



# Half Year Report 2010

JPMorgan Elect plc

Half Year Report & Accounts for the Six Months Ended 28th February 2010

J.P.Morgan  
Asset Management

# Features

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JPMorgan Elect plc (the 'Company') 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.

### 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** - Growth of income with potential for long term capital growth by investing in equities, investment trusts 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 government securities/G7 government securities hedged into sterling.

### Benchmarks

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

**Managed Income** - The benchmark is a composite comprising 85% FTSE All-Share Index and 15% 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.

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

### Capital Structure

**Managed Growth** share class has an authorised share capital of 160,000,000 ordinary shares, of which 43,292,980 (2009: 44,650,134) were in issue at the period end.

**Managed Income** share class has an authorised share capital of 200,000,000 ordinary shares, of which 51,440,353 (2009: 51,979,421) were in issue at the period end.

**Managed Cash** share class has an authorised share capital of 125,000,000 ordinary shares, of which 19,535,073 (2009: 21,425,261) were in issue at the period end.

### Conversions

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.

### Management Company

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

# Chairman's Statement



Over the six months to 28th February 2010, global equity markets continued the rally that began in March 2009; however the pace of the recovery has slowed and returns have moderated compared with the six months to 31st August 2009. The UK Government has been unable to reassure markets that there can be a sustained recovery from a position of excessive debt and a weakened banking sector. As you will note from the investment managers' reports on the following pages, there are, on the other hand, many positive factors to support the assertion that the UK stock market remains attractive for long-term investors. Corporate newsflow continues to provide reassurance, with the potential for a strong earnings recovery in 2010 and some modest dividend growth.

The investment managers' reports which follow give a detailed review of market and portfolio performance, together with a market outlook for each share class.

## **Managed Growth**

### **Performance**

Over the six months to 28th February 2010 the portfolio has delivered a total return on net assets of 9.2%. Because of a narrowing of the discount to net asset value at which the shares are traded, the total return to shareholders was higher at 10.1%. The benchmark, comprising 50% each of the FTSE All-Share and FTSE World (ex-UK) indices, rose 11.8% over the period. This relative weakness reflects both a general widening of discounts in the investment trust sector and a short-term underperformance in the price of some of our largest holdings. Whilst disappointing, this performance gives no cause for concern about investment process or method.

### **Dividends**

An interim dividend of 1.60 pence has been paid to date in the current financial year. Two more interim dividends in respect of the quarters to 28th February and 31st May 2010 will be paid in a single combined payment on 21st June 2010 to shareholders on the register on 21st May 2010.

### **Share Capital**

In the six months to 28th February 2010, 70,000 Managed Growth shares were issued and a total of 1,496,349 shares were repurchased for cancellation. As is the case for all three share classes, new shares were issued at a premium to, and existing shares repurchased at a discount to, net asset value thereby benefiting continuing shareholders. Since the period end, the Company has repurchased a further 449,913 shares for cancellation.

## **Managed Income**

### **Performance**

The Managed Income portfolio produced a total return on net assets of 9.8% over the six months to 28th February 2010 but shareholders will remember that the dividend was maintained by drawing on the revenue reserves, thus reducing the net asset value for the purposes of this calculation. Without this subvention the total return on net assets would have been 10.4% over the six months. The share price total return was 9.6%, reflecting a slight widening of the discount. The portfolio's composite benchmark of 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms, returned 9.4%.

# Chairman's Statement continued

Shareholders will be aware of the changes made to the portfolio, which were implemented between September 2008 and May 2009. It has now almost a year since the bulk of the changes were put into operation and the Board is encouraged by the relative improvement in performance.

The portfolio's benchmark has a 15% weighting to bonds. The investment managers purchased two bond funds in April 2009 representing approximately 10% of the portfolio, as a diversified approach to enhance income yield whilst also benefiting from corporate recovery. The underweight position in bonds has been maintained, whilst the investment managers continue to favour equities over bonds. The allocation between equities and bonds is carefully monitored by the Manager and discussed at every Board meeting.

## **Dividends**

Two quarterly dividends totalling 1.55p pence per share have been paid to date in the current financial year. A third quarterly dividend will be paid on 21st June 2010 to shareholders on the register on 21st May 2010. The amount of the dividend payment will be notified to shareholders in May 2010. Due to the frequency and timing of distributions from the underlying investments, the quarterly dividends are unlikely to be of equal amounts.

Shareholders will be aware that the recession has resulted in savage dividend cuts across many sectors of the market, which have been feeding through to the companies we hold. Last year we maintained the dividend only by calling on the revenue reserves; whilst we are prepared to do so again this year, it is unlikely that we shall be able to maintain the dividend at 4.30p. I have already mentioned that the signs for 2010 are modestly better and it is the intention of the Board to restore the dividend as soon as prudently practicable, and return to a pattern of annual increases as and when market conditions permit.

Dividends on the Managed Income shares are paid quarterly in March, June, September and December each year.

## **Share Capital**

In the six months to 28th February 2010, a total of 1,160,316 Managed Income shares were repurchased for cancellation.

## **Managed Cash**

### **Performance**

The Managed Cash portfolio produced a total return on net assets of +0.2% over the six months to 28th February 2010. The total return to shareholders was -0.5%. In accordance with its investment objective to preserve capital and deliver a yield based on short term interest rates, the assets of the Managed Cash portfolio remain invested in sterling liquidity funds with a credit rating of AAA (or equivalent). As forewarned in the investment managers' report circulated in the 2009 Annual Report & Accounts, until the Bank of England increases the base rate, shareholders should not expect anything other than a minimal distribution.

### **Dividends**

Directors have not declared any quarterly dividends in respect of the portfolio in the six months to 28th February 2010, as income received in this period was de minimis.

The small amount of income generated has been carried over to be paid out in respect of a future quarterly payment, the timing of which is being carefully considered by the Board.

When payable, dividends on the Managed Cash shares are paid quarterly in March, June, September and December each year.

#### **Share Capital**

In the six months to 28th February 2010, a total of 673,000 Managed Cash shares were repurchased for cancellation. Since the period end 250,000 shares have been issued.

#### **Conversion Opportunities**

Clearance has now been received from HMRC to allow the Company to offer shareholders quarterly conversion opportunities. Accordingly shareholders will now be 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 31st May 2010. Given the volatility of markets the Board considers this extra flexibility to be a very attractive feature of your Company. Details of how to convert can be found in the shareholder letter sent with this half-year report, on page 31 of this report and on the Company's website, [jpmelect.co.uk](http://jpmelect.co.uk).

