

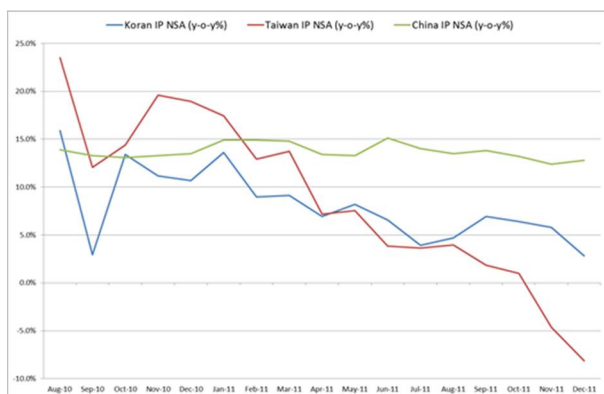
The Establishment Investment Trust plc

Performance Review

The Company's share price rose 2.4% in January while the net asset value advanced 3.8%. The discount thus widened slightly to 15.7% at year end. During January the MSCI World Index rose 3.4%, the MSCI Japan Index gained 4.5% and the MSCI Asia ex Japan Index rose 9.1% in Sterling terms.

"The global recovery is threatened by intensifying strains in the euro area and fragilities elsewhere. Financial conditions have deteriorated, growth prospects have dimmed, and downside risks have escalated."

The opening comment of the January 24th 2012 IMF World Economic Outlook update hardly fills one with confidence. Recent stock market activity has much, much more to do with the recent unprecedented hosing of funds at the Eurozone banking industry by the Bundesbank - oops we mean the ECB - and a renewed commitment by Ben Bernanke to consign savers to at least another three years of zero returns on their deposits. The lunatics remain in total control of the asylum and, for the time being, "cash is trash".



The chart above shows the non-seasonally adjusted year-on-year growth in industrial production in Taiwan (red), South Korea (blue) and China (green). Roughly one quarter of Taiwan and Korea's exports go to China and - as we all know - all three economies are relatively open and increasingly interconnected. The superb reported outperformance of the Chinese industrial sector strikes us as strange - particularly when you consider the plunging year on year growth rates of Chinese infrastructure fixed asset investment (+3% y-o-y in December).

The otherwise downbeat IMF, however, continues to pencil in rose tinted 8.2% and 8.9% GDP growth rates in China in 2012 and 2013 (while studiously cut and pasting China's reported historic data) while Carlyle's co-CEO David Rubenstein was recently quoted as saying "China is likely to grow between 8 and 10 per cent for the next ten years".

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Key Data (as at 31st January 2012)

Share Price	168.00p
Net Asset Value	199.27p
Premium / (Discount)	(15.7%)
Shares Outstanding	20m
Market Capitalisation	£33.6m
Historic Yield	2.4%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
Website	www.bdtinvest.com

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Harry Wells

Investment Objective
To achieve long-term capital growth from a managed international portfolio of securities. The preservation of capital will be of primary importance to the investment objective.

Management Fee
One per cent of the market capitalisation of the Company annually.

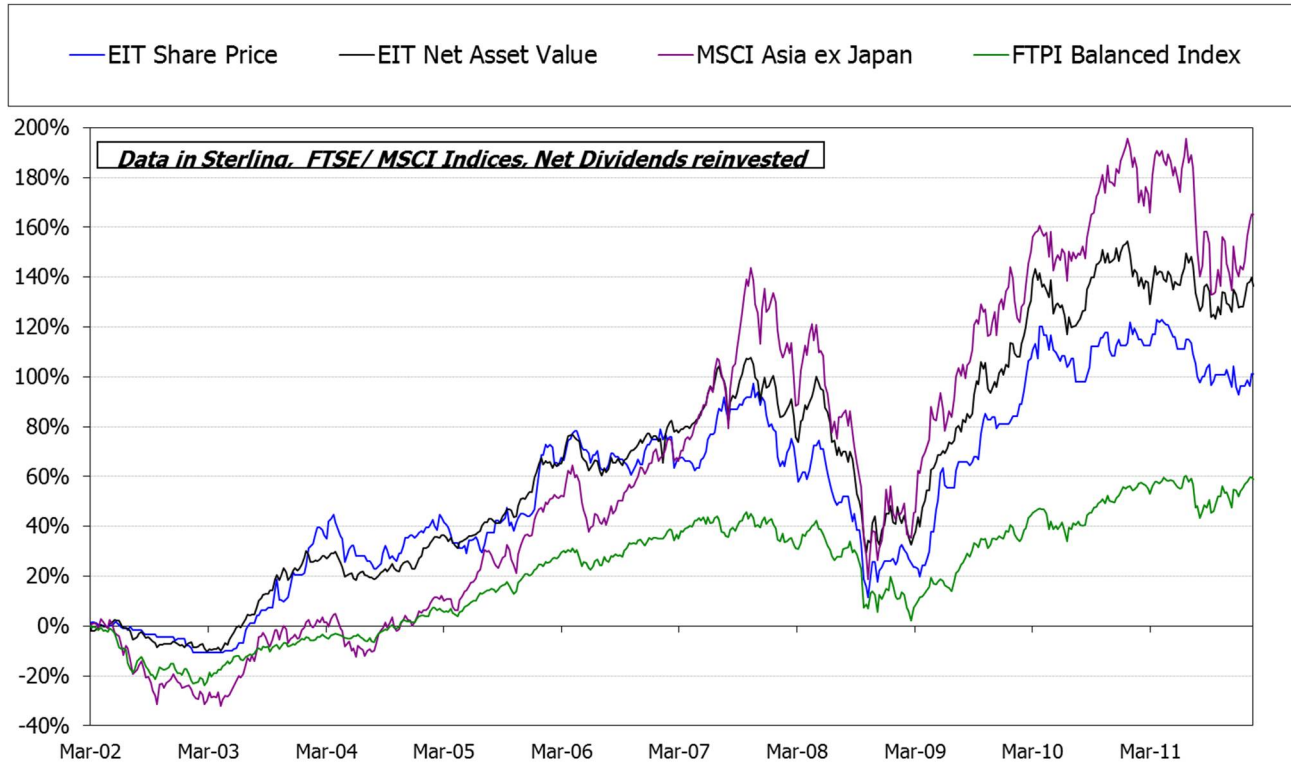
Performance Fee
10% of any gain in the market capitalisation of the company that exceeds the 10% performance hurdle annually.

