

## Performance Review

The share price fell 3.4% in February while the net asset value declined by 4.9%. In consequence the discount narrowed to 6.8%. In Sterling terms the MSCI World Index, the MSCI Japan Index and the MSCI Asia ex Japan Index fell by 9.5%, 11.7% and 5.8% respectively. The MSCI World Index has declined by approximately 20% already this year and any hopes that the trading range established since last October would hold have been dashed. As the Company approaches its seventh anniversary a review of the returns of various alternatives delivers a somewhat depressing conclusion as the table below illustrates. The safest investment by a long way has been physical Gold (the vast majority of this outperformance has occurred since July 2007) and the next best performer is the FTSE Bond Index which just piped a hedge fund index into third place.

### 22<sup>nd</sup> March 2002 – 27<sup>th</sup> February 2009

(In Sterling, all returns include reinvested income)

Gold Bullion	+214%
FTSE UK Bond Index	+50%
CS Tremont Hedge Fund Index	+50%
Establishment Trust NAV	+37%
MSCI Asia ex Japan Index	+36%
Establishment Trust share price	+29%
CRB Commodity Index	+4%
MSCI Japan Index	+1%
FTSE 100 Index	-4%
MSCI World Index	-16%

Please note the Credit Suisse Tremont Hedge Fund Multi-Strategy Index is measured from the end of March 2002 to end January 2009. We cannot source comprehensive data/indices for commercial property or private equity although Investment Property Databank was recently quoted in the FT saying that capital values are now back to December 2001 levels and the recent performance of a number of listed private equity vehicles would put the asset class firmly at the bottom of the table (e.g. 3i is down 67% over the period).



Source: Citi Investment Research

The chart above depicts Asia ex Japan's price to book ratio since 1975. Markets move in cycles and while we are more than annoyed not to have dodged the downturn more effectively, this would seem an inopportune time to initiate radical change in our asset allocation. Peter Sands, chief executive of Standard Chartered, made the following comments on the Asian region in an interview following the bank's annual results. We believe they make interesting reading.

## Key Data (as at 27<sup>th</sup> February 2009)

Share Price	112.50p
Net Asset Value	120.72p
Premium/(Discount)	(6.8%)
Shares Outstanding	20m
Market Capitalisation	£22.5m
Historic Yield	2.8%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
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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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*"Asia is going through a sharp cyclical change due to a collapse in demand from the West. I am not underestimating what is happening there and I don't want to be interpreted as underestimating the scale of the challenges facing Asia, but it will be shorter and shallower than what you will see in the West. The degree of leverage just isn't there and both Governments and corporates are in a good position from a balance sheet point of view. You should not assume that what happens in the West will be replicated in Asia - the whole deleveraging in the West is less pronounced in Asia."*

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