#### **Communication with shareholders**

The Annual General Meeting provides a good opportunity for the Board to hear the views of shareholders. However, as this meeting only occurs once a year and it is difficult for many shareholders to attend the AGM in person, I would welcome comments from shareholders during the rest of the year either in writing or via the Company's website. Please address your letters to me at the Company's registered address (found on page 33 of this report), or follow the "Ask the Chairman" link on the Company's website.

Simon Miller  
Chairman

22nd April 2010

# Half Year Performance

Total Returns (capital plus income)

## Managed Growth Share Class

**+10.1%**  
Return to shareholders<sup>1</sup>

**+9.2%**  
Return on net assets<sup>2</sup>

**+11.8%**  
Benchmark return<sup>3</sup>

**1.60p**  
Dividend<sup>4</sup>  
(2009: 1.87p)

### Financial Data

	28th February 2010	31st August 2009	% change
Shareholders' funds (£'000)	<b>155,437</b>	148,252	+4.8
Number of shares in issue	<b>43,292,980</b>	44,650,134	-3.0
Net asset value per share	<b>359.0p</b>	332.0p	+8.1
Share price	<b>350.0p</b>	321.0p	+9.0
Share price discount to net asset value	<b>2.5%</b>	3.3%	

A glossary of terms and definitions is provided on page 32.

<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 the first interim dividend only. Dividends are usually paid on this share class in June and December each year.

# Investment Managers' Report



Katy Thorneycroft



Jonathan Lowe

## Market Review

While the end of our financial year in 2009 had been one of increasing risk tolerance for investors and very strong equity market returns, the six month period under review from the end of August 2009 was one where investors started to seek confirmation that the nascent economic recovery would feed through to company earnings and that central bankers would not choke off the recovery by tightening monetary policy too soon. Equity markets continued to move ahead, albeit at a slower pace compared to the previous period, and our benchmark rose by 11.8%. There were some pauses and hiccups along the way: October saw markets take a breather despite a reasonably strong third quarter earnings season in the US, as investors started to take profits ahead of the year end. In November, Dubai World defaulted on part of its debts and equity markets fell in response as investors were fearful that this was indicative of wider continuing credit concerns. The beginning of 2010 saw credit worries shift to Europe: in particular to Greece. Despite all these concerns, equity markets took comfort from strong fourth quarter earnings numbers and reasonable valuations.

The Managed Growth portfolio underperformed its benchmark over this period, returning 9.2% on a net asset value basis against the benchmark return of 11.8%. The return to shareholders was 10.1% reflecting a modest discount narrowing over the period.

Sterling investors benefited from having overseas currency exposure as sterling weakened significantly over the period under review. In sterling terms, emerging markets were the best performing region, followed by Asia ex Japan and the US. The UK, Europe and Japan lagged.

## Performance Review

The table below shows the net asset value returns for the Managed Growth portfolio. We are disappointed to note that our underperformance over the most recent six month period has impacted the relative performance over the 12 months, however it is pleasing to note the absolute level of returns over recent periods and that our long term track record is modest, but intact.

### Total returns to 28th February 2010

	Six months	One year	Three years	Five years
Return to shareholders (%)	10.1	45.1	-7.7	40.9
Return on net assets (%)	9.2	46.3	-6.2	43.0
Benchmark return (%)	11.8	47.8	3.0	38.7
FTSE All-Share Index (%)	10.1	47.3	-4.3	31.2
FTSE World ex UK Index (%)	13.5	48.4	10.4	46.1

Our regional asset allocation was broadly positive over the half year period as we were substantially underweight the UK, however our underweight US position did detract from returns. We benefited from being overweight emerging markets and Asia.

# Investment Managers' Report continued

The main drivers of our underperformance were the poor relative performance of some of our largest holdings and general discount widening across our investment trust holdings. Our Top 10 holdings account for 61% of the portfolio and unfortunately a number of these detracted from returns. JPMorgan UK Dynamic and JPMorgan Claverhouse both continued to struggle against their benchmarks, and JPMorgan European Growth shares also underperformed. Of the positive contributors, Blackrock World Mining and Artemis Alpha performed well in net asset value terms over the period, and Jupiter European Growth saw good portfolio performance and some discount narrowing. In the biotechnology and technology sectors we saw strong performance from The Biotech Growth Trust, which also benefited from discount tightening, and from RCM Technology. Of the third party funds which did not perform so well, Melchior Japan and Fidelity Special Values were disappointing.

## Portfolio Review

At the end of February 2010 approximately 54% of the portfolio was invested in J.P. Morgan managed investment trusts, 20% in J.P. Morgan managed open-ended funds and 26% in investment trusts managed by third party managers. The balance of the portfolio was in cash.

There was a lot of activity in our UK holdings over the period. We reduced Fidelity Special Values, Perpetual Income & Growth and JPMorgan UK Dynamic and used some of the proceeds from reducing JPMorgan UK Dynamic to add back to UK investment trusts on reasonable discounts, such as Schroder UK Growth, JPMorgan Claverhouse and Artemis Alpha. We also added to Finsbury Growth & Income. Of our overseas holdings we added to Alliance Trust, JPMorgan Japanese, JPMorgan Emerging Markets and reduced Gartmore Irish Growth. We also reduced our holding in JPMorgan American following some strong performance and discount tightening.

## Market Outlook

The last six months have evolved broadly as we hoped. We have seen evidence that global economies are recovering and that this has passed through to corporate earnings. Monetary conditions remain easy and valuations, while no longer cheap, are not expensive. So far, so good. In our report contained within the Annual Report & Accounts for the 12 months to 31st August 2009, we commented that it is easy to remain sanguine for the shorter term, but the problem is what comes next. We would still hold this view. Policy makers have started to remove the extraordinary stimulus we have seen over the last 18 months in the developing world but OECD policy still remains very accommodative. A return to more normalised monetary policy brings with it risks to equity market performance if there are surprises in timing. Further out, the concerns that we see are that earnings momentum and leading indicators in some markets have tailed off and that for a number of developed world countries the weight of government debt repayments is likely to restrict growth. Given this framework we would expect to see positive equity market performance in the shorter term but will be careful to maintain exposure to areas of secular growth in the medium term to counteract some of the headwinds that we see approaching on the horizon.

