

Manager's Comment

BTEM's NAV fell by 2.5% in September. Our portfolio has negligible exposure to Sterling assets and so a strengthening Pound meant positive investment returns for the month were swamped by the impact of FX. The Pound rose against all major currencies (3.9% vs USD; 4.5% vs EUR; 6.1% vs JPY; 6.3% vs SEK; 6.2% vs NOK; and 4.6% vs CHF), although a significant portion of these moves has been subsequently reversed in October to date.

Aker was our largest contributor, adding 32bps to BTEM's NAV despite the FX headwinds. Underlying holdings Aker BP (Oil & Gas E&P), Aker Solutions (Oil Services), and Akastor (drilling, rigs) all appreciated in excess of or in-line with a rising oil price, driving Aker's NAV higher. Our return was further buoyed by Aker's narrowing discount which contracted by 490bps over the month. Aker is a great example of how market sentiment can create opportunities. Over calendar year 2016, we had increased our position in Aker at discounts in excess of 40% at a time when many were very bearish on the oil price and oil-related equities. Our view was that Aker's strong balance sheet meant it was better-placed to ride out a depressed backdrop than the market was giving it credit for. It became our largest holding and subsequently went on to perform very strongly, and we reduced our position significantly in late-16 and throughout H1-17 at discounts in the low-20%^s. A widening discount in July of this year allowed us to increase our holding at a 32% discount to NAV at prices 23% lower than the peak at which we sold. Following the re-rating in September, Aker shares ended the month at a 29% discount to NAV. Largest holding Aker BP accounts for 61% of NAV and first oil at its flagship asset, Johann Sverdrup (break-even of \$25 p/barrel), is scheduled for 2019.

Toyota Industries and Symphony were our joint second-largest contributors over the month (+14bps on NAV each), both registering gains net of FX translation effects.

Toyota Motors, which accounts for 46% of Toyota Industries' NAV, saw an 8.5% appreciation in its share price, performing well on the back of a weakening Yen (a 1.8% decline vs USD). We still believe the overlooked jewel in Toyota Industries' crown to be its unlisted forklifts and handling equipment business which accounts for 52% of our estimated NAV. Global peers trade at 19x EV/EBIT, yet the implied valuation for this business is c6x when one adjusts for the discount on Toyota Industries.

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In 2014, Symphony established a policy of paying an annual dividend in the first half of each year. In addition to ordinary dividends, large special dividends were paid for the first three years equivalent to total dividend yields of 5.5%, 5.8%, and 8.8%. This year, the special dividend was cut due to limited excess cash being available for distribution and the dividend yield equated to "just" 4.1%. However, a very large additional dividend of \$0.10 (equivalent on its own to a 12.4% yield) was declared in September following the full sale of Parkway Life REIT and partial sale of some of the holding in Minor International. Given dividends effectively represent a return of capital at a zero discount, such payments are highly accretive to shareholders. Unusually, however, dividends are paid to option-holders as well as shareholders and any further returns of capital structured as dividends (as opposed to, say, tender offers at NAV) may result in a transfer of intrinsic value away from shareholders to option-holders given how much closer the strike prices will be to current NAV following the payment of the latest special dividend. We will continue to discuss this and other issues with management and the Board. Nevertheless, the share price responded well to the announcement of this large distribution and Symphony's share price increased by 7% over the month.

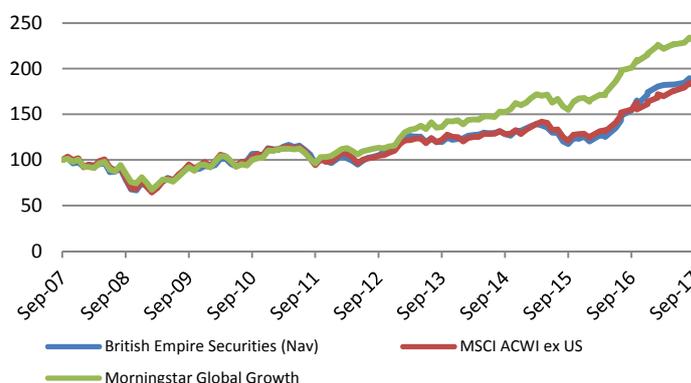
Investment Objective: To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

Performance Total Return

This investment management report relates to performance figures to 30 September 2017.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV ¹	-2.5%	18.8%	8.8%
MSCI ACWI Ex US ³	-2.1%	16.3%	12.0%
MSCI ACWI Ex US Value ¹	-2.0%	18.4%	8.9%
MSCI ACWI ¹	-2.1%	15.5%	8.5%
Morningstar Global Growth ¹	-1.5%	21.3%	17.3%

Performance Total Return SEP 2007 - SEP 2017



Top Ten Equity Holdings

Holding	%
Japan Net Cash Basket***	7.4
Pargesa Holdings	6.2
Exor	5.6
Riverstone Energy	5.3
Symphony International	5.2
Wendel	5.0
JPEL Private Equity	4.9
Jardine Strategic	4.9
Tetragon Financial	4.8
Adler Real Estate	4.7
TOTAL	54.0

Other contributors included Kinnevik (narrowing discount in from 22% to 17%), the Japanese net cash basket, and Digital Garage (narrowing discount in from 21% to 16%).

