



# Half Year Report 2011

JPMorgan Elect plc

Half Year Report & Accounts for the six months ended 28th February 2011

J.P.Morgan  
Asset Management

# Features

## Contents

### About the Company

- 1 Chairman's Statement

### Managed Growth Share Class

- 4 Half Year Performance
- 5 Investment Managers' Report
- 8 Twenty Largest Investments
- 9 Geographical Analysis
- 10 Income Statement
- 11 Balance Sheet

### Managed Income Share Class

- 12 Half Year Performance
- 13 Investment Managers' Report
- 17 Twenty Largest Investments
- 18 Sector Analysis
- 19 Income Statement
- 20 Balance Sheet

### Managed Cash Share Class

- 21 Half Year Performance
- 22 Investment Managers' Report
- 23 List of Investments
- 23 Portfolio Analysis
- 24 Income Statement
- 25 Balance Sheet

### Accounts

- 26 Income Statement
- 27 Reconciliation of Movements in Shareholders' Funds
- 28 Balance Sheet
- 29 Cash Flow Statement
- 30 Notes to the Accounts

### Shareholder Information

- 33 Interim Management Report
- 34 Capital Structure and Conversion between Share Classes
- 35 Glossary of Terms and Definitions
- 37 Information about the Company

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.

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.

### 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** - At 28th February 2011, the Managed Growth share class comprised 41,615,686 ordinary shares.

**Managed Income** - At 28th February 2011, the Managed Income share class comprised 49,230,058 ordinary shares.

**Managed Cash** - At 28th February 2011, the Managed Cash share class comprised 17,703,363 ordinary shares.

### 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



I am very pleased to report that the Managed Growth and Managed Income portfolios have delivered strong returns in both absolute and relative terms over the six months to 28th February 2011. With its remit of capital preservation, the Managed Cash portfolio also registered positive performance.

Global equity markets delivered very strong performance over the period against a background of highly volatile conditions, as you will see from the individual reports by the investment managers. These reports give a detailed review of market and portfolio performance, together with the investment managers' views on market outlook for each share class, and I do encourage shareholders to read them.

## **Managed Growth**

### **Performance**

Over the six months to 28th February 2011 the Managed Growth portfolio delivered a total return on net assets of 20.8%. This represents a 3.2 percentage point outperformance of the composite benchmark (comprised equally of the FTSE All-Share and FTSE World (ex-UK) indices) which rose 17.6% over the period. The share price total return was 21.1%, reflecting a narrowing of the discount over the period.

### **Dividends**

An interim dividend of 1.80 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 2011 will be paid in a single combined payment on 21st June 2011 to shareholders on the register on 27th May 2011. Currently dividends in respect of the Managed Growth share class are paid every six months, each payment combining two quarterly dividend distributions. Following the introduction of quarterly conversion rights, the Board has resolved to pay Managed Growth dividends quarterly from September 2011 onwards.

### **Share Capital**

In the six months to 28th February 2011, 80,000 Managed Growth shares were issued and a total of 838,034 shares were repurchased for cancellation. As is the case for all three share classes, new shares were issued at a premium, 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 367,086 shares for cancellation.

## **Managed Income**

### **Performance**

The Managed Income portfolio produced a total return on net assets of 15.3% over the six months to 28th February 2011. This represents a 1.4 percentage point outperformance of the composite benchmark (comprised of 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms) which returned 13.9%. The share price total return was 16.3%, again reflecting a narrowing of the discount over the period.

# Chairman's Statement continued

## **Dividends**

Two quarterly dividends totalling 1.85 pence per share have been paid to date in the current financial year. A third quarterly dividend will be paid on 21st June 2011 to shareholders on the register on 27th May 2011. The amount of the dividend payment will be notified to shareholders in May 2011. Due to the frequency and timing of distributions from the underlying investments, the quarterly dividends are unlikely to be of equal amounts.

The Board continues to monitor closely the earnings generated by this portfolio. The outlook for UK dividend payments has improved recently, especially in light of the news from BP that its dividend distributions have been reinstated. Current estimates indicate that the portfolio will earn sufficient income to maintain last year's dividend of 3.30 pence per share, albeit with a minimal distribution from the revenue reserve. Current forecasts for 2012 suggest dividend payments will continue the upward trend, although given the current economic uncertainties this is by no means guaranteed. It is the intention of the Board to return to a pattern of annual increases 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 2011, a total of 579,615 Managed Income shares were repurchased for cancellation. Since the period end, the Company has repurchased a further 171,485 shares for cancellation.

## **Managed Cash**

### **Performance**

The Managed Cash portfolio produced a total return on net assets of +0.3% over the six months to 28th February 2011. The total return to shareholders was +0.4%. 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).

### **Dividends**

Shareholders will not have to be reminded that returns on cash continue at historically low levels, which means that the Directors have to balance the frequency of payments against the cost of distribution. Over the last year a sufficient reserve has been accumulated to enable the payment of a dividend of 0.15 pence per share. A return to quarterly dividends should not be expected whilst interest rates remain low, and a decision on timing and amount of any future dividend will be taken with both costs of distribution and amount available in mind.

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 2011, a total of 425,000 Managed Cash shares were repurchased for cancellation. Since the period end, the Company has repurchased a further 100,000 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 31st May 2011. Details of how to convert can be found on page 34 of this report and on the Company's website, [www.jpmelect.co.uk](http://www.jpmelect.co.uk).

**Communication with shareholders**

I always welcome comments from shareholders either in writing or via the Company's website. Please address your letters to me at the Company's registered office (found on page 37 of this report), or follow the 'Ask the Chairman' link on the Company's website.