Katy Thorneycroft  
Jonathan Lowe  
Investment Managers

22nd April 2010

# Ten Largest Investments

at 28th February 2010

Company	Value £'000	% <sup>1</sup>
JPMorgan Claverhouse Investment Trust plc	16,085	10.3
JPMorgan UK Dynamic Fund (A Shares) <sup>2</sup>	14,095	9.1
JPMorgan American Investment Trust plc	12,355	8.0
JPMorgan US Select Equity Fund (A shares) <sup>2</sup>	11,163	7.2
JPMorgan Asian Investment Trust plc <sup>3</sup>	9,618	6.2
JPMorgan European Investment Trust plc (Growth shares)	7,928	5.1
JPMorgan Japanese Investment Trust plc	5,939	3.8
The Mercantile Investment Trust	5,896	3.8
JPMorgan Emerging Markets Investment Trust plc <sup>3</sup>	5,777	3.7
JPMorgan US Fund (A shares) <sup>2</sup>	5,586	3.6
<b>Total*</b>	<b>94,442</b>	<b>60.8</b>

<sup>1</sup>Based on total assets less current liabilities of £155.4m.

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

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

\*At 31st August 2009, the value of the ten largest investments amounted to £89.8m, representing 60.6% of total assets less current liabilities.

## Geographical Analysis

(on a look through basis)

	28th February 2010		31st August 2009	
	Company %	Benchmark %	Company %	Benchmark %
UK	39.6	50.0	42.4	50.0
North America	25.8	26.5	24.7	25.7
Continental Europe	12.5	10.7	12.6	11.5
Pacific (excluding Japan)	10.0	3.2	7.6	5.3
Japan	5.8	4.9	5.8	5.2
Emerging Markets and others	5.0	4.7	4.5	2.3
Net current assets	1.3	–	2.4	–
<b>Total<sup>1</sup></b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

<sup>1</sup>Based on total assets less current liabilities of £155.4m (2009: £148.3m).

# Income Statement

for the six months ended 28th February 2010

	(Unaudited) Six months ended 28th February 2010			(Unaudited) Six months ended 28th February 2009			(Audited) Year ended 31st August 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains/(losses) on investments held at fair value through profit or loss</b>	–	12,039	12,039	–	(47,936)	(47,936)	–	(11,828)	(11,828)
Net foreign currency gains	–	–	–	–	–	–	–	3	3
Income from investments	1,426	–	1,426	1,831	–	1,831	3,520	–	3,520
Other interest receivable and similar income	5	–	5	190	–	190	204	–	204
<b>Gross return/(loss)</b>	<b>1,431</b>	<b>12,039</b>	<b>13,470</b>	<b>2,021</b>	<b>(47,936)</b>	<b>(45,915)</b>	<b>3,724</b>	<b>(11,825)</b>	<b>(8,101)</b>
Management fee	(40)	(121)	(161)	(31)	(95)	(126)	(63)	(190)	(253)
VAT recoverable	–	–	–	156	469	625	156	469	625
Other administrative expenses	(201)	–	(201)	(363)	–	(363)	(573)	–	(573)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>1,190</b>	<b>11,918</b>	<b>13,108</b>	<b>1,783</b>	<b>(47,562)</b>	<b>(45,779)</b>	<b>3,244</b>	<b>(11,546)</b>	<b>(8,302)</b>
Taxation credit/(charge)	16	–	16	(35)	(105)	(140)	23	(78)	(55)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>1,206</b>	<b>11,918</b>	<b>13,124</b>	<b>1,748</b>	<b>(47,667)</b>	<b>(45,919)</b>	<b>3,267</b>	<b>(11,624)</b>	<b>(8,357)</b>
<b>Return/(loss) per Managed Growth share</b>	<b>2.75p</b>	<b>27.15p</b>	<b>29.90p</b>	<b>3.87p</b>	<b>(105.46)p</b>	<b>(101.59)p</b>	<b>7.25p</b>	<b>(25.79)p</b>	<b>(18.54)p</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 2010

	(Unaudited) 28th February 2010 £'000	(Unaudited) 28th February 2009 £'000	(Audited) 31st August 2009 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	153,845	107,301	144,470
<b>Current assets</b>			
Debtors	416	606	478
Cash and short term deposits	1,360	6,116	3,681
	1,776	6,722	4,159
<b>Creditors:</b> amounts falling due within one year	(184)	(408)	(360)
<b>Net current assets</b>	1,592	6,314	3,799
<b>Total assets less current liabilities</b>	155,437	113,615	148,269
<b>Provision for liabilities and charges</b>			
Deferred taxation	–	–	(17)
<b>Total net assets</b>	155,437	113,615	148,252
<b>Net asset value per Managed Growth share</b>	359.0p	251.9p	332.0p

# Half Year Performance

Total Returns (capital plus income)

## Managed Income Share Class

**+9.6%**  
Return to shareholders<sup>1</sup>

**+9.8%**  
Return on net assets<sup>2</sup>

**+9.4%**  
Benchmark return<sup>3</sup>

**1.55p**  
Dividend<sup>4</sup>  
(2009: 1.75p)

### Financial Data

	28th February 2010	31st August 2009	% change
Shareholders' funds (£'000)	<b>38,049</b>	36,184	+5.2
Number of shares in issue	<b>51,440,353</b>	51,979,421	-1.0
Net asset value per share	<b>74.0p</b>	69.6p	+6.3
Share price	<b>73.0p</b>	69.5p	+5.0
Share price discount to net asset value	<b>1.4%</b>	0.1%	

A glossary of terms and definitions is provided on page 32.

<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.

# Investment Managers' Report



Sarah Emly



John Baker

## Market Review

Over the six months under review, the UK stock market saw a continuation of the rally that began in March 2009, as investors hoped government and central bank efforts would ultimately result in an economic recovery. Despite some uncertainty early in 2010 as sovereign debt fears stalked the market, the FTSE All-Share Index ended the review period 10.1% higher. Global corporate bond markets also continued to rally against a backdrop of low yields, a heavy supply of long duration government bonds and strong investor flows. The Company's overall benchmark delivered a total return of +9.4% for the first half of the financial year to 31st August 2010, in sharp contrast to the 28.3% decline suffered in the first half of our previous financial year.

