

# 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 2011.

	Qtr	Financial Yr*	Calendar Yr
<b>BTEM</b>	0.9%	8.5%	2.5%
<b>Benchmark<sup>2</sup></b>	1.2%	11.4%	2.5%
<b>MSCI World<sup>1</sup></b>	0.6%	13.1%	3.0%

## Top Ten Equity Holdings

	%
Vivendi	7.74
Orkla	6.30
Jardine Strategic	5.84
GBL	5.31
Investor	5.11
Jardine Matheson	4.61
Sofina	4.28
Aker	2.98
Deutsche Wohnen	2.68
CIR	2.26
TOTAL	47.11

## Statistics

	Value	% 1 qtr	% 1 yr	% 3 yr	% 5 yr
Price (£) <sup>2</sup>	523.5	5.8	27.5	28.5	28.4
Net Asset Value <sup>1</sup>	548.2	0.5	22.4	26.7	30.4
Net Asset Value Total Return <sup>1</sup>	0.9	24.2	33.5	40.6	
Benchmark <sup>3</sup> (£)		1.2	24.2	21.5	34.9

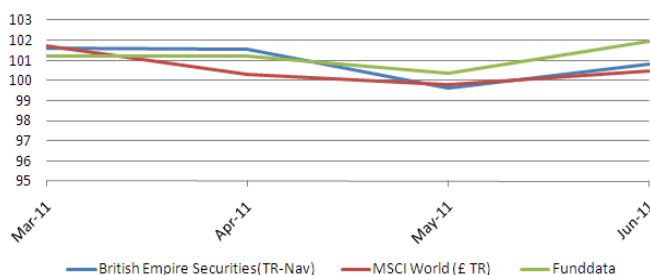
Annual Returns (%)	2010	2009	2008	2007	2006
Price <sup>1</sup>	18.5	27.9	-22.3	-2.8	0.3
MSCI World <sup>1</sup>	15.9	16.5	-17.4	7.7	5.8

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

2 Morningstar Global Growth Index official Benchmark from 1<sup>st</sup> October 2008

3 Discounts are AVI estimates

## Quarterly Performance MAR 2011 to JUN 2011



Source: Bloomberg, Morningstar

## Quarterly Investment Manager's Review

The markets have been unsettled by fears of potential European sovereign defaults. The fundamental issues have yet to be resolved and thus the potential for further market volatility remains.

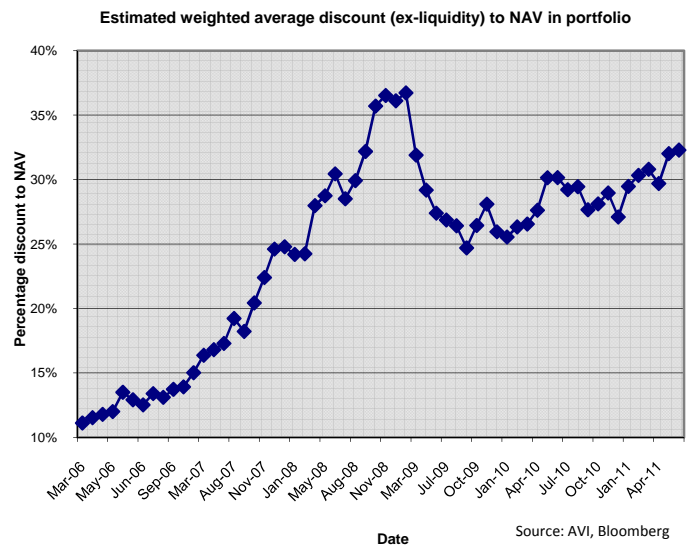
With this in mind we have been taking profits in stocks that have performed well and are now on narrow discounts and at risk from suffering from discount widening. On the purchase side we have been focusing on companies that have lagged the market and remain on very wide discounts. This has kept the weighted average discount on the overall portfolio towards the higher end of the historic range, which gives an indication of the potential for outperformance over the medium term. In addition we have held liquidity of around 10% throughout the period and will look to put this to work as we find attractive investments.

### Performance

During the Quarter, NAV rose by 0.9%, compared to an increase of 1.2%<sup>2</sup> for the Benchmark<sup>2</sup> index.