Simon Miller  
Chairman

19th April 2011

# Half Year Performance

Total returns (includes dividends reinvested)

## Managed Growth Share Class

**+21.1%**  
Return to shareholders<sup>1</sup>

**+20.8%**  
Return on net assets<sup>2</sup>

**+17.6%**  
Benchmark return<sup>3</sup>

**1.80p**  
Dividend<sup>4</sup>  
(2010: 1.60p)

### Financial Data

	28th February 2011	31st August 2010	% change
Shareholders' funds (£'000)	<b>178,093</b>	150,412	+18.4
Number of shares in issue	<b>41,615,686</b>	42,217,296	-1.4
Net asset value per share	<b>427.9p</b>	356.3p	+20.1
Share price	<b>420.0p</b>	349.0p	+20.3
Share price discount to net asset value per share	<b>1.8%</b>	2.0%	

A glossary of terms and definitions is provided on page 35.

<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



Jonathan Lowe

## Market Review

The six months under review were positive for equity markets. The period began with concerns over whether the global economic recovery was stalling following a slowdown in leading economic indicators over the summer and whether/when the US Federal Reserve (the 'Fed') would introduce a second round of quantitative easing. The Fed announced the resumption of its asset purchase programme in November by stating it intended to buy \$600 billion of Treasury securities by the end of the second quarter of 2011. There was further debate as to whether this round of quantitative easing would work as intended and how to judge its success. However, markets certainly took comfort from the extraordinary policy action and better economic data.



Katy Thorneycroft

In local currency terms US equities were the clear winner over the period with Asian, emerging market and European equities lagging. The underperformance of Asian equities and emerging markets has come mainly since the start of the year. The issues that dominated the debate were the divergence between the growth outlook in core Europe versus peripheral Europe, ongoing solvency concerns for Greece, Ireland and Portugal in particular, civil unrest in the Middle East and the ongoing inflation pressures in emerging markets. Looking at currency movements the US dollar and Japanese yen weakened against sterling, reducing equity market returns to sterling investors; but the euro strengthened against sterling thereby mitigating the local market underperformance.

Equity market valuations look good to fairly valued on a price to earnings basis for the markets in which we invest when compared to historic multiples, with markets trading at small discounts to their long run forward price to earnings multiples. One note of caution was that earnings momentum, as measured by the ratio of upgrades to downgrades, was starting to slow in some markets.

## Performance Review

The Managed Growth portfolio delivered a return on net assets of 20.8% over the period, ahead of its benchmark return of 17.6%. The return to shareholders was 21.1% as the discount narrowed slightly.

### Total returns to 28th February 2011

	Six months	One year	Two years	Three years	Five years
Return to shareholders (%)	21.1	21.7	76.6	20.0	25.9
Return on net assets (%)	20.8	20.9	76.9	20.4	24.8
Benchmark return (%)	17.6	15.5	70.6	20.2	29.2
FTSE All-Share Index (%)	16.5	17.0	72.4	15.5	25.6
FTSE World (ex UK) Index (%)	18.6	14.0	68.8	24.8	32.8

Source: Datastream/J.P. Morgan.

# Investment Managers' Report continued

The main driver of outperformance over the six months was the performances generated from the underlying funds. There were strong relative performances from JPMorgan UK Dynamic and JPMorgan Claverhouse, JPMorgan American, JPMorgan Europe (Growth) and JPMorgan Asian investment trusts. Of the third party managers the best relative performances came from Jupiter European Opportunities, Artemis Alpha, Hansa Trust and SVM UK Active. While in general this was a good period for relative performances some holdings were a little disappointing.

Discounts tightened across the broader market and the portfolio benefited from tightening in some positions such as Gartmore Irish, RCM Technology and the smaller companies trusts.

Regional asset allocation was, on balance, a detractor from returns over this period. While the underweight position in UK equities contributed to relative performance, Asian and emerging markets exposure, having been a benefit in the first half of the period, detracted from returns in 2011. Mid cap and small cap equities outperformed large cap equities in all the main regions and although the positioning was reduced following strong performances from our holdings, we remain overweight compared to the benchmark exposure.

## **Portfolio Activity**

At the end of February 2011 the portfolio was 55% invested in J.P. Morgan managed investment trusts, 27% invested in third party investment trusts and 17% in J.P. Morgan open ended funds. The balance was in cash.

This was a busy period for the portfolio. We added to a number of investment trusts on wider discounts such as JPMorgan Smaller Companies, JPMorgan Japanese, Schroder UK Growth and JPMorgan Claverhouse at the beginning of the period and reduced some positions on tighter discounts that had performed strongly such as JPMorgan Brazil and Finsbury Growth & Income. As a result of disappointing performance Alliance Trust and Dolphin Capital Investors were sold. At the end of the period we took profits in some of those trusts where we had been opportunistically buying in the Autumn, for instance reducing JPMorgan Smaller Companies following a greater than 30% return. New holdings in the portfolio were taken in BlackRock Frontiers and Ecofin Power & Water. We also took profits in Artemis Alpha, Schroder UK Growth and RCM Technology in January and February as well as adding back to JPMorgan UK Dynamic. Corporate activity was high with Gartmore Irish announcing a wind-up, Gartmore Growth Opportunities offering a cash exit and also a rollover over into Artemis Alpha (the Managed Growth portfolio was a shareholder of both trusts) and a hedge fund manager buying a material stake in SVM UK Active and, at the time of writing, making a cash offer for the shares of SVM UK Active.

## **Outlook**

Recently, markets have been volatile. In particular Asian equities have been impacted by the high oil price as net energy importing nations, the proximity to Japan after the devastating Tohoku earthquake and tsunami and the more general concerns of inflation pressures in China. In developed markets, we have seen some softness once

more in leading indicators and earnings momentum (as measured by the proportion of upgrades to downgrades) in recent weeks but we have continued to see solid earnings numbers from corporates as well as continued merger and acquisition activity which we believe will continue to be supportive for equity markets. We commented earlier that when valuing equity markets on a Price to Earnings basis valuations are reasonable versus history. For the investment trust universe in aggregate we feel that average discounts to net asset values are tight compared to history. Much of this, however is driven by the income oriented strategies which do not really feature in this portfolio and so we are comfortable that we can still buy good investment trusts on reasonable discounts to NAV.

