BRITISH EMPIRE TRUST

INVESTING IN UNDERVALUED ASSETS

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 31 October 2015.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV TR[1]	5.0%	5.0%	-4.9%
MSCI ACWI Ex US TR[3]	5.4%	5.4%	-0.5%
Morningstar Global Growth TR[1]	5.0%	5.0%	4.3%
MSCI AC World TR[1]	5.8%	5.8%	1.7%

Manager's Comment

Markets recovered their poise in October, with the MSCI AC World ex-US benchmark up 5.4% on a total return basis and our NAV a little behind at a 5% return. Sterling strength again held back our returns.

Jardine Matheson was our largest contributor on the back of a 10% increase in NAV and discount narrowing for a 16% share price return. The company's indirect holding in Astra International, which accounts for 20% of its NAV, climbed 13% in local currency as sentiment towards emerging markets improved.

Swedish holding company Investor AB was not far behind in terms of contribution, with strong performances from its stakes in Atlas Copco, ABB, and SEB resulting in solid NAV growth and discount contraction of c500bps. The company ended the month trading on a 20% discount to our estimated NAV. Given the long term value creation by the company, there is justification for the discount to be narrower than it is today. The resulting return over the month of 8% in Sterling was held back by a 3.7% decline in the Swedish Krona as disappointing Swedish unemployment figures led to speculation that the Riksbank may move rates even further into negative territory.

Other helpful contributors over the month included Kinnevik, Hitachi, and JPMorgan Private Equity.

Kinnevik, another Swedish holding company, benefitted from a substantial narrowing of its discount due to the sale of its stake in Russian online classified advertising firm Avito at a sizable uplift to carrying value. Avito was sold at a 209% uplift to the carrying value used by Kinnevik in its reported NAV and 51% uplift to the value in AVI's NAV model. Over their 7 year holding period, Kinnevik' s investment in Avito recorded a 77% IRR and a 16x return on cost despite the powerful headwinds of a weakening Rouble.

JPMorgan Private Equity's discount had widened out in September along with other Listed Private Equity vehicles, and reached as wide as 28% by the start of October. We deemed this far too wide given the opportunity to switch into a Redemption Share Class in early-16, and the strong growth of many of their new direct co-investments. We added to our holding at the lows and were rewarded as the share price climbed 11% on discount narrowing.

Interestingly, many of the holdings that have hurt us over 2015 - and in which we retained conviction and had added to in September -performed well in October. Sacyr, Rallye, Aker, Hitachi, and BlackRock World Mining, were all strong over the month.

We added to Hitachi at the end of last month and it has since bounced sharply after raising its first half profit guidance by 24%. Hitachi trades on a wide discount to its sum of the parts and the low PE multiple of c10x seems harsh for a company that has delivered strong growth and has demonstrated a leading commitment to shareholder returns. Also in Japan, there was a positive earnings announcement from Toyota Industries, which included details of a dividend increase and the sale of two subsidiaries.

Detractors were few and far between, with Symphony International Holdings (the Asian-consumer focussed closed-end fund) alone in subtracting materially from returns. The company's share price divorced even further from NAV in October, with the 5.3% increase in the latter almost mirrored by a 5.4% decline in the former. The company undoubtedly has its issues. Management are reticent to engage in any marketing, preferring instead to add to their substantial personal holdings at the very wide discount to NAV. The "standard" LSE listing has no requirement for a wholly independent board, and the ability of shareholders to replace directors is limited. Sell-side research is produced by the Small-Cap rather than Investment Companies desk at the company's corporate broker. Base fees are high at 2.25% of NAV, albeit capped at $15m.

Although we acknowledge these concerns, we still believe the company's shares to be mis-priced on a 48% discount to estimated NAV. The current share price is covered by cash and listed securities 1.6x over, with the 8% stake in Minor

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Major Movers

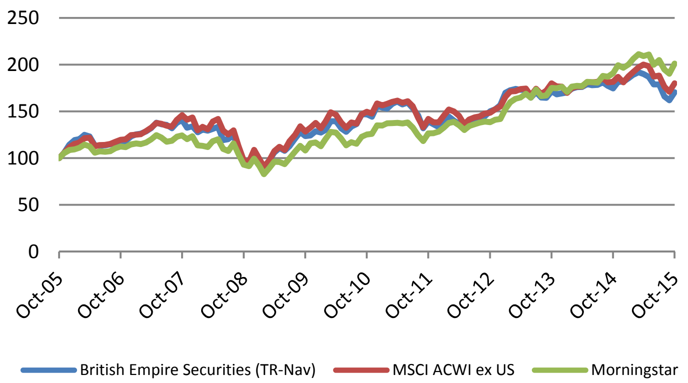
Largest Risers	Percent change	Percent of Assets
HITACHI LTD	16.97%	3.14%
SACYR SA	16.25%	1.30%

Largest Fallers	Percent change	Percent of Assets
DUNDEE CORP -CL A	-12.76%	0.78%
SYMPHONY INTERNATIONAL HOLDI	-5.38%	3.27%

Top Ten Equity Holdings

Top Ten Equity Holdings	%
Investor AB-A SHS	6.09
Sofina	4.69
Wendel	4.41
NB Private Equity Partners	4.38
Jardine Matheson Hldgs Ltd	4.27
Harbourvest Global Private	4.27
Investment AB Kinnevik-B SHS	4.26
Pargesa Holding	4.21
JP Morgan Private Equity	4.17
Aker	3.47
TOTAL	44.22

