

Manager's Comment

The first month of the new year saw BTEM's NAV increase by 1.6%. Markets started the year on a positive foot, and events at our top holdings as well as Sterling weakness against all major currencies (excepting the US dollar) acted as tailwinds for BTEM.

Symphony was our largest contributor over January, adding 60bps to NAV. We have written in the past about our constructive engagement with the manager and board of this Asian consumer-focussed closed-end fund, and the announcement mid-month of a buyback programme of at least 10% of the company's shares over the next year marks further success in this regard. This new buyback is in addition to the existing distribution policy that last year saw a pay-out equivalent to a yield of 9% on the share price at the time. Symphony's discount to fully-diluted NAV narrowed from 28% to 20% over the month in addition to positive NAV growth of 3%. Further positive news in January came from Symphony's unlisted portfolio with two sales of plots of land from the Minuet JV, which holds a large site of undeveloped land (with planning permission) within 30km of Bangkok airport. One sale was to a prestigious Thai developer likely to build residential property on the land; the other served as a contribution to an education venture that will build a school (Wellington College International Bangkok) on the acquired land. The sale, totalling 14.9 hectares came at a 15% uplift to carrying value and adds c2% to Symphony's NAV if one applies the sale price to Minuet's remaining 46 hectares. Importantly, the development on the land that results from these two sales is likely to increase the value of the remaining land held, while the cash received by Symphony will help fund the NAV-accretive buyback.

"Other material contributors included Aker (further discount narrowing), JPEL (another strong NAV, with further write-ups in Datamars and MBI), and Fondul Proprietatea (discount narrowing)."

Jardine Strategic (JS), now our largest holding, added 52bps over the month. Continued speculation - which our calculations suggest is well-founded - that the company's shares will be included in the MSCI indices at the next rebalancing helped the discount narrow from 31% to 28%. We had been adding to our existing position well in advance of this potential event, in part due to our prior success in benefiting from a similar situation with sister company Jardine Matheson in the early months of last year when index-buying allowed us to sell out of Matheson at sub-10% discounts, but more due to our positive view on the fundamentals of the underlying companies (all listed). Dairy Farm (29% of JS NAV)'s shares look cheap given potential for a recovery in margins, while Jardine Cycle & Carriage (28% of JS NAV) trades on an abnormally wide discount of 21% to its own NAV (the bulk of which is invested in Astra, the Indonesian auto company, whose shares we believe are priced cheaply given the earnings growth now being seen). Jardine Strategic's NAV grew by 11% over January.

Other material contributors included Aker (further discount narrowing), JPEL (another strong NAV, with further write-ups in Datamars and MBI), and Fondul Proprietatea (discount narrowing).

The most significant detractor by far was Hudson's Bay (HBC), which cost 93bps over the month as the shares fell by 24%. HBC is a Canadian-listed retailer with department stores across Canada, the US, and Germany. Our interest lies in its freehold property, which is worth considerably more than the company's market cap. The US retail environment has been weak for a while, but it was the announcement of a cut in earnings guidance in early January that precipitated the latest and most severe decline in the company's share price to \$10 per share.

The market views the company as a retailer and hence prices it based on operating performance. Sell-side analysts are unwilling to apply anything approaching a full value for the real estate assets, as the timing of a monetisation event is so unclear. Our conviction in the story is based on a number of important facts that analysts appear to be ignoring. Firstly, the Chairman Richard Baker - who has a business background in real estate - owns a c. 27% stake in the company worth C\$500m. Secondly, a big proportion of property assets owned by HBC has already been transferred into private JVs via commercial arm's length transactions with third party investors. HBC's stakes in these real estate JVs contribute CAD16 to our NAV estimate for HBC. Were they to be listed we believe it would provide transparency to the market on the valuations of these vehicles and this should be reflected in HBC's share price.

This analysis also ignores the material value to be found elsewhere in HBC's real estate portfolio, most notably its SAKS Fifth Avenue store which we also believe to be worth comfortably more than the current share price on its

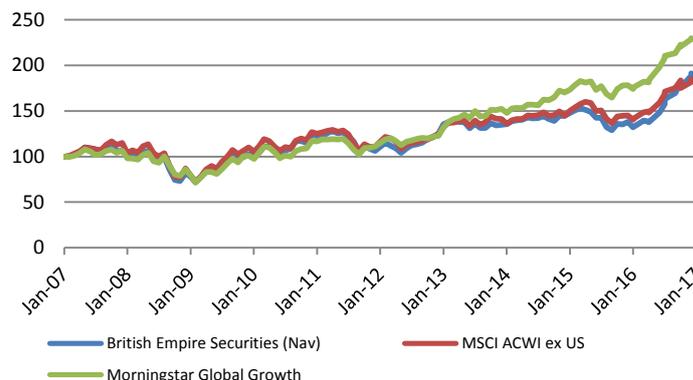
Investment Objective: To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

Performance Total Return

This investment management report relates to performance figures to 31 January 2017.

