4th September 2008 - Update #77

The Establishment Investment Trust plc

BDT INVEST

Performance Review

The share price declined 1.5% in August while the net asset value inched ahead by 0.7%. In Sterling terms the MSCI World Index rose 7.5%, MSCI Japan Index gained 4.7% and the MSCI Asia ex Japan Index advanced 1.5%. While the portfolio has minimal exposure to commodity, energy and cyclical issues, we continue to pay a price for our exposure in smaller cap issues. The MSCI Asia ex Japan small cap index underperformed the standard index by 3.3% in August. Year to date the small cap index has underperformed by 8.2%.

Dollar Revival

The story of August, however, lay less in equities and more in the currency and commodity markets. The revival of the US Dollar saw Sterling fall 8.2%, the Euro declined 6.1% while the JP Morgan Asian Dollar Index eased a lesser 2.3%. Crude Oil fell 7.3% and the Baltic Dry Index collapsed 18.4% during August and has fallen a further 10% in the first three days of September alone! While we do not have much to crow about thus far this year, the Company's limited exposure to Sterling has proved helpful and following the Chancellor's remarkably honest interview in the Guardian last weekend we expect it to remain so. The Sterling/Dollar rate was $1.42 when the Company was listed back in March 2002 and that seems an appropriate target.

The short term pressure to panic out of equities remains high. Recession looms in the developed world. Property prices are falling rapidly and unemployment is rising. These trends will continue to place downward pressure on consumption and upward pressure on mortgage default rates. Nationalisation of Fannie and Freddie appears simply a question of time while we can look forward to a much more dovish stance from European Central Bank and the Bank of England as inflationary pressures ease. The slowdown in the West cannot, at least at face value, be good news for the open economies of the Asian region. The recent weakness of the Korean currency and equity market provides more than a clue that cyclical industries are in for a tough couple of years after a prolonged period of plenty. Korea, of course, is the one country in Asia that has displayed a Western style appetite for debt in recent years. The Company has no Korean exposure.

The resignation of Prime Minister Yasuo Fukuda, a man who makes Gordon Brown look popular, marks the end of another (short) chapter in Japan's political history. A rearrangement of the Titanic's deckchairs appears most likely in the short term but, with Lower House elections due by next autumn at the latest, pressure for more fundamental change is building. The market remains cheap by historical standards and political change next year may provide a much needed catalyst.

Key Data (as at 29th August 2008)

Share Price	132.00p
Net Asset Value	152.69p
Premium/(Discount)	(13.6%)
Shares Outstanding	20m
Market Capitalisation	£26.4m
Historic Yield	2.4%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
Website	www.bdtinvest.com

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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.

A significant number of our holdings reported interim results during August. China Insurance, our second largest holding, reported a 22% fall in earnings but excellent results at Tai Ping Life (which accounts for four fifths of a SOTP valuation). New business value grew 60% y-o-y while embedded value rose 42% y-o-y. With the number of agents forecast to grow 50% to 60,000 by year end, Tai Ping Life remains an out and out growth story. The stock would have to double from here to get within sight of our preferred analyst's target price. Siam Steel, our third largest holding, reported a 97% rise in first half profits. We can live with that.

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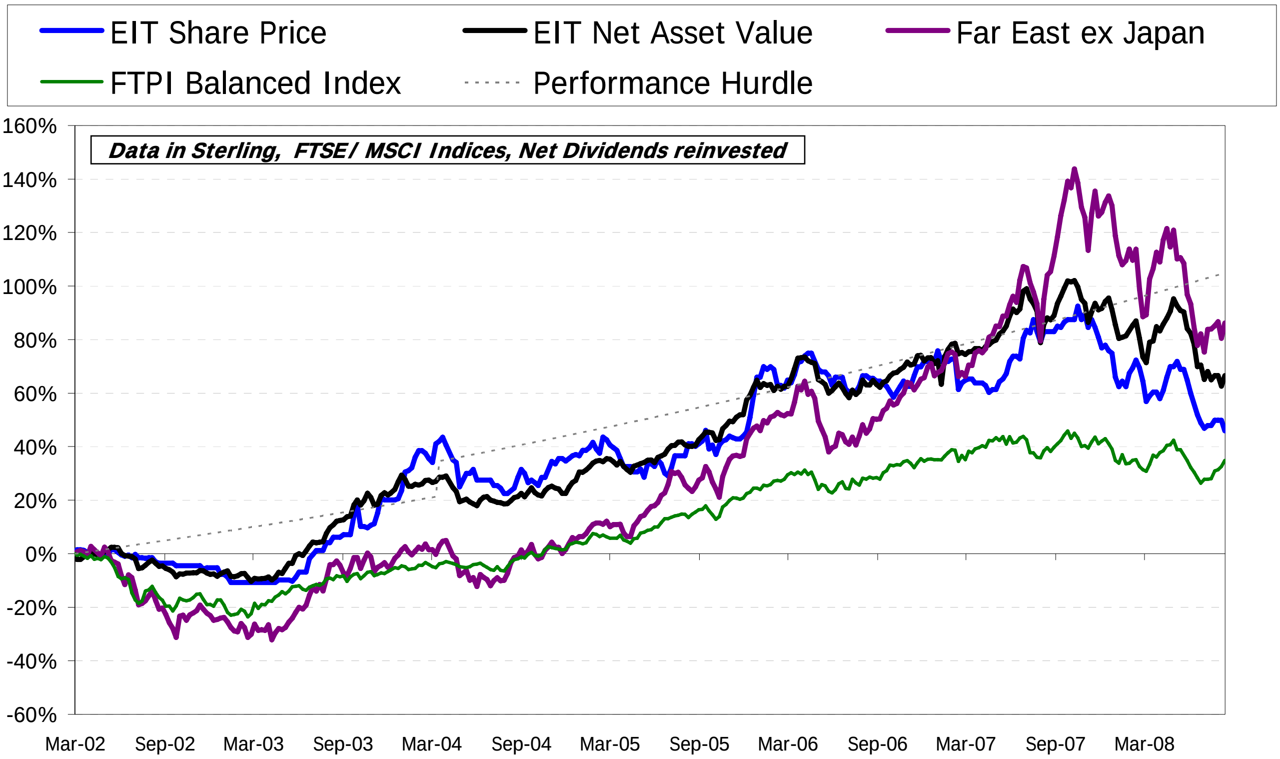

