

Manager's Comment

In an eventful month, BTEM was up +8.1%, with the major moves coming in the last week following a shock victory for the Leave campaign in the EU referendum. Headwinds from sharply widening discounts (portfolio discount expanded 300bps to 33.4%) were more than offset by the beneficial effects of the collapse in Sterling given our low exposure to GBP assets (just 6% on a look-through basis).

NAV growth of +17%, a moderately tighter discount, and a +9% translation effect from the Norwegian Krone combined to again make oil-focussed Norwegian holding company Aker our largest contributor. Over the last 3 months, the shares are up +66% in GBP (+56% in local currency). The activity at Aker is a textbook example of the value that engaged long-term owners can create throughout market cycles. The latest and most significant in a series of pro-active transactions came in the second week of June when portfolio E&P company DetNor announced a merger with BP Norway to form Aker BP (now 54% of Aker's NAV). The transaction is truly transformational and positions the combined company as a major producer on the Norwegian Continental Shelf. The deal doubles production, brings forward by several years the commencement of dividend payments, strengthens the balance sheet, and provides full funding to first oil for their major low cost asset, Johan Sverdrup (all-in breakeven cost of less than \$30 per barrel). We continue to believe Aker's shares are very much undervalued on a 35% discount to NAV.

Symphony was just behind Aker in terms of contribution on the back of discount compression and positive FX translation (mainly Thai, Singapore, and Malaysian exposures), followed by DWS Vietnam (strong NAV; USD-linked currency), and Hudson's Bay (bounce off weak sentiment; FX). Detractors were few and far between, with the largest being Empiric Student Property on the back of the BREXIT vote. Notably, just 5% of ESP's students are from non-UK EU countries and we believe the sell-off is unjustified. We added to our holding.

Other news included Ecofin Water & Power Opportunities narrowly passing its continuation vote - the company will soon hold a tender offer for 35% of its shares at a zero discount. Given the near-term return of capital, the share price implies a very wide discount for the continuing vehicle even assuming a quite punitive discount for the realisation spin-off (EF Realisation), and we added to our position.

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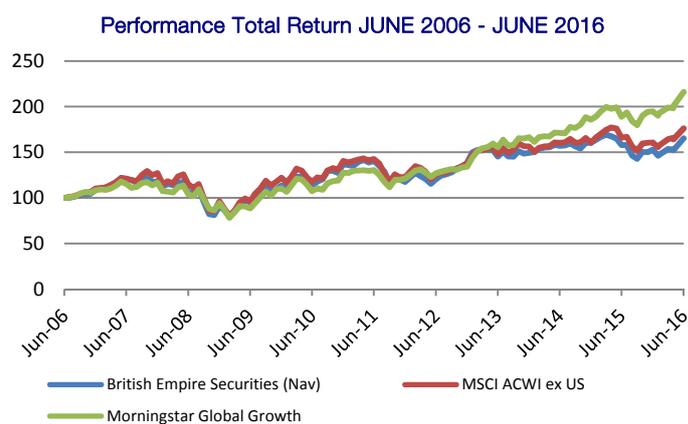
The highlight of Better Capital's results included another write-up for Gardner Aerospace (c. 90% of NAV), the sale process for which is progressing well with pre-emptive bids already having been received despite the formal bid process not being due to begin until September. While heightened global uncertainty post-BREXIT is clearly unhelpful in the sale process of any company, it must be remembered that the slump in Sterling is highly accretive to earnings given Gardner's contracts are in USD and 55% of its costs in GBP.