## Total returns to 28th February 2010

	Six months	One year	Three years	Five years
Return to shareholders (%)	9.6	37.1	-27.7	2.7
Return on net assets (%)	9.8	38.6	-27.5	-1.4
Benchmark return (%)*	9.4	41.6	-5.1	20.6
FTSE All-Share Index (%)	10.1	47.3	-4.3	31.2
Barclays Capital Global Corporate Bond Index (hedged) in Sterling terms (%)	5.3	20.4	16.6	27.2

\*The benchmark is a composite comprising 85% FTSE All-Share Index and 15% 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 period began on a positive note in September 2009 amid encouraging economic data, including signs of stabilisation in the UK housing market and a pick up in consumer confidence. However, despite expectations of a recovery, data showed the UK economy continued to contract in the third quarter, lagging most other developed countries. Against this continued weak economic backdrop, the Bank of England extended its quantitative easing programme in November and interest rates were kept at a record low of 0.5% throughout the six months.

The Bank of England's intervention ultimately paid off, and the UK crept out of recession in the fourth quarter, with an initial estimate of 0.1% growth quarter on quarter later revised up to 0.4%. The subdued nature of the recovery reflects substantial consumer deleveraging, with tight credit conditions, rising unemployment and high debt levels constraining consumer demand. Nevertheless, the economy's return to growth, however modest, was broadly welcomed by the market.

With the first half of 2009 having seen a considerable number of rescue rights issues, the second half was more encouraging, with some merger and acquisition activity returning, and a generally more robust market environment. A further boost came from corporate earnings reports, which showed a substantial bounce back in profits in the second half of 2009.

However, dividend cutting remained a key trend in 2009. Cuts came from a broad range of sectors, but the financial sector slashed the most, reducing their total payout

# Investment Managers' Report continued

by some 43%. The end of the review period saw some encouraging signs of a stabilisation in payouts, but on the whole it was a difficult time for income investors.

## Performance Review

In the six months to the 28th February 2010 the Managed Income portfolio delivered a return on net assets of +9.8% against the total return of the composite benchmark of +9.4%. The portfolio has performed broadly in line with its overall benchmark, with the underweight position in corporate bonds being slightly detrimental to performance, whilst the underlying equity holdings contributed positively during the first half of this financial year.

The continued underweight in the banking sector, particularly not owning either Lloyds Banking Group or Royal Bank of Scotland, contributed positively to performance with these two stocks falling by 29% and 35% respectively. Our holdings in some of the mining stocks delivered exceptionally strong returns, with Kazakhmys, an international copper mining group, rising by 36% over the six months, whilst the more diversified miner Rio Tinto rose by 39% and Xstrata by 25%. Some of the more cyclically oriented stocks that we owned, including the lowly valued retailers Next and Halfords, also contributed positively, returning +14% and +35% respectively, as they went on to outperform market expectations in their profit delivery and trading updates. However, not owning Cadbury was detrimental to performance over the period as its share price was boosted by the bid from Kraft, whilst some of our financial holdings underperformed the rising market, such as the life assurer Aviva and the lowly valued merchant banking group, Close Brothers. Overall, the portfolio's performance was solid during this six month period, with the underlying equity portfolio modestly outperforming the rising market.

## Portfolio Review

As the economic environment has shown signs of recovery and the corporate landscape has moved away from profit warning territory towards profit stability, we have maintained our overweighting to equities versus our composite benchmark. As the half year has progressed, an increasing number of UK companies have not only met, but exceeded market expectations and the hoped-for earnings recovery is becoming more widespread across different industries. Since our last year end, we have reduced still further the portfolio's exposure to some of the investment vehicles, with just two third party funds remaining. The proceeds of such transactions have been reinvested into UK equities, given the attractive valuation opportunities available.

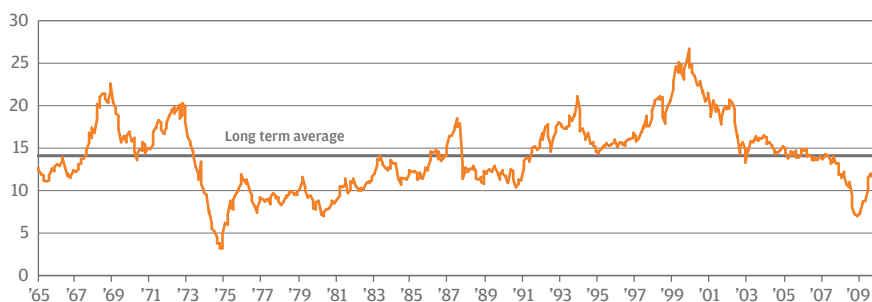
In terms of our direct equity portfolio, throughout the first half of the year we have focused on ensuring that the portfolio remains sensibly balanced to benefit from the improving economy, whilst also holding stocks with resilient earnings and attractive dividend yields. Having previously added to our positions in some of the high yielding defensive stocks such as AstraZeneca and GlaxoSmithKline, we subsequently looked for lowly valued, more cyclical stocks that stood to benefit from the economic recovery, such as the industrial engineering groups, IMI and Charter International. We also increased our position in Restaurant Group, the eating-out restaurant chain

operating in the value-for-money sector of the market which was lowly valued and out of favour back in November 2009. Proceeds were raised from disposing of stocks that were no longer attractive on either valuation or growth metrics, such as the holding in the public-sector exposed support service company, Interserve. More recently we sold the holding in Marks & Spencer, as its earnings forecasts were reduced after a lacklustre trading update in early January, and it was trading at an unwarranted premium to the market.

**Market Outlook**

The UK stock market remains attractive for long-term investors, with favourable dividend yields and prospects for a strong earnings recovery in 2010. The UK economy has returned to growth and, with global demand increasing and sterling having weakened significantly over the last year, corporate earnings appear well supported. Although the UK equity market has risen by over 47% in the last year, its price earnings valuation remains below its long term average, as shown below.

**Long term price earnings ratio of the UK market**



Source: Datastream. Data as at 28/02/10.

However, there are several risks, most notably in the short term that worries over the UK budget deficit may re-emerge following the general election if no credible plan to address the issue emerges from the next government. At the moment however, the recovery may continue to surprise on the upside and the high proportion of international profits for FTSE companies is likely to be an advantage.