	Month	Financial Yr* to date	Calendar Yr to date
BTEMNAV ¹	1.6	11.0	1.6
MSCI ACWI ExUS ³	1.7	5.6	1.7
MSCI ACWI ExUS Value ¹	1.3	10.0	1.3
MSCI ACWI ¹	0.9	7.5	0.9
Morningstar Global Growth ¹	2.5	6.0	2.5

Performance Total Return JAN 2007- JAN 2017



Top Ten Equity Holdings

Holding	%
Jardine Strategic Holdings	6.3
Wendel	6.0
JPEL Private Equity	5.7
Investor AB-A SHS	5.6
Symphony International	5.6
Riverstone Energy	5.5
NB Private Equity Partners	5.4
Aker ASA	5.1
AP Alternative Assets	5.0
Toyota Industries	4.9
TOTAL	55.1

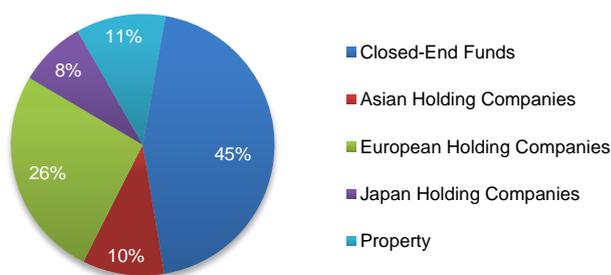
own. In an interesting development after month-end, it was widely reported that HBC is in discussions to acquire Macy's, whose US\$9.5bn market cap is 6x bigger than that of HBC. While neither company has confirmed the reports and the story is yet to unfold, we are mindful that Macy's owns a significant real estate portfolio, estimated to be worth more than its current market cap, and that HBC has funded acquisitions in the past using the acquired company's real estate as a currency. We added to our position in HBC in January following the decline in share price.

We added to existing positions in Jardine Strategic, Tetragon, Fondul Proprietea, and Riverstone Energy, and sold out of Mitsui Fudosan, Ecofin Global, and Pantheon Redeemables entirely. Our holding in these Pantheon shares was first acquired on a 45% discount in 2011 and added to over the years for an eventual IRR of 18%. We still think the discount is overly wide and like the prospects for the portfolio, but prefer to focus our investments in the listed private equity sector on funds with greater concentration and visibility on the underlying holdings. Mitsui generated a mediocre yet positive absolute return over the holding period (+3% IRR) and we sold to fund more exciting opportunities elsewhere in the portfolio. Our investment in the Ecofin funds, accounting for the proceeds from the tender of Ecofin Water & Power shares, the sale of spin-off Ecofin Global, and our remaining holding in the other spin-off Ecofin Realisation, has produced only a small positive IRR of 2% due to the gains from discount contraction being out-weighted by poor NAV performance. We reduced our weight in AP Alternative Assets following the successful IPO of Athene Insurance, although it is still a significant holding for us given that we still see material upside in Athene's share price from its current valuation and will benefit from the unwind of the 10% discount on AP's shares over the next fourteen months as the underlying Athene shares are distributed.

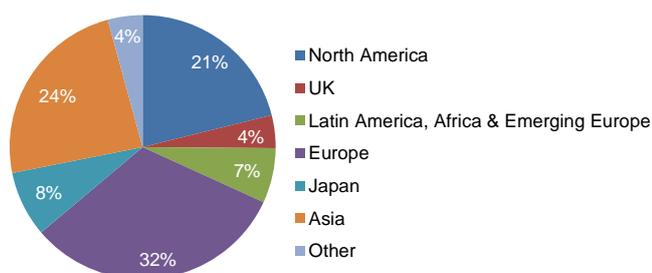
We initiated a new holding in Japan, Tokyo Broadcasting System (TBS). TBS's core business makes it a top five TV and newspaper distributor in Japan, but it also has an equity portfolio worth ¥300bln, a real estate business valued in excess of ¥220bln, and net cash of ¥7.5bln. These different lines value the company at c. ¥625bln versus a market cap of just ¥362bln, a discount of 43%. The implied stub value is also near an all-time low (i.e., the implied value of the real estate assets and the TV production business are barely reflected in the current share price). While such discounts are not unique in Japan, there are very few that are as prominent in the public eye or that are as large and liquid as TBS. Many Japanese companies have equity holdings, but it is rare to find one where the liquid equity portfolio is worth such a big proportion of the market capitalisation. Growing pressure across corporate Japan to boost ROEs could conceivably see TBS management look to sell all or parts of its equity portfolio and/or real estate.

BTEM ended the month 106% invested.

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.

Contributors / Detractors (in GBP)

Largest Contributors	1 month contribution bps	Percent of Assets
SYMPHONY INTERNATIONAL	60	5.6%
JARDINE STRATEGIC HLDGS	52	6.3%

Largest Detractors	1 month contribution bps	Percent of Assets
HUDSON'S BAY CO	-93	3.2%
RIVERSTONE ENERGY LTD	-32	5.5%

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	649.0	2.1	52.7	46.5	67.5
Net Asset Value TR ¹	721.2	1.6	45.3	40.5	71.0
MSCI ACWI ex US TR ³		1.7	31.5	36.1	48.8
MSCI ACWI ex US Value ¹		1.3	37.6	33.0	55.3
MSCI ACWI TR ¹		0.9	33.7	55.9	95.8
Morningstar Global Growth TR ³		2.5	29.6	48.6	94.7

Fiscal Yr Total Returns (%)	2016	2015	2014	2013	2012
Price ¹	34.3	-9.5	8.9	13.8	6.2
Net Asset Value ¹	31.0	-8.3	6.8	13.1	9.6
MSCI ACWI ex US (£) ³	28.0	-5.6	5.1	16.6	11.0
MSCI ACWI ex US Value ¹	25.5	-9.8	5.7	17.1	10.2
MSCI ACWI ¹	31.3	0.4	11.8	18.0	17.4
Morningstar Global Growth ³	26.9	3.7	8.7	18.9	13.7

Capital Structure

Ordinary Shares	129,526,165
Shares held in Treasury	6,913,000
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	£961mil.
Debt par value	£70mil.
Actual Gearing (Debt less cash divided by net asset value)	6.2%

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

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.