

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 April 2014.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV TR¹	0.7%	5.4%	2.6%
MSCI ACWI Ex US TR³	0.1%	2.5%	0.1%
Morningstar Global Growth TR¹	-1.3%	4.2%	-0.8%
MSCI World TR¹	-0.2%	6.3%	0.5%

Manager's Comment

The portfolio has continued to benefit from increasing levels of corporate activity, with a number of our European holding companies having exposure to the large M&A deals currently in the pipeline. As business confidence in Europe continues to grow and with credit becoming more readily available, the conditions are ripe for this trend to continue. With our portfolio, trading on a weighted average discount of almost 28%, there is every possibility of our portfolio continuing to be a beneficiary of this.

Lafarge makes up c20% of GBL's NAV and the positive share price reaction to its tie up with Holcim helped push GBL's share price up. Investor AB owns a 4% stake in Astra Zeneca that makes up just under 10% of its NAV and the news of Pfizer's interest in taking over the company boosted Investor AB's NAV and share price accordingly. Investor AB saw its discount narrow from 24% to 20% over the month and its share price increased by 7.6%.

At the smaller end of the market cap spectrum, LMS Capital announced the sale of its largest holding, Udata Infrastructure, to Capita at a price representing a 5.3x return on cash invested and an IRR of 52% since acquisition. The holding, 13% of NAV at year-end, was sold at a 36% uplift to last reported carrying value and had already been written up by almost 50% over 2013. The exit provides additional confirmation of the conservative marks used to value its mature portfolio, and we anticipate further exits at uplifts to NAV. A £40m tender at NAV has been announced, after which almost 60% of our original cost will have been returned to us with our holding showing a 59% gain. Having added to our existing holding both before and after the announcement of the Udata sale, we were also pleased to see a strong share price performance from the largest listed holding; oil services company Weatherford International (14% of NAV). Weatherford announced Q1 results that confirmed its turn-around story and prompted a spate of analyst upgrades and a one-day share price rise of 11%.

The turbulent political environment in Turkey has weighed on the shares of Dogan Holding, a Turkish media and energy holding company. Despite owning a variety of attractive assets across the media and energy sectors, we estimate the shares trade on a discount to SOTP of almost 60%, with 90% of Dogan's market capitalisation covered by cash held in USD at the holding company level. While there is a medium term catalyst in place with the resumption of dividends from 2016 once an accumulated loss is paid off, we were pleased to see more immediate action taken to tackle the discount in April with the company announcing a buy-out of minorities in its 80%-owned listed subsidiary, Dogan Yayin Holding, whose own shares trade at an estimated 60% discount to SOTP. The elimination of the double-discount was well received by the market, with Dogan's shares rising 7.5% over the month.

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Major Movers

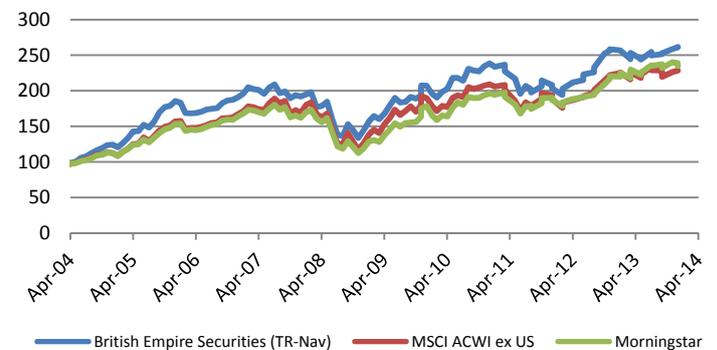
Largest Risers	Percent change	Percent of Assets
First Pacific Co	11.41%	3.30%
LMS Capital Plc	8.52%	1.58%

Largest Fallers	Percent change	Percent of Assets
Marwyn Value Investors Ltd	-8.09%	1.32%
Dolphin Capital Investors	-6.44%	1.89%

Top Ten Equity Holdings

	%
Jardine Matheson	6.53
Investor AB	6.47
Groupe Bruxelles Lambert	5.13
Aker	4.37
Sofina	3.94
Vivendi	3.63
First Pacific Co	3.30
Hyundai Motor	3.00
NB Private Equity Partners	2.99
British Land Co	2.62
TOTAL	41.98

Performance March 2004 - April 2014



Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	494.0	1.4	1.9	2.5	40.2
Net Asset Value Total Return ¹		0.7	1.3	9.1	66.0
MSCI ACWI ex US TR ³		0.1	1.6	9.3	64.5
Morningstar Global Growth TR ³		-1.3	7.6	20.0	82.8
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

Other notable performances came from First Pacific whose shares rose by 11.4% over the month and Rallye whose shares rose by 8.1%. First Pacific has exposure to businesses in Indonesia and the Philippines and the recovery of those markets, has helped First Pacific. Rallye is a more recent investment and the driver of its strong performance has been the strength of Casino, the French listed food retailer with major interests in South America and South East Asia, in addition to its original French business. A combination of growth in the emerging markets businesses, a recovery in the French business and a push to improve the efficiency of the group structure has led to a strong share price in recent months. Casino is the only asset owned by Rallye but given some debt in Rallye it has outperformed the rise in Casino's share price.

