

The Establishment Investment Trust plc

Performance Review

The Company's share price rose by 8.1% in February while the net asset value advanced by 5.8%. In comparison the MSCI World Index rose by 6.6%, the MSCI Asia ex Japan Index gained 5.2% and the MSCI Japan Index moved 6.3% higher in Sterling terms.

It has been a while coming but we are pleased to note that the net asset value of the Company has finally breached the old high of 189.58p recorded on 26th October 2007. Since that date dividends totalling 7.9p have been paid to shareholders.

It has, unfortunately, been something of a roller coaster ride and a total return of circa 5% over this twenty eight month period is not much to shout about. It compares favourably, however, to the 3% decline registered by both the MSCI World and MSCI Asia ex Japan Indices and the flat performance of the MSCI Japan Index. The share price has a little further to travel before breaching the old high of 180p set in October 2007.

Sterling

The impetus behind the recent improvement in the net asset value has been the weakness of our reporting currency, Sterling. In US Dollar terms global equity prices have fallen slightly thus far in 2010. The strength of the Dollar is likely to remain a theme during the course of 2010 for the reasons we outlined in last month's factsheet. We continue to maintain minimal exposure to both Sterling and the Euro.

Welcome to the Tiger

The traditional and lengthy celebrations over the Chinese New Year period have contributed to lethargic markets and dwindling volumes. Of most interest during the month were several fourth quarter and full year earnings reports. Lafarge Malayan Cement reported very solid numbers and increased their dividend by 27%. In contrast, fellow portfolio holding Mermaid Maritime reported rather weak results for the fourth quarter of 2010. We remain inclined to give management the benefit of the doubt at present. Mermaid has two significant assets arriving during the second quarter and successful deployment will drive earnings. Promisingly, two contract wins were announced towards the end of the month.

Less helpfully the Indian Finance Minister raised the tax on cigarettes by rather more than expected in the recent budget and portfolio holding ITC took a tumble on the final trading day of the month. ITC has successfully navigated previous tax hikes and we are inclined to take advantage of the current weakness to add to the Company's position.

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Key Data (as at 26th February 2010)

Share Price	173.00p
Net Asset Value	191.99p
Premium/(Discount)	(9.9%)
Shares Outstanding	20m
Market Capitalisation	£34.6m
Historic Yield	2.0%
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
Administrator	Phoenix Administration Services
Sponsor	JPMorgan Cazenove
Directors	Dr James King (Chairman) Sir David Cooksey Henry Thornton Richard Thornton Thomas Waring 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 st March
Net Asset Value	Calculated weekly on Friday's closing prices and published the following Monday or Tuesday.

Officialdom would have you believe that QEP (quantitative easing policy) regimes will shortly come to an end as the global economy "normalises". Andrew Hunt, of Andrew Hunt Economics, believes this is highly unlikely given the very weak income growth across Western economies and continued large fiscal deficits. He notes, for example, that the Bank of England (via QEP) financed 92% of the UK Government's budget deficit in 2009 and believes that the UK and other Governments will remain dependant upon central bank QEP regimes for the bulk of their financing this year.

