

Manager's Comment

Fears over a Trump-provoked trade war rocked markets in March. BTEM's portfolio discount widened further (from 25.4% to 27.6%) and contributed to a decline in NAV of -4.1% with local currency losses exacerbated by continued strength in the Pound. The few positive contributions came from Digital Garage, Adler Real Estate, GP Investments, and Riverstone Energy, but these were dwarfed by (unrealised) losses in Wendel, Pershing Square Holdings, Cosan Ltd, Tokyo Broadcasting System, Symphony International, and the Japanese Special Situations Basket.

Digital Garage's NAV increased by 4% and its discount narrowed from 15% to 9% over March. We first purchased shares in Digital Garage in early-2016, with our investment returning +74% since then against the TOPIX return of +37%. Our investment thesis was predicated on the market's undervaluation of Digital Garage's unlisted assets (payments and online marketing businesses, and other venture capital investments), with investors seemingly only focussed on its stake in listed Kakaku (Japan's largest online price comparison and restaurant-review company). Given the growth rates of Digital Garage's unlisted assets, we believed the valuation anomaly was unlikely to persist and, indeed, the discount has narrowed from 33% since our first purchase while the earnings of the two major unlisted assets have grown by +58%. Given the inadequate prospective returns from the current valuation level, we continued to sell our position into this strength and exited the last of our holding in early April.

Adler Real Estate announced the acquisition of a 41% stake in Brack Capital, an Israeli-listed company which owns almost 12,000 residential units in Germany, and subsequently completed a tender offer which saw their stake increase to 70%. The deal should result in a materially-reduced LTV for Adler (target of 55% by year-end), and its share price responded well with a +5% increase. Having begun reducing our stake in Adler, we sold the remainder of our holding in a block trade above then-prevailing market levels at a discount of 15% to NAV. German residential property has been a lucrative theme for BTEM over the last decade, and the sale of Adler marks the last of our holdings in this asset class.

Wendel was our most significant detractor with a share price fall of -11%. Up until the release of the company's annual results on 21-Mar-18, the shares had risen by +1% over the month only to then fall -15% over two days before clawing back a small portion of those losses. The sell-off seems to have been driven by two factors: a change in Wendel's methodology for calculating its NAV, and currency volatility at IHS, the unlisted African towers business owned by Wendel. The new NAV methodology resulted in Wendel's official NAV being -2% lower than it would have otherwise been - however, we independently estimate a NAV for Wendel, and so our valuation was unaffected by this change. The true market value of Wendel's unlisted assets is by definition unchanged and, to the extent that the market uses Wendel's official NAV, the uplift from future IPOs or trade sales at fair value will have a more meaningful impact.

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A large portion of IHS' towers portfolio is in Nigeria and the currency situation there has been unstable. IHS had previously used the central bank rate but, due to greater liquidity in the NAFEX rate, they decided to change the exchange rate used in their accounting. The NAFEX rate is c.15% weaker than the central bank rate meaning revenue received and assets held in Naira will be adversely affected in the 2018 accounts which are reported in USD. While this is certainly a negative, the underlying operating business of IHS is unaffected. Moreover, the magnitude of the fall in Wendel's share price is equivalent to the entire value of its stake in IHS. We added to our position materially at the low levels reached following the publication of the results.

Pershing Square Holdings was again a material detractor on the back of further discount widening (from 20% to 23%) and its portfolio not being immune from the sell-off in the S&P 500. Our work on PSH's portfolio suggests material upside on several of the holdings, and the current discount is exceptionally wide for a portfolio of large-cap listed equities. That said, the potential lifting of the ownership limits following the vote at the AGM to be held in Apr-18 will help facilitate more radical action should performance not improve and the discount fail to narrow materially. We added to our holding at a 24% discount intra-month.

