

# 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 August 2015.

	Month	Financial Yr* to date	Calendar Yr to date
<b>BTEM NAV TR<sup>1</sup></b>	-5.8%	-5.0%	-6.1%
<b>MSCI ACWI Ex US TR<sup>3</sup></b>	-6.3%	-2.5%	-2.5%
<b>Morningstar Global Growth TR<sup>1</sup></b>	-4.4%	6.1%	1.7%
<b>MSCI AC World TR<sup>1</sup></b>	-5.5%	2.6%	-1.8%

## Manager's Comment

There were few places to hide during the month as markets around the world fell sharply on fears of a China slowdown and large falls in its stock market.

As far as our portfolio goes, there were small positive gains from German property company DIC, UK student property company Empiric and from Detour Gold, as well as some of the European Holding Companies where Euro strength over the month helped push contributions into positive territory. Overall however, these were little compensation for the very sharp falls suffered across the portfolio with international indices down 6.3%. The largest detractors came from Symphony International, First Pacific, Aker and Kinnevik, whose share prices fell by 17.5%, 18.7%, 12.4% and 13.3% respectively.

We came into the month fully invested and utilised the small structural gearing we have to add to a handful of holdings on weakness including Kinnevik, Toyota Industries and Adler Real Estate. We have continued to sell out of GBL which has seen its discount narrow to below average levels, and have been using the proceeds to invest in Pargesa, which gives us exposure to the same pool of underlying assets but at a far wider discount. The gap between the two now stands at over 10%, whereas the long term pattern is for the two companies to trade at very similar discounts.

We reduced Investor early in the month after its discount narrowed in to mid-teen levels. In contrast, Kinnevik has seen its discount widen in the past few months and we have been adding to that.

We wrote last month of LMS Capital's proposals to cease returning realisation proceeds from its private equity portfolio to shareholders, and instead reinvest them in oil & gas assets under a new management team. Following our letter to the Board detailing our many concerns, the General Meeting called for mid-August to vote on the new investment policy was postponed. After further discussions with the Board, we were pleased to see the proposals officially withdrawn in late-August. Since then, the company's holding in Wesupply representing 6% of NAV has been sold, adding to the substantial cash balance that we estimate now stands at 32% of NAV. We expect further realisations and a significant return of capital at NAV later this year. Despite the +11% rise in the share price since the withdrawal of the proposals, the shares still trade on a 20% discount to our estimated NAV (30% implied portfolio discount excluding cash).

## Major Movers

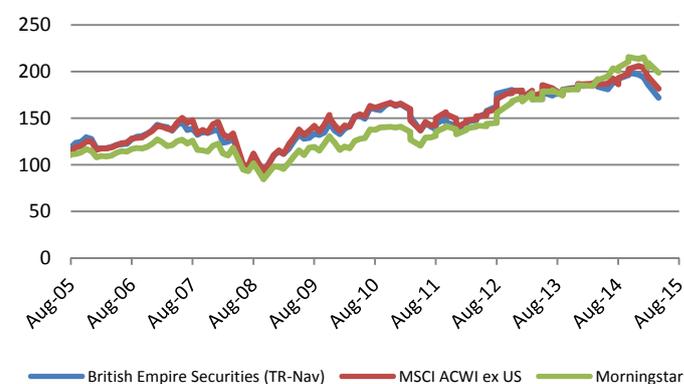
Largest Risers	Percent change	Percent of Assets
DOREL INDUSTRIES-CL B	6.24%	0.99%
DETOUR GOLD CORP	4.73%	1.07%

Largest Fallers	Percent change	Percent of Assets
RALLYE SA	-18.71%	1.64%
FIRST PACIFIC CO	-18.68%	2.04%

## Top Ten Equity Holdings

	%
Investor AB-A SHS	5.92
Sofina	4.84
NB Private Equity Partners	4.49
Harbourvest Global Private	4.39
Jardine Matheson Hldgs Ltd	3.94
Investment AB Kinnevik-B SHS	3.77
Wendel	3.40
JP Morgan Private Equity	3.33
AP Alternative	3.30
Mitsui Fudosan Co Ltd	3.26
<b>TOTAL</b>	<b>40.64</b>

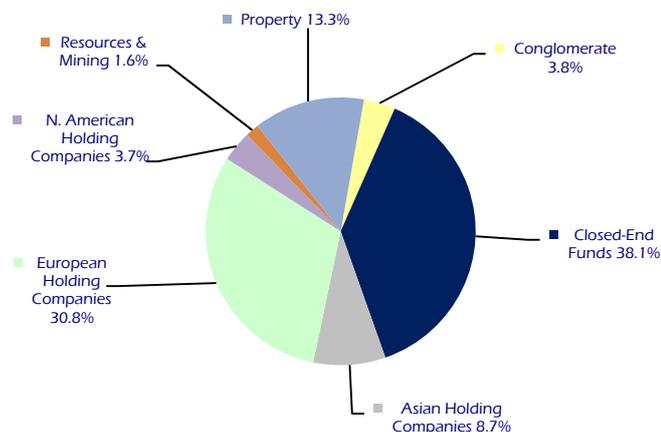
## Performance AUG 2005 - AUG 2015



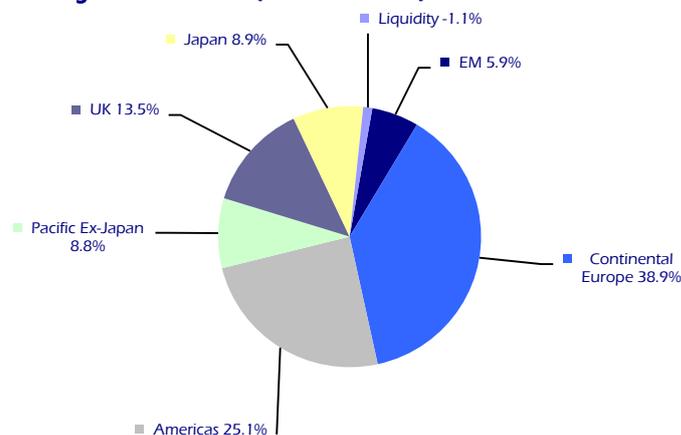
## Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR <sup>2</sup>	470.5	-5.6	-4.9	18.8	22.6
Net Asset Value Total Return <sup>1</sup>	538.4	-5.8	-7.0	16.2	24.0
MSCI ACWI ex US TR <sup>3</sup>		-6.3	-5.0	22.0	28.9
Morningstar Global Growth TR <sup>3</sup>		-4.4	5.7	40.1	60.9
<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

## 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	25,022,878

## Gross Assets/Gearing

Gross Assets	£738mil.
Debt par value	£14.9mil.
Actual Gearing (Debt less cash divided by net asset value)	-0.9%

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

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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](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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