

# The Establishment Investment Trust plc

## Performance Review

The Company's share price was unchanged in December while the net asset value advanced by 1.2%. In addition a dividend of 1.5p was paid during the month lifting total returns to 1.0% and 2.1% respectively.

For the year as a whole the share price and net asset value advanced by 34.5% and 40.8%. Including dividends paid the total returns were 37.1% and 43.9% respectively. In comparison the FTPI Balanced Index rose 16.6%, the MSCI United Kingdom Index gained 29.3% and the MSCI World Index advanced 17.3%. In our targeted investment area, Asia, the MSCI Japan Index fell 4.1% and the MSCI Asia ex Japan Index rose 55.3%.

The Company has retained a position in Gold Bullion and a degree of liquidity while purposefully targeting a 60-80% commitment to equities over the past eighteen months. More recently returns could have been higher had a more aggressive equity weighting been targeted but your manager is reasonably pleased with the overall returns which we expect will place the Company in the top quartile of funds in the Global Growth sector over the past one and three years once the final statistics are released by the AITC in mid January.

## Global Growth Ahead?

There appears to be growing conviction across various asset classes that the crisis is over. Equities continue to rally hard, the commodity markets have regained their mojo and most recently the bond market has performed a big u-turn. The hope of recovery is, as ever, focussed around the United States. The much better than expected November US nonfarm payroll data release on 4th December - combined with a big positive revision to the October data - was the first of several "growth bullish" releases over the past month. We continue to believe that deflationary pressures will reassert themselves in 2010 and that the current rebound represents little more than an inventory driven cyclical rebound. For the time being, however, the biggest beneficiary of any recovery in the US economy is Japan.

Topix price-to-book



Source: Bloomberg

## Key Data (as at 31<sup>st</sup> December 2009)

Share Price	157.00p
Net Asset Value	177.69p
Premium/(Discount)	(11.6%)
Shares Outstanding	20m
Market Capitalisation	£31.4m
Historic Yield	2.2%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
Website	<a href="http://www.bdtinvest.com">www.bdtinvest.com</a>

Manager	BDT Invest LLP 4 <sup>th</sup> Floor, 52 Jermyn St London, SW1Y 6LX +44 (020) 7659 1300 <a href="http://www.bdtinvest.com">www.bdtinvest.com</a>
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Administrator	Phoenix Administration Services
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Sponsor	JPMorgan Cazenove
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Directors	Dr James King (Chairman) Sir David Cooksey Henry Thornton Richard Thornton Harry Wells Thomas Waring
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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.
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Management Fee	One per cent of the market capitalisation of the Company annually.
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Performance Fee	10% of any gain in the market capitalisation of the company that exceeds the 10% performance hurdle annually.
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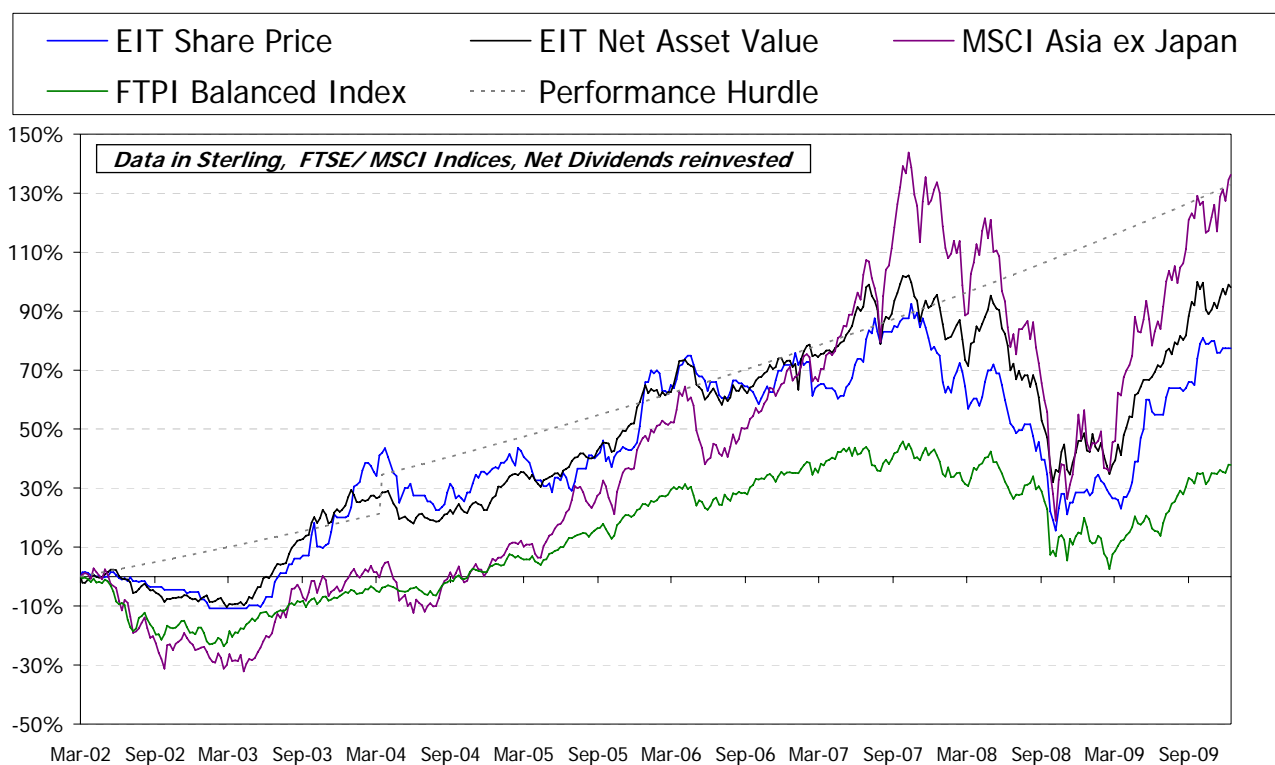
Financial Year	31 <sup>st</sup> March
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Net Asset Value	Calculated weekly on Friday's closing prices and published the following Monday or Tuesday.
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A weaker Yen plus a pick up in manufacturing volumes and margins equals higher equity prices. Also this market has the benefit of being demonstrably cheap as shown on the chart. Unfortunately the same cannot be said for the rest of Asia. Exporters are likely to perform strongly as long as the bullish growth consensus lasts but a stronger Dollar is historically not good news for regional equities and occurs at a time when valuations are mildly extended. We have added some exporters to our portfolios but are reluctant to greatly alter the longer term domestic/consumer focus.

