UPDATE 30 September 2016

BRITISH EMPIRE TRUST
INVESTING IN UNDERVALUED ASSETS

Manager's Comment

BTEM had a good month with its NAV rising by 4.5%. Strong individual stock performance, the portfolio discount narrowing 40bps, and the pound being weak against all major currencies helped returns.

Aker, comfortably our best performer over the last year, was also our top contributor over the month despite its discount widening slightly (by 50bps). Aker's holding in DetNor - 58% of NAV - jumped 12% in NOK (18% in GBP), buoyed by a 4% rise in the oil price on tentative signs of an OPEC agreement to curtail production. DetNor completed its transformational merger with BP Norway during September and has now been renamed AkerBP. The formal closing of the deal was accompanied by a relaxation of the company's debt covenants allowing it to pay dividends beginning in Q4-16, an increase in its Reserve Based Lending facility, and comments from the company's CEO re-iterating their strategy to take advantage of M&A opportunities arising from the downturn.

NB Private Equity Partners (NBPE) was our second largest contributor on the back of a substantial tightening of its discount (28% to 22%), a small increase in NAV, and strong USD vs GBP (+1.3%). We believe the bid for SVG Capital by Harbourvest in the first half of the month should serve as a wake-up call to the boards of funds in the sector. It is not sufficient, in our view, for individual boards to use the sector's wide discount as justification for inaction on tackling their own fund's discount. The bid for SVG Capital and subsequent interest from other potential buyers confirms the value on offer in the sector, which has been evident for some time in the gap between discounts in the secondary market for LPs and in the listed sector: 6% (source: Cogent) vs 24% at H1-16. While attention drawn by the bid sparked a partial re-rating of the entire sector (average discount in by 340bps excluding SVG Capital), NBPE outperformed for stock-specific reasons. The successful refinancing of the company's existing ZDPs at a much more attractive rate (4% GRY vs 7.3%) improves the cost and tenor of the leverage in place, while the accompanying management roadshow in connection with the new ZDP offering was helpful in raising the profile of the company. We continue to believe that the enfranchisement of shareholders and restructuring of the company's listing are critical if NBPE is to achieve the rating its differentiated portfolio and strong track record deserve, and we continue to impress this point upon the Board and Management.

We commented in last month's newsletter on the bid for conwert, one of our two German residential property holdings, by Vonovia, that came in early-September. The share price response allowed us to sell down most of our holding by the end of the month at a 4% premium to reported NAV, and we recycled part of the proceeds into Adler, our other German residential position. Adler owns a 26% stake in conwert (post exercising their option) and the conversion of this stake into liquid shares in Vonovia will help substantially improve its balance sheet. On a 17% discount at month-end, Adler is comfortably the cheapest investible German residential property company.

> *"The most significant event in September took place on the final day of the month, when DWS Vietnam's restructuring proposals were approved by shareholders with 92% voting in favour (75% required)."*

Other significant contributors included AP Alternative Assets, Digital Garage (discount contraction of 490bps), and Better Capital 2009 (discount contraction of 600bps).

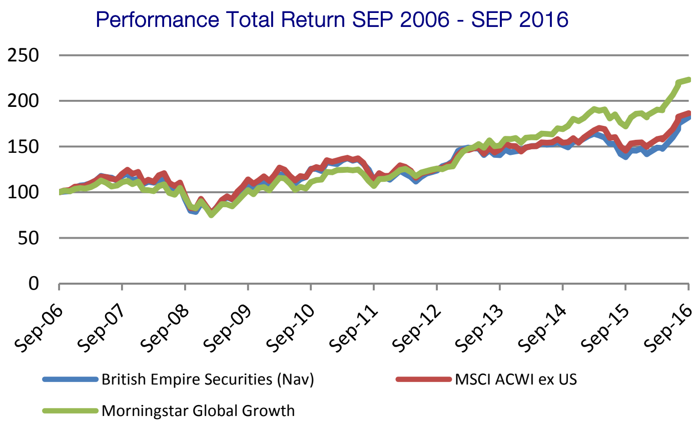
Hudson's Bay (HBC) was the only meaningful detractor. HBC released Q2 results during the month and while EBITDA guidance was still within their original C$800m-C$950m range, they expect EBITDA to "trend towards the bottom end of the range". While this is disappointing, it is of no great surprise given weak North American retail numbers over the year so far. We believe, however, that the share price weakness on the back of such numbers provides opportunity. The confirmation of the value of their real estate, through partial sales or the eventual listing of their real estate JVs, is the main driver of our investment case. With their real estate portfolio accounting for nearly 75% of assets in our sum-of-the-parts valuation, share price weakness on the back of weaker retail numbers that we had anticipated gives us an opportunity to buy the real estate at ever cheaper values. We added to our position in September.

