

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 September 2014.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV TR¹	-2.1%	6.8%	4.0%
MSCI ACWI Ex US TR³	-2.5%	5.1%	2.6%
Morningstar Global Growth TR¹	-1.0%	8.7%	3.4%
MSCI World TR¹	-0.3%	12.7%	6.6%

Manager's Comment

Our two largest closed-end fund positions, NB Private Equity Partners and Harbourvest Global Private Equity, were also our two largest contributors over the month. Both companies reported strong monthly NAVs up 3% on the receipt of H1 2014 valuation reports, and our positions in both also benefitted from a strong US dollar. NBPE's discount also moved in by 150bps over the month to 16%, while HVPE started and finished the month on a 19% discount. The last day of September saw the release of HVPE's interim results and confirmation of the conservative valuation policy manifesting itself in average uplifts of 40% over carrying values upon realisations. Although the announced delay in the introduction of voting rights and move to a premium London listing was disappointing, the Board seem committed to this path and we expect the shares to re-rate further once this takes place.

The third largest contributor to performance during the month was our investment in Hudson's Bay, the North American retailer. Our original thesis was the monetisation of their real estate portfolio, which we believe is assigned very little value in the share price. Their Q2 results mentioned an expectation to announce details of their real estate review no later than April 2015, giving a much clearer time frame for investors. The company has high end real estate on its balance sheet which includes Saks 5th Avenue in New York and Beverley Hills, the Lord & Taylor flagship store in New York, as well as properties in Vancouver, Calgary, and Montreal, and we believe the sale of these assets could provide significant upside.

Shares in Dogan Holding, our sole investment in Turkey, were weak over the month falling 15% on no news, underperforming a weak Turkish market by 8%; a 3% fall in the Turkish Lira against Sterling exacerbated the loss. Dogan's market cap barely covers the cash on its balance sheet, and we expect the recent buy-out of minorities and subsequent delisting of Dogan Yayin Media to increase group efficiency. Aker ASA and Dundee Corp were also weak on little news-flow.

We added to Eurazeo, and made three new investments during the month: Westgrund, JP Morgan Private Equity, and Fondul Proprietatea.

Our holding in Westgrund, a German residential company, came via an equity raise in which we acquired a 1.2% of NAV position. The placing allowed us to access the German residential market, one we like, at a 30% discount to NAV. Proceeds were used to acquire a 12,000 unit portfolio, taking the company to 20,000 units. The company is well positioned to acquire further assets below replacement cost with financing at historical lows. While many of Westgrund's larger peers trade above NAV, it has traded at a large discount due to lack of critical mass. However, with 20,000 units, Westgrund becomes operationally efficient and we expect the discount to close with further growth. This is an interesting replacement for Gagfah which we sold at a very tight discount a few months ago.

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Major Movers

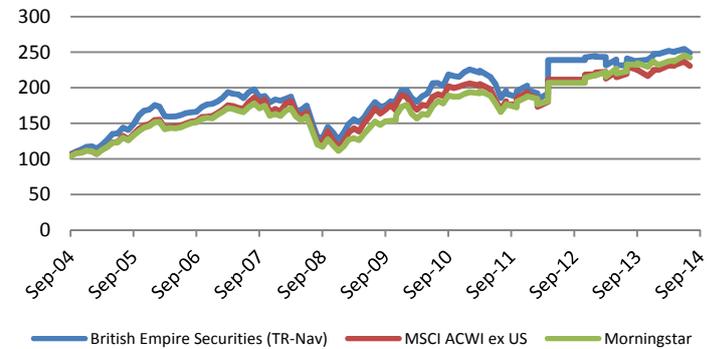
Largest Risers	Percent change	Percent of Assets
HUDSON'S BAY CO	8.40%	2.15%
TUI AG	6.90%	2.77%

Largest Fallers	Percent change	Percent of Assets
DOGAN SIRKETLER GRUBU HLDGS	-15.38%	2.03%
FIRST PACIFIC CO	-10.41%	2.90%

Top Ten Equity Holdings

	%
Jardine Matheson Hldgs Ltd	6.66
Investor AB-A SHS	6.20
Groupe Bruxelles Lambert SA	4.96
Aker ASA-A Shares	4.57
Sofina	3.84
NB Private Equity Partners	3.48
Harbourvest Global Private	3.40
First Pacific Co	2.90
Hitachi Ltd	2.83
Tui AG	2.77
TOTAL	41.61