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 30 June 2016.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV ¹	8.1%	14.2%	8.6%
MSCI ACWI Ex US ³	7.3%	16.3%	9.5%
MSCI ACWI Ex US Value ¹	6.1%	13.0%	8.3%
MSCI ACWI ¹	8.3%	21.0%	12.0%
Morningstar Global Growth ¹	4.2%	13.9%	5.0%



Top Ten Equity Holdings

Holding	%
InvestorAB-ASHS	5.9
Aker ASA	5.8
Wendel	5.7
Pargesa Holding	5.4
Symphony International	5.1
JPEL Private Equity	4.9
DWS Vietnam Fund	4.9
NB Private Equity Partners	4.7
Investment AB Kinnevik - BSHS	4.6
AP Alternative Assets	4.2
TOTAL	51.2

Fondul Proprietatea has been in negotiations to sell its minority stakes in unlisted electricity distribution companies for some time. The majority holders are ENEL, Electrica, and E.ON. At the end of June, Fondul announced the sale of the two E.ON stakes which account for 6% of NAV. No details on pricing have yet been disclosed, but we expect the sales to have been made broadly in line with carrying values. Fondul's policy is that realisation proceeds will be returned to shareholders via buybacks, tenders, and dividends, and we were pleased to see the reinstatement of the tender offer (for 5.6% of shares) that had previously been suspended in January amid turbulent market conditions.

In the immediate fall-out from the BREXIT vote, we reduced exposure to two of our Asian holdings which had held up well and invested the proceeds in several existing European names that had seen discount widening. We also initiated a position in a new holding that had sold off heavily.

BTEM ended the month 108% invested.

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	500.0	8.6	2.4	12.9	8.1
Net Asset Value TR ¹	577.2	8.1	4.0	11.9	16.1
MSCI ACWI ex US TR ³	7.3	6.1	19.1	23.5	
MSCI ACWI ex US Value ¹	6.1	1.5	12.4	15.4	
MSCI ACWI TR ¹	8.3	13.9	37.4	60.4	
Morningstar Global Growth TR ³	4.2	7.8	34.7	51.6	

Annual Total Returns (%)	2015	2014	2013	2012	2011
Price ¹	-8.6	8.3	5.1	17.8	-12.8
Net Asset Value ¹	-4.7	5.2	7.6	19.6	-13.6
MSCI ACWI ex US (£) ³	0.2	2.6	13.6	12.2	-12.7
MSCI ACWI ex US Value ¹	-4.4	1.3	13.5	12.5	-12.1
MSCI ACWI ¹	3.8	11.2	21.1	11.7	-6.2
Morningstar Global Growth ³	7.2	8.8	23.1	13.9	-9.3

Capital Structure

Ordinary Shares	160,014,089
Shares held in Treasury	30,620,785
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

Gross Assets/Gearing

Gross Assets	£827mil.
Debt par value	£69.6mil.
Actual Gearing (Debt less cash divided by net asset value)	7.8%

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

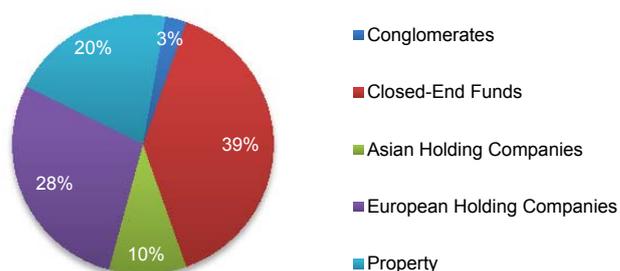
Book Values updated annually

Major Movers (in local currency)

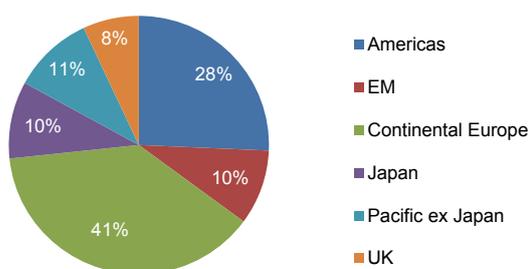
Largest Risers	1 month TR%	Percent of Assets
BLACKROCK WORLD MININ	19.8%	2.1%
AKER ASA-A SHARES	19.3%	5.8%

Largest Fallers	1 month TR%	Percent of Assets
HITACHI LTD	-17.2%	2.8%
TOYOTA INDUSTRIES CORP	-16.0%	3.3%

Sector Breakdown (% of invested assets)



Risk Region Breakdown (% of net assets)



(Liquidity -8%)

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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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 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 Fund.