We remain positioned for positive equity markets over the medium term and have retained our exposure to emerging markets. We acknowledge that there may be continued volatility in equity markets in the short term as we see how Europe processes expected interest rate increases, how China copes with continued interest rate rises, how Japan recovers in the aftermath of the earthquake and what impact higher oil prices may have on the global economy. We expect to continue taking advantage of discount volatility in order to add to or reduce our existing positions and will retain our focus on allocating to those managers who we believe can outperform over the long term.

Jonathan Lowe  
Katy Thorneycroft  
Investment Managers

19th April 2011

# Twenty Largest Investments

at 28th February 2011

Company	Value £'000	% <sup>1</sup>
JPMorgan Claverhouse Investment Trust plc	19,592	11.0
JPMorgan American Investment Trust plc	13,872	7.8
JPMorgan UK Dynamic Fund ('A' shares) <sup>2</sup>	13,378	7.5
JPMorgan US Select Equity Fund ('A' shares) <sup>2</sup>	9,854	5.5
JPMorgan Asian Investment Trust plc <sup>3</sup>	9,487	5.3
The Mercantile Investment Trust plc	8,796	4.9
JPMorgan European Investment Trust plc (Growth shares)	7,285	4.1
JPMorgan US Fund (A shares) <sup>2</sup>	7,078	4.0
JPMorgan Smaller Companies Investment Trust plc	6,877	3.9
JPMorgan Emerging Markets Investment Trust plc <sup>3</sup>	6,712	3.8
JPMorgan Japanese Investment Trust plc	6,585	3.7
Hansa Trust ('A' non-voting shares)	5,434	3.0
JPMorgan European Smaller Companies Trust plc	5,213	2.9
BlackRock World Mining Trust plc	5,105	2.9
RCM Technology Trust plc	4,382	2.5
Finsbury Growth & Income Trust plc	3,572	2.0
Fidelity Special Values plc	3,303	1.9
JPMorgan US Smaller Companies Investment Trust plc	3,252	1.8
SVM UK Active Fund	3,174	1.8
Edinburgh Worldwide Investment Trust plc	2,822	1.6
<b>Total*</b>	<b>145,773</b>	<b>81.9</b>

<sup>1</sup>Based on total assets less current liabilities of £178.1m.

<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 shares and subscription shares held.

\*At 31st August 2010, the value of the twenty largest investments amounted to £121.8m, representing 80.9% of total assets less current liabilities.

# Geographical Analysis

(on a look through basis)

	28th February 2011		31st August 2010	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
UK	39.5	49.8	41.0	49.9
North America	24.2	26.8	24.2	26.2
Asia (excluding Japan)	10.5	3.2	11.3	3.4
Emerging Markets and others	10.1	4.7	6.4	4.9
Continental Europe	9.8	10.7	10.5	10.6
Japan	4.9	4.8	4.8	5.0
Net current assets	1.0	–	1.8	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

<sup>1</sup>Based on total assets less current liabilities of £178.1m (2010: £150.4m).

# Income Statement

for the six months ended 28th February 2011

	(Unaudited) Six months ended 28th February 2011			(Unaudited) Six months ended 28th February 2010			(Audited) Year ended 31st August 2010		
	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>	–	30,207	30,207	–	12,039	12,039	–	11,317	11,317
Net foreign currency losses	–	–	–	–	–	–	–	(1)	(1)
Income from investments	1,429	–	1,429	1,426	–	1,426	2,683	–	2,683
Other interest receivable and similar income	4	–	4	5	–	5	8	–	8
<b>Gross return</b>	<b>1,433</b>	<b>30,207</b>	<b>31,640</b>	1,431	12,039	13,470	2,691	11,316	14,007
Management fee	(57)	(172)	(229)	(40)	(121)	(161)	(86)	(259)	(345)
Other administrative expenses	(211)	–	(211)	(201)	–	(201)	(415)	–	(415)
<b>Net return on ordinary activities before taxation</b>	<b>1,165</b>	<b>30,035</b>	<b>31,200</b>	1,190	11,918	13,108	2,190	11,057	13,247
Taxation credit/(charge)	14	–	14	16	–	16	(19)	–	(19)
<b>Net return on ordinary activities after taxation</b>	<b>1,179</b>	<b>30,035</b>	<b>31,214</b>	1,206	11,918	13,124	2,171	11,057	13,228
<b>Return per Managed Growth share</b>	<b>2.81p</b>	<b>71.58p</b>	<b>74.39p</b>	2.75p	27.15p	29.90p	5.02p	25.57p	30.59p

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 2011

	(Unaudited) 28th February 2011 £'000	(Unaudited) 28th February 2010 £'000	(Audited) 31st August 2010 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	<b>176,225</b>	153,845	148,772
<b>Current assets</b>			
Debtors	<b>457</b>	416	259
Cash and short term deposits	<b>1,862</b>	1,360	1,549
	<b>2,319</b>	1,776	1,808
<b>Creditors:</b> amounts falling due within one year	<b>(451)</b>	(184)	(168)
<b>Net current assets</b>	<b>1,868</b>	1,592	1,640
<b>Total assets less current liabilities</b>	<b>178,093</b>	155,437	150,412
<b>Total net assets</b>	<b>178,093</b>	155,437	150,412
<b>Net asset value per Managed Growth share</b>	<b>427.9p</b>	359.0p	356.3p

# Half Year Performance

Total returns (includes dividends reinvested)

## Managed Income Share Class

**+16.3%**  
Return to shareholders<sup>1</sup>

**+15.3%**  
Return on net assets<sup>2</sup>

**+13.9%**  
Benchmark return<sup>3</sup>

**1.85p**  
Dividend<sup>4</sup>  
(2010: 1.55p)

### Financial Data

	28th February 2011	31st August 2010	% change
Shareholders' funds (£'000)	<b>40,202</b>	36,012	+11.6
Number of shares in issue	<b>49,230,058</b>	49,392,316	-0.3
Net asset value per share	<b>81.7p</b>	72.9p	+12.1
Share price	<b>79.5p</b>	70.0p	+13.6
Share price discount to net asset value per share	<b>2.7%</b>	4.0%	

A glossary of terms and definitions is provided on page 35.

