

## BRITISH EMPIRE SECURITIES AND GENERAL TRUST PLC

### Interim Management Statement – 3 months ended 30 June 2012

This investment management report relates to performance figures to 30 June 2012.

#### Summary NAV Performance (total return basis)

	Qtr	Financial Year <sup>#</sup>	Calendar Year
<b>BTEM</b>	-2.6%	3.5%	2.6%
<b>Benchmark<sup>2</sup></b>	-3.5%	9.2%	5.3%
<b>MSCI World<sup>1</sup></b>	-3.1%	13.7%	5.3%

#### Quarterly Investment Manager's Review

During the period, markets were once again volatile as investors continued to grapple with conflicting sentiments. Downside fears were fed by the lack of a resolution to the Eurozone crisis as well as signs of a slowdown in China and anaemic growth in the US. Upside hopes were fuelled by the expectation that deteriorating economic fortunes across the world would lead to a stronger policy response from Central Banks, and a corresponding boost to equity markets.

Within our universe of stocks discounts have remained at the wider end of the historical range across all areas of our focus including Asian and European holding companies, conglomerates and closed-end funds.

##### *Performance*

During the Quarter, NAV fell by 2.6%, compared to a decrease of 3.5%<sup>2</sup> for the Benchmark<sup>2</sup> index.

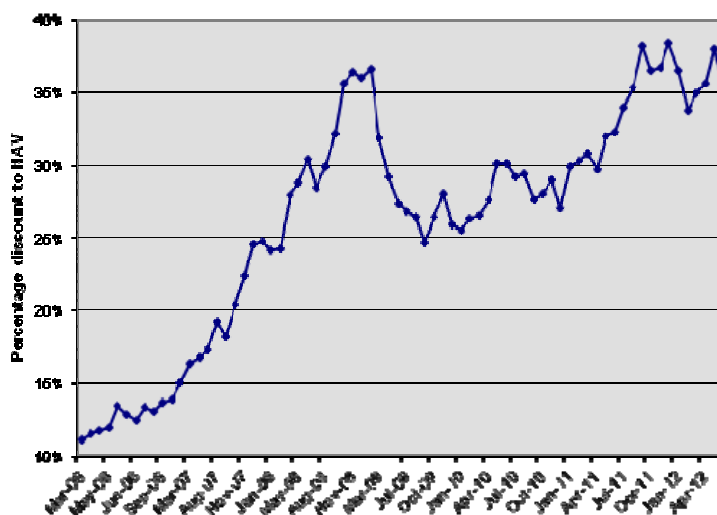
The recent improvement in short term performance was driven to a large extent by the improvement in the share price of Vivendi, the largest holding in the portfolio. Vivendi's share price fell sharply at the end of March on the announcement of a dividend cut. Since that time the company has come under greater pressure from shareholders to consider adopting corporate strategies to generate value for shareholders and reduce the discount at which the company trades. A change of CEO, as well as statements from the company about a possible disposal make it more likely that such measures will be taken in the near future. This leaves scope for further increases in the share price.

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

At the end of June the weighted average discount (excluding liquidity) stood at 35.4% compared to 35.0% 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:

Weighted Average Discounts in the underlying shares of  
British Empire Securities & General Trust (ex liquidity)

**Estimated weighted average discount (ex-liquidity) to NAV in portfolio**



### Activity

During the quarter notable new investments include Fraser & Neave, a Singapore listed property and beverages conglomerate, and LMS Capital, a London listed private equity closed end fund. Both of these are on attractive discounts to NAV and have potential catalysts to narrow the discounts at which they trade.

We successfully sold out of our holding in Deutsche Wohnen – a portfolio of German residential property - as the valuation of the shares improved to the point where they became expensive relative the value of the underlying assets.

### Share Buyback

We bought back 323,008 shares in British Empire during the period at an average price of 405p. The shares were purchased at discounts between 12% and 14%.

Subsequent to the period end we bought back 100,000 shares on 6 July at a price of 416.5p, a discount of 13%. A further 1,200,000 shares were bought back on 26 July 2012 at 412.6p representing a discount of 14%.

## Financial Performance to 30 June 2012

### Statistics

	Value (GB pence)	1 qtr %	1 yr %	3 yr %	5 yr %
Price <sup>1</sup>	408.0	-3.2	-20.1	14.1	-2.9
Net Asset Value <sup>1</sup>	459.5	-3.1	-16.2	20.2	-8.0
Net Asset Value Total Return <sup>1</sup>		-2.6	-14.3	26.7	0.2
Benchmark <sup>1</sup>		-3.5	-6.5	43.2	6.4

Annual Returns (%)	2011	2010	2009	2008	2007
Price <sup>1</sup>	-12.8	18.5	27.9	-22.3	-2.8
MSCI World <sup>1</sup>	-4.3	15.9	16.5	-17.4	7.7

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 October 2008

3 Discounts are AVI estimates

### Top Ten Equity Holdings

	%
Vivendi	9.64
Orkla	6.83
Jardine Strategic	5.37
Investor AB	4.86
Aker	4.63
Jardine Matheson	4.57
GBL	3.54
Sofina	3.11
Wheelock & Co	2.89
Granite Real Estate	2.54

### Geographic Breakdown (% of total assets)

	30/06/12	31/03/12
EMEA	3.10	3.24
Continental Europe	35.98	38.75
Japan	1.45	2.83
Canada	12.44	11.04
Asia Pacific	25.07	22.35
UK	7.76	5.69
Liquidity ~	14.19	16.10

~ Liquidity is held primarily in UK and US Government Securities

## Sector Breakdown

	30/06/12	31/03/12
Investment Holding Companies	48.60	47.08
Other	12.81	11.11
Mining & Resources	5.78	8.26
Real Estate Companies	10.31	9.78
Investment Companies	8.31	7.68
Liquidity	14.19	16.10

## Major Movers

	Percent change	Percent of Assets
<b>Largest Risers</b>		
Amerisur Resources	31.71%	1.27%
Wheelock & Co	24.79%	2.89%

	Percent change	Percent of Assets
<b>Largest Fallers</b>		
RHJ International	-20.09%	0.67%
Detour Gold	-17.53%	1.86%

## Further Information

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Investment Manager – John Pennink, Asset Value Investors Limited.  
+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.

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

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)

The content of the Company's web-pages and the content of any website or pages which may be accessed through hyperlinks on the Company's web-pages, other than the content of this Interim Management Statement, are neither incorporated into nor form part of the above announcement.

## Risk Factors you should consider before investing

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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.

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 Services Authority ("FSA"). 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 Trust nor does it carry on any other activities with or for such investors that constitute "MiFID or equivalent third country business" for the purposes of the FSA's rules.

British Empire Securities and General Trust plc, Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW.  
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