British Empire
Securities and General Trust p.l.c.

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

This investment management report relates to performance figures to 30 June 2014.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV TR[1]	-0.7%	7.0%	4.2%
MSCI ACWI Ex US TR[3]	-0.4%	5.1%	2.5%
Morningstar Global Growth TR[1]	0.1%	6.9%	1.8%
MSCI World TR[1]	-0.3%	9.0%	3.1%

Manager's Comment

The focus of investing into companies when they are trading on wide discounts to NAV means that as those discounts diminish and the risk of discount widening increases, we seek to recycle capital into more attractive opportunities. During the course of the month, there was a reasonable amount of such rotation as a number of stocks reached their target values and/or discounts.

Two property stocks have performed well recently and were trading very close to NAV.

In Germany, we reduced our weighting in Gagfah substantially. We first invested into this company in March 2013 at prices around the 9 Euro level and on a discount to NAV of 30%. The thesis for investing was that the company was likely to focus on deleveraging, reducing the cost of its debt and improving the management of its portfolio of German residential properties, with the ultimate objective of initiating a dividend after years of poor management. Over the last 15 months the company has benefitted from all these factors. Debt has come down. The cost of debt has been reduced significantly and as a consequence the discount at which the stock trades has narrowed to sub 5%.

We invested into British Land at the start of 2014. Underperformance relative to its peers allowed us to invest into it on a reasonable discount, and in addition we anticipated further strong growth in its NAV. Some of this growth has indeed come through during the period of our ownership. The discount however, has largely been eliminated and British Land is now trading in line with its peer group and is no longer on a discount to its NAV. As with Gagfah, we prefer not to own companies that are trading on narrow discounts and would rather recycle cash into companies where there is more upside from both NAV growth and discount contraction. Hence we have sold out of British Land.

Whilst we focus on buying stocks on wide discounts, it is not always our expectation that discounts are entirely eliminated and that all stocks in the portfolio trade at NAV. In the case of Hyundai Motor Preference shares, we invested into the company when the preference shares were trading at a 60% discount to the ordinaries. This was towards the wider end of the historic range. Our target was a 30% discount which was in line with the narrowest level over the past decade. It was not simply a case of buying into the company on wide discount. We also believed Hyundai Motor to be undervalued. Over the past 6 months since we first invested, the preference shares have appreciated by about 30% and the discount on the preference relative to the ordinaries has come in to 28%. With no explicit catalyst for the discount to be eliminated entirely we have started to take profits and shift our cash into cheaper opportunities.

These included TUI AG, a German-listed holding company whose principal asset is its 55% stake in London-listed tour operator TUI Travel. TUI AG also owns a portfolio of branded hotels

continued over ...

Major Movers

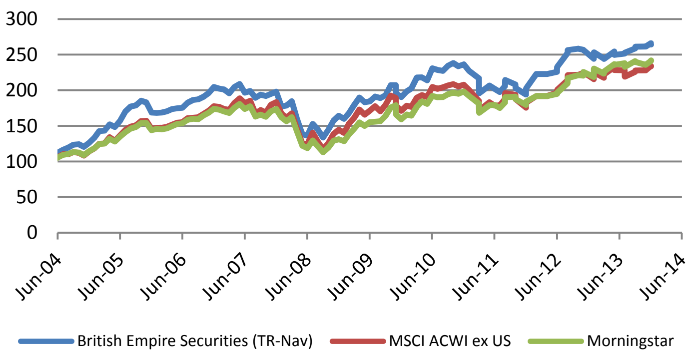
Largest Risers	Percent change	Percent of Assets
AKER ASA-A SHARES	9.50%	5.07%
ECOFIN WATER & POWER OPP-ORD	9.09%	2.62%

Largest Fallers	Percent change	Percent of Assets
WM MORRISON SUPERMARKETS	-9.07%	2.02%
INVESTOR AB-A SHS	-4.80%	6.03%

Top Ten Equity Holdings

Top Ten Equity Holdings	%
Jardine Matheson	6.12
Investor AB	6.03
Groupe Bruxelles Lambert	5.19
Aker	5.07
Sofina	3.75
First Pacific Co	3.28
Vivendi	3.26
Hyundai Motor	3.19
NB Private Equity Partners	2.96
Harbourvest Global	2.65
TOTAL	41.50

Performance June 2004 - June 2014



Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR[2]	497.0	-0.8	7.2	2.7	46.7
Net Asset Value Total Return[1]	574.6	-0.7	7.1	11.1	65.6
MSCI ACWI ex US TR[3]		-0.4	8.4	12.4	66.6
Morningstar Global Growth TR[3]		0.1	10.5	22.9	88.3

