

The Establishment Investment Trust plc

Performance Review

The Company's share price was unchanged during August while the net asset value recovered by 4.0%. In consequence the discount has increased to 14.2% - very much towards the top end of the historical range.

In comparison the MSCI World Index fell 1.5%, the MSCI Asia ex Japan Index gained 1.2% and the MSCI Japan Index was unchanged in Sterling terms.

Earnings Reports

As always the second half of August is a busy period for Hong Kong analysts with interim results spewing out as the 31st August deadline approaches. Among our more significant holdings, the results produced by China Taiping disappointed slightly with new business value growing only 32% in the first half versus market expectations of 40% growth for the full year. High turnover in the agency network was also latched upon by some although the productivity of agents rose sharply. The stock declined 7.8% over the month and looks a bargain to us at the bottom end of the trading range.

Mintz produced another stonking set of results with revenue and net profit growing by 68.7% and 52.3% respectively in the first half. First Pacific, which we purchased in the second quarter, also produced good numbers with recurring profits rising 50.5% in the first half. We expect the Company to re-commence the share buyback programme now that the results blackout period is over.

Finally, long time holding REXlot produced excellent first half numbers. Revenues rose 40% and net profit grew 98%. The Chinese lottery market continues to grow steadily and REXlot appears to us to be well positioned to take advantage of the phenomenal growth in single match betting. Looking further out the Company is working to position itself to take advantage of the expected introduction of electronic lottery platforms sometime in 2011.

Growth

We have harked on about Asia's great demographics, rising urbanisation and functioning financial system ad infinitum over the past couple of years – and still believe these are the important long term drivers of growth - but there is no doubt that the stabilisation in the west over the past year has been a crucial element behind the revival of Asia's economies. The western economic recovery has been principally inventory driven, assisted by expansionary fiscal policies. Both of these drivers are long in the tooth. The tabloid discussions of the feared "double dip", however, seem to us to completely miss the point.

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Key Data (as at 31st August 2010)

Share Price	170.00p
Net Asset Value	198.04p
Premium/(Discount)	(14.2%)
Shares Outstanding	20m
Market Capitalisation	£34.0m
Historic Yield	2.2%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
Website	www.bdtinvest.com
Manager	BDT Invest LLP 4 th Floor, 52 Jermyn St London, SW1Y 6LX +44 (0)20 7659 1300 www.bdtinvest.com
Administrator	Phoenix Administration Services
Sponsor	JPMorgan
Directors	Dr James King (Chairman) Sir David Cooksey Henry Thornton Richard Thornton Thomas Waring 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	31 st March
Net Asset Value	Calculated weekly on Friday's closing prices and published the following Monday or Tuesday.

Private sector deleveraging and - coming to a Government department near you soon - public sector belt-tightening in the west can only result in a muted outlook for economic activity for *an extended* period of time. You will hardly notice the dips or the recoveries. The bottom line is that short term interest rates are going nowhere and this is inherently bullish for Asian equities. Furthermore, should asset markets in the west "freeze" in any sense, Ben Bernanke has made it clear that a further round of quantitative easing would be forthcoming.