Performance September 2004 - September 2014



Statistics

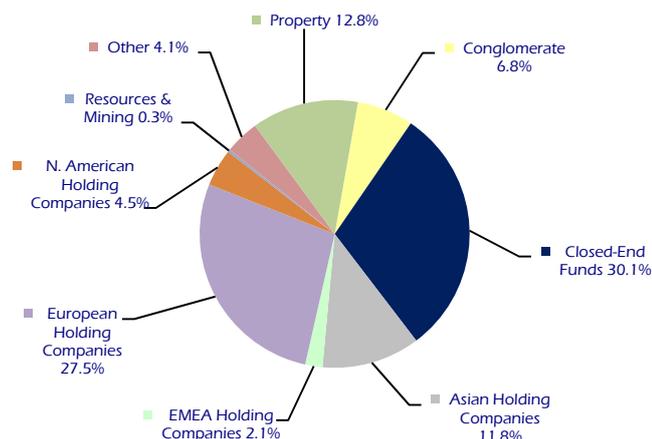
	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	514.5	1.9	8.9	31.7	33.3
Net Asset Value Total Return ¹	576.0	-2.1	6.8	33.7	39.4
MSCI ACWI ex US TR ³		-2.5	5.11	36.1	35.1
Morningstar Global Growth TR ³		-1.0	8.7	46.6	58.7
Annual Returns (%)	2013	2012	2011	2010	2009
Price TR ¹	5.1	17.8	-12.8	18.5	27.9
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

JP Morgan Private Equity is a London-listed private equity fund we have held in the relatively recent past. We first bought into the company in late-2013 and sold less than three months later for a +14% return upon the announcement that the company would cease capital returns and begin a programme of new investments. The company also announced that a redemption share class would be offered to shareholders upon the maturity of the Nov-2015 ZDPs. Eight months later, we have bought back in at a price below that at which we sold. A third of the maximum amount to be deployed has been invested in what are effectively direct co-investments on attractive purchase multiples and with a high degree of visibility. Strong cash flows from the mature portfolio have allowed buybacks to resume, which mitigate the impact on NAV of the high financing costs of the ZDPs. Given the 30% discount on which we purchased our position, high NAV growth, whilst very welcome, is not required for an attractive IRR.

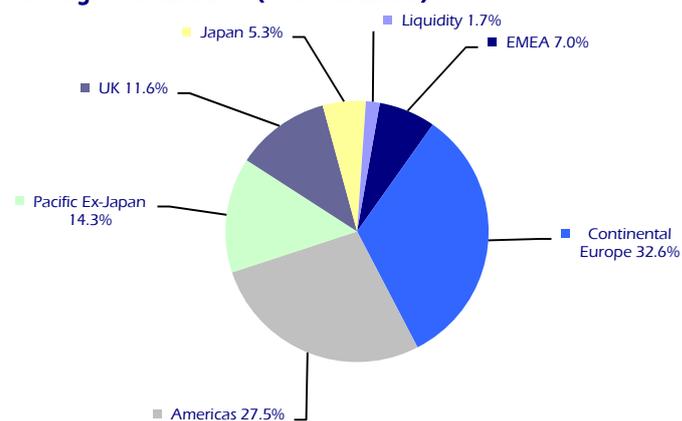
We established a small (1% of NAV) position in Fondul Proprietatea, a Templeton-managed Romanian-listed closed-end fund set up to compensate individuals whose property was expropriated by the Communist government, on a near-30% discount to NAV. Fondul was formed in 2005 (listed since 2011) and stakes in state-owned companies were transferred to it by the government, with shares in the fund then handed out as compensation to those who had sustained losses from confiscation. With the managers restrained from making new investments while the discount remains wide and financially incentivised to reduce the discount and pay distributions to shareholders, and with the impending catalyst of a secondary listing in London, we see attractive upside in the shares.

Net cash levels came down from 5.6% to 1.7% as we took advantage of attractive opportunities and the weighted average discount increased by 30bps to 28.6%.

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	£842mil.
Debt par value	£14.9mil.
Actual Gearing (Debt less cash divided by net asset value)	-1.7%

- 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

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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