

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 May 2014.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV TR¹	2.2%	7.7%	4.9%
MSCI ACWI Ex US TR³	2.8%	5.5%	2.9%
Morningstar Global Growth TR¹	2.7%	6.6%	1.5%
MSCI World TR¹	2.9%	9.3%	3.4%

Manager's Comment

In addition to the M&A activity of recent months, we have seen several of our portfolio companies proactively taking action to narrow their discount and unlock value.

Aker ASA, the Norwegian listed holding company was the largest contributor to performance as its shares rose 10% over the month. The driver of this performance was the announcement by Aker Solutions, a company in which Aker holds a stake of 40%, that it would split itself into two separately listed companies in order to improve efficiency and drive shareholder returns. The discount on Aker remains wide at 31% which is narrower than its widest levels of 42% that we have seen in recent years but leaves plenty of scope for further narrowing. With a dividend yield of almost 6% and clear evidence of management attempting to improve the rating of the company – both at the holding company level and at the underlying portfolio level – the case for further discount contraction is compelling.

Shares in Dogan Holding jumped a further 18% over the month. We described last month how the buy-out of minorities in the 80% owned media subsidiary was positive for shareholders in Dogan Holding. In late-May, the announcement of a very favourable merger ratio for the holding company's shareholders caused a sharp run-up in the share price. We estimate that the implied issuance price of the holding company's shares represents a 40% premium to their undisturbed price; although the company is issuing its shares at a wide discount to its NAV, the subsidiary's even wider discount to its SOTP NAV means that the transaction is accretive to the holding company's NAV by +4%. Perhaps more importantly, the merger removes a layer of costs, wipes out the double discount and cleans up the group's structure.

As a holding company, Investor AB epitomises all that is positive about family controlled holding companies. Its long term investment horizon and its proactive management of portfolio companies, has consistently delivered NAV outperformance and strong growth in dividends. Its discount has narrowed from over 35% two years ago to just under 20% today. However, we believe that given the scope for further NAV growth, particularly from some of its unlisted assets, the case for further discount contraction remains. The share price of the company increased by 4% over the month, despite the setback to NAV of the sharp fall in Astra Zeneca's share price after the failure of Pfizer's takeover attempt.

The share prices of Symphony International, Hitachi, DWS Vietnam and Marwyn Value Investors all fell between 6% and 7% over the month. Symphony drifted lower on no news and we believe the investment case to remain intact. We took advantage of the weakness in DWS Vietnam and Marwyn Value to add to our positions.

continued over ...

Major Movers

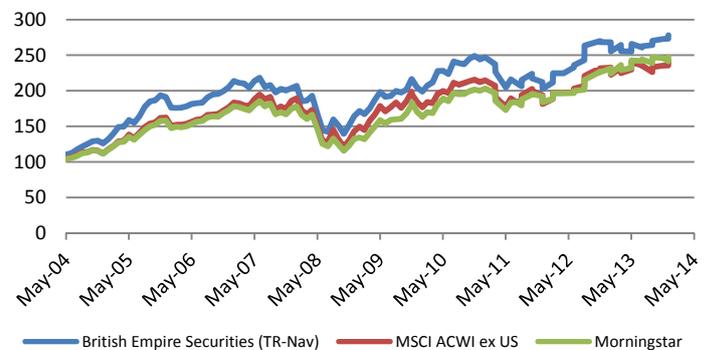
Largest Risers	Percent change	Percent of Assets
Dogan Sirketler Grubu Hldgs	18.06%	2.64%
Aker ASA-A Shares	9.95%	4.75%

Largest Fallers	Percent change	Percent of Assets
Marwyn Value Investors Ltd	-7.33%	1.26%
Symphony International Holdi	-5.92%	2.27%

Top Ten Equity Holdings

	%
Jardine Matheson	6.38
Investor AB	6.24
Groupe Bruxelles Lambert	5.23
Aker	4.75
Sofina	3.83
Vivendi	3.52
First Pacific Co	3.34
Hyundai Motor	3.14
NB Private Equity Partners	2.99
GAGFA SA	2.71
TOTAL	42.13

Performance March 2004 - May 2014



Statistics

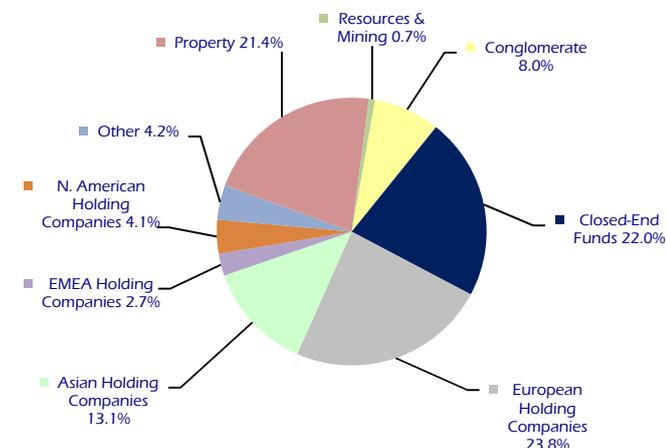
	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	503.0	1.8	2.7	3.6	41.3
Net Asset Value Total Return ¹	580.4	2.2	2.6	13.2	62.3
MSCI ACWI ex US TR ³		2.8	4.1	14.1	62.0
Morningstar Global Growth TR ³		2.7	7.1	23.8	83.2
Annual Returns (%)	2013	2012	2011	2010	2009
Price TR ¹	5.1	17.8	-12.8	18.5	27.9
Net 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

We made one new investment during the month as we acquired a 6% stake in Ecofin Water & Power Opportunities (ECWO). ECWO is a London-listed investment trust investing in utility and utility-related stocks trading on a discount of more than 20%. Although illiquid, there is potentially significant upside in the fund's largest investment in Lonestar Resources, a cash-generative shale oil developer. Recent M&A activity suggests Lonestar's shares are priced too cheaply. Although ECWO's dividend yield is high at 4.4%, the high financing costs of the complex capital structure and a management fee charged on gross assets mean the yield is highly manufactured with the majority

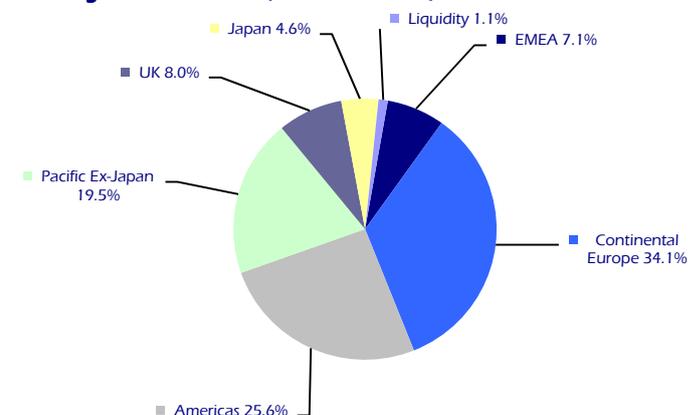
of costs charged to the capital account. The overly-complicated capital structure has weighed on the rating, but the redemption of the costly ZDPs and CULS in mid-2016 should aid in a re-rating. In addition, the company is to hold a continuation vote in early 2016.

Net cash is currently c. 1% of NAV and highlights the conviction we have in the prospects for our portfolio as the numbers of corporate events expand and the potential for discount contraction grows.

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	£883mil.
Debt	£18.5mil.
Actual Gearing (Debt less cash divided by net asset value)	-1.3%

- 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.
- * 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 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.

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 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 FCA's rules.