

Manager's Comment

Markets bounced back from October's *mensis horribilis*, with BTEM registering a +0.6% increase in NAV. Jardine Strategic was the stand-out performer, followed by the Japanese Special Situations basket, Cosan Limited, EXOR, and Swire Pacific. The dramatic decline in the oil price ensured Aker was our largest detractor, followed by Wendel, Pargesa, and Riverstone Energy. The portfolio discount widened out from 30.8% to 31.5%, constituting a headwind over the month.

Jardine Strategic (JS)'s shares rallied hard, up +15% on the back of +6% NAV growth and material discount contraction (in from 37% to 31%) after what had been a weak 2018 to date. NAV growth was led by Jardine Cycle and Carriage (JCNC, 24% of JS' NAV), which was up +16%. JCNC, itself a holding company, benefited from a firming Indonesian Rupiah on the back of an unexpected rate rise and solid results at its key holding, Astra International, which saw sustained strength in heavy equipment sales (+54% October YoY) at its United Tractors subsidiary. Elsewhere in JS' portfolio, Hongkong Land (24% of JS' NAV) continues to benefit from strong demand for HK offices despite weakness from China, and delivered a share price return of +10% over the month.

The Japanese Special Situations basket (comprised of 19 grossly over-capitalised Japanese operating companies) outperformed the broader Japanese market, led by our position in Fujitec (+13%) and Kanaden (+11%). Fujitec is a top ten global elevator manufacturer with a strong focus on the Chinese market which accounts for 30% of sales. Long-dated recurring maintenance contracts mean the underlying business is attractive, and the company - which has net cash covering 46% of its market cap - trades on a compelling valuation of just 6.7x EV/EBIT versus global peers that trade at 17x. We believe the depressed rating is due in part to anti-takeover measures adopted by the company several years ago, which increasingly makes it an outlier in Japan given the large number of companies that have removed such provisions in light of increased scrutiny on corporate governance. We have engaged with management regarding the removal of these defences which will be voted on at the 2019 AGM, and are encouraging them to make greater use of share buybacks and reinstate stock-based remuneration.

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Kanaden's valuation is one of the most attractive in the basket, trading on a derisory 1.2x EV/EBIT multiple with nearly 70% of its market cap in cash. The company is one of five wholesalers for Mitsubishi Electric, operating in a sector ripe for consolidation. Margins can be improved by offering more after-sales services, with the President highly motivated to improve ROE as stock-based remuneration is based on achieving an 8% ROE in three years (currently 7.4%). We have met management four times over the last 18 months, and have been encouraged by their increasing focus on shareholder returns.

We wrote extensively on Cosan Ltd in last month's newsletter. For the second consecutive month, it was one of our best performers despite a headwind from a weakening Brazilian real. At the end of the month, Cosan announced a \$100m tender offer (approximately 4% of shares outstanding), at a 10-15% premium to the previous day's close. This underscores the significant undervaluation the controlling shareholder - like us - sees in the shares.

The main detractor was Aker, whose shares tumbled along with the oil price with the 22% fall in Brent crude exacerbated by a widening discount (out to 21% from 10%). Over the course of the year, we had sold 75% of our holding in Aker at high single-digit/low double-digit discounts, but we added to our position in November at these much wider levels. Another oil-related holding, Riverstone Energy (RSE), was unsurprisingly also amongst the largest detractors, although there were additional idiosyncratic drivers at work in this case. RSE's Dutch Auction tender offer was oversubscribed at the lowest end of the range and the fears of an overhang led to the discount widening out. We believe the tender offer results demonstrate a need for further large-scale buybacks, which offer compelling NAV accretion at current levels.

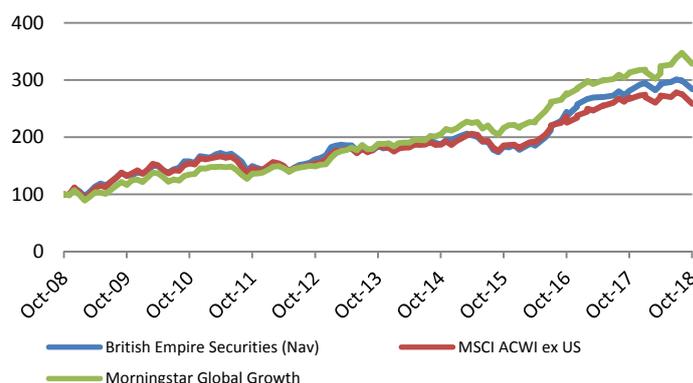
Investment Objective: To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

