5th May 2009 - Update #85

The Establishment Investment Trust plc

BDT INVEST

Performance Review

The share price rose by 8.5% during April while the net asset value climbed by 10.7%. The shares stood at a 16.4% discount to the net asset value at month end. In Sterling terms the MSCI World Index rose 7.6%, the MSCI Japan Index gained 6.1% and the MSCI Asia ex Japan Index advanced 13.0%. The Company has enjoyed a decent start to the new financial year.

Hang on for now

We commented last month that we felt this was a bear market rally that could continue until mid year. Despite the extent of the move in April we would continue to "ride the tiger" for now. Financial issues remain in the news ahead of the "stress test" announcement and we suspect the relative performance of the banking sector in the US and Europe will remain a useful indicator when trying to judge how long this rally may continue. Certainly the list of stocks heading the leader board makes it abundantly clear to us that this is a bear market rally. CLSA's Damian Kestel recently highlighted the top fifty Asian performers with a market capitalisation in excess of $1bn since early March. One quarter will lose money this year, two fifths have no dividend and over half have either negative growth this year or gearing in excess of 50%!

China – People's Republic

Various parts of the Chinese economy are reacting to the monetary and fiscal stimulus but ship building is not one of them. According to the Ministry of Industry and Information Technology new orders at Chinese shipyards fell 94% in the first quarter. While we can rationalise a "bounce" from a heavily oversold position, we cannot for the life of us understand why any investor would be building positions in late cycle industries when we have barely reached the bottom of the last cycle. Indeed there are signs that the Government orchestrated resurgence in bank lending has been too successful. Anecdotal evidence suggests that the state controlled banks have lent principally to the State Owned Enterprises who continue to produce things people don't want and pile up inventories of both raw materials and finished goods. The State Owned Enterprises dominate the commodity and heavy industry sectors. We will continue to avoid these areas like the plague, attempting instead to park our portfolios as near to the Asian consumer as we can get.

China – Republic of

Progress on "direct links" between China and Taiwan continues at a pace that is surprising even the optimists. China Mobile's recently announced acquisition of 12% of Far EasTone came out of the blue and prompted several days of "limit up" trading in domestic issues.

The third round of inter-government discussions agreed a near tripling of flights from 108 to 270 per week. "Direct Links" is a theme that should run and run and we anticipate adding to existing positions.

Elsewhere Prime Minister Najib Razak appears to have started the long overdue process of dismantling Malaysia's disastrous decades old New Economic Policy. We will watch carefully since, potentially, this is a huge long term positive for the country if foreigners can be persuaded to invest again after a decade long absence.

Key Data (as at 30th April 2009)

Share Price	115.00p
Net Asset Value	137.53p
Premium/(Discount)	(16.4%)
Shares Outstanding	20m
Market Capitalisation	£23.0m
Historic Yield	2.7%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
Website	www.bdtinvest.com
Manager	BDT Invest LLP 4th Floor, 52 Jermyn St London, SW1Y 6LX +44 (020) 7659 1300 www.bdtinvest.com
Investor Relations	Ian Furtado (020) 7659 1305
Administrator	Phoenix Administration Services
Sponsor	JPMorgan Cazenove
Directors	Dr James King (Chairman) Sir David Cooksey Henry Thornton Richard Thornton Harry Wells Thomas Waring
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.

