UPDATE 31 July 2019

AVI GLOBAL TRUST

Manager's Comment

AVI Global Trust (AGT)'s NAV rose by +3.8% in July, driven primarily by underlying NAV growth as the portfolio discount remained essentially unchanged. Currencies provided a boost to returns over the month, with GBP declining relative to most of the major world currencies. Major contributors over the month include the Japan Special Situations basket, Cosan Ltd, Sony Corp, and Eurocastle Investment. The main detractor of note was Jardine Strategic.

The Japan Special Situations Basket added 92 basis points (bps) to returns, making it the largest contributor. Returns were driven by a combination of share price increases and a 3% strengthening of JPY relative to GBP. July saw 8 holdings (out of 18 total) release quarterly earnings. Profits had been forecast to be somewhat weaker than this period last year, and this was indeed the case. Many companies are experiencing margin pressures and suffering from a general slowdown in economic activity. That said, the basket is skewed towards a domestic exposure, and our companies continue to generate free-cash-flow and add to their excess assets. Notwithstanding short-term volatility, we continue to believe that we are witnessing a secular change in how corporate Japan thinks about governance and capital efficiency, and a portfolio of cash- and securities-rich stocks should benefit handsomely from this trend.

Cosan Ltd (CZZ) was the second-largest contributor in July, adding 50bps to returns. The share price rose +10%, benefitting from strong NAV growth (+12%) but dampened by a 1% widening of the discount to 28%. Both of CZZ's underlying holding companies – Cosan SA and Cosan Logística – performed well with share prices up +10% and +5% respectively. We continue to believe that CZZ offers attractive returns from a high-quality portfolio of operating companies and ongoing efforts to simplify the holding structure which should result in a structurally tighter discount. To date, CZZ has been a successful investment, with an IRR since initiation in July 2017 of +26% in USD terms (+31% in GBP).

Sony Corp is a new position in the portfolio, with our initial purchase made in mid-June, and was the third-largest contributor to AGT's returns, adding 46bps. Sony is a Japanese holding company with myriad underlying businesses; however, there are four "crown jewels" – Gaming, Music, Pictures and Semiconductors (image sensors) – which account for 68% of sales and over 100% of operating profits (ex-financial services). Operating profits for these four businesses have grown at an annual compound rate of 24% over the last four years. Despite the attractiveness of the underlying businesses, the market prices Sony on a 42% discount to our sum-of-the-parts NAV.

> *"Sony's discount is likely driven by the complexity of the conglomerate structure, which packages businesses with different characteristics into a single entity."*

This discount is likely driven by the complexity of the conglomerate structure, which packages businesses with different characteristics into a single entity. The complexity also drives misperceptions which are hard to dispel, such as: (a) the Gaming business is cyclical and dependent on the "console cycle"; (b) the Semiconductor business is exposed to growth in smartphones; and (c) the Mobile Communication division will continue to generate losses indefinitely. Our research indicates that, in fact, the reality is different: Sony's gaming business is moving to a subscription-based digital model; the Semiconductor segment manufactures genuinely differentiated products and will benefit from the increasing use of cameras in smartphones and automobiles; and with a focus on cost cutting the mobile business will turn a profit.

The presence of activist investor Third Point, whose London-listed vehicle is a top ten holding in our portfolio, on the register is encouraging. We agree with Third Point's arguments that that there are several options available to management to unveil the attractiveness of Sony: (a) a spin-off of the Semiconductor business to allow investors to better understand the different entities; (b) disposal of the listed stakes in Sony Financial, M3, Spotify and Olympus (together, 16% of Sony's market cap) which would have the benefit of both freeing up capital for growth, and deconsolidating Sony Financial; and (c) the deployment of a moderate amount of gearing. We believe that large-cap activism could have a trickle-down effect towards the smaller segments of the market as activist investors become increasingly aware of, and interested in, the opportunities available in Japan.

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.

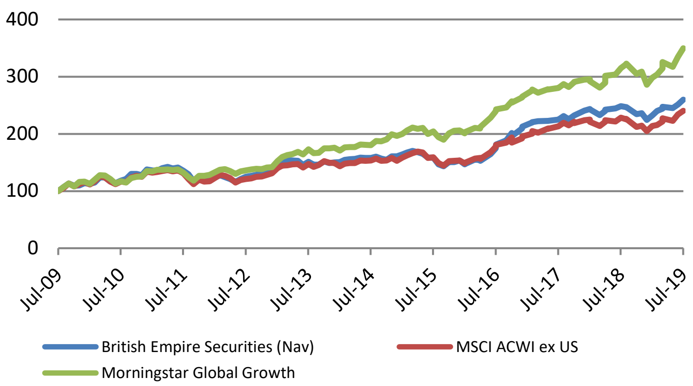
Performance Total Return

This investment management report relates to performance figures to 31 July 2019.