Financial Year
31st March

Net Asset Value
Calculated weekly on Friday's closing prices and published the following Monday or Tuesday.

In one sense we wholeheartedly agree. Growth in Chinese consumption - driven by the rising number of households with income levels that allow for an increasing element of discretionary spending - will be on a complete tear for the next decade at least. It's the other 65% of the economy that bothers us. The Chinese already consume more copper per capita than Americans consume and three to four times as much cement per capita than any other country in the world (apart from the Spaniards!).

The Establishment Investment Trust plc



The fact is that China has experienced a credit and investment boom of dangerous proportions and while tightening measures over the past eighteen months have done much to remove the obvious excesses the management of the other side of this boom will require all the cunning and guile available to the authorities. It will certainly require more than a compliant statistical office!

Trash producers ITC, Siam City Cement and HDFC announced 4Q12 quarterly earnings in January. Volumes were a little light at ITC but earnings, up 22%, were fine. HDFC's earnings, +10%, were hit by forex losses but loan growth (+21%) remains buoyant. The

Thai floods impacted Siam City Cement's fourth quarter but net profit for the year as a whole grew 22% while the dividend was increased 18%. Expansion into neighbouring Cambodia and Burma lies ahead.

Outlook

The global economy will find growth elusive yet again and, in this environment, those companies generating "trash" will come back into fashion as the year unfolds.

BDT Invest LLP
2nd February 2012

Currency Exposure		Asset Type		Direct Equity by Country		Equity by Sector					
US Dollar	18.7%	Listed Equities	57.4%	Hong Kong / China	17.9%	Financials	14.4%				
Hong Kong Dollar	17.9%	Investment Funds	19.8%	Thailand	9.1%	Consumer Staple	10.1%				
Thai Baht	9.2%	Cash	13.4%	India	8.9%	Industrial	8.5%				
Japanese Yen	8.9%	Gold Bullion	8.0%	Indonesia	6.3%	Materials	7.6%				
Indian Rupee	8.9%	Unlisted Equities	1.4%	Philippines	3.2%	Information Technology	4.1%				
Other	8.2%	Sovereign Bonds	0.0%	Malaysia	2.8%	Property	3.6%				
Gold	8.0%	Derivatives	0.0%	Singapore	2.7%	Telecoms	3.4%				
Taiwan Dollar	6.8%	Loan	0.0%	Korea	2.7%	Consumer Discretionary	3.1%				
Indonesian Rupiah	6.3%	Other	0.0%	Taiwan	2.3%	Energy	2.5%				
Sterling	3.8%			UK	1.4%	Health Care	0.0%				
Philippines Peso	3.2%					Utilities	0.0%				
Top Ten Equity Holdings		Top Bond & Fund Holdings		Performance		18-Mar-02		31-Jan-12		+/- %	
China Taiping Insurance	4.7%	BDT Invest Oriental Focus \$	9.8%	EIT Share Price #	100.0		168.0		68.0%		
Jasa Marqa	3.9%	BDT Invest Japan Focus \$	6.4%	EIT Net Asset Value #	100.0		199.3		99.3%		
ITC	3.5%	BDT Invest Japan Small Cos ¥	2.5%	Premium/Discount			-15.7%				
Total Access Comm	3.4%	Lindsell Train Inv Trust	1.1%	UK Equity #	670.2		701.6		4.7%		
Rexlot Holdings	3.3%			World Equity #	714.8		787.9		10.2%		
First Pacific	3.2%			Asia Free ex Japan #	153.8		322.3		109.5%		
Lafarge Malayan Cement	2.8%										
Jardine Strategic	2.7%										
Samsung Electronics	2.7%										
Petrochina ADR	2.5%										
				# excluding dividends							
				all MSCI indices in Sterling terms							

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