As highlighted above, UK equities look cheap versus their history, while dividend yields also remain attractive. Given the balance sheet strengthening we have seen over the last year and the better economic backdrop, we may see increasing opportunities for dividend growth as the year progresses.

Sarah Emly  
John Baker  
Investment Managers

22nd April 2010

# Ten Largest Investments

at 28th February 2010

Company	Value £'000	% <sup>1</sup>
JPMorgan Income & Growth Investment Trust plc (Income shares and Capital shares)	3,715	9.8
JPMorgan Global Corporate Bond Fund ('A' Distribution shares)	3,323	8.7
HSBC	2,649	7.0
Royal Dutch Shell	2,302	6.0
BP	2,273	6.0
Vodafone	1,532	4.0
JPMorgan European Investment Trust plc (Income shares)	1,250	3.3
GlaxoSmithKline	1,237	3.3
Rio Tinto	1,187	3.1
British American Tobacco	1,159	3.0
<b>Total*</b>	<b>20,627</b>	<b>54.2</b>

<sup>1</sup>Based on total assets less current liabilities of £38.0m.

\*At 31st August 2009, the value of the ten largest investments amounted to £20.4m, representing 56.4% of total assets less current liabilities.

# Sector Analysis

	28th February 2010		31st August 2009	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials	17.6	16.9	18.6	18.6
Investment Trusts	13.3	2.3	16.8	2.3
Oil & Gas	12.9	15.5	13.5	15.6
Basic Materials	9.5	9.6	7.6	8.5
Consumer Goods	8.3	10.4	6.5	9.7
Consumer Services	6.8	8.4	5.7	8.3
Healthcare	6.1	6.7	6.2	6.9
Telecommunications	5.1	4.9	4.7	5.1
Industrials	4.4	6.0	4.6	5.8
Utilities	2.9	3.0	2.4	3.0
Technology	–	1.3	0.5	1.2
Bond Funds	11.1	15.0	11.1	15.0
Net current assets	2.0	–	1.8	–
<b>Total<sup>1</sup></b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

<sup>1</sup>Based on total assets less current liabilities of £38.0m (2009: £36.2m)

# Income Statement

for the six months ended 28th February 2010

	(Unaudited) Six months ended 28th February 2010			(Unaudited) Six months ended 28th February 2009			(Audited) Year ended 31st August 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains/(losses) on investments held at fair value through profit or loss</b>	–	2,823	2,823	–	(15,573)	(15,573)	–	(8,778)	(8,778)
Net foreign currency losses	–	(1)	(1)	–	–	–	–	(4)	(4)
Income from investments	664	–	664	966	–	966	2,035	–	2,035
Other interest receivable and similar income	12	–	12	47	–	47	61	–	61
<b>Gross return/(loss)</b>	<b>676</b>	<b>2,822</b>	<b>3,498</b>	1,013	(15,573)	(14,560)	2,096	(8,782)	(6,686)
Management fee	(37)	(40)	(77)	(51)	(51)	(102)	(77)	(87)	(164)
VAT recoverable	–	–	–	59	59	118	59	59	118
Other administrative expenses	(43)	–	(43)	(104)	–	(104)	(156)	–	(156)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>596</b>	<b>2,782</b>	<b>3,378</b>	917	(15,565)	(14,648)	1,922	(8,810)	(6,888)
Taxation (charge)/credit	–	–	–	(20)	(2)	(22)	(19)	8	(11)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>596</b>	<b>2,782</b>	<b>3,378</b>	897	(15,567)	(14,670)	1,903	(8,802)	(6,899)
<b>Return/(loss) per Managed Income share</b>	<b>1.15p</b>	<b>5.38p</b>	<b>6.53p</b>	1.66p	(28.84)p	(27.18)p	3.55p	(16.41)p	(12.86)p

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 2010

	(Unaudited) 28th February 2010 £'000	(Unaudited) 28th February 2009 £'000	(Audited) 31st August 2009 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	37,306	29,326	35,548
<b>Current assets</b>			
Debtors	197	399	258
Cash and short term deposits	585	2,078	1,094
	782	2,477	1,352
<b>Creditors:</b> amounts falling due within one year	(39)	(1,098)	(716)
<b>Net current assets</b>	743	1,379	636
<b>Total assets less current liabilities</b>	38,049	30,705	36,184
<b>Total net assets</b>	38,049	30,705	36,184
<b>Net asset value per Managed Income share</b>	74.0p	57.0p	69.6p

# Half Year Performance

Total Returns (capital plus income)

## Managed Cash Share Class

**-0.5%**  
Return to shareholders<sup>1</sup>

**+0.2%**  
Return on net assets<sup>2</sup>

**0.0p**  
Dividend  
(2009: 1.50p)<sup>3</sup>

### Financial Data

	28th February 2010	31st August 2009	% change
Shareholders' funds (£'000)	<b>19,640</b>	21,496	-8.6
Number of shares in issue	<b>19,535,073</b>	21,425,261	-8.8
Net asset value per share	<b>100.5p</b>	100.3p	+0.2
Share price	<b>99.5p</b>	100.0p	-0.5
Share price discount to net asset value	<b>1.0%</b>	0.3%	

A glossary of terms and definitions is provided on page 32.

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

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

<sup>3</sup>Represents two quarterly dividends. Dividends (if any) are usually paid quarterly in March, June, September and December.

# Investment Managers' Report



Katy Thorneycroft



Jonathan Lowe

The net asset value of the Managed Cash portfolio rose by only 0.2% over the six months to the end of February 2010. Disappointingly, the return to shareholders was negative at -0.5% as the discount to net asset value widened over the period. At the end of our financial year we warned that returns should be expected to decline. With UK base rates having been at 0.5% since March 2009, we have seen a reduction in the returns available from our investments in AAA-rated liquidity funds as higher yielding investments have matured and reinvestments have been made at lower yields.

As at 28th February 2010, we were invested in funds managed by Blackrock, Western Asset Management, Standard Life, Scottish Widows, Insight and J.P. Morgan. All our funds are members of the Institutional Money Market Funds Association, AAA-rated and are valued on an amortised cost basis. Therefore, these funds maintain a constant net asset value. On a look-through basis at the end of February 2010 the weighted average maturity of the underlying investments was 32 days.