<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



John Baker



Sarah Emly

## Market Review

The UK stock market delivered strong returns in the review period, with the FTSE All-Share Index rising by +16.5% in the six months to 28th February 2011. The UK's high exposure to international demand supported returns as the global economic recovery picked up speed. However, it wasn't all plain sailing, as the resurgence of the eurozone sovereign debt crisis in late October, a continued rise in UK inflation data and concerns over civil unrest in the Middle East and North Africa contributed to bouts of volatility.

UK corporate bonds had a more volatile six months, with the Barclays Capital Global Corporate Bond Index, hedged into sterling, falling 0.4%. Although improving corporate and economic fundamentals and loose monetary policy combined to create a generally benign environment for investment grade credit, eurozone peripheral stress caused occasional market corrections driven by weakness among financial issuers.

The review period got off to a strong start for UK equities, as expectations for further quantitative easing by the US Federal Reserve triggered a global stock market rally in September and October. Robust corporate profits provided further support, while economic data suggested the recovery was gaining pace as UK third quarter GDP rose 3.2% at an annualised rate, well above expectations and the long-term trend rate.

In late October, the eurozone debt crisis reared its head again as the German government's suggestion that investors should share some of the burden of bailing out the highly indebted eurozone countries led to a renewed rise in peripheral bond yields. Under pressure from rising borrowing costs, Ireland requested an EUR 85 billion rescue package from the European Union and the International Monetary Fund at the end of November. In the absence of firm European action to deal with the crisis, investors worried about whether Portugal and even Spain may need a bailout.

Investor confidence was further hit by the re-emergence of Chinese inflation concerns in late November amid worries that a sharp rise in interest rates could curb Chinese economic growth. As 2010 came to an end the market was buoyed by generally strong UK economic data, particularly from the manufacturing sector, as a weak pound helped boost UK exports and led to rising expectations for corporate profits growth.

However, the UK economy contracted by 0.5% in the fourth quarter, versus consensus expectations for growth of 0.5%, as construction slumped and freezing winter weather hit retail spending. The meagre growth data supported the case for the Bank of England to keep interest rates on hold, despite inflation remaining persistently high. In January, UK consumer prices rose 4% year on year, well above the central bank's 2.0% target, sparking expectations for an imminent rise in interest rates. However, the Bank of England's February Inflation Report eased fears of tighter monetary policy, emphasising challenges to economic growth as well as the uncertain future path of inflation.

# Investment Managers' Report continued

The review period saw a broad recovery in dividend payments from UK companies as profitability improved and credit conditions continued to ease. Although 2010 saw a 3.3% drop in dividend payments overall according to research from Capita Registrars\*, the main reason for the drop was the cancellation in BP's payout last June following the Deepwater Horizon disaster. Excluding this impact from BP, UK dividends rose by 7.5%. Overall, corporate UK had a strong six months, with corporate earnings data being stronger than expected throughout the reporting seasons, boosted by cost cutting and more latterly by revenue growth. This strong earnings growth trend supported the valuation of the equity market throughout the period under review.

## Performance Review

In the six months to the 28th February 2011 the Managed Income portfolio delivered a return on net assets of +15.3% against the total return of the composite benchmark of +13.9%. The portfolio has outperformed its benchmark over this period, both as a result of favourable stock selection within the UK equity market and due to the asset allocation decision to be overweight in equities and consequently underweight in corporate bonds over the first half of our financial year.

## Total returns to 28th February 2011

	Six months	One year	Two years	Three years	Five years
Return to shareholders (%)	16.3	14.3	56.7	0.1	-4.1
Return on net assets (%)	15.3	15.9	60.7	3.1	-2.9
Benchmark return (%) <sup>1</sup>	13.9	15.5	63.5	18.3	17.1
FTSE All-Share Index (%)	16.5	17.0	72.4	15.5	25.6
Barclays Capital Global Corporate Bond Index (hedged) in Sterling terms (%)	-0.4	5.9	12.9	6.3	5.3

Source: Datastream/J.P. Morgan.

<sup>1</sup>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 continued underweight position in the food and drug retailing sector, particularly not owning Tesco, contributed positively to performance as the market rewarded more cyclically exposed stocks at the expense of those with more defensive characteristics. Our holdings in some of the mining stocks delivered exceptionally strong returns, with Xstrata, an international diversified mining group, rising by 37%, whilst BHP Billiton rose by 33%. However, not owning Anglo American, another

\*Capita Registrars Dividend Monitor.

international mining company, detracted from performance over the period. The more cyclically oriented stocks continued to perform very strongly. For instance, Weir Group, which manufactures pumps used in the mining industry rose 42%. The portfolio also benefited from holdings in IMI, up 30%, and Elementis, up 38%. By contrast, being underweight the low yielding oil and gas major, BG, was detrimental to performance as it outperformed the rising market significantly, as did BP; however our overweight position in the high yielding Royal Dutch Shell was a positive contributor to performance. Not owning Arm Holdings, a leading semiconductor intellectual property company, also hurt performance as it enjoyed a 68% rise in the period. Overall the portfolio's performance was solid over the first six months of our financial year, with the underlying equity portfolio outperforming the rising market.

### Portfolio Review

Over the course of the six months we increased our allocation to equities, reflecting our confidence that strengthening economic data and good corporate newsflow would lead to the outperformance of equities over bonds. We raised some funds from our holding in the global corporate bond fund, and reinvested the proceeds into attractive UK equities, a combination of cyclical stocks and those with attractive dividend yields. At the end of February 2011, our asset allocation to corporate bonds was just over 8%, with a resulting overweight position in equities, relative to our composite benchmark (85% equities and 15% corporate bonds).