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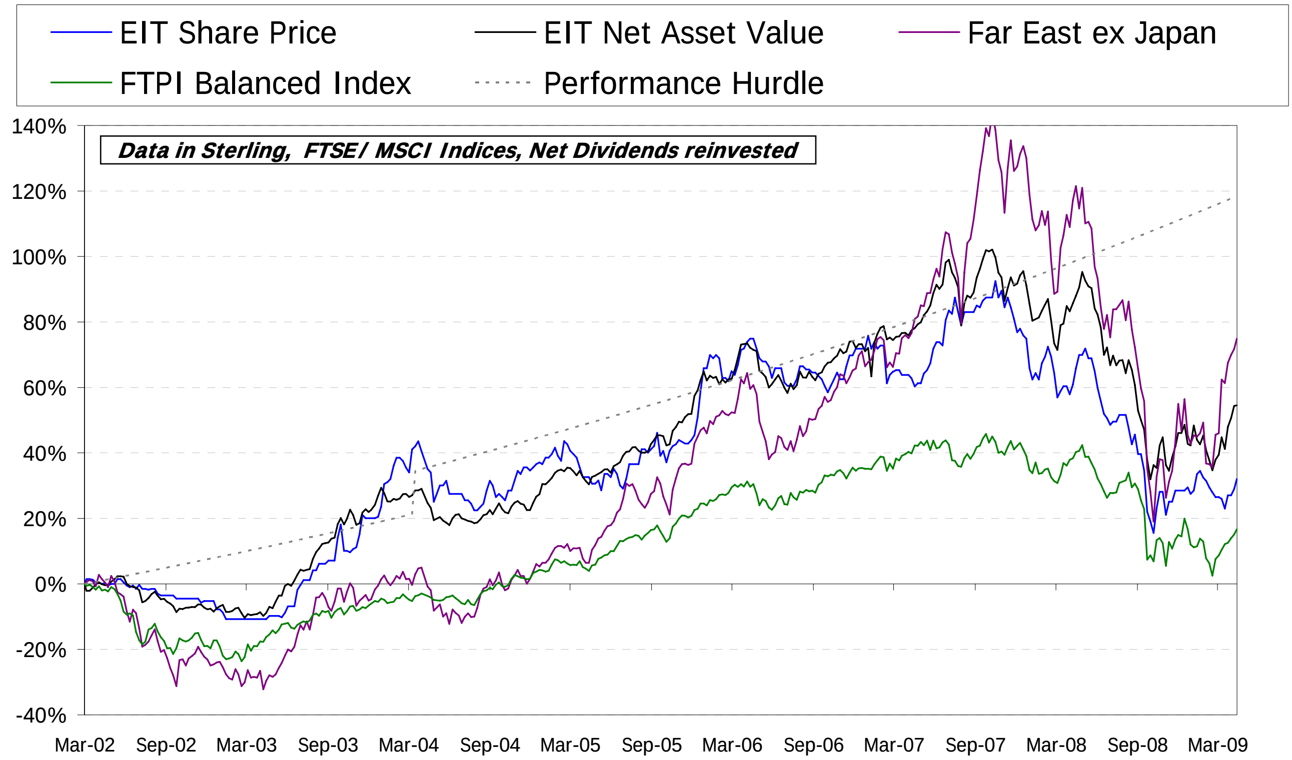

We continue to believe that Asia is suffering more from a cyclical downturn than anything more sinister but it is important to state that we expect economic activity to stabilise rather than recover. This in itself is positive for confidence which, combined with the defensive positioning of many investors, should allow this rally to continue for a while longer.

The one tenth increase in the net asset value was achieved despite Sterling's strength, the position in Gold bullion and a substantial liquidity position. The portfolio benefitted from excellent moves in Rexlot and Farglory. Rexlot announced excellent 2008 results and looks set to register strong growth in 2009 as they roll out their lottery and scratch card distribution network.

While it is tempting to believe that these (and other smaller cap) stocks are performing well because they are such great businesses the reality is that they are benefitting from a general reduction in risk aversion.

Asia's outperformance is genuinely encouraging, and a trend that we expect to continue, but it would be unwise to consider this anything other than a Wall Street inspired rally. Correlations between global markets remain high.

BDT Invest LLP
5th May 2009

Currency Exposure		Asset Type		Direct Equity by Country		Equity by Sector	
US Dollar	28.7%	Listed Equities	59.9%	Hong Kong	17.6%	Financials	26.7%
Hong Kong Dollar	18.0%	Absolute Return Vehicles	9.1%	Singapore	8.1%	Property	5.9%
Japanese Yen	8.9%	Sovereign Bonds	0.0%	Japan	7.7%	Information Technology	5.8%
Taiwan Dollar	8.7%	Gold Bullion	6.4%	Taiwan	7.5%	Industrial	5.7%
Sterling	8.7%	Unlisted Equities	1.4%	Malaysia	7.1%	Consumer Discretionary	5.2%
Malaysian Ringgit	7.4%	Cash	23.1%	Thailand	4.4%	Health Care	4.3%
Thai Baht	7.0%	Derivatives	0.0%	India	4.4%	Materials	3.3%
Singapore Dollar	6.0%	Other	0.0%	UK	2.6%	Energy	1.5%
Indian Rupee	4.4%	Loan	0.0%	Other Asian	2.0%	Telecoms	1.0%
Indonesian Rupiah	1.2%			Other non Asian	0.0%	Consumer Staple	0.5%
South Korea	1.0%					Utilities	0.0%

Top Ten Equity Holdings		Top Bond & ARV Holdings	
China Insurance	5.7%	SR European IT	3.8%
Rexlot Holdings	5.3%	BDT Invest Oriental Focus $	3.2%
Top Glove	3.7%	BDT Invest Japan Small Cos	1.1%
First Ship Lease Trust	3.6%	Lindsell Train Inv Trust	1.0%
Minth Group	3.3%		
Farglory Land Development	3.3%		
Lafarge Malayan Cement	2.9%		
Bharat Heavy Electricals	2.3%		
Standard Chartered Bank	2.2%		
Jardine Matheson	2.2%		

Performance	18-Mar-02	30-Apr-09	+/- %
EIT Share Price #	100.0	115.0	15.0%
EIT Net Asset Value #	100.0	137.5	37.5%
Premium/Discount		-16.4%	
UK Equity #	670.2	527.2	-21.3%
World Equity #	714.8	604.5	-15.4%
Asia Free ex Japan #	153.8	227.7	48.0%

 # excluding dividends
all MSCI indices in Sterling terms