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 September 2016.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV[1]	4.5%	31.0%	24.5%
MSCI ACWI Ex US[3]	2.1%	28.0%	20.6%
MSCI ACWI Ex US Value[1]	1.8%	25.5%	20.3%
MSCI ACWI[1]	1.5%	31.3%	21.5%
Morningstar Global Growth[1]	2.5%	26.9%	16.9%



Top Ten Equity Holdings

Holding	%
Aker ASA	7.3
AP Alternative Assets	6.5
Wendel	6.0
Investor AB-A SHS	6.0
DWS Vietnam Fund	5.1
NB Private Equity Partners	5.0
Investment AB Kinnevik - B SHS	4.9
JPEL Private Equity	4.9
Symphony International	4.7
Pargesa Holding	4.7
TOTAL	55.1

The most significant event in September took place on the final day of the month, when DWS Vietnam's restructuring proposals were approved by shareholders with 92% voting in favour (75% required). All shareholders will receive a closed-end private equity run-off share class (1/3rd of NAV), and the liquid assets (2/3rd of NAV) will be split between an open-ended realisation class and an open-ended continuation class depending on shareholder preferences. The assets in the open-ended realisation class will be liquidated over a 2-3 month period and cash returned at NAV.

The fee structure on the private equity run-off vehicle ensures a strong alignment of interests between the manager and shareholders. A 1.5% of NAV base fee will drop to 1% in year two, then 0.5% in year three. The performance fee requires an 8% annual compounding hurdle to be met before a fee is triggered, is based on distributions to shareholders, and ratchets down from 20% of gains to 15% in the second year and 10% in year three. This is well-designed to incentivise the Manager to achieve exits in an expeditious fashion but also to generate gains in NAV. The Manager's acceptance of these terms is, in our view, a significant vote of confidence in the private equity assets and their carrying values, which are also supported by a record of achieving significant uplifts upon exits (last three exits came at +28%, +84%, and +94% uplifts over carrying value). Almost half of the private equity assets are accounted for by the company's 17.9% stake in Greenfeed, an animal feed business that has grown earnings by a near 35% compound annual growth rate over the last five years yet is carried in DWS Vietnam's NAV on a modest multiple.

We are now in the final innings of what has already been a very successful investment (in USD +49% TR, +19% IRR; in GBP +88% TR, +32% IRR), and we see further upside from here given the current 17% discount. Our investment began in July-13 when we were initially buying at a near-40% discount, and we have since accumulated a 17.5% stake. Over the life of our holding, we have removed the three management representatives from the Board and had two of our nominees appointed as directors. The company has cancelled the 10% of its shares held in treasury, and begun a new buyback programme. Most importantly, we extracted a public commitment not to extend the manager's contract, and to hold the restructuring proposals passed at the end of last month.

In other news, Ecofin Water & Power Opportunities completed its reconstruction and we were pleased with the outcome that saw 59% of our holding repurchased at NAV via the tender offer. Dolphin Capital - the high end resort and hotel developer - announced a sale of their 49% stake in Aristo, a Cypriot villa developer, for €45m, and a €7.5m credit facility agreed in principle. Although Aristo was sold at a large discount to carrying value, the price achieved provides much needed liquidity, and also more accurately reflects what the company is worth when selling today, versus a protracted realisation via selling plot by plot. The share price has continued to disappoint over the course of the year but this shores up the cash position of the company and reduces significantly the need for extra capital in the short to medium term. Before the end of 2016, the company has a continuation vote at which shareholders will vote on whether to wind up the company. In effect the company is already in realisation mode, but importantly we believe the Board will propose further changes to the management contract which will align management's interests with those of shareholders and reduce the operating cash burden on the company.

