

# 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 28 February 2015.

	Month	Financial Yr* to date	Calendar Yr to date
<b>BTEM NAV TR<sup>1</sup></b>	2.1%	5.3%	4.1%
<b>MSCI ACWI Ex US TR<sup>3</sup></b>	2.4%	6.2%	6.2%
<b>Morningstar Global Growth TR<sup>1</sup></b>	2.6%	9.9%	5.3%
<b>MSCI World TR<sup>1</sup></b>	2.9%	10.3%	5.0%

## Manager's Comment

Strong performance across most of our geographic universe has once again been offset by the strength of Sterling, which continued to rise against most developed market currencies. There were strong performances in local currency terms from a number of holdings. Hudson's Bay in Canada jumped 20% over the month, as it announced two transactions as part of their strategy to unlock value from their extensive property assets. This comes on top of a rise in price in November 2014 on the news of a revaluation of their 5<sup>th</sup> Avenue, New York store. Initiatives by management to narrow the gap at which the company trades relative to its NAV have led to a 57% increase in share price thus far this financial year.

Investor AB reached new highs as it rose 9% during the month as it continues to outperform markets. The company also announced a 12.5% increase in its dividend.

SVG Capital was also a strong performer with its shares up 13.1% over the month. A further sale of Permira's stake in Hugo Boss added to the company's already substantial cash balance, while the NAV was driven higher by a 13% rise in the share price of largest holding Freescale Semiconductor. Shortly after the month-end, the acquisition of Freescale by NXP Semiconductors was announced in a part-cash part-shares deal which saw a further gain of 12% in Freescale's share price.

The biggest detractor from performance was Hitachi, although part of the overall loss was offset by the currency hedge on the Yen, which weakened against Sterling by 4.8% over the month. Investors reacted negatively to Hitachi's Q3 results as earnings fell short of plan in one of its key divisions, which caused some concern over the ability of management to continue to deliver on its growth plans. It is trading on a discount to its sum of the parts of c. 25% and on a low earnings multiple of c. 12x and we think the shares should recover.

The other detractor over the month was Jardine Matheson where a small fall in share price of 0.7% was exacerbated by the 2.8% fall in the US dollar against Sterling.

It was an active month for us in terms of purchases and sales, as four new holdings were initiated and three companies were sold entirely.

On the buy side we bought three companies in the energy and mining sector including a stake in Blackrock World Mining Trust. This is an area of the market to which we have had very little exposure to however, after very sharp declines there are signs that value is emerging. It is possible that this will continue to be a volatile sector however, value often emerges in areas of the market that are the least-favoured. Many of the reasons for continued falls in commodity prices are well known and may well be discounted by the market.

continued...

## Major Movers

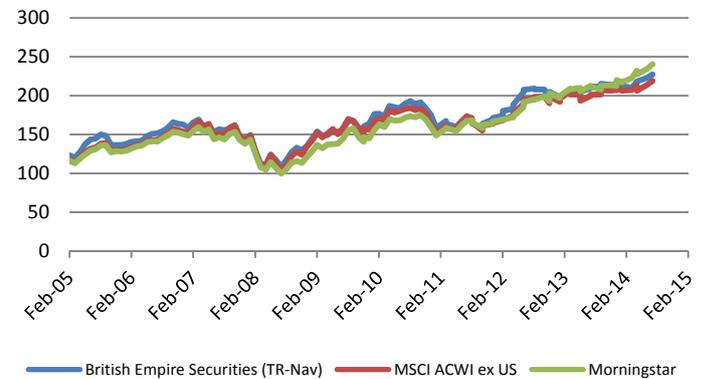
Largest Risers	Percent change	Percent of Assets
HUDSON'S BAY CO	19.98%	2.08%
SACYR SA	15.03%	0.94%

Largest Fallers	Percent change	Percent of Assets
HITACHI LTD	-8.84%	2.67%
LMS CAPITAL PLC	-1.46%	1.76%

## Top Ten Equity Holdings

	%
Investor AB-A SHS	6.37
Jardine Matheson Hldgs Ltd	6.25
Groupe Bruxelles Lambert SA	4.98
Sofina	3.97
NB Private Equity Partners	3.91
Harbourvest Global Private	3.78
Aker ASA-A Shares	3.36
Symphony International	3.10
First Pacific	2.70
Hitachi Ltd	2.67
TOTAL	41.09

## Performance February 2005 - February 2015



## Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR <sup>2</sup>	530.0	1.9	10.6	26.0	43.5
Net Asset Value Total Return <sup>1</sup>	598.4	2.1	8.6	30.1	45.9
MSCI ACWI ex US TR <sup>3</sup>		2.4	9.9	26.5	38.3
Morningstar Global Growth TR <sup>3</sup>		2.6	13.3	43.6	66.3
<b>Annual Returns (%)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Price TR <sup>1</sup>	8.3	5.1	17.8	-12.8	18.5
Net Asset Value TR <sup>1</sup>	5.2	7.6	19.6	-13.6	21.0
MSCI ACWI ex US (£)TR <sup>3</sup>	2.6	13.6	12.2	-12.7	15.1
Morningstar Global Growth TR <sup>3</sup>	8.0	21.6	12.7	-9.4	19.0

We also invested in Sacyr, a Spanish holding company that has exposure to Spanish real estate via Testa – a company that is likely to come to the market via an IPO in the next few months, and also to Repsol, the oil company via a 9% stake in its equity. We acquired our holding on a discount of c. 25%.