During the six months we bought a number of stocks that were delivering strong earnings recoveries, such as the speciality chemicals group Victrex, which was benefiting from increased demand for its products. Additionally, we added to some of our non life insurers and life assurance stocks, such as Lancashire Holdings and Legal & General as their valuations remained compelling in light of their strengthening earnings outlooks. Other notable purchases included the food producer Tate & Lyle, as the company repositioned its business portfolio, and Melrose, an international engineering group that is consistently beating profit forecasts. By contrast, we sold our positions in most of the general retail stocks (Halfords and Next) during the early part of the year, as the outlook for consumer spending began to deteriorate, alongside the early signs of rising input costs which would adversely impact the margins of these companies and hence their profitability. Our decisions to buy and sell stocks are predicated as ever on our search for stocks that are cheap, experiencing positive newsflow and benefiting from strong earnings growth, whilst also offering attractive dividends.

### Outlook

Uncertain monetary policy direction in the UK, worries over European sovereign debt, escalating civil unrest in the Middle East and North Africa and potential repercussions from the earthquake in Japan on the global economy all present considerable challenges for the UK stock market.

We remain relatively sanguine on the outlook for UK interest rates and are sceptical that monetary policy will be tightened as fast as some investors expect. The Bank of

# Investment Managers' Report continued

England will not wish to add substantially to the pressure on consumers represented by the recent VAT rise (to 20%) and higher fuel costs by increasing their mortgage and other loan costs. Furthermore, inflation of 4% looks alarming, but can be largely attributed to high commodity prices and tax rises.

The economic recovery remains fragile, as illustrated by disappointing fourth-quarter GDP data. The impacts of the Japan earthquake and of higher oil prices on the economic outlook remain uncertain, but the UK economy is currently forecast to grow by +1.7% in 2011. This economic recovery provides a benign backdrop for equities. The UK equity market valuation remains below its long term average. Large-cap stocks in particular offer attractive income and growth opportunities, whilst also being supported by high exposure to foreign demand rather than being reliant on the domestic economy.

Having delivered earnings growth in excess of 40% in 2010, the current consensus expectation is for UK earnings to grow by an incremental 15% in 2011. The outlook for UK dividend payments is also positive. With BP announcing the reinstatement of its dividend in early February, dividend payouts are expected to grow solidly again this year as companies return more of their surplus cash to shareholders.

John Baker  
Sarah Emly  
Investment Managers

19th April 2011

# Twenty Largest Investments

at 28th February 2011

Company	Value £'000	% <sup>1</sup>
JPMorgan Income & Growth Investment Trust plc (Income shares and Capital shares)	3,164	7.9
Royal Dutch Shell	2,946	7.3
JPMorgan Global Corporate Bond Fund ('A' Distribution shares)	2,349	5.8
HSBC	2,211	5.5
Vodafone	1,874	4.7
Rio Tinto	1,383	3.4
British American Tobacco	1,314	3.3
GlaxoSmithKline	1,148	2.9
AstraZeneca	1,137	2.8
BHP Billiton	1,114	2.8
Xstrata	1,104	2.7
BP	1,030	2.6
JPMorgan Global High Yield Bond Fund ('A' Income shares)	1,006	2.5
JPMorgan European Investment Trust plc (Income shares)	925	2.3
Aviva	786	2.0
Standard Chartered	603	1.5
BT	537	1.3
BG	534	1.3
United Business Media	527	1.3
Tate & Lyle	497	1.2
<b>Total*</b>	<b>26,189</b>	<b>65.1</b>

<sup>1</sup>Based on total assets less current liabilities of £40.2m.

\*At 31st August 2010, the value of the twenty largest investments amounted to £25.3m, representing 70.2% of total assets less current liabilities.

# Sector Analysis

	28th February 2011		31st August 2010	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Financials	20.1	17.3	19.0	17.9
Basic Materials	11.9	11.3	8.6	9.9
Oil & Gas	11.7	14.9	9.5	13.4
Investment Trusts	10.2	2.5	12.9	2.4
Industrials	9.6	6.2	8.0	6.1
Consumer Services	6.8	8.1	6.6	8.4
Telecommunications	6.0	5.2	6.1	5.4
Consumer Goods	5.9	9.2	5.6	9.8
Healthcare	5.7	5.8	6.7	6.8
Utilities	3.1	3.1	3.6	3.4
Technology	–	1.4	–	1.5
Bond Funds	8.3	15.0	12.2	15.0
Net current assets	0.7	–	1.2	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

<sup>1</sup>Based on total assets less current liabilities of £40.2m (2010: £36.0m).

# Income Statement

for the six months ended 28th February 2011

	(Unaudited) Six months ended 28th February 2011			(Unaudited) Six months ended 28th February 2010			(Audited) Year ended 31st August 2010		
	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>	–	4,640	4,640	–	2,823	2,823	–	2,243	2,243
Net foreign currency losses	–	–	–	–	(1)	(1)	–	(4)	(4)
Income from investments	882	–	882	664	–	664	1,493	–	1,493
Other interest receivable and similar income	29	–	29	12	–	12	58	–	58
<b>Gross return</b>	<b>911</b>	<b>4,640</b>	<b>5,551</b>	676	2,822	3,498	1,551	2,239	3,790
Management fee	(36)	(44)	(80)	(37)	(40)	(77)	(70)	(82)	(152)
Other administrative expenses	(46)	–	(46)	(43)	–	(43)	(92)	–	(92)
<b>Net return on ordinary activities before taxation</b>	<b>829</b>	<b>4,596</b>	<b>5,425</b>	596	2,782	3,378	1,389	2,157	3,546
Taxation (charge)/credit	(43)	34	(9)	–	–	–	(15)	–	(15)
<b>Net return on ordinary activities after taxation</b>	<b>786</b>	<b>4,630</b>	<b>5,416</b>	596	2,782	3,378	1,374	2,157	3,531
<b>Return per Managed Income share</b>	<b>1.59p</b>	<b>9.35p</b>	<b>10.94p</b>	1.15p	5.38p	6.53p	2.68p	4.21p	6.89p

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 2011

	(Unaudited) 28th February 2011 £'000	(Unaudited) 28th February 2010 £'000	(Audited) 31st August 2010 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	39,929	37,306	35,600
<b>Current assets</b>			
Debtors	290	197	403
Cash and short term deposits	194	585	164
	484	782	567
<b>Creditors:</b> amounts falling due within one year	(202)	(39)	(155)
Financial liability: Derivative financial instruments	(9)	–	–
<b>Net current assets</b>	273	743	412
<b>Total assets less current liabilities</b>	40,202	38,049	36,012
<b>Total net assets</b>	40,202	38,049	36,012
<b>Net asset value per Managed Income share</b>	81.7p	74.0p	72.9p

