

Manager's Comment

BTEM's NAV was essentially unchanged over the month with local currency gains - driven mostly by discount narrowing - being offset by adverse FX moves (a strengthening Pound). We now have over 20% of NAV in Japanese holdings and these were a key source of performance over the month. Tokyo Broadcasting System, Digital Garage, Toshiba Plant, and the Japan Special Situations Basket all performed strongly. Outside of Japan, GP Investments, Cosan Limited (which was until now an undisclosed position), JPEL Private Equity, and Third Point Offshore Investors contributed to returns; Exor, Investor AB, Adler, Symphony, and Swire Pacific were detractors.

We wrote last month on Tokyo Broadcasting System (TBS) and our public campaign to encourage the company to reduce its stock portfolio. TBS' share price rose +20% over November on the back of publicity surrounding our actions and strong operating profit growth (+38% for H1-17) in the underlying operating business. Despite the share price increase, non-core assets (listed equities, investment properties, and net cash) more than cover the market cap with the high quality operating business being implicitly assigned a negative value by the market. We continue to engage with the board and management.

Digital Garage, the Japanese technology-focused holding company, saw its share price rise by +19% benefitting from strong growth (+14%) in the share price of its largest asset Kakaku.com. An additional tailwind came from Digital Garage's unlisted marketing business which reported an increase in operating profits of +72% year-over-year in Q3-17. On top of a rising NAV, the discount contracted by 560bps. We still view Digital Garage's shares as attractively valued given the high quality of their fast-growing unlisted payments and marketing businesses, and we expect growing recognition of these to result in a structurally narrower discount as the market changes its misperception of Digital Garage being simply a passive mono-holding company for Kakaku.com.

"There is a striking contrast between the US, where the S&P 500 ex-financials index trades on a Price-to-Tangible-Book multiple of 19.2x, and Japan where the multiple for comparable companies is just 1.9x."

The Japan Special Situations basket (which consists of 19 laughably over-capitalised small-cap Japanese stocks) is in aggregate our largest position, and continued its strong run of performance with a weighted average share price gain of +6% in a month where the TOPIX and TOPIX Small-cap indices were up +1.5% and +1.3% respectively. One of the larger positions within the basket, Pasona Group, was the subject of attention from a Hong Kong-based activist investor during November. Pasona's 49% stake in listed Benefit One, a provider of HR and employee benefit services, covers its market cap 1.3x over and a huge amount of value could be unlocked were this stake to be sold and the cash returned to shareholders. For what we believe are tactical reasons, the activist's proposals focused on improving the weak profitability at Pasona's core operating business but we see the real prize as being the Benefit One stake. Pasona's share price increased by +8% in November, and is up a further +7% so far in December. Since our first purchase in June, its share price has risen +96%.

There is a striking contrast between the US, where the S&P 500 ex-financials index trades on a Price-to-Tangible-Book multiple of 19.2x, and Japan where the multiple for comparable companies is just 1.9x. Notwithstanding differences in sectoral composition that account for part of this divergence, corporate Japan's bloated balance sheets make for a target-rich market for activists. Activism is on the rise encouraged by a confluence of pressure from the government, shareholder advisory services, and the National Pension Fund amongst others.

Elsewhere in the portfolio, JPEL announced the sale of its 2nd largest investment, outsourced clinical research provider Celerion. The sale came at a +25% uplift to carrying value and converted 10% of NAV into cash; we were unsurprised to see JPEL subsequently announce its third distribution to shareholders amounting to 17% of NAV. We estimate the investment in Celerion generated a 3.3x multiple on cost and an IRR of 49%. This follows previous exits from the secondary direct portfolio (Accela, Datamars, and Innovia) that have achieved IRRs of 35%, 51%, and 50% respectively.

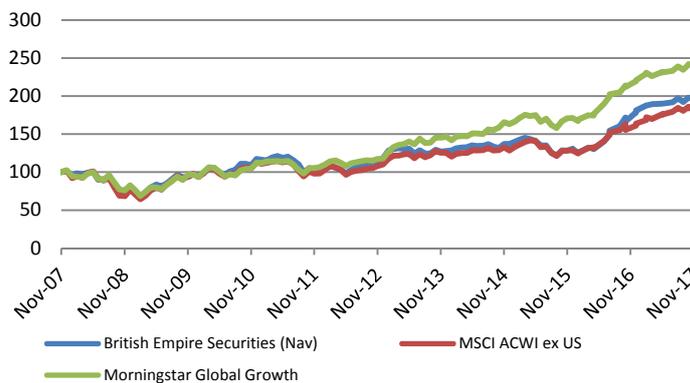
Investment Objective: To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

Performance Total Return

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

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV ¹	0.0%	3.5%	12.6%
MSCI ACWI Ex US ³	-1.1%	1.8%	14.1%
MSCI ACWI Ex US Value ¹	-1.4%	1.0%	10.0%
MSCI ACWI ¹	0.0%	3.2%	11.9%
Morningstar Global Growth ¹	-0.3%	3.0%	20.9%