Cosan Ltd's shares fell -7% in March despite its NAV being up. The discount thus widened, reaching 37%. We attended Cosan Ltd's Capital Market Day in New York during the month, and re-affirmed our conviction that a collapse of the inefficient holding structure is the ultimate goal of

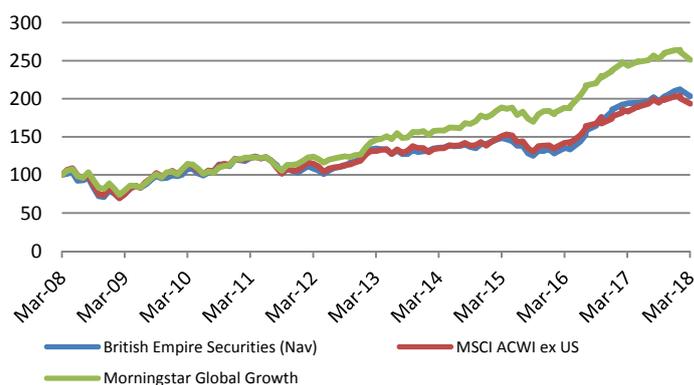
Investment Objective: To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

Performance Total Return

This investment management report relates to performance figures to 31 March 2018.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV ¹	-4.1%	2.3%	-3.0%
MSCI ACWI Ex US ³	-3.4%	-0.6%	-4.6%
MSCI ACWI Ex US Value ¹	-3.8%	-1.6%	-4.9%
MSCI ACWI ¹	-3.8%	0.4%	-4.4%
Morningstar Global Growth ¹	-3.9%	1.9%	-2.3%

Performance Total Return MAR 2008 - MAR 2018



Top Ten Equity Holdings

Holding	%
Japan Special Situations***	12.4
Exor	6.3
Pargesa	5.7
Tokyo Broadcasting System	5.7
Fondul Proprietatea	5.5
Riverstone Energy	5.3
Symphony International	5.2
Wendel	5.1
Tetragon Financial Group	5.1
Third Point Offshore Investors	4.8
TOTAL	61.1

management and the family behind Cosan (there are two additional holding companies trading at wide discounts below Cosan Ltd). We believe this is most likely to happen via buybacks aimed at increasing the family's control, before an eventual collapse of the structure. Given that Cosan Ltd's look-through discount is 53%, the share price upside from such a move would be very sizable. We added to Cosan Ltd on weakness.

We visited Japan again during March to meet with the management and boards of investee companies including Tokyo Broadcasting System and holdings within our Japan Special Situations Basket. While the pace of corporate governance change is not as fast as some may have hoped, we are cognisant that changing a decades-old corporate culture will not happen overnight. With each visit, we are encouraged by the increasing awareness of shareholder rights. Companies now recognise that their default justification for cross-shareholdings - that they are "required for business relations" - is no longer acceptable, and there is increasing pressure on companies to sell unrelated businesses. A potential water-shed moment occurred this month with the announcement by Japanese Exchange Group (JPX) that it would sell its stake in Singapore Exchange (SGX), publically stating that "Following a review of the requirements under the [Corporate Governance] Code, JPX reached the conclusion that the existing co-operative relationship with SGX would continue even without holding the shares of SGX". Such a statement would have been unheard of not too long ago. We remain excited about Japan, and continue to engage with our portfolio companies in the country to unlock trapped value. Our position in TBS was added to on weakness during the month.

We regularly discuss our active engagement with the boards and management of investee companies in these monthly updates, but more so in relation to closed-end funds than holding companies. This is understandable given that our holding company investments are controlled by family shareholders with our investment theses predicated more on an alignment of interest than on our ability to effect change. Essentially, we see the families and management of the holding companies as the activists themselves, playing key roles in driving changes at their own investee companies. That said, we often make recommendations to holding company managers/families in our regular meetings with them, and usually find them to be a receptive audience given our deep experience in investing in structures likely to attract discounts. Two such meetings occurred this month, with the management of Pargesa (Swiss-listed holding company trading on a 34% discount to NAV) and Swire Pacific (HK-listed holding company whose B shares, which we own, are priced at a 41% discount to NAV). Both trade at discounts far in excess of their average levels, and we can see several levers that management could pull to spark a re-rating.

Aside from the sales and purchases already mentioned, March was quite a busy month for investment activity as volatility created opportunity. We added to Symphony as its discount widened, as well as Tetragon Financial, Riverstone Energy, and Swire Pacific amongst others. We sold out of our successful investment in Aberdeen Private Equity (APEF) at a 4% discount to expected distribution proceeds, eliminating FX, timing, and tax risk arising from the US Tax Cuts & Jobs Act, and allowing earlier deployment into other opportunities across our universe. While FX had an adverse impact on our return in APEF, the investment still registered a +17% total return and +22% IRR in GBP (+27% and +35% respectively in USD).