# Half Year Performance

Total returns (includes dividends reinvested)

## Managed Cash Share Class

**+0.4%**  
Return to shareholders<sup>1</sup>

**+0.3%**  
Return on net assets<sup>2</sup>

**0.15p**  
Dividend  
(2009: 0.0p)<sup>3</sup>

### Financial Data

	28th February 2011	31st August 2010	% change
Shareholders' funds (£'000)	<b>17,865</b>	19,882	-10.1
Number of shares in issue	<b>17,703,363</b>	19,753,573	-10.4
Net asset value per share	<b>100.9p</b>	100.7p	+0.2
Share price	<b>100.3p</b>	100.0p	+0.3
Share price discount to net asset value per share	<b>0.6%</b>	0.7%	

A glossary of terms and definitions is provided on page 35.

<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



Jonathan Lowe

## Performance Review

The net asset value of the Managed Cash portfolio returned 0.3% over the six months to the 28th February 2011. The total return to shareholders was 0.4%.

The revenue generated from this portfolio has once again been low. We commented back in August that we did not expect to see any changes to the policy rate over the next few months and this has proven correct, and as a result, our underlying funds have struggled to find yield within the constraints of their AAA-rated mandates. We are currently invested in six AAA-rated stable value money market funds, managed by Fidelity, BlackRock, Insight, J.P.Morgan, Standard Life and Scottish Widows. The weighted average maturity is just under 38 days and as always our managers are focused on capital preservation first and foremost.



Katy Thorneycroft

## Outlook

Despite weak activity levels in the UK, inflation numbers consistently remain above the Bank of England's Monetary Policy Committee's (MPC's) target, with retail price inflation elevated at 5.1% year on year in January and consumer price inflation at 4.0% (double the MPC's target). This has led the market to expect at least one or maybe two rate hikes over the next six months. If this does indeed occur we would expect that returns from the Managed Cash portfolio will begin to rise.

Jonathan Lowe  
Katy Thorneycroft  
Investment Managers

19th April 2011

# List of Investments

at 28th February 2011

Company	Yield % <sup>1</sup>	Rating <sup>2</sup>	Value £'000	% <sup>3</sup>
Standard Life Sterling Liquidity Fund	0.73	AAA	3,418	19.1
Insight Sterling Liquidity Fund	0.76	AAA	3,307	18.5
Scottish Widows Investment Partnership Liquidity Fund	0.73	AAA	3,255	18.2
JPMorgan Sterling Liquidity Fund	0.70	AAA	3,024	16.9
Fidelity Institutional Sterling Cash Fund	0.70	AAA	2,631	14.8
BlackRock Institutional Cash Series Heritage Fund	0.51	AAA	2,557	14.3
<b>Total*</b>			18,192	101.8

<sup>1</sup>1 year return to 28th February 2011. 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 £17.9m.

\*At 31st August 2010, the value of investments amounted to £19.9m, representing 100.1% of total assets less current liabilities.

## Portfolio Analysis

	28th February 2011 %	31st August 2010 %
Sterling liquidity funds and cash funds	101.8	100.1
Net current liabilities	(1.8) <sup>1</sup>	(0.1)
<b>Total<sup>2</sup></b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup>Mainly comprises amounts payable in respect of Managed Cash shares redeemed in the February 2011 opportunity.

<sup>2</sup>Based on total assets less current liabilities of £17.9m (2010: £19.9m).

# Income Statement

for the six months ended 28th February 2011

	(Unaudited) Six months ended 28th February 2011			(Unaudited) Six months ended 28th February 2010			(Audited) Year ended 31st August 2010		
	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>	–	(1)	(1)	–	(2)	(2)	–	(2)	(2)
Income from investments	58	–	58	50	–	50	104	–	104
<b>Gross return/(loss)</b>	<b>58</b>	<b>(1)</b>	<b>57</b>	50	(2)	48	104	(2)	102
Other administrative expenses	(16)	–	(16)	(17)	–	(17)	(43)	–	(43)
<b>Net return/(loss) on ordinary activities before taxation</b>	<b>42</b>	<b>(1)</b>	<b>41</b>	33	(2)	31	61	(2)	59
Taxation	(6)	–	(6)	(9)	–	(9)	(17)	–	(17)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>36</b>	<b>(1)</b>	<b>35</b>	24	(2)	22	44	(2)	42
<b>Return/(loss) per Managed Cash share</b>	<b>0.19p</b>	<b>0.00p</b>	<b>0.19p</b>	0.12p	(0.01)p	0.11p	0.22p	(0.01)p	0.21p

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 2011

	(Unaudited) 28th February 2011 £'000	(Unaudited) 28th February 2010 £'000	(Audited) 31st August 2010 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	<b>18,192</b>	19,612	19,897
<b>Current assets</b>			
Debtors	<b>15</b>	11	14
Cash and short term deposits	–	37	2
	<b>15</b>	48	16
<b>Creditors:</b> amounts falling due within one year <sup>1</sup>	<b>(342)</b>	(20)	(31)
<b>Net current (liabilities)/assets</b>	<b>(327)</b>	28	(15)
<b>Total assets less current liabilities</b>	<b>17,865</b>	19,640	19,882
<b>Total net assets</b>	<b>17,865</b>	19,640	19,882
<b>Net asset value per Managed Cash share</b>	<b>100.9p</b>	100.5p	100.7p

<sup>1</sup>Mainly comprises amounts payable in respect of Managed Cash shares redeemed in the February 2011 opportunity.

