

# British Empire

Securities and General Trust plc

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 Commentary

Over the month NAV was down 4.1%<sup>1</sup>. This compares to a decrease in the benchmark of 1.1%<sup>2</sup> and a decrease of 2.1%<sup>1</sup> and 1.3%<sup>1</sup> for the MSCI World (£) and FTSE All Share indices respectively.

Financial year to date net asset value rose 13.3%<sup>1</sup> compared to a rise of 11.1%<sup>2</sup> for the Datastream index, 5.4%<sup>1</sup> for the MSCI World (£) and 10.9%<sup>1</sup> for the FTSE All Share.

Over three years NAV is up 18.9%<sup>1</sup> while the FTSE All Share is down 13.9%<sup>1</sup>.

## Manager's Comment

The markets headed lower in May on a potent mixture of concerns over interest rates, rising oil prices and the Chinese economy. As bottom-up stockpickers our most important consideration is the value on offer in stocks. On this basis, we had become more cautious of the markets and raised our level of liquidity. In spite of this we suffered from falling NAVs and widening discounts, especially in our Japanese Trust holdings.

## Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) <sup>1</sup>	238.0	-3.9	36.4	27.5	114.0
Net Asset Value <sup>1</sup>	245.0	-4.1	30.1	15.8	74.2
Net Asset Value Total Return <sup>1</sup>		3.9	30.9	18.9	81.3
Benchmark <sup>2</sup> (£)		-1.1	23.1	-14.9	-6.6

Annual Returns (%)	2003	2002	2001	2000	1999
Price <sup>1</sup>	41.6	-12.2	0.8	26.0	52.6
MSCI World <sup>1</sup>	20.6	-27.4	-14.1	-5.8	28.6

1 Source: Fundamental Data

2 Datastream Global Growth Investment Trust Index(TR) Source: Thomson Financial

3 Benchmark index changed to Datastream Global Growth Investment Trust Index(TR)

## Further Information

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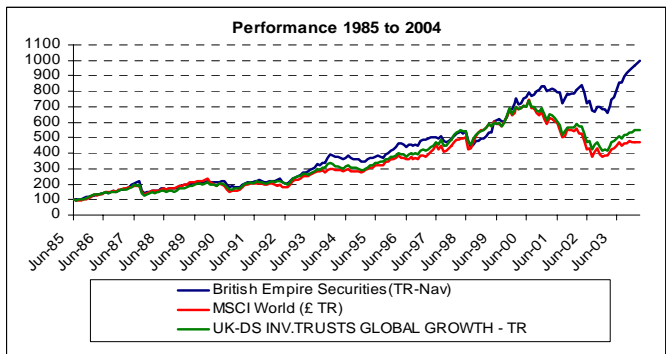
The share price can be found under 'INVESTMENT COMPANIES' in The Financial Times, The Times, The Daily Telegraph, The Scotsman and The Evening Standard.

Information may be found on the following websites.

[www.british-empire.co.uk](http://www.british-empire.co.uk) or [www.assetvalueinvestors.com](http://www.assetvalueinvestors.com)

## Top Ten Equity Holdings

	%
Eurazeo	5.96
Hansa Trust plc	5.63
Henderson Electric & General	4.28
Prospect Japan Fund Ltd	3.98
Law Debenture Corp	3.61
Jardine Strategic Holdings Ltd	3.60
Wendel Investissement	3.14
Encana Corp	2.51
Groupe Bruxelles Lambert SA	2.37
European Asset Value Fund	2.13
<b>TOTAL</b>	<b>37.21</b>



Source: Bloomberg, Thomson Financial, Fundamental Data

## Capital Structure as at 31 March 2004

Ordinary Shares	160,080,089
10 3/8% Debenture stock 2011	£11,883,322
8 1/8% Debenture stock 2023	£15,000,000
Equities index unsecured loan stock 2013	3,133,197

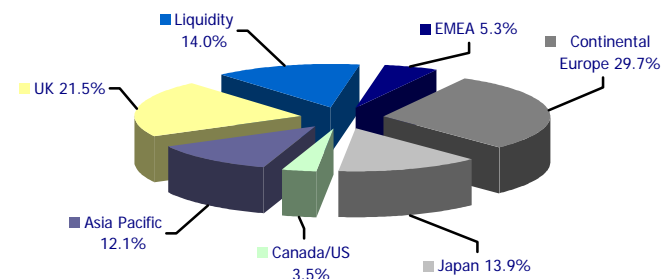
## Gross Assets/Gearing as at 31 March 2004

Gross Assets	£439.3mil.
Debt	£ 33.6mil.
Actual Gearing (Debt less cash divided by net asset value)	-6.9%

## Fund Codes

Bloomberg: BTEM  
Reuters Ticker / ISIN: GB0001335081

## Geographic Breakdown (% of total assets)



Asset Value Investors

All figures as at 31 May 2004. All sources Asset Value Investor unless otherwise stated. British Empire Securities Trust is managed by Asset Value Investors Ltd. The price of shares and the income from them may go down as well as up; they can be affected by exchange rate movements between currencies and it is possible that investors may not get back the full amount invested on disposal of the shares. Past performance is no guarantee of future performance. Investments in emerging markets carries a greater degree of risk, in particular the volatility of the markets and the local custody and registration arrangements, which may be less developed than in more mature markets. There is no guarantee that the market price of shares in Investment Trusts will fully reflect their underlying Net Asset Value (NAV). This Investment Trust should be considered only as part of a balanced portfolio, of which it should not form a disproportionate part. Under no circumstances should this information be considered as an offer, or solicitation, to deal in investments. Issued by Asset Value Investors Ltd., which is authorised and regulated by the Financial Services Authority.