We first invested in Apollo-managed AP Alternative Assets (AAA) in August 2012. Since then its shares are up by 170%. We still see potential for further significant upside. A corporate restructuring in late 2012 has left AAA with a single holding in Athene Insurance, a privately held provider of annuities. In April, Athene raised \$1bn from institutional investors in a private placement at a premium to AAA's carrying value. The capital raise, double the original target, could lead to a ratings upgrade which would lower Athene's cost of funds and boost its net investment spread. AAA's shares have moved from trading at a 42% discount when we acquired our position to a premium of 28% to reported NAV, which itself is up +40% over our holding period. We believe the carrying value of 1.1x book for Athene to be too low given the multiples assigned to listed peers and Athene's superior ROE. We expect this value to be unlocked upon an IPO slated to occur no later than Nov 2015 but which we would be unsurprised to see happen towards the end of this year.

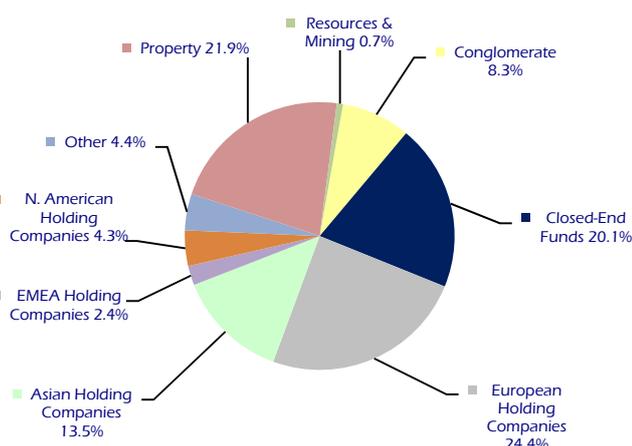
The laggards over the month were Vivendi, Jardine Matheson and WM Morrison with share price declines of 4%, 1% and 5% respectively over the month. Vivendi announced plans to return €5bn to shareholders over the next two years. The amount represents approximately 20% of the market cap of the company with the bulk being paid on completion of the SFR sale in 2015.

We made one new investment during the month. Westfield Group is an Australian listed investor in retail property around the world. It trades on a discount to its NAV of 26% and we anticipate this narrowing in coming months as the company splits into two separate entities. Part of this discount is due to investors perceiving Westfield Group as a pure Australian company, which is considered a low growth market. In reality its Australian operations represent less than one-third of its gross assets. In an attempt to combat this perception and to boost the share price, Westfield has outlined plans to separate its mature Australian and New Zealand assets and to combine them with assets held by the Westfield Retail Trust, an Australian listed retail REIT, to form Scentre. The remaining assets will be re-listed, most likely in NY, as Westfield Corp, which will have the bulk of its assets in the US and Europe. We expect the valuation for this company to appreciate as its rating moves into line with other US REITs.

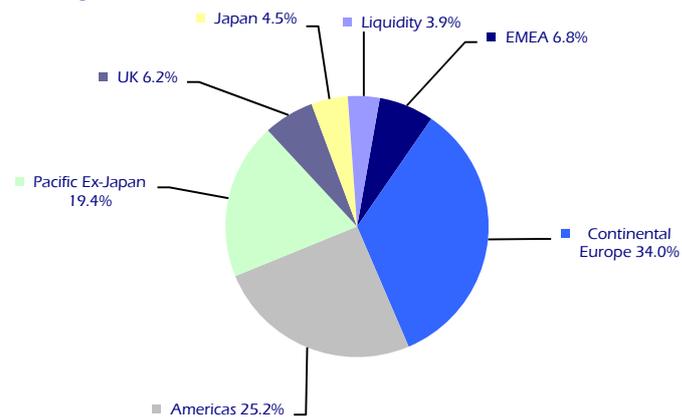
The weighted average discount on the portfolio at month end was 27.5% - the same level as one month ago.

Net liquidity was 3.9% compared to 7.4% one month ago.

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	£862mil.
Debt	£18.5mil.
Actual Gearing (Debt less cash divided by net asset value)	-4.4%

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

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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

Investment in the British Empire Securities and General 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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