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2009 seems likely to prove a turning point for the Asian region. While heavily exposed to collapsing global trade, the region came through the downturn courtesy of surprisingly robust domestic demand with China, India and Indonesia showing the way. Growing domestic consumption remains the long term story to focus on.

For different reasons 2009 may also prove a turning point for many developed countries in the West. A severe collapse in economic activity has been averted but the cost – a total loss of control of Government finances – has yet to be addressed. The United Kingdom is an obvious case in point but is far from

alone. The outlook for the so called Club Med economies remains dire, as does that for many emerging economies in Eastern Europe and the Middle East.

A focus upon Asia, therefore, remains the obvious strategy to both grow and protect wealth over time although regional equity markets are likely to remain volatile. The net asset value is within spitting distance of the high recorded in October 2007 and your manager is hopefully of making good progress in 2010.

BDT Invest LLP  
6<sup>th</sup> January 2010

<b>Currency Exposure</b>		<b>Asset Type</b>		<b>Direct Equity by Country</b>		<b>Equity by Sector</b>	
US Dollar	22.7%	Listed Equities	59.9%	Hong Kong / China	19.7%	Financials	22.9%
Hong Kong Dollar	19.7%	Absolute Return Vehicles	22.8%	Korea	12.7%	Telecoms	8.4%
South Korean Wong	12.7%	Cash	10.3%	Singapore	9.5%	Materials	5.9%
Singapore Dollar	9.5%	Gold Bullion	5.6%	Malaysia	7.4%	Industrial	5.1%
Sterling	7.5%	Unlisted Equities	1.5%	Indonesia	4.1%	Consumer Staple	4.3%
Taiwan Dollar	7.4%	Sovereign Bonds	0.0%	Taiwan	3.4%	Consumer Discretionary	4.2%
Malaysian Ringgit	7.4%	Derivatives	0.0%	Philippines	2.1%	Health Care	2.8%
Japanese Yen	7.1%	Other	0.0%	UK	1.0%	Property	2.7%
Indonesian Rupiah	4.1%	Loan	0.0%	Other non Asian	0.0%	Energy	2.5%
Philippine Paso	2.1%			Other Asian	0.0%	Information Technology	1.0%
Other	0.0%					Utilities	0.0%
<b>Top Ten Equity Holdings</b>		<b>Top Bond &amp; ARV Holdings</b>		<b>Performance</b>	18-Mar-02	31-Dec-09	+/- %
Rexlot Holdings	6.9%	BDT Invest Oriental Focus \$	10.5%	EIT Share Price #	100.0	157.0	57.0%
First Ship Lease Trust	6.2%	BDT Invest Japan Focus \$	4.8%	EIT Net Asset Value #	100.0	178.6	78.6%
China Taiping Insurance	5.6%	SR European IT	4.3%	Premium/Discount		-12.1%	
KT & G Corp	4.3%	BDT Invest Japan Small Cos ¥	2.3%	UK Equity #	670.2	670.0	0.0%
SK Telecom	4.3%	Lindsell Train Inv Trust	0.9%	World Equity #	714.8	723.6	1.2%
Minth Grp	4.2%			Asia Free ex Japan #	153.8	300.3	95.2%
KT Corp	4.1%						
Top Glove	2.8%						
Mermaid Maritime	2.5%						
Jasa Marga	2.1%						
				# excluding dividends			
				all MSCI indices in Sterling terms			

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