

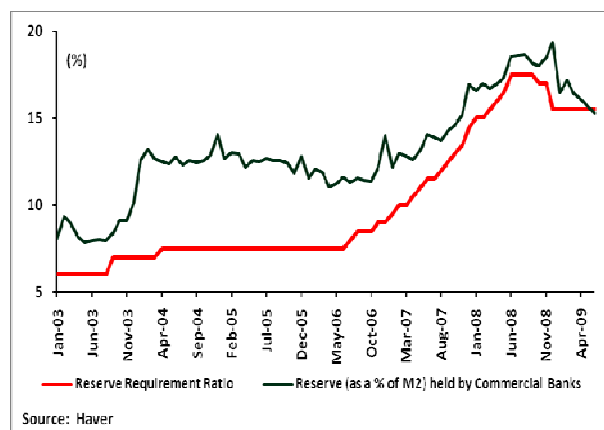
The Establishment Investment Trust plc

Performance Review

The Company's share price was unchanged in August while the net asset value increased 1.9%. In Sterling terms the MSCI World Index rose 6.8%, MSCI Japan Index rose 6.6% (principally due to a stronger Yen) and the MSCI Asia ex Japan Index fell 0.9%. The shares stood at a 10.1% discount to net asset value at the end of the month.

Last month Asian markets gave back a decent chunk of this year's outperformance versus developed markets. The reason for this reversal can be found, as has become the norm, in China. The "A" share CSI300 Index fell 24.2% during August which placed something of a dampener on H shares and the wider Hong Kong market. Real Estate was the worst performing sector by some margin.

There have been increasing mumblings from a variety of mainland officials in recent months voicing concerns that the recent explosive growth in banking lending has found its way into financial assets rather than the real economy. Quite why they have been surprised by this is another question but the chart below, hijacked from Jim Walker's Asianomics, shows that the ability of the Chinese banking system to extend new loans is now compromised by the reserve requirement ratio (RRR) for the first time. There is, of course, plenty of scope for the authorities to reduce the RRR, and thus free up the banking system to extend more credit to the economy, but we suspect the authorities will be happy to "stand pat" at present.



A further reason for the market decline may have been official recognition that a number of industries are suffering from severe overcapacity. Li Yizhong, China's industry minister, was recently quoted as saying "China's iron and steel industry is the worst in the country in terms of excess capacity. I would like to call on the industry: No new projects for three years." He noted that capacity of 660mt pa compares to demand of 470mt pa.

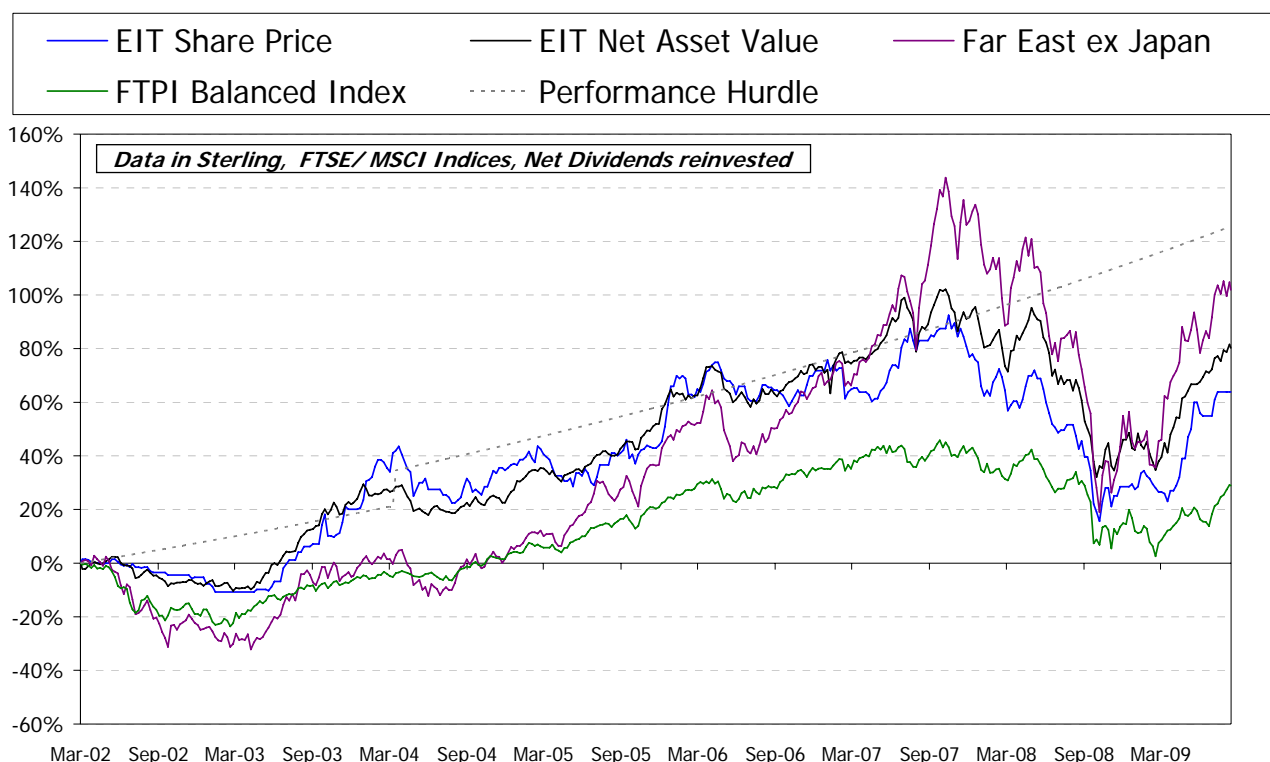
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Key Data (as at 31st August 2009)

