

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 October 2014.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV TR¹	-1.5%	-1.5%	2.5%
MSCI ACWI Ex US TR³	0.3%	0.3%	2.9%
Morningstar Global Growth TR¹	1.7%	1.7%	5.3%
MSCI World TR¹	2.0%	2.0%	8.7%

Manager's Comment

October was a volatile month which at one point saw European stockmarkets down more than 10% from their 2014 peaks. The heightened risk aversion that comes with sharply falling markets tends to push discounts out to wider levels, and this was a feature of some of the stocks in our portfolio during the month. Most outperformed markets in NAV terms which is encouraging as it allows for some catch up in performance when discounts narrow again. One particularly painful investment over the month was Aker ASA, which fell by 22% as its NAV was hit by the rapidly falling oil price. With investments in oil exploration company Det Norske and in oil services company Aker Solutions, its value has been hit hard. The company's policy of paying out a relatively high dividend and of actively managing its investments in order to maximise value, is a source of confidence in the long term potential of Aker. On a discount of almost 40% and with such a swift fall in value over the month, we believe there will be a bounce in the share price. However, in the very near term sentiment will continue to be driven by moves in the oil price.

Whilst we don't hedge our foreign exchange exposure as a matter of course, there are times when we do wish to hedge particular exposures. During the month we decided to hedge most of our Japanese Yen exposure, as we were mindful of the potential for further QE in Japan which would weaken the currency. The timing proved fortuitous, as the BOJ announced aggressive additional monetary stimulus plans at the end of the month. This not only weakened the currency sharply, but also sent the stock market up strongly. Our two stocks in Japan, Hitachi and Mitsui Fudosan were beneficiaries of this move as their share prices jumped by 5% and 9% respectively.

We raised some cash early in the month by taking profits out of Asia Pacific in order to take advantage of more compelling opportunities in Europe where markets had been far weaker. Within our universe of European companies, several which we didn't own on valuation grounds had fallen by more than 25%. We wanted to take advantage of more compelling valuations here and therefore raised some cash from a part of the portfolio that had not suffered material declines in recent weeks, and where valuations and discounts were less interesting. Money was raised from KT Corp in Korea, Westfield in Australia and Jardine Matheson in Singapore. We made a few small new investments in European holding companies during the month, as well as some additional investments into existing holdings.

In addition to Aker, there was a weak performance from Dolphin Capital whose share price fell by 20% over the month. The exposure to Greek assets hit sentiment and being a relatively small and illiquid

continued ...

Major Movers

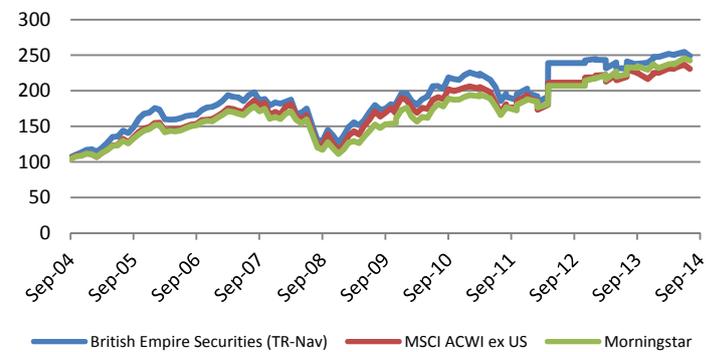
Largest Risers	Percent change	Percent of Assets
Forterra Trust	12.28%	0.62%
Hudson's Bay Co	9.89%	2.42%

Largest Fallers	Percent change	Percent of Assets
Aker ASA-A Shares	-22.04%	3.50%
Dolphin Capital Investors	-19.42%	1.51%

Top Ten Equity Holdings

	%
Investor AB-A SHS	6.47
Jardine Matheson Hldgs Ltd	5.70
Groupe Bruxelles Lambert SA	4.99
Sofina	3.91
NB Private Equity Partners	3.59
Aker ASA-A Shares	3.50
Harbourvest Global Private	3.42
Hitachi Ltd	2.93
Tui AG	2.92
Symphony International	2.85
TOTAL	40.28

