

AVI'S INVESTMENT APPROACH

Shareholders' money is principally invested in companies with three key features:

- They have high-quality underlying assets and strong balance sheets
- Their shares trade at discounts to net asset value
- There is likely to be an event that will narrow the discount

See information on AVI

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36%¹

Underlying discount to net asset value

39

Number of investments (of which 16 are held in Japanese Special Situations – see page 16)

¹ Refer to Glossary on page 88 for further details.

DIVIDENDS

The Investment Manager focuses on capital growth. The Company has either maintained or increased its ordinary dividends for the past 30 years, and expects to continue to do so in the future.

In exceptional circumstances, a special dividend may be paid.

See Chairman's Statement

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DISCOUNTS AND BUYBACKS

The Company's shares have been trading at a discount to their net asset value. The Company manages the volatility of the discount through a policy of buying back its own shares.

See Chairman's Statement

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THE INVESTMENTS

Investments are principally made in three types of company:

- Investment Holding Companies
- Investment Companies
- Asset-backed Companies

The Investment Manager can invest anywhere in the world. In practice, they find most opportunities in Europe and Asia.

See Investment Manager's Review

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COMPARATOR BENCHMARK

The return of the portfolio is compared with the MSCI All Country World ex-US Total Return Index (with net income reinvested).

The comparator benchmark (the 'benchmark') is used for performance measurement purposes. The Investment Manager is not required to follow the sector or geographic allocations of the benchmark and, as such, British Empire Trust's portfolio will likely differ significantly from the benchmark.

See Chart

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We expect that long-term returns on equities will exceed the cost of debt and it is expected that the portfolio will be fully invested, provided there are attractive opportunities in our universe.”

Joe Bauernfreund
Chief Investment Officer

GEARING

The Company is geared by its Debenture Stock and also by Loan Notes that were issued in January 2016 and November 2017.

See Chairman's Statement

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PERFORMANCE

Over the past ten years, the Company has produced a compound average annual net asset value total return of 10.0% versus 9.0% from the MSCI All Country World ex-US Total Return Index in Sterling terms.

It is possible that, in the future, there will be periods of underperformance when compared with the benchmark but, over the longer term, the Board believes that the Investment Manager's style of investment will provide higher-than-average returns for investors.

See Key Performance Indicators

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See Investment Manager's Review

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FEES

The Investment Manager charges 0.7% of net assets. There is no performance fee. The Company's total annual costs (known as Ongoing Charges) are 0.87% of net assets for the year to 30 September 2018.

See Key Performance Indicators

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GOVERNANCE AND RISK

The Company has a Board of Directors which is responsible for oversight of the Investment Manager and also the risks and controls operated by the Company. All investment involves risk. The aim is to secure attractive returns without undue risk.

See Strategic Report

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See Governance

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ACCOUNTS

The Company has net assets of £941.7m and gross investment income of £22.6m.

See Financial Statements

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All figures are as at 30 September 2018, or for the year ended on that date, except where stated otherwise.