### Discounts<sup>3</sup>

At the end of June the weighted average discount (excluding liquidity) stood at 32.3% compared to 30.8% at the end of March. The discount calculation is a measure of how much the share price of each stock in the portfolio is below our estimate of its net asset value. The trend in the weighted average discount can be seen in the chart below:

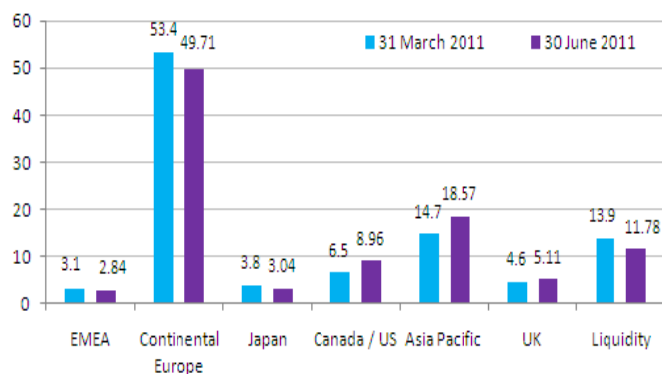


### Activity

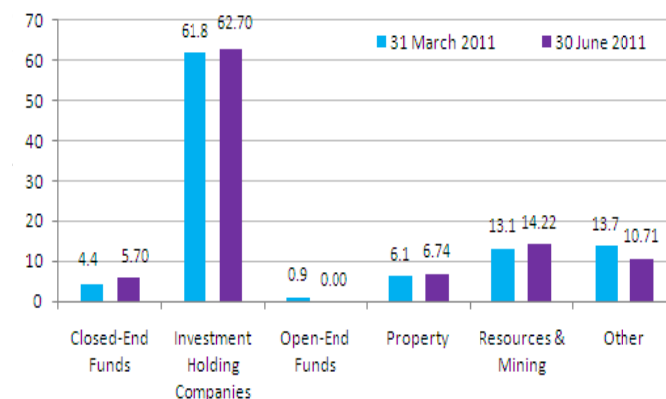
We invested into two new holding companies in Asia: Wheelock and Shun Tak, both on wide discounts. We bought into Canadian listed property company MI Developments, which trades on a discount to the value of its industrial property portfolio and has recently had a change in management. We also invested into Eurazeo the French listed holding company.

On the sales side we sold out of Lundbergforetagen on a narrow discount and have been reducing Deutsche Wohnen, the German residential property company that is no longer trading on a wide discount.

## Geographic Breakdown (% of total assets)



## Sector Breakdown (% of invested assets)



## Major Movers

Largest Risers	Percent change	Percent of Assets
Jardine Matheson	28.74%	4.61%
Deutsche Wohnen	17.88%	2.68%

Largest Fallers	Percent change	Percent of Assets
Is Gayrimenkul Yatirim Ortak	-28.90%	0.74%
Promotora de Informaciones SA (Prisa)	-21.60%	1.75%

## Capital Structure

Ordinary Shares	160,080,089
10 3/8% Debenture stock 2011 <sup>#</sup>	£8,483,440
8 1/8% Debenture stock 2023 <sup>#</sup>	£15,000,000
Equities index unsecured loan stock 2013 units <sup>**</sup>	2,506,754

## Gross Assets/Gearing

Gross Assets	£912mil.
Debt	£19.2mil.
Actual Gearing (Debt less cash divided by net asset value)	-9.7%

## Further Information

Investment Manager – John Pennink, AVI Ltd.  
+44 20 7647 2900 info@assetvalueinvestors.com

The share price can be found under 'INVESTMENT COMPANIES' in The Financial Times, The Times, The Daily Telegraph, The Scotsman and The Evening Standard.

<sup>#</sup>British Empire Securities and General Trust financial year commences on the 1<sup>st</sup> of October.

<sup>\*\*</sup>Last audited figure updated annually

<sup>#</sup> Book Values

Information may be found on the following websites.

[www.british-empire.co.uk](http://www.british-empire.co.uk) or [www.assetvalueinvestors.com](http://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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