First Ship Leasing Trust, our largest equity holding, has suffered recently given the rising negative sentiment towards anything vaguely maritime but hopefully in time someone will notice it is a leasing concern not a shipping company. In the meantime we are being paid 13.8% per annum to own it. This is another investment we believe the Company can live with.

The global macroeconomic outlook, however, remains extremely poor and there remain unusual and persistent strains across most Western banking systems. This is not a backdrop one would associate with rising equity prices. While the continued decline in oil and commodity prices are a positive for Asian economies, it appears inevitable that earnings forecasts for many companies will continue to be pared back as growth slows.

The US Dollar rally and oil/commodity correction is likely to continue into 2009. It is too early to be looking to re-enter commodity or cyclical issues. The portfolio remains tilted toward financials and other interest rate sensitive sectors.

BDT Invest LLP
4th September 2008

Currency Exposure		**Asset Type**		**Direct Equity by Country**		**Equity by Sector**	
Taiwan Dollar	13.2%	Listed Equities	54.1%	Japan	11.8%	Financials	20.1%
Sterling	13.5%	Absolute Return Vehicles	27.3%	Taiwan	10.6%	Information Technology	7.0%
US Dollar	15.7%	Sovereign Bonds	10.6%	Singapore	10.6%	Materials	6.8%
Japanese Yen	13.2%	Gold Bullion	7.3%	Hong Kong	7.9%	Consumer Discretionary	4.3%
Singapore Dollar	10.6%	Unlisted Equities	4.4%	Thailand	6.3%	Property	4.0%
Euro	10.6%	Cash	8.8%	UK	4.4%	Health Care	3.7%
Hong Kong Dollar	7.9%	Derivatives	0.0%	Malaysia	4.7%	Energy	2.3%
Thai Baht	6.3%	Other	0.0%	India	2.2%	Industrial	2.2%
Malaysian Ringgit	4.7%	Loan	-12.6%	Other Asian	0.0%	Utilities	1.9%
Indian Rupee	2.2%			Other non Asian	0.0%	Telecoms	1.3%
Other	2.2%					Consumer Staple	0.6%

Top Ten Equity Holdings		**Top Bond & ARV Holdings**		**Performance**	18-Mar-02	29-Aug-08	+/- %
First Ship Lease Trust	5.4%	BDT Invest Asia Fund $ Dist	12.3%	EIT Share Price #	100.0	132.0	32.0%
Siam Steel	4.4%	Bundesobligation 3.5% 10/08	10.6%	EIT Net Asset Value #	100.0	152.7	52.7%
China Insurance	4.2%	BDT Invest Oriental Focus $	6.2%	Premium/Discount		-13.6%	
BDT Investment Mgnt	2.9%	SR European IT	4.4%	UK Equity #	670.2	699.9	4.4%
Taiwan Semi	2.6%	BDT Invest Japan Fund £	2.5%	World Equity #	714.8	740.0	3.5%
Lafarge Malayan Cement	2.4%	BDT Invest Japan Small Cos	1.0%	Asia Free ex Japan #	153.8	243.9	58.5%
Ezra Holdings Ltd	2.3%	Lindsell Train Inv Trust	0.9%				
Top Glove	2.3%						
Bharat Heavy Electricals	2.2%			*# excluding dividends*			
Farglory Land Development	2.0%			*all MSCI indices in Sterling terms*			