Annual Returns (%)	2013	2012	2011	2010	2009
Price TR[1]	5.1	17.8	-12.8	18.5	27.9
Net Asset Value TR[1]	7.6	19.6	-13.6	21.0	25.1
MSCI ACWI ex US (£)TR[3]	13.6	12.2	-12.7	15.1	26.6
Morningstar Global Growth TR[3]	21.3	12.7	-9.4	19.0	24.6
MSCI World TR[1]	25.0	11.4	-4.3	15.9	16.5

and operates a cruise line. In addition, TUI AG owns a 22% stake in Hapag-Lloyd, a container shipping business that recently merged its operations with Chilean peer, CSAV. The combined entity is scheduled to IPO in the first half of next year and will provide TUI AG with an opportunity to exit a business it has long regarded as non-core. We believe the disposal of this stake should prompt a re-rating in TUI's shares, which trade at a 35% discount to our estimated SOTP.

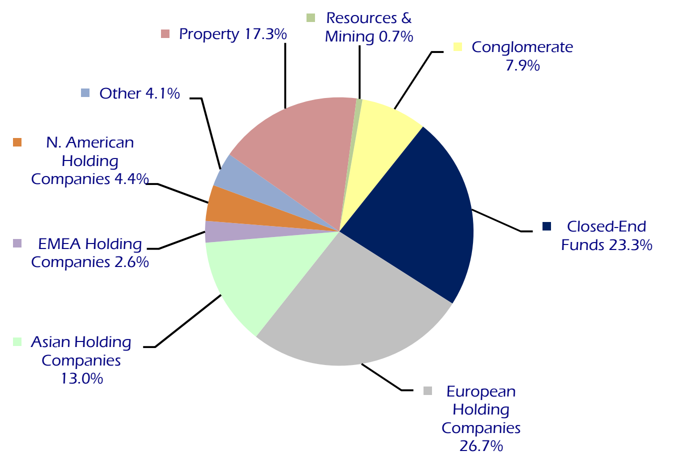
The second catalyst we foresaw was an eventual merger of TUI AG with TUI Travel Plc, although we were pleasantly surprised to see events unfold so quickly after establishing a position with the announcement on 27th June of a nil-premium all-share merger recommended by both boards. The muted share price rise of just 4% reflects scepticism that a deal will be approved by TUI Travel shareholders and that "we have been here before" with previous approaches - nevertheless, this is the first time that TUI Travel's board has recommended the merger and that precise merger terms have been put forward. Management and directors of both companies clearly have much work to do to steer the merger through, but the prospect for TUI Travel shareholders of sharing in the release of the value trapped in TUI AG may prove attractive to many.

Were a merger to be consummated, the upside for our position is substantial.

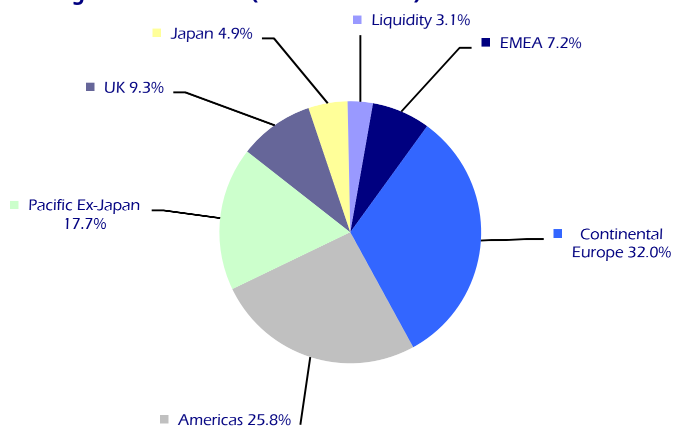
On the corporate activity front, Westfield Corp in Australia has split into two companies, which was part of the original thesis for investing in the company in April of this year. The listing of Westfield Corp on either the NY Stock Exchange or the London Stock Exchange is likely to be a further catalyst for a re-rating of the shares. With high quality shopping centre assets in the UK, Europe and the US, its discount to NAV of over 20% stands out against its peers in these markets whose shares trade far closer, and in some cases above, NAV.

Cash at month end was 3.1% and the weighted average discount on the portfolio increased from 26.9% one month ago, to 28.4% at the end of June.

Sector Breakdown (% of invested assets)



Risk Region Breakdown (% of net assets)



Capital Structure

Ordinary Shares	160,014,089
8 1/8% Debenture stock 2023#	£15,000,000

Gross Assets/Gearing

Gross Assets	£871mil.
Debt par value	£14.9mil.
Actual Gearing (Debt less cash divided by net asset value)	-3.1%

1 Source: Morningstar
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.
* British Empire Securities & General 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
# Book Values updated annually

Further Information

Investment Manager – John Pennink and 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

Risk Factors you should consider before investing