Product Administrators

For queries on the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP, see contact details on the back cover of this report.

J.P. Morgan Helpline  
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

[www.jpmelect.co.uk](http://www.jpmelect.co.uk)