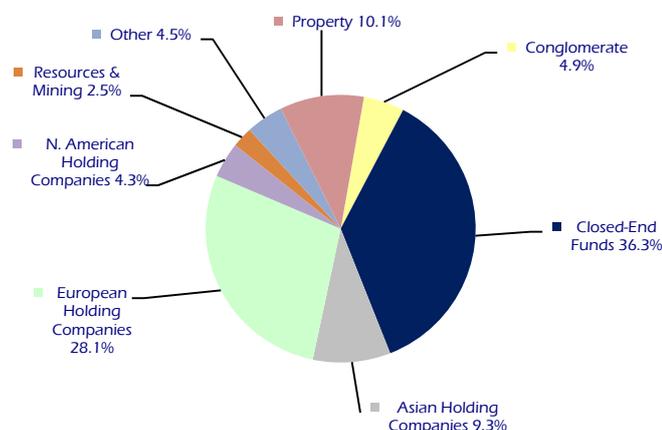
Whilst mining and energy companies have been unpopular with the market and arguably have valuations to match, one area of our universe where it is hard to make the value case is German residential property, where much of the sector is trading at substantial premia to NAV. We completed the sale of our small holding in Buwog during the month, at

a premium to NAV, and Westgrund received a bid from its larger peer, Adler Real Estate.

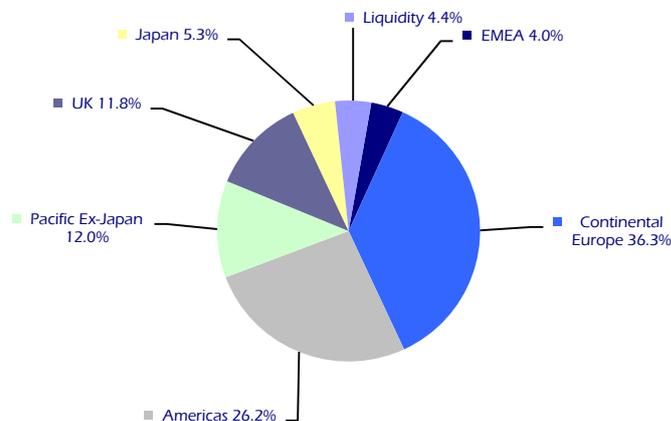
The largest sale was of Tui, the German holding company that recently merged with Tui Travel Plc. We bought into the company in June 2014 – before the merger was announced – on a discount of 35%, and sold out at a discount of 10% after the share price went up by 29% in Euro terms.

Cash at month end was 4.4% and the weighted average discount on the portfolio was 24.4%.

### Sector Breakdown (% of invested assets)



### Risk Region Breakdown (% of net assets)



### Capital Structure

Ordinary Shares	160,014,089
8 1/8% Debenture stock 2023 <sup>#</sup>	£15,000,000
Shares held in Treasury	21,923,173

### Gross Assets/Gearing

Gross Assets	£842mil.
Debt par value	£14.9mil.
Actual Gearing (Debt less cash divided by net asset value)	-4.4%

1 Source: Morningstar

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

3 From 1<sup>st</sup> 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

Investment Manager – John Pennink and Joe Bauernfreund, AVI Ltd.

+44 20 7659 4800 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.

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.

British Empire Securities and General Trust plc, Beaufort House, 51 New Road South, Exeter, EX4 4EP. Registered in England & Wales No: 28203

All figures as at the period under review unless otherwise stated. All sources Asset Value Investors Ltd unless otherwise stated. Asset Value Investors Limited ("AVI") is authorised and regulated by the Financial Conduct Authority of the United Kingdom (the "FCA") and is a registered investment adviser with the Securities and Exchange Commission of the United States. While the Investment Manager is registered with the SEC as an investment adviser, it does not comply with the Advisers Act with regard to its non-U.S. clients. This document does not constitute an offer to buy or sell shares in the British Empire Securities and General Trust plc (the "Trust"). The contents of this message are not intended to constitute, and should not be construed as, investment advice. Potential investors in the Trust should seek their own independent financial advice. AVI neither provides investment advice to, nor receives and transmits orders from, investors in the Fund.