

British Empire

Securities and General Trust p.l.c.

Investment Objective: To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

Performance

This investment management report relates to performance figures to 30 June 2010.

	Qtr	Financial Yr*	Calendar Yr
BTEM	-8.2%	0.3%	-0.3%
Benchmark²	-9.9%	2.3%	-1.5%
MSCI World¹	-11.3%	0.7%	-2.4%

Top Ten Equity Holdings

	%
Jardine Strategic	6.39
Vivendi	5.81
Jardine Matheson	5.29
GBL	5.04
Investor	4.64
Sofina	4.39
Deutsche Wohnen	3.21
Exor	3.05
Swire Pacific	2.57
Doosan Corp	2.23
TOTAL	42.62

Statistics

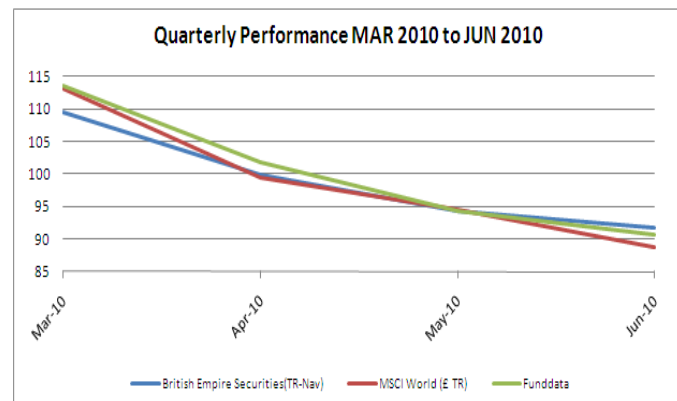
	Value	% 1 qtr	% 1 yr	% 3 yr	% 5 yr
Price (£) ¹	417.0	-6.1	12.1	-4.6	29.1
Net Asset Value ¹	447.8	-8.6	17.1	-10.3	33.0
Net Asset Value Total Return ¹		-8.2	19.0	-5.9	42.6
Benchmark ¹ (£)		-9.9	24.0	-7.9	34.1

Annual Returns (%)	2009	2008	2007	2006	2005
Price ¹	27.9	-22.3	-2.8	0.3	51.7
MSCI World ¹	16.5	-17.4	7.7	5.8	23.0

1 Source: Fundamental Data. Share price total return is on a mid-to-mid basis, with net income re-invested.

2 Fundamental Data Investment Trust Global Growth Index official Benchmark from 1st October 2008

3 Discounts are AVI estimates



Source: Bloomberg, Fundamental Data

Quarterly Investment Manager's Review

During the Quarter, markets have moved to price in a weaker economy and the increasing possibility of a double-dip recession. Equity markets have fallen because of fears that the austerity measures being adopted by European governments will weaken aggregate demand at a time when it is already weak due to consumer deleveraging and high unemployment. US leading economic indicators are also heading lower. The US and UK bond markets are rising as investors seek safety and security from the deflationary pressures of deleveraging in Western economies.

In this environment, we are looking more favourably on yield. We have shifted a portion of our liquidity from short-dated Treasury Bonds to longer-dated 10 year UK and US Treasury Bonds. As for the stocks we own, these continue to be focused on companies that have strong balance sheets and are trading on wide discounts to Net Asset Value. Dividends are also an important feature of many of our holdings. The family controlled holding companies and conglomerates typically have healthy dividends and given the defensive and stable nature of many of the businesses they own, we would expect these to be sustained in future. With returns on cash deposits languishing at very low levels, we believe investors may increasingly be drawn to companies that can pay relatively high and sustainable dividends.

Performance

During the period, British Empire's NAV fell by 8.2%, the MSCI World (£) fell by 11.3%, and the Benchmark fell by 9.9%.

There were notably strong positive performances from Jardine Matheson and Jardine Strategic. These companies give us exposure to a number of domestically focused Asian companies on reasonable valuations. The continued success of these businesses and the narrowing of the discounts on the holding companies aided our performance substantially over the period.

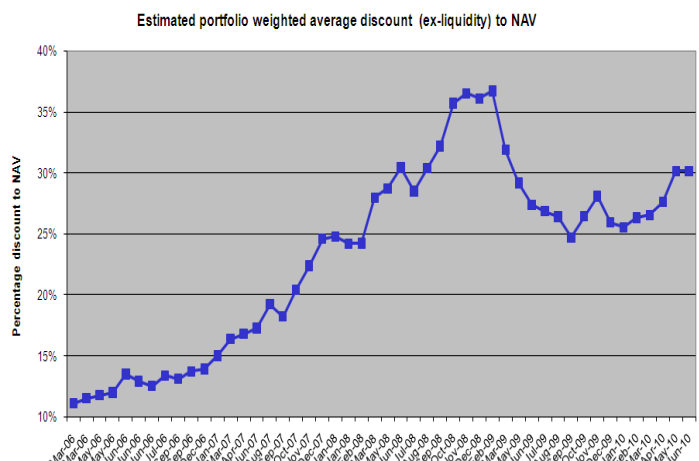
Activity

During the period we rolled over our hedge against part of our Euro exposure as we remain concerned about potential Euro weakness against Sterling. The quantum of the Euro hedge is £75m or approximately 10% of our net assets.