Pershing Square Holdings was our most significant detractor as positive NAV growth was outweighed by a widening discount, which pushed out from 20% to 24%. This is a very wide discount for a fund with an entirely listed and liquid portfolio, and we continued to build our position at these attractive levels. GP Investments, the Brazilian-listed private equity company, experienced a material de-rating as its discount widened out by 800bps. After month-end, shareholders in the US-listed SPAC sponsored by GP approved its merger with Rimini Street (enterprise software support), thus entitling GP to a 20% stake in the SPAC at no cost. We continue to see GP's shares as exceptionally under-valued on a discount of 40% (47% if investee company Spice Private Equity is valued at NAV).

The portfolio discount ended the month at 25%.

Contributors / Detractors (in GBP)

Largest Contributors	1 month contribution bps	Percent of Assets
AKER ASA-A SHARES	32	3.7
TOYOTA INDUSTRIES CORP	14	3.3

Largest Detractors	1 month contribution bps	Percent of Assets
PERSHING SQUARE HOLDINGS	-33	4.2
GP INVESTMENTS LTD	-31	1.7

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	693.5	-2.4	16.7	44.3	78.9
Net Asset Value TR ¹	769.8	-2.5	18.8	42.6	72.3
MSCI ACWI ex US TR ³		-2.1	16.3	40.6	72.4
MSCI ACWI ex US Value ¹		-2.3	18.4	34.0	65.7
MSCI ACWI TR ¹		-2.1	15.5	52.3	100.9
Morningstar Global Growth TR ³		-1.5	21.3	59.1	111.3
Fiscal Yr Total Returns (%)	2017	2016	2015	2014	2013
Price ¹	16.7	34.3	-9.5	8.9	13.8
Net Asset Value ¹	18.8	31.0	-8.3	6.8	13.1
MSCI ACWI ex US (£) ³	16.3	28.0	-5.6	5.1	16.6
MSCI ACWI ex US Value ¹	18.4	25.5	-9.8	5.7	17.1
MSCI ACWI ¹	15.5	31.3	0.4	11.8	18.0
Morningstar Global Growth ³	21.3	26.9	3.7	8.7	18.9

Capital Structure

Ordinary Shares	129,526,165
Shares held in Treasury	13,372,622
8 1/2% 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	£974mil.
Debt par value	£71.2mil.
Actual Gearing (Debt less cash divided by net asset value)	5.2%

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.

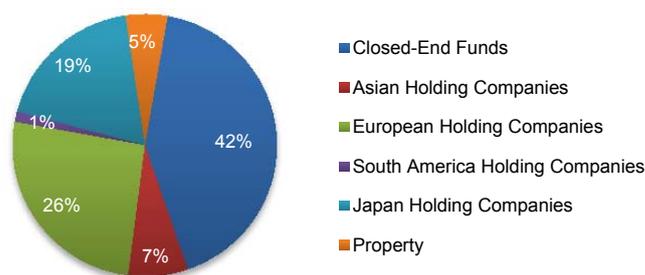
³ From 1st October 2013 the lead benchmark was changed to the MSCI ACWI ex US (£) Index. The investment management fee was changed to 0.7% of net assets and the performance related fee eliminated.

* 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.

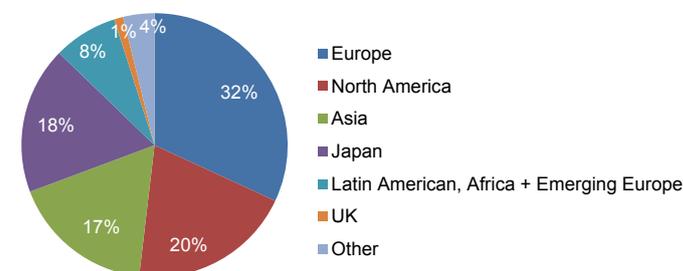
** Last audited figure updated annually

*** A basket of 15 stocks: Enplas Corporation, Yamato Kogyo, Nippon Road, Kato Sangyo, Hirano Tecseed, Tachi-S, Nishimatsuya Chain, Pasona Group, Toa Corporation, Denyo Co, Takamatsu Construction, Dai-Dan, Nakano Corporation, Matsui Construction, Daiwa Industries.

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.

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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