Performance September 2004 - October 2014



Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	507.5	-1.4	3.9	18.6	37.4
Net Asset Value Total Return ¹	567.7	-1.5	1.0	24.6	41.7
MSCI ACWI ex US TR ³		0.3	0.9	28.0	41.5
Morningstar Global Growth TR ³		1.7	6.7	41.7	67.8
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

company it can suffer from large moves in its share price. There are also concerns that the company may need to raise new capital after the sale of an asset in Cyprus fell through. Management have not confirmed whether this is the case or not, and we are keeping a close eye on developments here.

Investor AB was one of the key contributors to performance. Whilst its discount has widened out to 26% currently from sub 20% earlier in the year, its share price has reached a new all-time high, highlighting the quality of its portfolio and continuing its trend of long term outperformance.

Ashmore Global Opportunities announced a compulsory redemption of 10.8% of its shares at NAV as its managed wind-up continues. The shares were weak, however, as the realisation of one holding at a

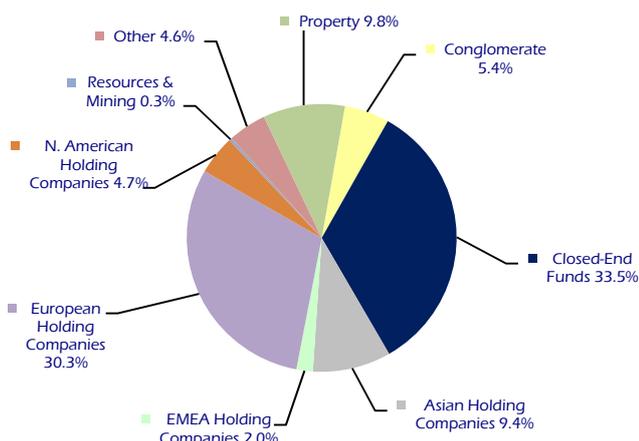
premium to carrying value was not enough to offset write-downs at two other investments.

Towards the end of the month, Tui AG's merger with TUI Travel was approved by shareholders of both companies. TUI's shares rose in response and are now up 12% since the day prior to the vote. The merger creates a vertically-integrated tourism group and will remove the inefficient holding company structure that has held TUI back.

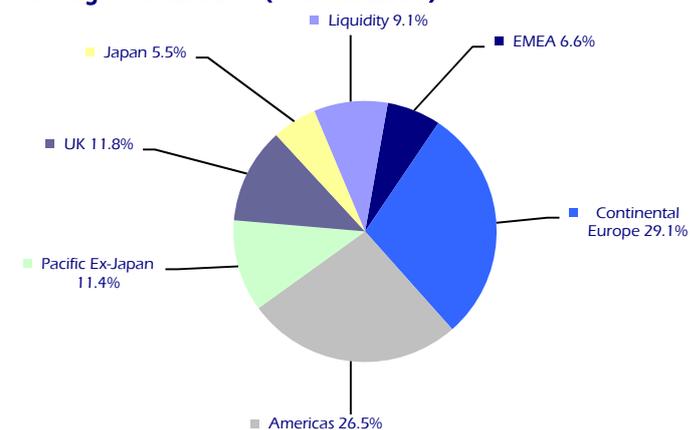
Fondul Proprietatea announced an acceleration of its buyback programme by means of a tender offer for 6% of its shares at an 8% discount to NAV.

The weighted average discount on the portfolio stood at 28.9% at month end, compared to 28.6% one month ago.

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	£842mil.
Debt par value	£14.9mil.
Actual Gearing (Debt less cash divided by net asset value)	-1.7%

- 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. The investment management fee was changed to 0.7% of net assets and the performance related fee eliminated.
- * 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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