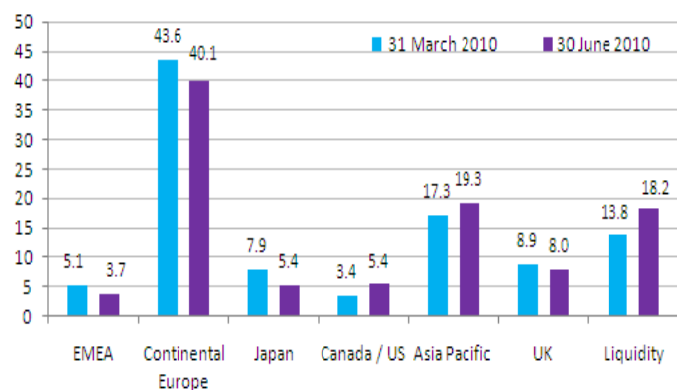
We took profits on our entire holdings in Nintendo and Tupras and also sold part of our holdings in Japanese companies Daibiru and Katakura. On the purchase side we made an investment in a Turkish REIT and also increased our weighting in Vivendi.

Discounts³

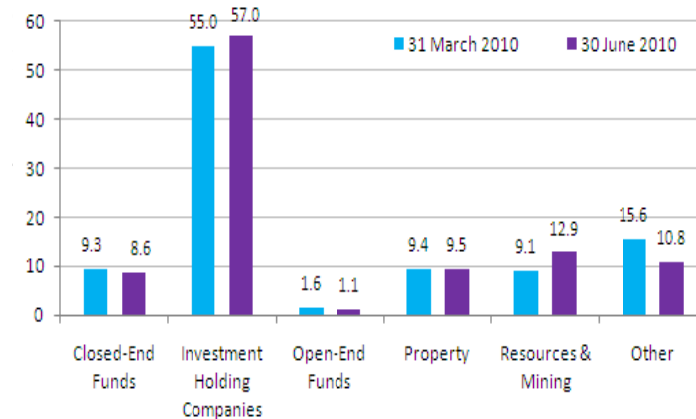
At the end of June the weighted average discount (excluding liquidity) stood at 30.2% compared to 26.6% at the end of March. The discount calculation is a measure of how much the stock market capitalization is below the estimated net asset value for all stocks owned by British Empire. The trend in the weighted average discount can be seen in the chart below:



Geographic Breakdown (% of total assets)



Sector Breakdown (% of invested assets)



Major Movers

Largest Risers	Percent change	Percent of Assets
Mitra Energy	44.64%	0.88%
Exor	33.60%	3.05%

Largest Fallers	Percent change	Percent of Assets
Aker	-32.62%	1.31%
CIR	-22.13%	1.53%

Capital Structure

Ordinary Shares	160,080,089
10 3/8% Debenture stock 2011 [#]	£8,483,440
8 1/8% Debenture stock 2023 [#]	£15,000,000
Equities index unsecured loan stock 2013 units ^{**}	2,584,457

Gross Assets/Gearing

Gross Assets	£756mil.
Debt	£28.7mil.
Actual Gearing (Debt less cash divided by net asset value)	-14.4%

Further Information

Investment Manager – John Pennink, AVI Ltd.
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The share price can be found under 'INVESTMENT COMPANIES' in The Financial Times, The Times, The Daily Telegraph, The Scotsman and The Evening Standard.

[#] British Empire Securities and General Trust financial year commences on the 1st of October.

^{**} Last audited figure updated annually

[#] Book Values

Information may be found on the following websites.

www.british-empire.co.uk or www.assetvalueinvestors.com

Risk Factors you should consider before investing

Investment in the British Empire Securities and General Trust plc (the "Trust") carries risks, which are more fully described in the Key Features Document. Listed below are some of the key risks:

Investors are reminded that past performance is not a guide to future performance and that their capital will be at risk and they may therefore lose some or all of the amounts that they choose to invest in the Trust.

The Trust utilises gearing techniques (leverage) which exaggerate market movements both down and up and which could mean sudden and large falls in market value.

Movements in exchange rates can impact both the level of income received and the capital value of your investment. If the currency of your residence strengthens against the currency in which the underlying investments of the fund are made, the value of your investment will reduce and vice versa.

As with all stock exchange investments the value of investment trust shares will immediately fall by the difference between the buying and selling prices.

Where investments are made in emerging market, unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment.

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