

Manager's Comment

BTEM's NAV increased by a subdued 0.5% in March as Sterling strength and a widening portfolio discount (26.1% from 24.9%) acted as headwinds to performance.

Wendel, Jardine Strategic, Investor AB, Pargesa, Exor, Digital Garage, and NB Private Equity Partners were the largest contributors; Hudson's Bay, Symphony, Aker, and Adler all detracted from returns.

Jardine Strategic benefitted from both a rising NAV (up 7% on strong performance from Hongkong Land, Dairy Farm, and Jardine Cycle & Carriage) and narrowing discount (in from 31% to 28% as the post-MSCI index inclusion buying continued). Although Pargesa's discount remained wide, material share price increases at its holdings in Adidas, Imerys, and Lafarge boosted its NAV. Exor, the Agnelli-family controlled Italian holding company with investments that include Fiat, Ferrari, and Partners Re, saw its discount narrow markedly from 25% to 21%. Our investment in Digital Garage, a Japanese technology-focused holding company, also benefitted from a narrowing discount (18% in from 26%) which was more than enough to offset the impact of a decline in NAV resulting from share price weaknesses at its largest holding Kakaku.

Towards the end of the month, NB Private Equity Partners (NBPE) made the long-awaited announcement that it will put forward proposals to introduce full voting rights on its shares, upgrade its listing (currently a dual listing on Euronext and London's Specialist Fund Market) to the Premium segment of the London Main Market, and change the traded currency of its shares from USD to GBP to allow index trackers to purchase stock. As the company's second largest shareholder with a 10% stake, we have consistently urged the management and board of the company to make these important changes and are gratified to see not only that these are finally being implemented but that the chosen method by which key technical issues will be addressed is particularly appealing compared to other companies that have made the same move. The additional buying interest from index-trackers and closet trackers should help narrow the discount in the short-term, and the shares will now be investible for institutions previously unable or unwilling to consider investing in a company where shareholders were unenfranchised. Issues surrounding the manager's right to appoint directors remain to be resolved (and indeed can be once enfranchisement is complete), but by far the most important first step has been made. At the same time as this announcement, NBPE published its final results that confirmed a NAV return of almost 15% in USD (29% in GBP) for 2016, ranking the company third out of the twenty London-listed private equity funds. While the 15% discount is narrower than it was, we still see a "fair" discount as being materially tighter.

Our largest and third-largest contributors respectively, Wendel and Investor AB, share a key portfolio theme worth expounding upon: hidden value in unlisted assets. It remains our contention that markets regularly fail to appreciate the true value of privately-owned assets held within holding company (and closed-end fund) structures, and that we can generate outsized returns by identifying such instances.

Wendel's private equity portfolio consists of eleven companies accounting for almost 60% of its NAV in diverse sectors ranging from African mobile phone towers to Specialty Chemicals to US security services. Management have stated four of these companies (46% of NAV) are potential IPO candidates by the end of 2018. While Wendel does not disclose individual valuations for each of its unlisted holdings, it provides sufficiently detailed revenue, earnings, and balance sheet data that one can calculate estimates of fair value and assess the prospects for each one.

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IHS Towers is the business to which we assign the most value. As a pan-African provider of telecom tower infrastructure for mobile phone operators with 27k towers across five countries producing c\$1bn of sales, we believe IHS certainly has the scale for an IPO. Given the lofty multiples assigned to peers with inferior growth prospects, we are bullish on the valuation that could be achieved upon an IPO of the company which, although unlikely in the near-term due to the unstable Nigerian economy, remains our base case for how Wendel's stake is monetised/afforded a market valuation.

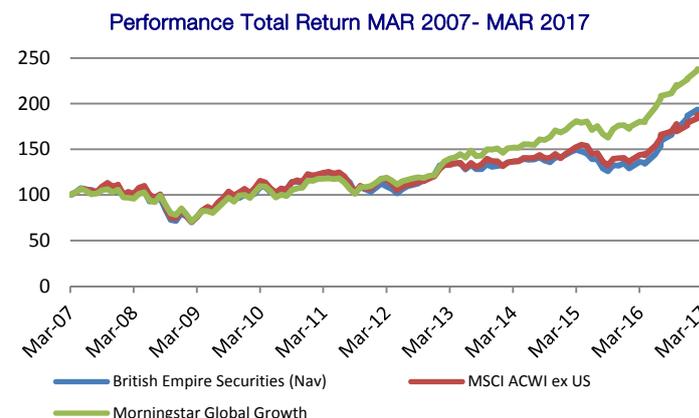
Wendel's investment in Allied Barton, now AlliedUniversal, provides a textbook example of how an engaged owner with a clear strategy can create value. Wendel acquired US security firm Allied Barton in mid-2015 from

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 March 2017.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV ¹	0.5%	15.0%	5.3%
MSCI ACWI Ex US ³	2.1%	10.8%	6.7%
MSCI ACWI Ex US Value ¹	1.9%	14.7%	5.6%
MSCI ACWI ¹	0.8%	12.7%	5.8%
Morningstar Global Growth ¹	2.4%	11.9%	8.2%



Top Ten Equity Holdings

Holding	%
Wendel	6.7
Jardine Strategic Holdings	6.4
NB Private Equity Partners	5.7
JPEL Private Equity	5.7
Investor AB-A SHS	5.4
Riverstone Energy	5.3
Pargesa Holdings	5.3
Symphony International	5.0
Tetragon Financial Group	4.4
Adler Real Estate	4.3
TOTAL	54.2

Blackstone in a deal that placed a value on the company's equity of \$687m. Less than a year later, Wendel merged Allied Barton with Warburg Pincus-owned rival Universal Services of America (USA) to form AlliedUniversal. The terms of the merger, which will result in substantial synergies, saw Wendel extract over half their original cost and left them with a 33% stake (joint control with Warburg Pincus) in the number one security business in the US. The security sector is not only a growth market due to heightened fears of terrorism but is also fragmented and ripe for consolidation, and so it has been no surprise to see the merged company continue to roll up smaller rivals. Despite being less than two years old, Wendel's investment in Allied Barton/Allied Universal has already generated a return of 1.8x cost. We believe our valuations for Wendel's unlisted assets are conservative (for instance, our valuation of AlliedBarton reflects only half the merger synergies estimated by management), and - on a 32% discount to our NAV - we maintain the shares are chronically undervalued.

