

## Manager's Comment

The portfolio discount tightened slightly over the month to rest at 31% at month-end.

Aker was our largest contributor, benefitting from the sustained rally in oil which rose 20% over the month and from maintaining its dividend at last year's level when many sell-side commenters were expecting a cut. Aker's performance was all the more creditable given no change in its very wide discount (41%) which represents an attractive store of future outperformance. Pargesa was a strong performer, with its exposures to oil (Total) and European construction (LafargeHolcim) boosting returns, while its relatively new holding in Adidas continued a run of stellar share price performance. Its robust NAV growth was accompanied by a 260bps narrowing of the discount.

Our sole mining exposure, Blackrock World Mining, was a helpful contributor, and Ecofin Water & Power Opportunities (ECWO) performed well as its oil-related holdings rallied. The vast majority of ECWO's oil exposure is via energy infrastructure plays which have proved far more correlated to the oil price than expected. The fund's sole E&P exposure, Lonestar Resources, was up almost 50% in April.

Other notable contributors included DWS Vietnam (strong Vietnamese market; flat discount), and GP Investments (accretive deal in the US driving NAV growth; 250bps discount contraction).

Wendel announced two significant deals just after the end of the month. First came the news that AlliedBarton, its US security business acquired just under a year ago, will merge with Universal Services of America to form the largest security company in North America. The deal sees over half Wendel's cost returned to them and, under our conservative assumptions of just 50% of the announced synergies being achieved, adds over 2% to Wendel's NAV. Secondly, Wendel announced the sale of 46% of their stake in St. Gobain (potentially rising to 60% via issue of a bond exchangeable into St. Gobain shares). We applaud this move, which we had long urged management to make. We see the reduction in the listed portion of the portfolio, the lower exposure to a cyclical asset, and the reduction in net debt as all being very positive. The market agreed, with the share price rising over 5% since the announcements. Although the discount has narrowed from the 39% level reached in the first week of the month, there is scope for significant further upside from the current 34% which we believe represents compelling value.

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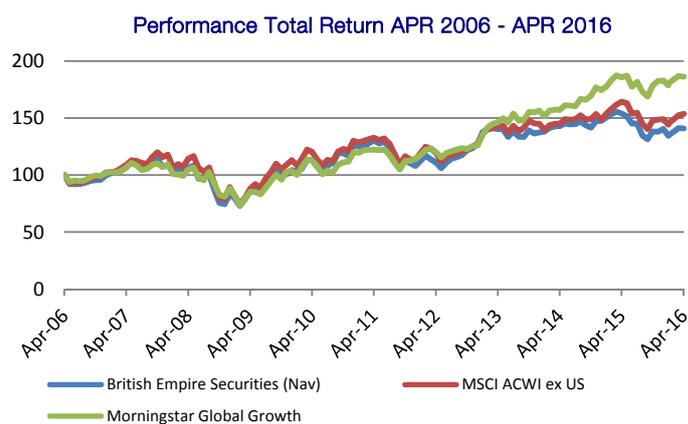
JPMorgan Private Equity announced the abandonment of its proposed dual share class structure, instead putting forward proposals that will see the whole portfolio move into realisation. This follows discussions between the Board and large shareholders including ourselves. We were pleased with the outcome, considering the previous proposals to be sub-optimal given the potential conflicts of interest inherent in the planned structure.

**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 April 2016.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV <sup>1</sup>	0.5%	6.1%	0.8%
MSCI ACWI Ex US <sup>3</sup>	0.8%	9.4%	3.1%
MSCI ACWI Ex US Value <sup>1</sup>	1.9%	8.7%	4.2%
MSCI ACWI <sup>1</sup>	-0.4%	10.8%	2.6%
Morningstar Global Growth <sup>1</sup>	-0.7%	7.7%	-0.7%



## Top Ten Equity Holdings

Holding	%
InvestorAB-ASHS	6.3
Pargesa Holding	5.6
Wendel	5.5
InvestmentABKinnevik-BSHS	5.4
NBPrivateEquityPartners	4.7
JPEL Private Equity	4.6
Symphony International	4.6
Aker ASA	4.6
DWS Vietnam Fund	4.3
AP Alternative Assets	4.3
<b>TOTAL</b>	<b>49.9</b>

The largest detractor was Hudson's Bay, the Canadian retailer with substantial property assets, whose share price fell on little news but in sympathy with other North American retailers. The second most significant detractor was First Pacific, hit by a widening discount (out 600bps to 52%), weak performance from the underlying holdings, and softness in currencies. Despite its wide discount, we have been using First Pacific as a source of cash to fund other investments with visible catalysts in which we have more conviction.

BTEM ended the month 108% invested (i.e. 8% geared).

## Major Movers (in local currency)

Largest Risers	1 month TR%	Percent of Assets
BLACKROCK WORLD MINING	14.7%	1.9%
AKER ASA-A SHARES	14.2%	4.6%

Largest Fallers	1 month TR%	Percent of Assets
FIRST PACIFIC	-15.0%	2.4%
HUDSON'S BAY	-13.1%	3.7%

## Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR <sup>2</sup>	470.9	0.7	-10.6	1.6	2.2
NetAsset Value TR <sup>1</sup>	537.9	0.5	-8.5	-0.3	7.5
MSCI ACWI ex US TR <sup>3</sup>	0.8	-6.5	7.6	15.7	
MSCI ACWI ex US Value <sup>1</sup>	1.9	-9.2	3.1	10.3	
MSCI ACWI TR <sup>1</sup>	-0.4	-0.5	25.2	47.1	
Morningstar Global Growth TR <sup>3</sup>	-0.7	-1.0	27.2	43.6	

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

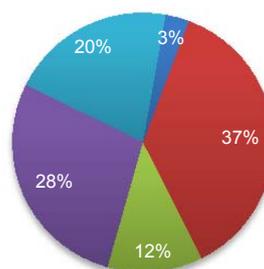
### Capital Structure

Ordinary Shares	160,014,089
Shares held in Treasury	28,156,225
8 1/8% 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

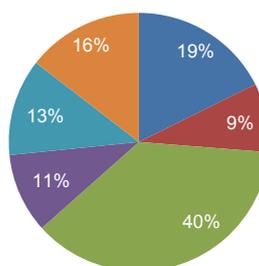
Gross Assets	£777mil.
Debt par value	£68.1mil.
Actual Gearing (Debt less cash divided by net asset value)	8.4%

## Sector Breakdown (% of invested assets)



- Conglomerates
- Closed-End Funds
- Asian Holding Companies
- European Holding Companies
- Property

## Risk Region Breakdown (% of net assets)



- Americas
- EM
- Continental Europe
- Japan
- Pacific ex Japan
- UK

(Liquidity -8%)

<sup>1</sup> Source: Morningstar. All NAV figures are cum-fair values.

<sup>2</sup> Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.

<sup>3</sup> 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 Trust financial year commences on the 1<sup>st</sup> 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)

# 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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