

# The Establishment Investment Trust plc

## Performance Review

February proved to be a better month. The shares rallied by 5.3% while the net asset value recovered by an identical amount leaving the discount unchanged at 8.4%. For comparative purposes the MSCI World Index declined by 0.4% while the MSCI UK, Asia ex Japan and Japan Indices produced positive returns of 0.5%, 6.0% and 0.9%.

## Global Doom

The US macro economic data released during the past month continues to point to a sharp slow down in economic activity with credit markets remaining skittish to say the least. The previously high flying Peloton Partners ABS Fund is the latest in a string of hedge fund failures - it is unlikely to be the last. If you are of a nervous disposition then can we please recommend that you do not read the full text of Ben Bernanke's recent statement to Congress. Also avoid last Saturday's Lex column. In fact give up reading the financial press for the next six months.

There is one report, however, that you must beg, steal or buy a copy of. CLSA's Russell Napier has released his latest Solid Ground, entitled "Nationalising America", and it is an absolute gem. It's twenty three pages long (and you need to read it at least twice) but the next time you are in your local you will be able to explain confidently and succinctly why the price of your pint (and everything else from food, trains, school fees, petrol etc) is increasing in price at more than twice the rate that your savings are able to grow in your risk free account. The long and the short of the report is do not panic out of Asian assets – they will prove to be some of the lowest, not highest, risk assets in your portfolio.

Russell was one of the few strategists to steer investors safely through the Asian crisis and, with another decade of knowledge crammed in, we are disinclined to ignore his advice. Death to the inflationista, long live the Asian bureaucrat!

The recently fashionable Chinese and Indian markets are currently suffering as investors withdraw from (the incorrectly?) perceived high risk assets such as emerging markets but there are two markets in particular where we are confident that expectations will be beaten, namely Taiwan and Thailand. This is principally because - until recently - there have been no expectations. The lack of recently launched single country funds is also a positive sign (cf Vietnam). Domestically orientated stocks in Taiwan have rallied sharply ahead of Presidential elections this month. KMT candidate Ma Ying-Jeou is expected to win and this has raised hopes of the establishment of direct commercial links with the mainland.

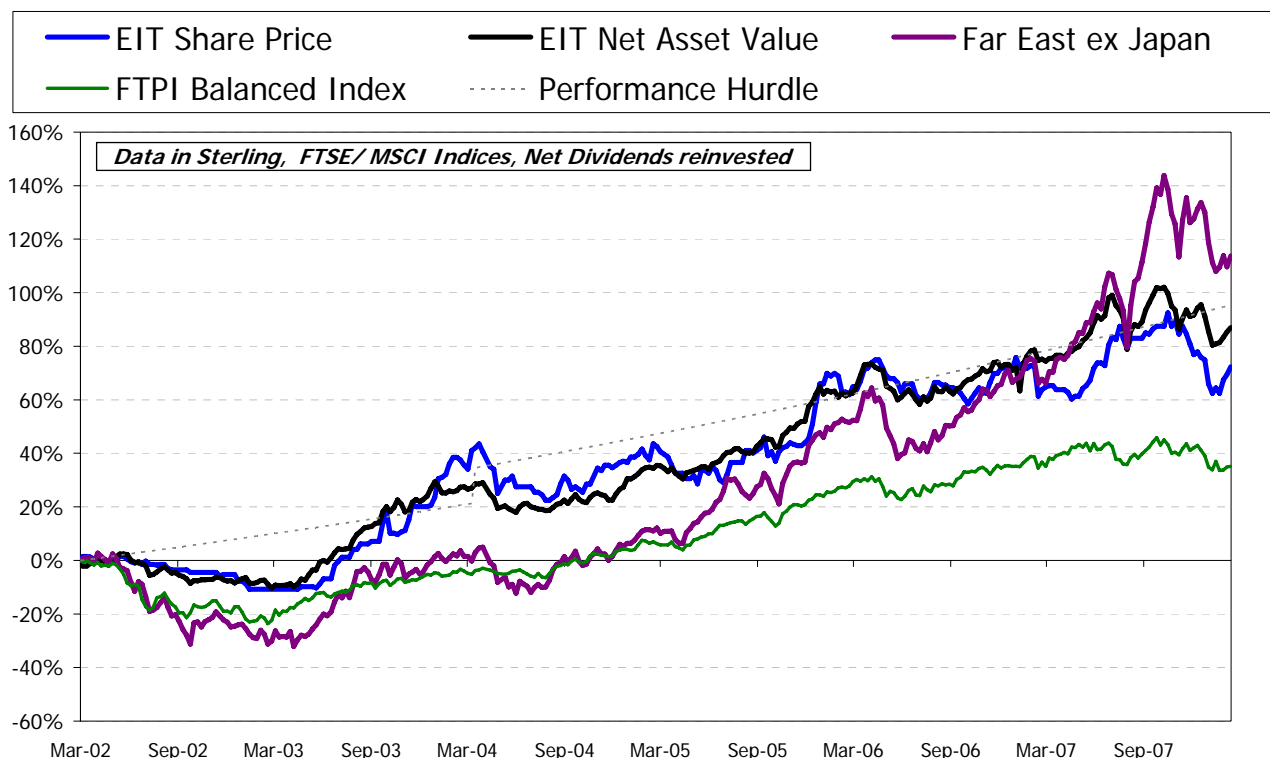
## Key Data (as at 29<sup>th</sup> February 2008)