Performance Total Return

This investment management report relates to performance figures to 30 November 2018.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV ¹	0.6%	-4.4%	-0.1%
MSCI ACWI Ex US ³	1.1%	-5.2%	-4.3%
MSCI ACWI Ex US Value ¹	0.6%	-4.4%	-4.0%
MSCI ACWI ¹	1.7%	-4.0%	3.8%
Morningstar Global Growth ¹	1.8%	-5.9%	4.6%

Performance Total Return OCT 2008 - NOV 2018



Top Ten Equity Holdings

Holding	%
Japan Special Situations***	15.6
Pershing Square Holdings #	8.9
Jardine Strategic	6.2
Fondul Proprietatea	6.0
EXOR	5.6
Riverstone Energy	5.3
Tetragon Financial	5.1
Pargesa	5.1
Third Point Offshore	4.9
Symphony International Holdings	4.7
TOTAL	67.4

* 30% of this position (2.7% of NAV) is hedged, partially reducing BTEM's overall exposure to Pershing Square Holdings

Wendel was weak over the month, which we attribute to a lack of news-flow regarding near-term exits at the company's Capital Markets Day (CMD) in Paris. We attended the CMD, and heard nothing to challenge our view that Wendel's portfolio of unlisted holdings offers a highly attractive combination of resilience and growth.

Trading activity was focussed around additions to the Japanese basket and Aker, and a trimming of our position in Jardine Strategic on the back of a very strong month.

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	718.0	0.3	0.4	64.2	60.8
Net Asset Value TR ¹	797.9	0.6	1.6	56.2	56.8
MSCI ACWI ex US TR ³		1.1	-2.1	40.3	43.6
MSCI ACWI ex US Value ¹		0.6	-1.6	40.9	36.6
MSCI ACWI TR ¹		1.7	5.6	53.5	77.8
Morningstar Global Growth TR ³		1.8	6.7	56.4	84.5

Fiscal Yr Total Returns (%)	2018	2017	2016	2015	2014
Price ¹	12.0	18.7	34.3	-9.5	8.9
Net Asset Value ¹	10.0	18.8	31.0	-8.3	6.8
MSCI ACWI ex US (£) ³	5.2	16.3	28.0	-5.6	5.1
MSCI ACWI ex US Value ¹	3.9	18.4	25.5	-9.8	5.7
MSCI ACWI ¹	13.5	15.5	31.3	0.4	11.8
Morningstar Global Growth ³	16.7	21.3	26.9	3.7	8.7

Capital Structure

Ordinary Shares	129,526,165
Shares held in Treasury	18,424,095
8 ½% 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
2.930% Unsecured Note 2037	€20,000,000

Gross Assets/Gearing

Gross Assets	£979mil.
Debt par value	£89.2mil.
Actual Gearing (Debt less cash divided by net assets)	6.6%

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

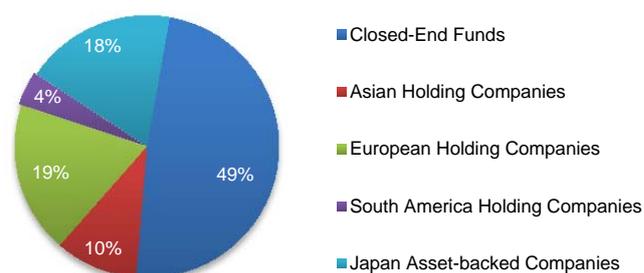
*** A basket of 19 stocks: Fujitec Co, Yamato Kogyo, Kato Sangyo, Tachi-S, Nishimatsuya Chain, Pasona Group, Daiwa Industries, SK Kaken Co, Kanaden Corp, Toshiba Plant, Nissan Shatai, Teikoku Sen-I, Nakano, Mitsubishi Belting, Sekisui Jushi Corp, Nuflare, Toagosei, Konishi, Nippon Kanza.

Contributors / Detractors (in GBP)

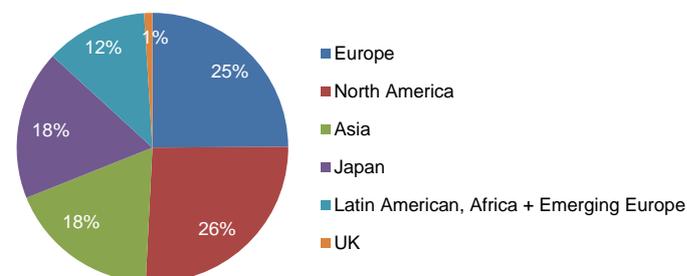
Largest Contributors	1 month contribution bps	Percent of NAV
JARDINE STRATEGIC HLDGS LTD	82	6.2
JAPAN SPECIAL SITUATIONS***	71	15.6

Largest Detractors	1 month contribution bps	Percent of NAV
AKER ASA-A SHARES	-49	1.6
WENDEL	-31	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

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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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