Share Price	145.00p
Net Asset Value	161.34p
Premium/(Discount)	(10.1%)
Shares Outstanding	20m
Market Capitalisation	£29.0m
Historic Yield	2.3%
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 (020) 7659 1300 www.bdtinvest.com
Investor Relations Administrator	Ian Furtado (020) 7659 1305 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	31 st March
Net Asset Value	Calculated weekly on Friday's closing prices and published the following Monday or Tuesday.

We continue to steer clear of companies and industries where excess Chinese capacity is likely to compress profitability for all industry players. It is a very long list.

Meanwhile personal consumption remains reasonably robust in China and around the region. China Taiping Insurance announced a sparkling set of interims – in the first half the value of new business grew 59% y-o-y and embedded value rose a healthy 27%. Minth produced a very respectable set of numbers and management was unusually optimistic in the post results conference call.



Jardine Matheson's underlying profits fell 13% in the first half but a 4% increase in the dividend suggests confidence. Later this month Rexlot will report interim results. Industry wide lottery tickets sales continue to compound at a circa 20% rate which bodes well.

Portfolio activity was reasonably light last month. We booked profits in Techtronics and Ayala Land, added to Johnson Electric and repurchased a line of LPN Development.

According to the Bank of England total net lending to individuals fell by £0.6bn in July. This is the first net repayment in the series which goes back to 1993 (or possibly 1982). Has the penny dropped? If this is the start of a trend rather than a "freak" reading it suggests the outlook for consumption is nothing other than dire. After popping to \$1.70 Sterling has started to behave a little better. The Company remains positioned for Sterling weakness.

BDT Invest LLP
3rd September 2009

Currency Exposure		Asset Type		Direct Equity by Country		Equity by Sector	
US Dollar	25.4%	Listed Equities	67.3%	Hong Kong	19.7%	Financials	30.1%
Hong Kong Dollar	19.7%	Cash	7.3%	Singapore	12.0%	Industrial	10.8%
Singapore Dollar	12.0%	Sovereign Bonds	9.0%	Taiwan	9.0%	Information Technology	5.8%
Taiwan Dollar	9.5%	Absolute Return Vehicles	9.9%	Malaysia	7.1%	Health Care	4.8%
Japanese Yen	7.9%	Gold Bullion	5.3%	Japan	6.7%	Consumer Discretionary	4.6%
Malaysian Ringgit	7.2%	Unlisted Equities	1.2%	India	4.9%	Telecoms	4.3%
Sterling	6.6%	Derivatives	0.0%	Thailand	2.5%	Materials	3.1%
Indian Rupee	4.9%	Other	0.0%	UK	0.9%	Energy	2.9%
Thai Baht	2.5%	Loan	0.0%	Other Asian	4.4%	Property	1.0%
Korean Won	2.3%			Other non Asian	0.0%	Consumer Staple	0.0%
Other	2.2%					Utilities	0.0%

Top Ten Equity Holdings		Top Bond & ARV Holdings		Performance		
China Taiping Insurance	6.9%	US Treasury 2.75% 2/19	9.0%	EIT Share Price #	18-Mar-02	31-Aug-09 +/- %
Rexlot Holdings	5.7%	SR European IT	4.3%	EIT Net Asset Value #	100.0	145.0 45.0%
First Ship Lease Trust	5.0%	BDT Invest Oriental Focus \$	3.6%	Premium/Discount		-10.1%
Chungghwa Telecom	4.3%	BDT Invest Japan Small Cos	1.2%	UK Equity #	670.2	609.5 -9.1%
Minth Grp	3.8%	Lindsell Train Inv Trust	0.9%	World Equity #	714.8	666.7 -6.7%
Top Glove	3.6%			Asia Free ex Japan #	153.8	257.7 67.5%
Jardine Matheson	3.3%					
Lafarge Malayan Cement	3.1%					
Mermaid Maritime	2.9%					
Johnson Electric	2.7%					

excluding dividends
all MSCI indices in Sterling terms

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