

Manager's Comment

A successful October for BTEM saw its NAV grow by 3.5% with FX only playing a *de minimis* role. With the portfolio discount essentially unchanged at 25.2%, it was underlying NAV growth that drove returns in aggregate. Key contributors were Symphony International, Aker, Tokyo Broadcasting System, our Japanese Special Situations basket (previously referred to as "Net Cash"), Wendel, Pershing Square Holdings, Toyota Industries, and Tetragon Financial; in a month with few negative performers, Jardine Strategic's widening discount meant it was our largest detractor (albeit costing only 9bps).

We wrote last month on Symphony's declaration of a large special dividend that equated to a 12.4% yield on the undisturbed share price. The shares subsequently traded ex-dividend from early-October yet ended the month just 1.2% down despite the very sizable distribution. In addition, largest holding Minor International (57% of NAV) recorded an increase in share price of over 6%. The combination of a substantial return of capital at an effective zero discount, the discount narrowing almost 300bps to 24.8%, and NAV growth driven by Minor resulted in our position adding 61bps to BTEM's NAV. We attribute Symphony's narrowing discount to a growing recognition that management are willing to return capital through a combination of buybacks and material dividends.

For the second month running, Aker was a significant contributor to returns. This was despite a widening discount (ending the month 130bps wider than where it began) and a weaker Norwegian Krone (-1.8% vs GBP). Aker BP (68% of NAV) was the driving force, with its share price up 22% in October following its \$2bn acquisition of Hess's Norwegian division. This transaction includes Hess Norway's 64% share in the Valhall field, its 63% share of the Hod field, and a large US\$1.5bn tax loss carry forward. These are income producing assets and will contribute to Aker BP's ability to pay a higher dividend. Indeed, Aker BP announced that it intends to increase its dividend next year and this will boost its dividend yield from 3.2% to 4.5% post completion (we suspect this may encourage Aker to increase its own dividend). In addition, this ratcheting up of dividend income from Aker BP comes ahead of phase I of its flagship Johan Sverdrup field coming on line in 2019. To fund the transaction, Aker BP raised US\$500m of new equity underwritten by Aker who subscribed for 40% of the new shares. The Hess transaction provides further evidence of Aker's ability to continue to create value by sourcing attractive M&A transactions which are immediately accretive and by standing behind its portfolio companies when capital is required.

"We attribute Symphony's narrowing discount to a growing recognition that management are willing to return capital through a combination of buybacks and material dividends."

Following the acquisition of Marathon Oil Norge in 2014, BP Norge in 2016, and now Hess Norge, Aker BP has become one of Europe's largest independent E&P companies. We continue to view Aker's shares as undervalued on a 31% discount to NAV.

Tokyo Broadcasting System (TBS) accounted for 4.3% of BTEM's NAV at the end of the month. The company's core TV production business is masked by its bloated balance sheet which includes a stock portfolio that covers 95% of its market cap and investment properties accounting for another 32%. In October we began a public campaign to encourage TBS to reduce its stock portfolio. The thrust of our argument is that TBS' management are taking an outsized and unjustifiable risk by having 62% of this stock portfolio in two stocks, Tokyo Electron and Recruit Holdings, and that a partial reduction will not have a detrimental impact on business relations. Amidst a background of improving corporate governance in Japan, TBS stands out and we believe management's continued complacency is untenable. At TBS' AGM in June 2017, the CEO registered an approval rating of just 79% (down from 84% in 2016), the 20th lowest rating

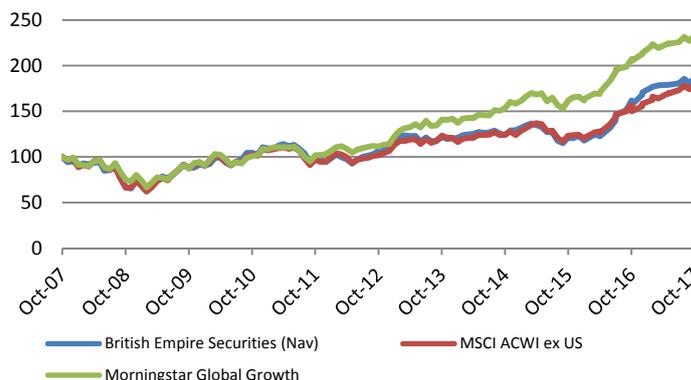
Investment Objective: To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

Performance Total Return

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

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV ¹	3.5%	3.5%	12.6%
MSCI ACWI Ex US ³	2.9%	2.9%	15.3%
MSCI ACWI Ex US Value ¹	2.4%	2.4%	11.5%
MSCI ACWI ¹	3.2%	3.2%	11.9%
Morningstar Global Growth ¹	3.4%	3.4%	21.3%