We do not foresee the Monetary Policy Committee raising interest rates in the near term which means that we do not expect more than a minimal return from the Managed Cash portfolio over coming months. Current expectations are that we will see base rates rise in the second half of the year which will feed through to portfolio returns with a lag. As always, the Managed Cash portfolio is aiming for capital preservation first and foremost, with yield being a secondary objective.

Katy Thorneycroft  
Jonathan Lowe  
Investment Managers

22nd April 2010

# List of Investments

at 28th February 2010

Company	Yield % <sup>1</sup>	Rating <sup>2</sup>	Value £'000	% <sup>3</sup>
JPMorgan Sterling Liquidity Fund	0.82	AAA	3,817	19.4
Scottish Widows Investment Partnership Liquidity Fund	0.82	AAA	3,812	19.4
Western Asset Sterling Liquidity Fund	0.79	AAA	3,434	17.5
Standard Life Sterling Liquidity Fund	0.77	AAA	3,418	17.4
Insight Sterling Liquidity Fund	0.96	AAA	3,062	15.6
Barclays Global Investors Sterling Liquidity Fund	0.65	AAA	2,069	10.5
<b>Total*</b>			19,612	99.8

<sup>1</sup>1 year return to 28th February 2010. Source: IMMFA Money Fund Report, iMoneyNet.

<sup>2</sup>Ratings are given by recognised credit rating agencies.

<sup>3</sup>Based on total assets less current liabilities of £19.6m.

\*At 31st August 2009, the value of investments amounted to £21.6m, representing 100.3% of total assets less current liabilities.

## Portfolio Analysis

	28th February 2010 %	31st August 2009 %
Sterling Liquidity Funds	99.8	100.3
Net current assets/(liabilities)	0.2	(0.3)
<b>Total<sup>1</sup></b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup>Based on total assets less current liabilities of £19.6m (2009: £21.5m).

# Income Statement

for the six months ended 28th February 2010

	(Unaudited) Six months ended 28th February 2010			(Unaudited) Six months ended 28th February 2009			(Audited) Year ended 31st August 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Losses on investments held at fair value through profit or loss</b>	–	(2)	(2)	–	(2)	(2)	–	(3)	(3)
Income from investments	50	–	50	458	–	458	530	–	530
Other interest receivable and similar income	–	–	–	8	–	8	–	–	–
<b>Gross return/(loss)</b>	<b>50</b>	<b>(2)</b>	<b>48</b>	466	(2)	464	530	(3)	527
Other administrative expenses	(17)	–	(17)	(26)	–	(26)	(46)	–	(46)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>33</b>	<b>(2)</b>	<b>31</b>	440	(2)	438	484	(3)	481
Taxation	(9)	–	(9)	(123)	–	(123)	(136)	–	(136)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>24</b>	<b>(2)</b>	<b>22</b>	317	(2)	315	348	(3)	345
<b>Return/(loss) per Managed Cash share</b>	<b>0.12p</b>	<b>(0.01)p</b>	<b>0.11p</b>	1.38p	(0.01)p	1.37p	1.56p	(0.01)p	1.55p

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 2010

	(Unaudited) 28th February 2010 £'000	(Unaudited) 28th February 2009 £'000	(Audited) 31st August 2009 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	19,612	22,060	21,553
<b>Current assets</b>			
Debtors	11	165	13
Cash and short term deposits	37	2	–
	48	167	13
<b>Creditors:</b> amounts falling due within one year	(20)	(123)	(70)
<b>Net current assets/(liabilities)</b>	28	44	(57)
<b>Total assets less current liabilities</b>	19,640	22,104	21,496
<b>Total net assets</b>	19,640	22,104	21,496
<b>Net asset value per Managed Cash share</b>	100.5p	101.0p	100.3p

# Income Statement

for the six months ended 28th February 2010

	(Unaudited) Six months ended 28th February 2010			(Unaudited) Six months ended 28th February 2009			(Audited) Year ended 31st August 2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	14,860	14,860	–	(63,511)	(63,511)	–	(20,609)	(20,609)
Net foreign currency losses	–	(1)	(1)	–	–	–	–	(1)	(1)
Income from investments	2,140	–	2,140	3,255	–	3,255	6,085	–	6,085
Other interest receivable and similar income	17	–	17	245	–	245	265	–	265
<b>Gross return/(loss)</b>	<b>2,157</b>	<b>14,859</b>	<b>17,016</b>	3,500	(63,511)	(60,011)	6,350	(20,610)	(14,260)
Management fee	(77)	(161)	(238)	(82)	(146)	(228)	(140)	(277)	(417)
VAT recoverable	–	–	–	215	528	743	215	528	743
Other administrative expenses	(261)	–	(261)	(493)	–	(493)	(775)	–	(775)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>1,819</b>	<b>14,698</b>	<b>16,517</b>	3,140	(63,129)	(59,989)	5,650	(20,359)	(14,709)
Taxation credit/(charge)	7	–	7	(178)	(107)	(285)	(132)	(70)	(202)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>1,826</b>	<b>14,698</b>	<b>16,524</b>	2,962	(63,236)	(60,274)	5,518	(20,429)	(14,911)
<b>Return/(loss) per share</b> (note 4):									
Managed Growth	2.75p	27.15p	29.90p	3.87p	(105.46)p	(101.59)p	7.25p	(25.79)p	(18.54)p
Managed Income	1.15p	5.38p	6.53p	1.66p	(28.84)p	(27.18)p	3.55p	(16.41)p	(12.86)p
Managed Cash	0.12p	(0.01)p	0.11p	1.38p	(0.01)p	1.37p	1.56p	(0.01)p	1.55p

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 2010 (Unaudited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st August 2009</b>	24	64,903	132,300	5,929	2,776	<b>205,932</b>
Shares bought back and cancelled	–	–	(6,513)	–	–	<b>(6,513)</b>
Shares issued	–	254	–	–	–	<b>254</b>
Shares redeemed during the period	–	–	(516)	–	–	<b>(516)</b>
Share conversion during the period	–	1,480	(1,480)	–	–	<b>–</b>
Net return on ordinary activities	–	–	–	14,698	1,826	<b>16,524</b>
Dividends appropriated in the period	–	–	–	–	(2,555)	<b>(2,555)</b>
<b>At 28th February 2010</b>	<b>24</b>	<b>66,637</b>	<b>123,791</b>	<b>20,627</b>	<b>2,047</b>	<b>213,126</b>