While Investor AB's portfolio is more skewed towards listed holdings than Wendel's, it still owns a high-quality portfolio of unlisted assets accounting for just over 20% of NAV. Investor owns stakes in a range of unlisted businesses¹, but the jewel in the crown is undoubtedly Mölnlycke, the Swedish-headquartered but global healthcare business active in Wound Care and Surgical Solutions. Its Wound Care division has grown market share from 13% in 2008 to 23% today, and is well-placed to take advantage of the growing focus on shortening patients' stay in hospitals as much as possible. For Surgical Gloves, Mölnlycke is ranked number one in Europe and the US. Its market-leading products have resulted in a compound annual growth rate in sales and EBITDA of 6% and 7% respectively over the last four years with both growing every year, and Wound Care's higher growth rate and margins should serve to drag the overall growth rate up over time. Cash conversion is also very high at 75% and has allowed Mölnlycke to swiftly pay down debt drawn to pay dividends up to Investor AB. In Investor AB's reported NAV, Mölnlycke is carried at book value which equates to a derisory multiple of earnings, and our valuation for Mölnlycke is consequently higher (although we still believe it is conservative). Investor AB announced in March that they will begin to provide fair values for all their unlisted holdings alongside their NAVs from the end of March onwards, and we expect this move towards greater transparency to help tighten the company's discount which, at 17% to our estimated NAV, is considerably wider than Scandinavian peers who can boast neither Investor AB's performance track record and engaged active ownership of both its listed and unlisted assets, nor its high standards of corporate governance.

The depth of valuation work we carry out on our holdings' underlying assets gives us the conviction we need to run a concentrated portfolio and large positions and, as importantly, to hold on to or to add to them when the market is suggesting we are wrong. This is certainly the case with Canadian retailer Hudson's Bay. Over the month, it was our biggest detractor. The previous month, it was our top contributor. The month before that, it was our biggest detractor. At the time of writing, it is our top contributor for April so far. This is a protracted way of saying the shares are volatile. Operating in a sector that faces secular challenges and regular comment on the death of bricks-and-mortar retail, it is unsurprising the shares are affected by wide swings in sentiment. Amidst the volatility, it is our conviction in the value of the company's real estate and management's ability to surface that value that keeps us invested and able to take advantage of Mr Market by adding to our position opportunistically.

Statistics

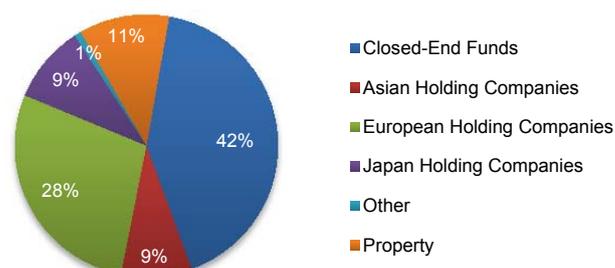
	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	662.0	-1.1	45.1	45.7	77.0
NetAsset Value TR ¹	747.4	0.5	42.7	40.9	75.4
MSCI ACWI ex US TR ³		2.1	30.7	37.5	61.8
MSCI ACWI ex US Value ¹		1.9	35.0	33.5	58.4
MSCI ACWI TR ¹		0.8	33.0	57.2	96.3
Morningstar Global Growth TR ³		2.4	31.0	52.1	95.0
Fiscal Yr Total Returns (%)	2016	2015	2014	2013	2012
Price ¹	34.3	-9.5	8.9	13.8	6.2
NetAsset 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

Contributors / Detractors (in GBP)

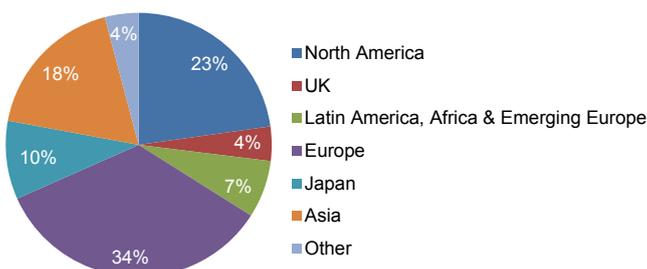
Largest Contributors	1 month contribution bps	Percent of Assets
WENDEL	82	6.7%
JARDINE STRATEGIC HLDGS	74	6.4%

Largest Detractors	1 month contribution bps	Percent of Assets
HUDSON'S BAY CO	-50	3.3%
SYMPHONY INTERNATIONAL	-47	5.0%

Sector Breakdown (% of invested assets)



Risk Region Breakdown* (% of net assets)



* 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.

Capital Structure	
Ordinary Shares	129,526,165
Shares held in Treasury	9,355,500
8 1/8% 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	£976mil.
Debt par value	£70.3mil.
Actual Gearing (Debt less cash divided by net asset value)	2.7%

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

Further Information

Investment Manager – Joe Bauernfreund, AVI Ltd.
+44 20 7659 4800 info@assetvalueinvestors.com

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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