# Income Statement

for the six months ended 28th February 2011

	(Unaudited) Six months ended 28th February 2011			(Unaudited) Six months ended 28th February 2010			(Audited) Year ended 31st August 2010		
	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	–	34,846	34,846	–	14,860	14,860	–	13,558	13,558
Net foreign currency losses	–	–	–	–	(1)	(1)	–	(5)	(5)
Income from investments	2,369	–	2,369	2,140	–	2,140	4,280	–	4,280
Other interest receivable and similar income	33	–	33	17	–	17	66	–	66
<b>Gross return</b>	<b>2,402</b>	<b>34,846</b>	<b>37,248</b>	2,157	14,859	17,016	4,346	13,553	17,899
Management fee	(93)	(216)	(309)	(77)	(161)	(238)	(156)	(341)	(497)
Other administrative expenses	(273)	–	(273)	(261)	–	(261)	(550)	–	(550)
<b>Net return on ordinary activities before taxation</b>	<b>2,036</b>	<b>34,630</b>	<b>36,666</b>	1,819	14,698	16,517	3,640	13,212	16,852
Taxation (charge)/credit	(35)	34	(1)	7	–	7	(51)	–	(51)
<b>Net return on ordinary activities after taxation</b>	<b>2,001</b>	<b>34,664</b>	<b>36,665</b>	1,826	14,698	16,524	3,589	13,212	16,801
<b>Return/(loss) per share</b> (note 4):									
Managed Growth	2.81p	71.58p	74.39p	2.75p	27.15p	29.90p	5.02p	25.57p	30.59p
Managed Income	1.59p	9.35p	10.94p	1.15p	5.38p	6.53p	2.68p	4.21p	6.89p
Managed Cash	0.19p	0.00p	0.19p	0.12p	(0.01)p	0.11p	0.22p	(0.01)p	0.21p

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 2011 (Unaudited)	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st August 2010</b>	24	68,244	117,009	19,141	1,888	<b>206,306</b>
Shares bought back and cancelled	–	–	(4,317)	–	–	<b>(4,317)</b>
Shares issued	–	312	–	–	–	<b>312</b>
Shares redeemed during the period	–	–	(676)	–	–	<b>(676)</b>
Share conversions during the period	–	1,717	(1,717)	–	–	<b>–</b>
Net return on ordinary activities	–	–	–	34,664	2,001	<b>36,665</b>
Dividends appropriated in the period	–	–	–	–	(2,130)	<b>(2,130)</b>
<b>At 28th February 2011</b>	<b>24</b>	<b>70,273</b>	<b>110,299</b>	<b>53,805</b>	<b>1,759</b>	<b>236,160</b>

  

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>

  

Year ended 31st August 2010 (Audited)	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	–	–	(12,458)	–	–	<b>(12,458)</b>
Shares issued	–	508	–	–	–	<b>508</b>
Share conversions during the year	–	2,833	(2,833)	–	–	<b>–</b>
Net return on ordinary activities	–	–	–	13,212	3,589	<b>16,801</b>
Dividends appropriated in the year	–	–	–	–	(4,477)	<b>(4,477)</b>
<b>At 31st August 2010</b>	<b>24</b>	<b>68,244</b>	<b>117,009</b>	<b>19,141</b>	<b>1,888</b>	<b>206,306</b>

# Balance Sheet

at 28th February 2011

	(Unaudited) 28th February 2011				(Unaudited) 28th February 2010	(Audited) 31st August 2010
	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	176,225	39,929	18,192	234,346	210,763	204,269
<b>Current assets</b>						
Debtors	457	290	15	762	624	676
Cash and short term deposits	1,862	194	–	2,056	1,982	1,715
	2,319	484	15	2,818	2,606	2,391
<b>Creditors:</b> amounts falling due within one year	(451)	(202)	(342)	(995)	(243)	(354)
Financial liability: Derivative financial instruments	–	(9)	–	(9)	–	–
<b>Net current assets/(liabilities)</b>	1,868	273	(327)	1,814	2,363	2,037
<b>Total assets less current liabilities</b>	178,093	40,202	17,865	236,160	213,126	206,306
<b>Total net assets</b>	178,093	40,202	17,865	236,160	213,126	206,306
<b>Capital and reserves</b>						
Called up share capital	18	4	2	24	24	24
Share premium	24,276	29,562	16,435	70,273	66,637	68,244
Other reserve	97,695	11,266	1,338	110,299	123,791	117,009
Capital reserves	54,863	(1,047)	(11)	53,805	20,627	19,141
Revenue reserve	1,241	417	101	1,759	2,047	1,888
<b>Shareholders' funds</b>	178,093	40,202	17,865	236,160	213,126	206,306

	28th February 2011		28th February 2010		31st August 2010	
	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>	427.9	178,093	359.0	155,437	356.3	150,412
<b>Managed Income</b>	81.7	40,202	74.0	38,049	72.9	36,012
<b>Managed Cash</b>	100.9	17,865	100.5	19,640	100.7	19,882

Company registration number: 3845060

# Cash Flow Statement

for the six months ended 28th February 2011

	(Unaudited) Six months ended 28th February 2011 £'000	(Unaudited) Six months ended 28th February 2010 £'000	(Audited) Year ended 31st August 2010 £'000
<b>Net cash inflow from operating activities</b> (note 6)	<b>1,927</b>	1,776	3,316
<b>Taxation paid</b>	–	(30)	(30)
<b>Net cash inflow from capital expenditure and financial investment</b>	<b>4,696</b>	5,459	10,858
Dividends paid	<b>(2,130)</b>	(2,556)	(4,477)
<b>Net cash outflow from financing</b>	<b>(4,466)</b>	(7,409)	(12,690)
<b>Increase/(decrease) in cash for the period</b>	<b>27</b>	(2,760)	(3,023)
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash for the period	<b>27</b>	(2,760)	(3,023)
Exchange movements	–	(1)	(5)
Changes in net funds arising from cash flows	<b>27</b>	(2,761)	(3,028)
Net funds at the beginning of the period	<b>1,715</b>	4,743	4,743
<b>Net funds at the end of the period</b>	<b>1,742</b>	1,982	1,715
<b>Represented by:</b>			
Cash and short term deposits	<b>2,056</b>	1,982	1,715
Bank overdraft	<b>(314)</b>	–	–
	<b>1,742</b>	1,982	1,715

# Notes to the Accounts

for the six months ended 28th February 2011

## 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 2010 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 2010.