Six months ended 28th February 2009 (Unaudited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st August 2008</b>	24	60,858	142,375	26,358	3,251	<b>232,866</b>
Shares bought back and cancelled	–	–	(2,336)	–	–	<b>(2,336)</b>
Shares issued	–	970	–	–	–	<b>970</b>
Shares redeemed during the period	–	–	(1,732)	–	–	<b>(1,732)</b>
Share conversion during the period	–	906	(906)	–	–	<b>–</b>
Net (loss)/return on ordinary activities	–	–	–	(63,236)	2,962	<b>(60,274)</b>
Dividends appropriated in the period	–	–	–	–	(3,070)	<b>(3,070)</b>
<b>At 28th February 2009</b>	<b>24</b>	<b>62,734</b>	<b>137,401</b>	<b>(36,878)</b>	<b>3,143</b>	<b>166,424</b>

Year ended 31st August 2009 (Audited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st August 2008</b>	24	60,858	142,375	26,358	3,251	<b>232,866</b>
Shares bought back and cancelled	–	–	(7,843)	–	–	<b>(7,843)</b>
Shares issued	–	1,813	–	–	–	<b>1,813</b>
Share conversions during the year	–	2,232	(2,232)	–	–	<b>–</b>
Net (loss)/return on ordinary activities	–	–	–	(20,429)	5,518	<b>(14,911)</b>
Dividends appropriated in the year	–	–	–	–	(5,993)	<b>(5,993)</b>
<b>At 31st August 2009</b>	<b>24</b>	<b>64,903</b>	<b>132,300</b>	<b>5,929</b>	<b>2,776</b>	<b>205,932</b>

# Balance Sheet

at 28th February 2010

	(Unaudited) 28th February 2010				(Unaudited) 28th February 2009	(Audited) 31st August 2009
	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	153,845	37,306	19,612	210,763	158,687	201,571
<b>Current assets</b>						
Debtors	416	197	11	624	1,170	749
Cash and short term deposits	1,360	585	37	1,982	8,196	4,775
	1,776	782	48	2,606	9,366	5,524
<b>Creditors:</b> amounts falling due within one year	(184)	(39)	(20)	(243)	(1,629)	(1,146)
<b>Net current assets</b>	1,592	743	28	2,363	7,737	4,378
<b>Total assets less current liabilities</b>	155,437	38,049	19,640	213,126	166,424	205,949
<b>Provision for liabilities and charges</b>						
Deferred taxation	–	–	–	–	–	(17)
<b>Total net assets</b>	155,437	38,049	19,640	213,126	166,424	205,932
<b>Capital and reserves</b>						
Called up share capital	18	4	2	24	24	24
Share premium	22,228	28,582	15,827	66,637	62,734	64,903
Other reserve	106,186	13,829	3,776	123,791	137,401	132,300
Capital reserves	25,689	(5,052)	(10)	20,627	(36,878)	5,929
Revenue reserve	1,316	686	45	2,047	3,143	2,776
<b>Shareholders' funds</b>	155,437	38,049	19,640	213,126	166,424	205,932

	28th February 2010		28th February 2009		31st August 2009	
	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>	359.0	155,437	251.9	113,615	332.0	148,252
<b>Managed Income</b>	74.0	38,049	57.0	30,705	69.6	36,184
<b>Managed Cash</b>	100.5	19,640	101.0	22,104	100.3	21,496

# Cash Flow Statement

for the six months ended 28th February 2010

	(Unaudited) Six months ended 28th February 2010 £'000	(Unaudited) Six months ended 28th February 2009 £'000	(Audited) Year ended 31st August 2009 £'000
<b>Net cash inflow from operating activities</b> (note 6)	<b>1,776</b>	3,359	6,032
<b>Taxation paid</b>	<b>(30)</b>	(191)	(316)
<b>Net cash inflow from capital expenditure and financial investment</b>	<b>5,458</b>	3,929	3,287
Dividends paid	<b>(2,555)</b>	(3,071)	(5,993)
<b>Net cash outflow from financing</b>	<b>(7,409)</b>	(3,225)	(5,638)
<b>(Decrease)/increase in cash for the period</b>	<b>(2,760)</b>	801	(2,628)
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash for the period	<b>(2,760)</b>	801	(2,628)
Exchange movements	<b>(1)</b>	(5)	(1)
Bank overdraft drawn down in the period	<b>–</b>	–	(28)
Changes in net funds arising from cash flows	<b>(2,761)</b>	796	(2,657)
Net funds at the beginning of the period	<b>4,743</b>	7,400	7,400
<b>Net funds at the end of the period</b>	<b>1,982</b>	8,196	4,743
<b>Represented by:</b>			
Cash and short term deposits	<b>1,982</b>	8,196	4,775
Bank overdraft	<b>–</b>	–	(32)
	<b>1,982</b>	8,196	4,743

# Notes to the Accounts

for the six months ended 28th February 2010

## 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 2009 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' 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 2009.

## 3. Dividends

	(Unaudited) Six months ended 28th February 2010 £'000	(Unaudited) Six months ended 28th February 2009 £'000	(Audited) Year ended 31st August 2009 £'000
<b>Dividends paid</b>			
Managed Growth 4th interim dividend of 1.55p (2008: 1.17p) <sup>1</sup>	682	529	529
Managed Growth 1st interim dividend of 1.60p (2009: 1.87p)	705	845	845
Managed Growth 2009 2nd interim dividend of 2.00p	—	—	896
Managed Growth 2009 3rd interim dividend of 1.73p	—	—	775
Managed Income 4th quarterly dividend of 1.45p (2008: 1.20p)	754	650	650
Managed Income 2009 special dividend of 0.25p	—	135	135
Managed Income 1st quarterly dividend of 0.80p (2009: 0.85p)	414	459	459
Managed Income 2009 2nd quarterly dividend of 0.90p	—	—	485
Managed Income 2009 3rd quarterly dividend of 1.10p	—	—	593
Managed Cash 4th quarterly dividend of nil (2008: 1.00p)	0	239	239
Managed Cash 1st quarterly dividend of nil (2009: 0.90p)	0	214	214
Managed Cash 2009 2nd quarterly dividend of 0.60p	—	—	131
Managed Cash 2009 3rd quarterly dividend of 0.20p	—	—	42
<b>Total dividends paid in the period</b>	<b>2,555</b>	<b>3,071</b>	<b>5,993</b>
<b>Dividends declared</b>			
Managed Growth 2009 4th interim dividend of 1.55p	—	—	692
Managed Growth 2nd interim dividend of 1.20p (2009: 2.00p)	520	902	—
Managed Income 2009 4th quarterly dividend of 1.45p	—	—	754
Managed Income 2nd quarterly dividend of 0.75p (2009: 0.90p)	386	485	—
Managed Cash 2nd quarterly dividend of nil (2009: 0.60p)	0	131	—
<b>Total dividends declared<sup>2</sup></b>	<b>906</b>	<b>1,518</b>	<b>1,446</b>

<sup>1</sup>The actual dividend payment is less than the amount shown in the previous year end accounts due to repurchases of shares in the period between the previous year end and the record date.