Share Price (pence)	776.0
NAV (pence)	858.2
Premium / (Discount)	(9.6)

	Month	Financial Yr* to date	Calendar Yr to date
AGT NAV[1]	3.8%	4.6%	16.9%
MSCI ACWI Ex US[3]	2.7%	6.3%	17.2%
MSCI ACWI Ex US Value[1]	1.6%	2.8%	12.4%
MSCI ACWI[1]	4.3%	8.8%	21.7%
Morningstar Global Growth[1]	3.4%	5.0%	20.1%

Performance Total Return JUL 2009 - JUL 2019



Top Ten Equity Holdings

Holding	%
Japan Special Situations**	19.1
Pershing Square Holdings[#]	10.2
Oakley Capital Investments	5.9
Eurocastle Investment	5.6
EXOR	5.4
Sony Corp	4.9
Jardine Strategic	4.7
Swire Pacific Ltd 'B'	4.7
Third Point Offshore Investors	4.6
Tetragon Financial	4.5
TOTAL	69.6

[#] 45% of this position (4.6% of NAV) is hedged, partially reducing BTEM's overall exposure to Pershing Square Holdings

On an aside, we note the recent proposed Universal Music Group (UMG)/Tencent transaction values UMG at 22x 2019e EV/EBITDA; to our minds, this confirms the high value placed on unique content assets by strategic buyers and the read-across for Sony Music is, in our view, very positive.

Jardine Strategic (JS) was the only significant detractor of note in July, reducing returns by 31bps as investors agonised over the implications of the on-going political unrest in Hong Kong and a slowing economy in South East Asia impacting Jardine Cycle & Carriage (and Astra). JS's NAV declined by -3% which, together with a widening of the discount from -31% to -36%, resulted in a share price decline of -10% for investors. The majority of the listed holdings – Mandarin Oriental, Hongkong Land, Jardine Cycle & Carriage, and Jardine Matheson – posted share price declines, with only Dairy Farm bucking the trend. While most of JS's holdings reported Q2 earnings during the month, it was difficult to divine the impact of the civil unrest in Hong Kong, bearing in mind that the protests only started in late June. A clearer picture should emerge in Q3 earnings. While we believe that investors' worries about the situation in Hong Kong are legitimate and understandable, it is worth noting that the Jardine Strategic parent company holds US$1.5 billion in cash (5% of market cap), which should allow it to weather the crisis. We further note that JS's holdings operate across South East Asia and Greater China, limiting the direct impact the Hong Kong demonstrations will have. Jardine Matheson, which owns c. 84% of Jardine Strategic, has US$1.3 billion of cash on the balance sheet, giving them plenty of power to resume their purchases of JS now that they are out of the closed period

During the month, we wrote a public letter addressed to the Chairman of Pershing Square Holdings (PSH), which is the largest investment in AGT's portfolio. This followed the announcement that the company planned to issue a $400 million bond with a 20-year maturity. Our view, expressed in detail in the letter, was that the issue of such long-dated debt would act as a poison pill in constraining the ability of the company to tackle its ballooning discount to NAV which, at the time of writing, sits at 31%. While the eventual terms of the debt showed some concessions (e.g. caps after ten years on the make-whole premium due in the event of early repayment, offering some protection against further falls in rates), and hinted at a portion of the proceeds being used to refinance existing debt, these do not change our fundamentally negative view of the issue.

Taking a step back, ***it is highly debatable whether PSH should be refinancing its debt at all***, let alone using very long-dated debt to do so. Given the existing debt has been cited frequently in the past by the Board and by the Manager as an impediment to more aggressive share buybacks and/or tender offers, or other more structural solutions, there is a strong argument that it should be repaid in full at its maturity in 2022 and that the company should either be run on an unleveraged basis or levered using more flexible debt.

Aside from limiting the company's ability to manage its discount, the additional gearing increases the option value of the manager's performance fee (as performance fees can be viewed as a call option on NAV growth with the strike set at the high water-mark, the more leveraged the company is, the more volatile its NAV will be, and the more valuable is that option).

This is just one way in which the interests of the Manager are not entirely aligned with shareholders. Other obvious conflicts relate to their fees earned, which would diminish in line with any shrinkage in PSH's asset base. There is another, which can also be understood and analysed as an option. While the Manager has made a very large personal investment in PSH, which we welcome wholeheartedly, it would be a mistake to see this as resolving the misalignment of interests found in almost all closed-end funds needing to act on their discounts. Given the Manager owns 20% of PSH's share capital, is indelibly associated with the vehicle that bears its name, and that the fund was raised on the strength of its track record and distinctive investment strategy, it does not seem unreasonable to assume that the Manager could in effect elect to wind up the fund at their own discretion at a time of their choosing. As such, the Manager effectively owns a put option with a strike price set at a zero discount to NAV. As the discount to NAV widens, that put option increases in value to compensate for the mark-to-market loss on the PSH shares they own. Non-management shareholders have no such protection.

Contributors / Detractors (in GBP)

Largest Contributors	1 month contribution bps	Percent of NAV
JAPAN SPECIAL SITUATIONS**	92	19.1
COSAN LTD-CLASS A SHARES	50	3.7

Largest Detractors	1 month contribution bps	Percent of NAV
JARDINE STRATEGIC	-31	4.7
SWIRE PACIFIC LTD-CL B	-9	4.7

#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.

