

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 31 July 2014.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV TR¹	0.4%	7.4%	4.6%
MSCI ACWI Ex US TR³	0.4%	5.4%	2.9%
Morningstar Global Growth TR¹	-0.9%	6.2%	1.1%
MSCI World TR¹	-0.3%	8.7%	2.9%

Manager's Comment

The largest riser over the month was London-listed closed-end fund Marwyn Value Investors (MVI), up +19% on the back of a 10% rise in the share price of its largest holding Entertainment One (77% of MVI's investment portfolio). Entertainment One is an independent film & TV distributor and producer, owning a valuable library of film and TV rights. A strong set of results accompanied by global M&A activity highlighting the value of content were responsible for the rise. MVI's performance over the month was particularly gratifying as we had added to our holding before much of the share price rise occurred. On a discount of 32% and with Entertainment One attractively valued at 14x next year's earnings, we see scope for substantial further upside in MVI's shares. AVI funds own approximately 13% of the company.

The major faller over the month was recent acquisition, TUI AG, whose shares fell by 14%. The shares were dragged down by a 9% fall in London-listed subsidiary, TUI Travel (60% of TUI's NAV). TUI AG's shares are exceptionally cheap with an implied EV/EBITDA multiple for its hotels and cruises business of just 3.5x, and we took advantage of the share price weakness to add to our position. Were its merger with TUI Travel to fail to be consummated, the company has other levers to pull in order to spark a re-rating, most notably the disposal of its stake in the Hapag-Lloyd container shipping business scheduled to IPO next year.

Mitra Energy, British Empire's only unlisted holding and a 0.7% of NAV position at the start of the month, was written down by 51% during July due to the increased likelihood of a discounted equity raise being required to shore up the company's balance sheet.

We initiated a position in KT Corp - a Korean telecom company trading on a 50% discount to NAV. The previous management, appointed by the government, built an inefficient company that contained 50 affiliates and 60 subsidiaries. Many of these companies deviated away from the core Korean mobile market. They included: operations in Rwanda, a car hire business, a satellite broadcaster and a hotel. In January a new CEO, Hwang Chang-gyu, was independently appointed and has already made an impact on the company. In the six months following his appointment he has reduced the number of employees by 26% and has committed to selling two non-core businesses. Its real estate value alone is similar to the company's total market capitalisation.

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Major Movers

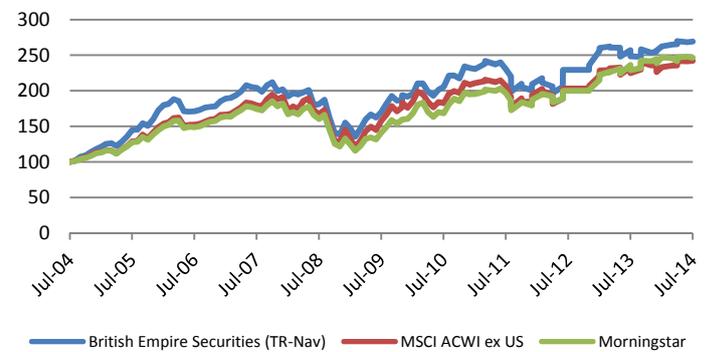
Largest Risers	Percent change	Percent of Assets
Marwyn Value Investors Ltd	18.83%	2.12%
Hitachi Ltd	8.99%	2.73%

Largest Fallers	Percent change	Percent of Assets
TUI AG	-13.72%	2.47%
Dream Unlimited-CL A SUB VOT	-11.80%	0.99%

Top Ten Equity Holdings

	%
Jardine Matheson	6.28
Investor AB	5.92
Groupe Bruxelles Lambert	5.04
Aker	5.00
Vivendi	4.15
Sofina	3.70
First Pacific Co	3.59
NB Private Equity Partners	3.08
Harbourvest Global	3.04
Hitachi Ltd	2.74
TOTAL	42.54