We made a new investment over the month in a deeply discounted closed-end fund - given we are still building the position, it will remain undisclosed for now. Additional purchases of existing positions were made in AP Alternative Assets, Adler Real Estate, and Toyota Industries amongst others. conwert was sold down as mentioned earlier, and we also exited Hitachi in light of more attractive opportunities elsewhere. Fondul Proprietatea's tender offer, in which we did not participate, had the temporary effect of opening up spare capacity in its GDRs. We were able to convert all our locally-held shares into GDRs and so benefitted from an immediate uplift on our holding given the premium on which the GDRs trade to the locals (2.5% at month-end).

Major Movers
(in local currency)

Largest Risers	1 month TR%	Percent of Assets
DIGITAL GARAGE INC	11.3%	2.4%
PANTHEON INTL PARTICIP-RED	9.8%	1.4%

Largest Fallers	1 month TR%	Percent of Assets
HUDSON'S BAY CO	-6.5%	4.1%
HITACHI LTD	-5.5%	0.0%

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR[2]	598.0	6.0	34.3	32.5	60.1
Net Asset Value TR[1]	661.8	4.5	31.0	28.3	60.5
MSCI ACWI ex US TR[3]		2.1	28.0	27.1	64.5
MSCI ACWI ex US Value[1]		1.8	25.5	19.6	54.3
MSCI ACWI TR[1]		1.5	31.3	47.4	104.2
Morningstar Global Growth TR[3]		2.5	26.9	44.3	101.2

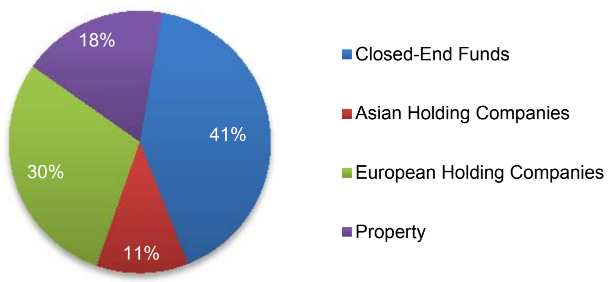
Fiscal Yr Total Returns (%)	2016	2015	2014	2013	2012
Price[1]	34.3	-9.5	8.9	13.8	6.2
Net Asset Value[1]	31.0	-8.3	6.8	13.1	9.6
MSCI ACWI ex US (£)[3]	28.0	-5.6	5.1	16.6	11.0
MSCI ACWI ex US Value[1]	25.5	-9.8	5.7	17.1	10.2
MSCI ACWI[1]	31.3	0.4	11.8	18.0	17.4
Morningstar Global Growth[3]	26.9	3.7	8.7	18.9	13.7

Capital Structure	
Ordinary Shares	160,014,089
Shares held in Treasury	34,145,424
8 ⅛% 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

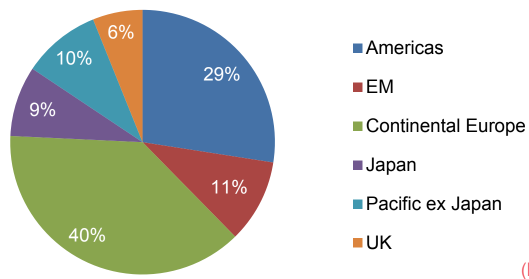
Gross Assets/Gearing	
Gross Assets	£915mil.
Debt par value	£70.7mil.
Actual Gearing (Debt less cash divided by net asset value)	5.0%

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

Sector Breakdown
(% of invested assets)



Risk Region Breakdown
(% of net assets)



(Liquidity -5.0%)

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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