Performance Total Return NOV 2007- NOV 2017



Top Ten Equity Holdings

Holding	%
Japan Special Situations***	9.1
Pargesa	6.1
Tokyo Broadcasting System	5.6
Riverstone Energy	5.2
Exor	5.1
JPEL Private Equity	5.1
Wendel	5.0
Third Point Offshore Investors	4.9
Tetragon Financial	4.8
Pershing Square Holdings	4.7
TOTAL	55.6

We initiated a new investment in Cosan Limited earlier this year and recently finished building our position to its target weight. Cosan Limited (CZZ) is the US-listed holding company of two Brazilian holding companies: Cosan SA (CSAN3) and Cosan Logistica (RLOG3). This complex structure has created a look-through discount of 52%; with CZZ trading on a 25% discount, CSAN3 on 39% and RLOG3 on 26%. The underlying businesses are of high quality and modestly valued, with the largest exposures being to fuel distribution, railroads, and sugar/ethanol production. Management have indicated they are exploring ways to eradicate the complex structure, and recently demonstrated an eye for shareholder value by announcing a tender offer for 8% of outstanding shares which we estimate will generate 2% of NAV accretion. CZZ's share price increased by 7% over the month.

November's key detractor was Exor, where a combination of discount widening and NAV weakness resulted in the share price falling by -7.5%. Ferrari, which fell by -11% on no news, was the main culprit. Exor stands out to us as compelling value on a 34% discount amidst a universe of European holding companies that has seen material discount contraction, and its large weight in BTEM's portfolio reflects our conviction. Investor AB suffered from a -2.6% fall in NAV and a widening discount (out by 230bps) as concerns on the health of the Swedish economy hit local stocks.

Other news included Tetragon Financial announcing a tender offer for 3.2% of NAV, to which the share price has responded positively. Portfolio activity included additional purchases of Fondul Proprietatea, Tokyo Broadcasting System, Third Point Offshore Investors, Cosan Limited, JPEL Private Equity, and the Japanese Special Situations Basket; sales included Kinnevik and Toyota Industries.

BTEM ended the month 105% invested. The portfolio discount was 24%.

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	727.5	1.3	19.1	48.1	76.0
Net Asset Value TR ¹	797.2	0.0	18.1	44.0	69.9
MSCI ACWI ex US TR ³		-1.1	18.3	38.7	70.3
MSCI ACWI ex US Value ¹		-1.4	15.3	32.9	62.6
MSCI ACWI TR ¹		0.0	15.7	48.2	104.4
Morningstar Global Growth TR ³		-0.3	24.6	54.3	112.9

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	13,956,317
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	£88.6mil.
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

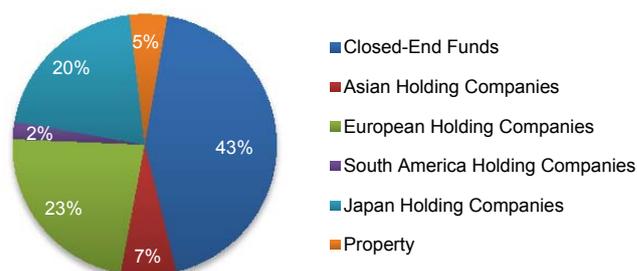
*** A basket of 19 stocks: Amuse Inc, Enplas Corporation, Yamato Kogyo, Nippon Road, Kato Sangyo, Hirano Tecseed, Tachi-S, Nishimatsuya Chain, Pasona Group, Toa Corporation, Denyo Co, Takamatsu Construction, Dai-Dan, Nakano Corporation, Matsui Construction, Daiwa Industries, Melco Holdings Inc., SK Kaken Co, Kanaden Corp

Contributors / Detractors (in GBP)

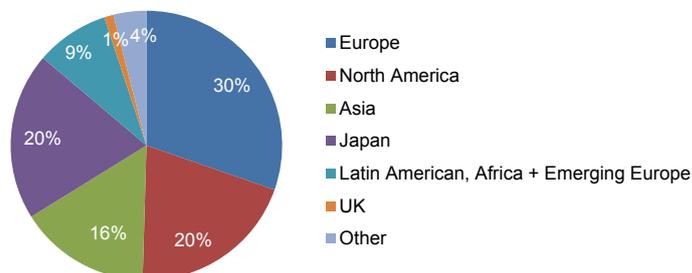
Largest Contributors	1 month contribution bps	Percent of Assets
TOKYO BROADCASTING SYSTEM	87	5.6
DIGITAL GARAGE INC	51	3.3

Largest Detractors	1 month contribution bps	Percent of Assets
EXOR NV	-39	5.1
INVESTOR AB-A SHS	-26	3.8

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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