

# 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 December 2014.

	Month	Financial Yr* to date	Calendar Yr to date
<b>BTEM NAV TR<sup>1</sup></b>	-1.4%	1.2%	5.2%
<b>MSCI ACWI Ex US TR<sup>3</sup></b>	-3.2%	0.0%	2.6%
<b>Morningstar Global Growth TR<sup>1</sup></b>	-1.8%	3.9%	8.0%
<b>MSCI World TR<sup>1</sup></b>	-1.1%	5.1%	12.1%

## Manager's Comment

In NAV terms we ended 2014 2.6% ahead of our benchmark.

The share price of Marwyn Value Investors (MVI) bucked the market, climbing 6% over the month on the back of an 8% rise in its largest holding, media company Entertainment One. Shortly before the start of the month, MVI had announced the sale of its second largest holding, Breedon Aggregates. A return of capital equivalent to 4% of month-end share price will be affected in January.

German residential owner, Westgrund, was up 9% over the month as the company closed the refinancing of their recently acquired Berlinovo portfolio. A 7 year loan with a cost of 2.14% has replaced bridge financing which cost 2.75%. Investors' belief that the sector is due for further consolidation following the merger of Deutsche Wohnen and GAGFAH was a further boon for Westgrund as investors identified it as a potential takeover target.

Aker, which has been a very poor performer in recent months on the back of the falling oil price, staged a small comeback during December despite the continued weakness in oil. The discount on this holding company has widened and the prospective dividend yield is relatively high. We anticipate a strong recovery in the shares once oil stabilises.

Dundee Corp in Canada has also been weak recently. Its exposure to precious metals and development land in Canada has held it back. This is a family controlled holding company with a good long term track record. Its assets are currently out of favour as they are inflation plays rather than deflation plays. With all investors now worrying about deflation, Dundee is not a popular home for investor cash however, we are confident that at some point its assets will rebound strongly in value.

Rallye fell over the month despite a relatively modest fall in the price of its only asset – Casino. Thus the fall in Rallye's price was almost entirely down to discount widening.

We added to our holding in Spanish real estate company Inmobiliara Colonial. Spanish commercial real estate assets have fallen by c 50% over the past 6 years. We think market fundamentals in Barcelona and Madrid are improving and this company gives us access to high quality assets on a discount to NAV.

We acquired a position in Better Capital's 2009 shares during December on a 23% discount to NAV. Their elevated rating enjoyed since launch has evaporated following portfolio write-downs, most damagingly at Spicers, its office supplies business. However, the cell's 88% stake in Gardner Aerospace accounts for half of its NAV and, happily, we see significant upside for this holding as earnings from its contracts with Airbus ramp up. With the fund's investment period over, all proceeds from realisations will find their way back to shareholders.

As at month end, net liquidity was 5.9% and the weighted average discount on the portfolio was 25.2%.

## Major Movers

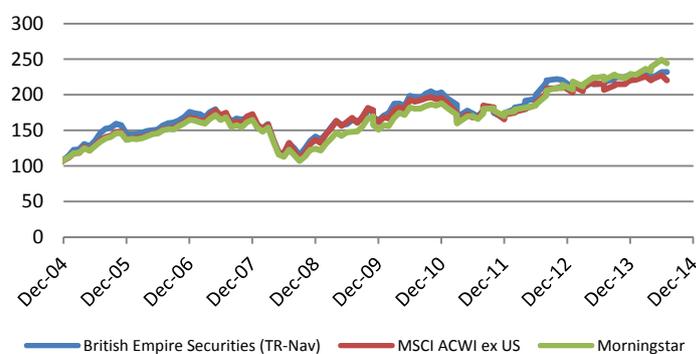
Largest Risers	Percent change	Percent of Assets
WESTGRUND AG	9.04%	1.40%
AKER ASA-A SHARES	7.87%	3.26%

Largest Fallers	Percent change	Percent of Assets
DUNDEE CORP -CL A	-16.38%	1.75%
RALLYE SA	-7.04%	1.93%

## Top Ten Equity Holdings

	%
Jardine Matheson Hldgs Ltd	5.96
Investor AB-A SHS	5.95
Groupe Bruxelles Lambert SA	4.92
Sofina	3.91
NB Private Equity Partners	3.69
Harbourvest Global Private	3.55
Tui AG	3.29
Aker ASA-A Shares	3.26
Hudson's Bay Co	3.03
Hitachi Ltd	2.97
<b>TOTAL</b>	<b>40.53</b>

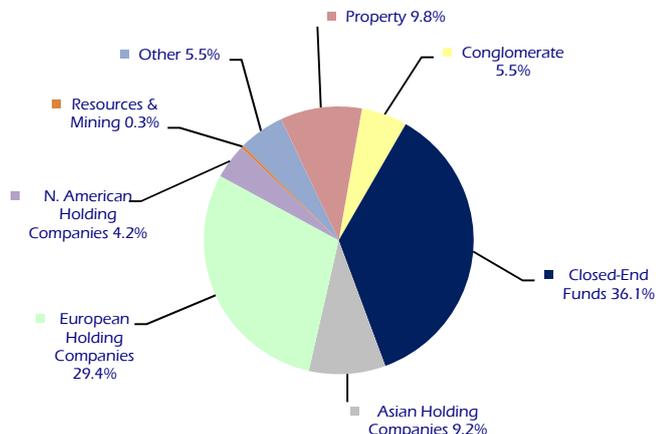
## Performance December 2004 - December 2014



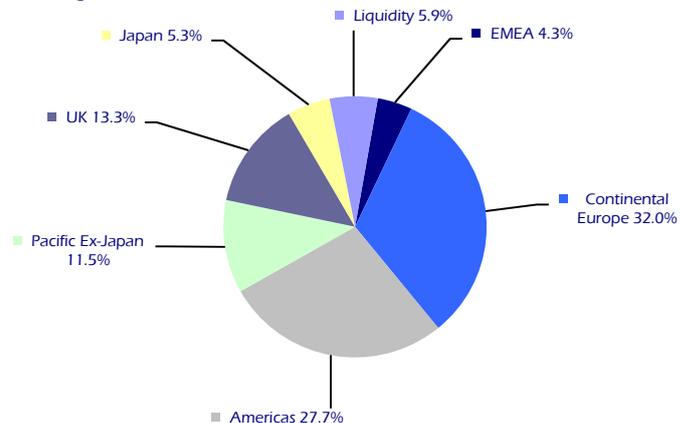
## Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR <sup>2</sup>	514.8	-0.5	8.3	34.0	38.5
Net Asset Value Total Return <sup>1</sup>	574.5	-1.4	5.2	35.4	41.5
MSCI ACWI ex US TR <sup>3</sup>		-3.2	2.6	30.8	31.5
Morningstar Global Growth TR <sup>3</sup>		-1.8	8.0	47.7	59.3
<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

## 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	19,322,349

## Gross Assets/Gearing

Gross Assets	£825mil.
Debt par value	£14.9mil.
Actual Gearing (Debt less cash divided by net asset value)	-5.9%

- 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 (E) 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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