BTEM ended the month 107% invested.

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	697.0	-3.3	7.1	37.2	56.8
Net Asset Value TR ¹	777.4	-4.1	5.6	36.0	50.0
MSCI ACWI ex US TR ³		-3.4	4.3	28.5	47.4
MSCI ACWI ex US Value ¹		-3.8	1.5	24.8	41.2
MSCI ACWI TR ¹		-3.8	2.9	36.0	72.7
Morningstar Global Growth TR ³		-3.9	10.5	43.7	85.2
Fiscal Yr Total Returns (%)	2017	2016	2015	2014	2013
Price ¹	18.7	34.3	-9.5	8.9	13.8
Net Asset Value ¹	18.8	31.0	-8.3	6.8	13.1
MSCI ACWI ex US (£)3	16.3	28.0	-5.6	5.1	16.6
MSCI ACWI ex US Value ¹	18.4	25.5	-9.8	5.7	17.1
MSCI ACWI ¹	15.5	31.3	0.4	11.8	18.0
Morningstar Global Growth ³	21.3	26.9	3.7	8.7	18.9

¹ Source: Morningstar. All NAV figures are cum-fair values.

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 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

*** A basket of 20 stocks: Amuse Inc, Enplas Corp, Yamato Kogyo, Nippon Road, Kato Sangyo, Tachi-S, Nishimatsuya Chain, Pasona Group, Denyo Co, Matsui Construction, Daiwa Industries, Melco Holdings Inc., SK Kaken Co, Kanaden Corp, Toshiba Plant, Nissan Shatai, Teikoku Sen-I, Japan Petroleum Exploration, Chofu Seisakusho, Nakano.

Capital Structure

Ordinary Shares	129,526,165
Shares held in Treasury	15,069,026
8 ½% Debenture stock 2023**	£15,000,000
4.184% Series A Sterling Unsecured Note 2036	£30,000,000
3.249% Series B Euro Unsecured Note 2036	€30,000,000
2.930% Unsecured Note 2037	€20,000,000

Gross Assets/Gearing

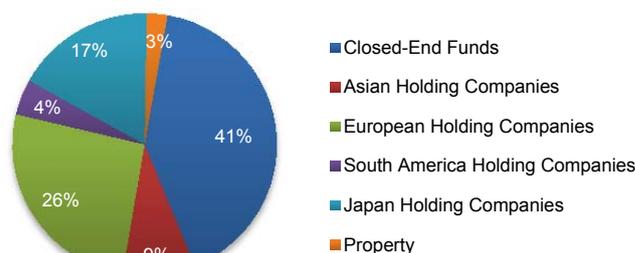
Gross Assets	£988mil.
Debt par value	£88.5mil.
Actual Gearing (Debt less cash divided by net asset value)	7.2%

Contributors / Detractors (in GBP)

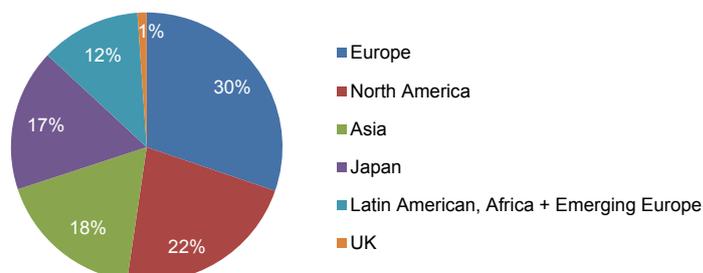
Largest Contributors	1 month contribution bps	Percent of Assets
DIGITAL GARAGE INC	18	1.2
ADLER REAL ESTATE AG	9	2.2

Largest Detractors	1 month contribution bps	Percent of Assets
WENDEL	-56	5.1
PERSHING SQUARE HOLDINGS	-48	4.8

Sector Breakdown (% of invested assets)



Risk Region Breakdown (% of net assets)



[#] AVI estimate. Previously, this breakdown was calculated by assigning one region to each portfolio company held by BTEM. From the 31-Dec-16 newsletter onwards, this is calculated using the estimated multi-regional exposure for each portfolio company. For listed underlying holdings, the country of listing is used; for unlisted underlying holdings, the exposure is typically assigned according to the country where a majority of sales are made.

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

IMPORTANT INFORMATION

Risk Factors you should consider before investing

Investment in the British Empire 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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