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 2010.

## 3. Dividends

	(Unaudited) Six months ended 28th February 2011 £'000	(Unaudited) Six months ended 28th February 2010 £'000	(Audited) Year ended 31st August 2010 £'000
<b>Dividends paid</b>			
Managed Growth 4th interim dividend of 0.75p (2009: 1.55p) <sup>1</sup>	314	683	683
Managed Growth 1st interim dividend of 1.80p (2010: 1.60p)	754	705	705
Managed Growth 2010 2nd interim dividend of 1.10p	—	—	468
Managed Growth 2010 3rd interim dividend of 1.60p	—	—	682
Managed Income 4th quarterly dividend of 1.00p (2010: 1.45p) <sup>1</sup>	496	754	754
Managed Income 1st quarterly dividend of 1.15p (2010: 0.80p)	566	414	414
Managed Income 2010 2nd quarterly dividend of 0.75p	—	—	386
Managed Income 2010 3rd quarterly dividend of 0.75p	—	—	385
Managed Cash 4th quarterly dividend of nil (2009: nil)	0	0	0
Managed Cash 1st quarterly dividend of nil (2010: nil)	0	0	0
Managed Cash 2010 2nd quarterly dividend of nil	—	—	0
Managed Cash 2010 3rd quarterly dividend of nil	—	—	0
<b>Total dividends paid in the period</b>	<b>2,130</b>	2,556	4,477
<b>Dividends declared</b>			
Managed Growth 2010 4th interim dividend of 0.75p	—	—	317
Managed Growth 2nd interim dividend of 1.00p (2010: 1.20p)	416	520	—
Managed Income 2010 4th quarterly dividend of 1.00p	—	—	495
Managed Income 2nd quarterly dividend of 0.70p (2010: 0.75p)	346	386	—
Managed Cash 2010 4th quarterly dividend of nil	—	—	0
Managed Cash 2nd quarterly dividend of 0.15p (2010: nil)	27	0	—
<b>Total dividends declared<sup>2</sup></b>	<b>789</b>	906	812

<sup>1</sup>The actual dividend payment differs to the amount shown in the previous year end accounts due to issues or repurchases of shares in the period between the previous year end and the share register 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.

## 4. Return/(loss) per share

	(Unaudited) Six months ended 28th February 2011 £'000	(Unaudited) Six months ended 28th February 2010 £'000	(Audited) Year ended 31st August 2010 £'000
<b>Managed Growth</b>			
Return per Managed Growth share is based on the following:			
Revenue return	1,179	1,206	2,171
Capital return	30,035	11,918	11,057
Total return	31,214	13,124	13,228
Weighted average number of shares in issue	41,957,942	43,895,770	43,245,915
Revenue return per share	2.81p	2.75p	5.02p
Capital return per share	71.58p	27.15p	25.57p
Total return per share	74.39p	29.90p	30.59p
	(Unaudited) Six months ended 28th February 2011 £'000	(Unaudited) Six months ended 28th February 2010 £'000	(Audited) Year ended 31st August 2010 £'000
<b>Managed Income</b>			
Return per Managed Income share is based on the following:			
Revenue return	786	596	1,374
Capital return	4,630	2,782	2,157
Total return	5,416	3,378	3,531
Weighted average number of shares in issue	49,492,373	51,755,370	51,187,021
Revenue return per share	1.59p	1.15p	2.68p
Capital return per share	9.35p	5.38p	4.21p
Total return per share	10.94p	6.53p	6.89p
	(Unaudited) Six months ended 28th February 2011 £'000	(Unaudited) Six months ended 28th February 2010 £'000	(Audited) Year ended 31st August 2010 £'000
<b>Managed Cash</b>			
Return/(loss) per Managed Cash share is based on the following:			
Revenue return	36	24	44
Capital loss	(1)	(2)	(2)
Total return	35	22	42
Weighted average number of shares in issue	18,729,153	20,456,889	20,042,093
Revenue return per share	0.19p	0.12p	0.22p
Capital loss per share	0.00p	(0.01)p	(0.01)p
Total return per share	0.19p	0.11p	0.21p

# Notes to the Accounts continued

## 5. Net asset value per share

The net asset values per share are calculated as follows:

	(Unaudited) 28th February 2011		
	Managed Growth	Managed Income	Managed Cash
Net assets attributable (£'000)	178,093	40,202	17,865
Ordinary shares in issue	41,615,686	49,230,058	17,703,363
Net asset value per share	427.9p	81.7p	100.9p

	(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

	(Audited) 31st August 2010		
	Managed Growth	Managed Income	Managed Cash
Net assets attributable (£'000)	150,412	36,012	19,822
Ordinary shares in issue	42,217,296	49,392,316	19,753,573
Net asset value per share	356.3p	72.9p	100.7p

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

	(Unaudited) Six months ended 28th February 2011 £'000	(Unaudited) Six months ended 28th February 2010 £'000	(Audited) Year ended 31st August 2010 £'000
Net return on ordinary activities before taxation	36,666	16,517	16,852
Less capital return before taxation	(34,630)	(14,698)	(13,212)
(Increase)/decrease in accrued income	(68)	178	311
Increase in other debtors	(25)	(10)	(5)
Increase/(decrease) in accrued expenses	211	(18)	7
Scrip dividends received as income	(3)	(22)	(279)
Management fee charged to capital	(216)	(161)	(341)
Taxation on unfranked income	(8)	(10)	(17)
Net cash inflow from operating activities	1,927	1,776	3,316

# 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 2010.

## 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.

## Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio

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
- (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

19th April 2011

# 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.

## 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 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 ('NAV')**

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. 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.

# Notes

# 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, September 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

Calls to this number cost 8p per minute from a BT landline. Other providers' costs may vary. 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).

## 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.

## Independent Auditor

Ernst & Young LLP  
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

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Investment Companies

A member of the AIC

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)