Share Price	158.50p
Net Asset Value	173.12p
Premium/(Discount)	(8.4%)
Shares Outstanding	20m
Market Capitalisation	£31.7m
Historic Yield	2.0%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
Website	www.bdtinvest.com
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>
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
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 <sup>st</sup> March
Net Asset Value	Calculated weekly on Friday's closing prices and published the following Monday or Tuesday.

Although certain stocks look a little ahead of themselves, this is a marvellous long term story the drivers of which have nothing to do with the US credit crisis or global growth. The return of an elected Government in Thailand also gives rise to increased optimism in the domestic economy. The first two decisions - repealing capital controls and cutting taxes - look as though they were drafted on the back of a fag packet in the stands of the City of Manchester Stadium. The political situation remains a little "uneasy" but a return of Thaksinomics bodes well for domestic growth. As elsewhere in ASEAN, soaring soft commodity prices are providing an enormous boost to rural incomes.

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Another market where one might guess that reality could exceed expectations is Japan but, following a research trip, we can confirm that this appears unlikely (although growing internal divisions within the two main parties ahead of Lower House elections this summer provides a small glimmer of hope).

For the rest of Asia is the recent recovery a bear market bounce or the resumption of the bull market? In the short term we expect Asia to trade with Wall Street where further aggressive cuts in interest rates are a

given - as are dreadful numbers from the financial and property sectors. Short term market moves may not be pretty but our view is simple. Economically sensitive issues such as commodities and cyclicals should be sold into any bounce while interest rate sensitive and domestically focussed issues should be gently accumulated.

BDT Invest LLP  
5<sup>th</sup> March 2008

Currency Exposure		Asset Type		Direct Equity by Country		Equity by Sector	
Sterling	22.5%	Listed Equities	56.0%	Hong Kong	10.6%	Financials	17.0%
Taiwan Dollar	13.4%	Absolute Return Vehicles	28.0%	Taiwan	10.5%	Industrial	10.5%
Hong Kong Dollar	10.6%	Sovereign Bonds	14.6%	Japan	8.4%	Consumer Discretionary	7.2%
Euro	8.8%	Gold Bullion	7.0%	Korea	6.1%	Property	7.1%
Japanese Yen	6.4%	Cash	6.2%	UK	4.3%	Technology	5.9%
Korean Won	6.2%	Unlisted Equities	4.3%	Thailand	3.6%	Telecoms	4.1%
Malaysian Ringgit	4.2%	Derivatives	0.0%	Other Asian	15.0%	Materials	1.8%
Thai Baht	3.6%	Other	0.0%	Other non Asian	1.9%	Energy	1.4%
Other	24.3%	Loan	-16.1%			Consumer Staple	1.1%
Top Ten Equity Holdings		Top Bond & ARV Holdings		Performance			
China Insurance	5.2%	BDT Invest Asia Fund \$ Dist	11.7%	EIT Share Price #	18-Mar-02	29-Feb-08	+/- %
Farglory Land Development	3.9%	Bundesobligation 3.5% 10/08	8.8%	EIT Net Asset Value #	100.0	158.5	58.5%
Siam Steel	3.6%	BDT Invest EM Focus \$	6.2%	Premium/Discount		173.1	73.1%
BDT Investment Mgmt	2.9%	SR European IT	4.5%	UK Equity #	670.2	730.7	9.0%
China Trust Financial	2.5%	Treasury 4% 07/03/2009	2.9%	World Equity #	714.8	733.2	2.6%
Samsung F & M Ins	2.3%	Treasury 5% 07/03/2008	2.9%	Asia Free ex Japan #	153.8	284.6	85.0%
Taiwan Semi	2.3%	BDT Invest Japan Fund E	2.3%				
Bharat Heavy Electricals	2.1%	Bedlam AM UK Fund	1.3%				
Bank Pan Indonesia	2.0%	BDT Invest Japan Small Cos	1.0%				
Minth Grp	2.0%	Lindsell Train Inv Trust	0.9%				
				# excluding dividends			
				all MSCI indices in Sterling terms			

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