Performance Total Return OCT 2007- OCT 2017



Top Ten Equity Holdings

Holding	%
Japan Special Situations***	7.7
Pargesa Holdings	6.1
Exor	5.5
Riverstone Energy	5.2
Wendel	5.1
JPEL Private Equity	4.9
Tetragon Financial	4.9
Symphony International	4.7
Pershing Square Holdings	4.7
Jardine Strategic	4.6
TOTAL	53.4

among the 450 Japanese companies for which we had such data after the AGM. We were encouraged that the media picked up on our engagement with TBS with articles being written in the Wall Street Journal, the Nikkei and on Bloomberg. We hope that management will take steps to rectify this problem for the benefit of all stakeholders and we will continue to engage with management in a constructive manner.

Our Japanese Special Situations basket, consisting of 17 individual grossly over-capitalised Japanese small cap stocks that we believe stand to benefit from corporate governance reform, and a greater focus on capital allocation/returns on equity, was the fourth largest contributor. It has been a strong performer - as at the end of October, it had outperformed the TOPIX by 8.1% and returned 20.2% on an absolute basis in Yen terms since its inception earlier this year.

Other contributors of note included Wendel (narrowing discount; higher NAV), Pershing Square Holdings (slightly tighter discount; higher NAV), Toyota Industries (tighter discount), and Tetragon Financial (announcement of tender offer led to discount contraction).

Investment activity during the month included adding to Pershing Square Holdings, some additional names for the Japanese Special Situations basket, and we continued building a position in a deeply-discounted Latin American holding company.

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	718.0	3.5	15.7	51.5	79.5
Net Asset Value TR ¹	797.0	3.5	3.5	49.9	72.3
MSCI ACWI ex US TR ³		2.9	2.9	44.3	76.4
MSCI ACWI ex US Value ¹		2.4	2.4	37.6	68.2
MSCI ACWI TR ¹		3.2	3.2	53.9	108.1
Morningstar Global Growth TR ³		3.4	3.4	61.3	117.9
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	13,861,763
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	£1bn.
Debt par value	£71.1mil.
Actual Gearing (Debt less cash divided by net asset value)	5.5%

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

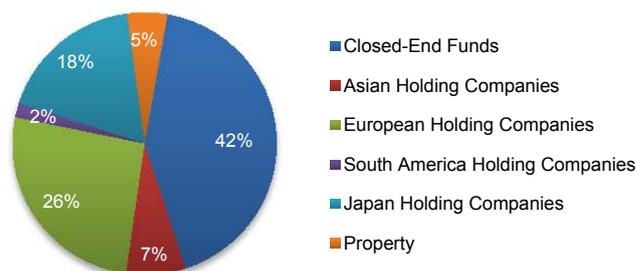
*** A basket of 17 stocks: Amuse Inc, Enplas Corporation, Yamato Kogyo, Nippon Road, Kato Sangyo, Hirano Tecseed, Tachi-S, Nishimatsuya Chain, Pasona Group, Toa Corporation, Denyo Co, Takamatsu Construction, Dai-Dan, Nakano Corporation, Matsui Construction, Daiwa Industries, Melco Holdings Inc.

Contributors / Detractors (in GBP)

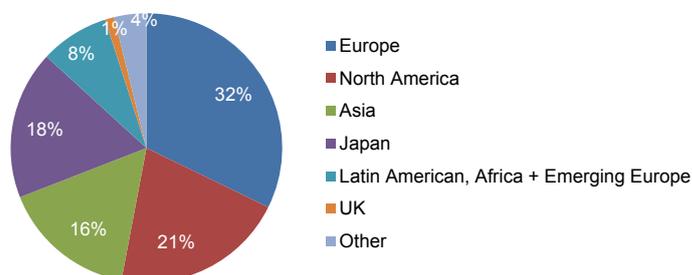
Largest Contributors	1 month contribution bps	Percent of Assets
SYMPHONY INTERNATIONAL	61	4.7
AKER ASA-A SHARES	42	4.0

Largest Detractors	1 month contribution bps	Percent of Assets
JARDINE STRATEGIC HLDGS LTD	-9	4.6
ADLER REAL ESTATE AG	-7	4.5

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

Investment Manager – Joe Bauernfreund, AVI Ltd.
+44 20 7659 4800 info@assetvalueinvestors.com

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.

British Empire Trust plc, Beaufort House, 51 New North Road, Exeter, EX4 4EP. Registered in England & Wales No: 28203

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.