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR[2]	776.0	2.4	3.7	50.1	71.8
Net Asset Value TR[1]	858.2	3.8	4.3	47.8	63.2
MSCI ACWI ex US TR[3]		2.7	5.2	35.4	56.8
MSCI ACWI ex US Value[1]		1.6	2.1	32.7	41.5
MSCI ACWI TR[1]		4.3	10.9	47.4	93.9
Morningstar Global Growth TR[3]		3.4	6.4	56.9	101.4

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	18,621,612
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
1.031%# JPY Revolving Credit Facility	¥4,000,000,000

Gross Assets/Gearing	
Gross Assets	£1.1bn.
Debt par value	£105mil.
Actual Gearing (Debt less cash divided by net assets)	7.4%

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.
* AVI Global Trust financial year commences on the 1st October. All figures published before the fiscal results announcement are AVI estimates and subject to change.
** A basket of 18 stocks: Daiwa Industries, Fujitec Co, Kanaden Corp, Kato Sangyo Co, Konishi Co, Mitsuboshi Belting, Nakano Corp, Nishimatsuya Chain Co, NuFlare Technology, Pasona Group, Sekisui Jushi Corp, SK Kaken, Tachi-S Co, Teikoku Sen-I Co, Toagosei Co, Toshiba Plant Systems & Services, Digital Garage, Nissan Shatai
\# Fixed all-in rate for first six months (to 7th November 2019)

Taking yet another step back, the uncomfortable truth is that PSH owns a portfolio of highly-liquid large-cap stocks yet trades on a discount to a fully-marked-to-market NAV of 31%. We are old enough to remember the Manager commenting back in late-16 that they "find the current discount [then 21%] unacceptable"[1], and to recall the Board's comment a few months later that they "are not happy with the level and duration of the discount [then 15%]"[2]. We wonder what the Manager's view would be if one of its investee companies traded at a 0.7x price/book ratio and attempted to justify a timid rate of share buybacks by decrying shareholders calling for more as short-term. Indeed, we have seen companies on the receiving end of activist campaigns by the Manager respond in such a fashion. Regardless of the Manager's stance, one of the key attractions of closed-end funds is their independent boards of directors who have a duty to represent the best interests of shareholders. We have grave concerns that the Board of PSH seem to have been blind to the consequences of and conflicts surrounding the recent debt issue.

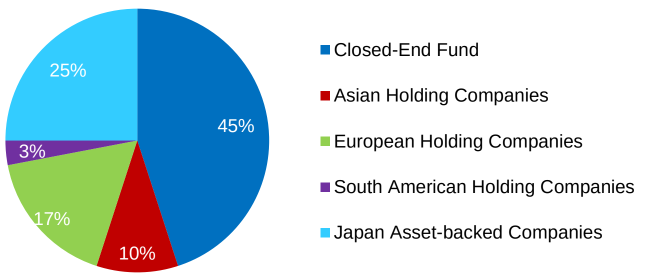
We invested in PSH over two years ago having conducted extensive due diligence on its portfolio and the Manager's investment strategy and have benefitted from the strong NAV returns as performance has turned around. Our investment in the company has been one of AGT's top contributors over 2019.

We continue to have a favourable view of the prospects for further share price appreciation from PSH's portfolio of high-quality free cash flow-generative companies with limited CAPEX requirements, high returns on invested capital, and clear idiosyncratic drivers for earnings growth. During July, Starbucks (an estimated 13% of PSH's NAV) posted its strongest same-store sales growth (+6%) since early-16 with traffic growth returning to the US as management-led initiatives to boost footfall began to bear fruit. Largest holding Chipotle Mexican Grill's turnaround under its new CEO was confirmed in its Q2 report with a consensus-beating +10% increase in comparable sales, with digital sales a key driver and now accounting for 18% of total sales.

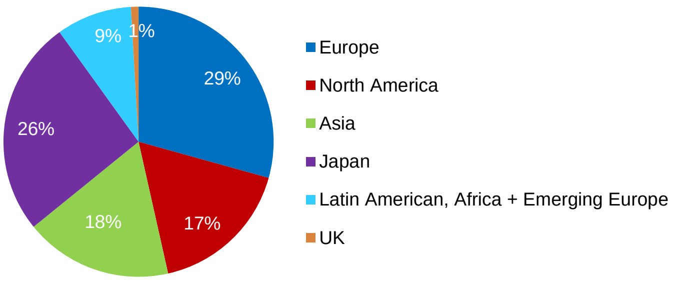
We now await a similar "turnaround" from the Board who bear responsibility for the discount suffered by shareholders.

The level of support from fellow shareholders following our public letter has been gratifying, and we thank those who got in touch. Any other shareholders in PSH wishing to discuss their views on the future of the company are invited to contact us at tom.treanor@assetvalueinvestors.com

Sector Breakdown (% of invested assets)



Risk Region Breakdown (% of net assets)



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.aviglobal.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.

British Empire Trust plc, Beaufort House, 51 New North Road, Exeter, EX4 4EP. Registered in England & Wales No: 28203

[1] December 2016 letter to shareholders

[2] Chairman's Statement in PSH's 2016 annual report dated 28-Mar-17