Performance OCT 2005 - OCT 2015



Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR[2]	473.0	3.6	-4.9	12.7	9.9
Net Asset Value Total Return[1]	545.4	5.0	-2.3	12.3	16.5
MSCI ACWI ex US TR[3]		5.4	-0.8	21.2	20.4
Morningstar Global Growth TR[3]		5.0	6.9	41.2	49.2

Annual Returns (%)	2014	2013	2012	2011	2010
Price TR[1]	8.3	5.1	17.8	-12.8	18.5
Net Asset Value TR[1]	5.2	7.6	19.6	-13.6	21.0
MSCI ACWI ex US (£)TR[3]	2.6	13.6	12.2	-12.7	15.1
Morningstar Global Growth TR[3]	8.0	21.6	12.7	-9.4	19.0

International alone covering 95% of the share price. We like the listed assets, and see hidden upside in the private holdings (mainly real estate). We like management's track record, and the long-term alignment of interests that results from their substantial amount of skin-in-the-game via their near-15% stake and options. We like being paid a 7.3% dividend yield and we like the wind-up vote scheduled for two years' time that will be triggered if the discount is wider than 35%. We are also cognisant of the 83 million management warrants expiring in 2018 that are worthless at the current share price but have an intrinsic value of $16m at NAV. We added to our position in Symphony during the month.

We added two new positions (Swire Pacific B shares, and a heavily discounted Brazilian company we are still buying) over the month and sold out of three (Eurazeo, Detour Gold, and Marwyn Value Investors).

Swire Pacific is a Hong-Kong listed holding company that has a majority of its assets invested in Swire Properties, a listed HK developer that controls a portfolio of high quality Hong Kong commercial assets. Swire Pacific also owns a stake in Cathay Pacific as well as a wholly-owned beverages business. Like many Asian companies it has had a weak year and particularly so over the summer when its share price fell by 20% in August alone. Its discount to NAV has also widened over the period and today stands at 47% on the basis of Swire Properties (listed and 68% owned by Swire Pacific) being valued at NAV. We own the B shares, which trade about 8% cheaper than the As and could benefit from the recent decision by the HK stock exchange not to reverse a ruling disallowing dual share classes. This could see a merger of the two share classes.

Eurazeo has been strong in recent months and now trades on a sub-15% discount. Having exited from a number of investments over the past year, it has a large cash pile that it is looking to invest. While share buybacks may support the share price, we see greater upside elsewhere in our portfolio and used proceeds from selling our position to add to other European holding companies such as Wendel and Pargesa. Wendel is fully invested and has a potentially attractive IPO candidate in IHS - the leading African mobile phone mast business - which on our valuation represents 12% of Wendel's NAV and which could generate a substantial uplift on IPO.

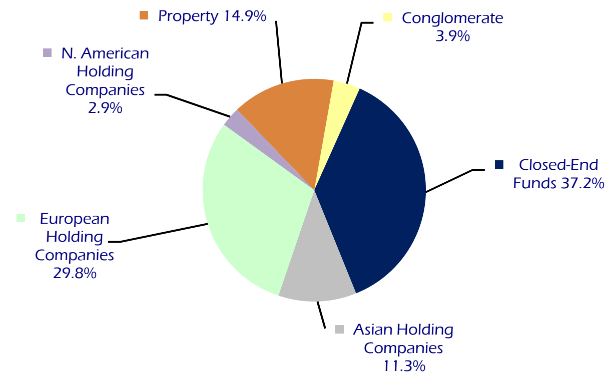
We exited our position in Detour Gold for a 30% return in local currency (Canadian dollars) and 21% return in Sterling.

We also added to our existing positions in Adler, Empiric Student Property, BlackRock World Mining, and Aker over the month.

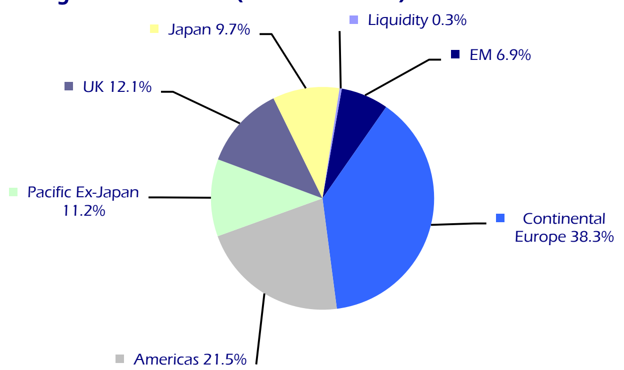
Marwyn Value Investors (MVI) was sold on a 17% discount to NAV, having invested initially on a 34% discount. The entire return was achieved via discount contraction rather than NAV growth. We had hoped for greater gains from the largest holding, Entertainment One (ETO), but the M&A prospects failed to materialise. Following MVI's sale of their ETO stake in the secondary market, the portfolio is now very young and there is a very substantial cash balance highly likely to be invested rather than distributed to shareholders. While MVI's management team have a strong track record, we have greater visibility on catalysts elsewhere in our portfolio and so sold our entire stake in a block trade at a 4% premium to share price.

Investors may have noticed the increasing concentration of our portfolio over recent months. Over the last two years, the percentage of our portfolio accounted for by the top 20 positions has risen from 63% to 72%; the top 30 has risen from 77% to 90%. This is a trend we expect to continue.

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
Shares held in Treasury	26,248,371

Gross Assets/Gearing

Gross Assets	£745mil.
Debt par value	£14.9mil.
Actual Gearing (Debt less cash divided by net asset value)	-0.3%

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. The investment management fee was changed to 0.7% of net assets and the performance related fee eliminated.
* 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

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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

Risk Factors you should consider before investing