<sup>2</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/(loss) per share

	(Unaudited) Six months ended 28th February 2010 £'000	(Unaudited) Six months ended 28th February 2009 £'000	(Audited) Year ended 31st August 2009 £'000
<b>Managed Growth</b>			
Return/(loss) per Managed Growth share is based on the following:			
Revenue return	1,206	1,748	3,267
Capital return/(loss)	11,918	(47,667)	(11,624)
<b>Total return/(loss)</b>	<b>13,124</b>	<b>(45,919)</b>	<b>(8,357)</b>
Weighted average number of shares in issue	43,895,770	45,200,445	45,068,399
Revenue return per share	2.75p	3.87p	7.25p
Capital return/(loss) per share	27.15p	(105.46)p	(25.79)p
<b>Total return/(loss) per share</b>	<b>29.90p</b>	<b>(101.59)p</b>	<b>(18.54)p</b>
	(Unaudited) Six months ended 28th February 2010 £'000	(Unaudited) Six months ended 28th February 2009 £'000	(Audited) Year ended 31st August 2009 £'000
<b>Managed Income</b>			
Return/(loss) per Managed Income share is based on the following:			
Revenue return	596	897	1,903
Capital return/(loss)	2,782	(15,567)	(8,802)
<b>Total return/(loss)</b>	<b>3,378</b>	<b>(14,670)</b>	<b>(6,899)</b>
Weighted average number of shares in issue	51,755,370	53,965,328	53,657,497
Revenue return per share	1.15p	1.66p	3.55p
Capital return/(loss) per share	5.38p	(28.84)p	(16.41)p
<b>Total return/(loss) per share</b>	<b>6.53p</b>	<b>(27.18)p</b>	<b>(12.86)p</b>
	(Unaudited) Six months ended 28th February 2010 £'000	(Unaudited) Six months ended 28th February 2009 £'000	(Audited) Year ended 31st August 2009 £'000
<b>Managed Cash</b>			
Return/(loss) per Managed Cash share is based on the following:			
Revenue return	24	317	348
Capital loss	(2)	(2)	(3)
<b>Total return</b>	<b>22</b>	<b>315</b>	<b>345</b>
Weighted average number of shares in issue	20,456,889	22,971,325	22,262,472
Revenue return per share	0.12p	1.38p	1.56p
Capital loss per share	(0.01)p	(0.01)p	(0.01)p
<b>Total return per share</b>	<b>0.11p</b>	<b>1.37p</b>	<b>1.55p</b>

## 5. Net asset value per share

The net asset values per share are calculated as follows:

	(Unaudited) 28th February 2010		
	Managed Growth	Managed Income	Managed Cash
Net assets attributable (£'000)	155,437	38,049	19,640
Ordinary shares in issue	43,292,980	51,440,353	19,535,073
Net asset value per share	359.0p	74.0p	100.5p
	(Unaudited) 28th February 2009		
	Managed Growth	Managed Income	Managed Cash
Net assets attributable (£'000)	113,615	30,705	22,104
Ordinary shares in issue	45,109,898	53,877,600	21,886,339
Net asset value per share	251.9p	57.0p	101.0p
	(Audited) 31st August 2009		
	Managed Growth	Managed Income	Managed Cash
Net assets attributable (£'000)	148,252	36,184	21,496
Ordinary shares in issue	44,650,134	51,979,421	21,425,261
Net asset value per share	332.0p	69.6p	100.3p

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

	(Unaudited) Six months ended 28th February 2010 £'000	(Unaudited) Six months ended 28th February 2009 £'000	(Audited) Year ended 31st August 2009 £'000
Net return/(loss) on ordinary activities before taxation	16,517	(59,988)	(14,709)
Add back capital (return)/loss before taxation	(14,698)	63,129	20,359
Decrease/(increase) in accrued income	178	(84)	162
Increase in other debtors	(10)	(8)	(3)
(Decrease)/increase in accrued expenses	(18)	(39)	20
Scrip dividends received as income	(22)	(24)	(24)
Expenses charged to capital	(161)	(146)	(277)
VAT recoverable included in capital	–	528	528
Taxation on unfranked income	(10)	(9)	(24)
<b>Net cash inflow from operating activities</b>	<b>1,776</b>	<b>3,359</b>	<b>6,032</b>

# 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 fall into five broad categories: investment and strategy; 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 2009.

## Related Parties 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 during the period.

## 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
- (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.

For and on behalf of the Board

**Simon Miller**  
Chairman

22nd April 2010

# 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 a high return, predominantly in the form of 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 and shares of 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 government securities/G7 government securities hedged into sterling.

## 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 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, in the shares 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 in the shares 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 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, in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not track this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

## **Share Price Discount/Premium to Net Asset Value**

If the share price of an investment company 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. The opposite of a discount is a premium. It is more common for an investment company's shares to trade at a discount than at a premium.

# 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)	
Managed Growth	June and December
Managed Income and Managed Cash	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

Simon Miller (Chairman)  
Angus Macpherson  
Robert Ottley  
Nigel Sidebottom (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: 2408009

## 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

The Company's net asset values ('NAV') is 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, The Independent 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)

## Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

## Company's Registered Office

Finsbury Dials  
20 Finsbury Street  
London EC2Y 9AQ  
Telephone number: 0207 742 6000

For company secretarial and administrative matters, please contact Alison Vincent.

## Registrars

Equiniti  
Reference 2018  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone number: 0871 384 2319

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).

## 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.

## Auditors

Ernst & Young LLP  
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

**aic**

The Association of  
Investment Companies A member of the AIC

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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)