Performance July 2004 - July 2014



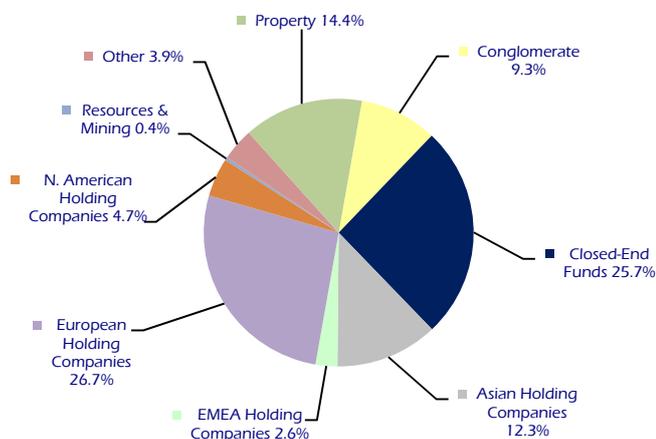
Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	501.0	0.8	2.5	6.2	43.2
Net Asset Value Total Return ¹	576.7	0.4	3.8	15.9	58.6
MSCI ACWI ex US TR ³		0.4	4.2	16.9	53.3
Morningstar Global Growth TR ³		-0.9	4.7	25.4	75.1
Annual Returns (%)	2013	2012	2011	2010	2009
Price TR ¹	5.1	17.8	-12.8	18.5	27.9
Net Asset Value TR ¹	7.6	19.6	-13.6	21.0	25.1
MSCI ACWI ex US (£)TR ³	13.6	12.2	-12.7	15.1	26.6
Morningstar Global Growth TR ³	21.3	12.7	-9.4	19.0	24.6
MSCI World TR ¹	25.0	11.4	-4.3	15.9	16.5

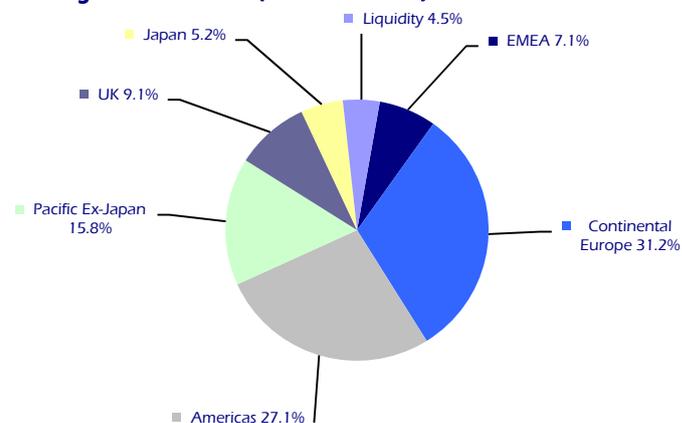
Apart from the investment in KT, the largest add-on investment we made was Vivendi. Having reduced our holding substantially in February when the share price almost reached €21, the shares have drifted downwards and we added to our holding around the €18 level. Subsequent to this, the company announced that they had received a bid for GVT, their Brazilian broadband company. A sale of this asset, following the sales of SFR, Maroc Telecom and Activision Blizzard, would leave Vivendi with two main businesses – Universal Music and Canal Plus – and should see the conglomerate discount evaporate.

The weighted average discount as at month end 28.1% which compares to a level of 28.4% one month ago. We completed the sales of Gagfah and British Land – both at share prices very close to NAV. We have also been selling other single-digit companies including Suntec REIT in Singapore on a 9% discount to NAV.

Sector Breakdown (% of invested assets)



Risk Region Breakdown (% of net assets)



Capital Structure

Ordinary Shares	160,014,089
8 1/8% Debenture stock 2023 [#]	£15,000,000

Gross Assets/Gearing

Gross Assets	£862mil.
Debt par value	£14.9mil.
Actual Gearing (Debt less cash divided by net asset value)	-4.7%

- 1 Source: Morningstar
 - 2 Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.
 - 3 From 1st October 2013 the lead benchmark was changed to the MSCI ACWI ex US (£) Index.
- * British Empire Securities & General Trust financial year commences on the 1st October. All figures published before the fiscal results announcement are AVI estimates and subject to change.
- ** Last audited figure updated annually
- # Book Values updated annually

Further Information

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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.

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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