2nd April 2008 - Update #72

The Establishment Investment Trust plc

BDT INVEST

Performance Review

The share price fell by 8.5% during March while the net asset value declined by 5.0%. In Sterling terms the MSCI World Index fell 1.0%, the MSCI Japan Index declined 4.1% and the MSCI Asia ex Japan Index fell 6.2%. At the end of the sixth financial year of the Company the shares stood at an 11.8% discount to the net asset value.

For the year to 31st March 2008, the share price declined by 6.1% and the net asset value fell by 0.2%. In addition dividends totalling 3.1p were paid to shareholders lifting the net asset value total return to 1.7%. This exceeded the returns of the MSCI World and Japan Indices which declined 4.1% and 15.5% respectively but fell short of the 17.7% gain in the MSCI Asia ex Japan Index. In short, the gains registered in the first half of the Company's financial year were reversed in the second half.

Crunch

The collapse of Bear Stearns last month was dramatic. Make no mistake - despite the yelling and screaming from shareholders – this was a collapse that makes the Northern Rock fiasco look like a tea party. The reaction of the Federal Reserve and other regulators has been illuminating. For starters it is clear that the "hair shirt" medicine recommended by Western backed international bodies such as the IMF and the World Bank during the Mexican (1994), Asian (1997), Russian (1998) and Brazilian (1998) crises does not apply to the United States (or indeed to the United Kingdom). One can only presume that the fears of a system wide meltdown led the Federal Reserve to open an M&A department.

For the record Bear Stearns had total liabilities of $384bn as at November 2007 compared to an equity base of $12bn. Short term borrowings accounted for over 50% of these liabilities. Gearing of a mere 32x compared to 29x for HBOS and 42x at Northern Rock (Merrill Lynch comes in at 31x and Goldman Sachs at a "conservative" 21x on this measure – short term debt again accounts for circa 50% of total liabilities for both firms).

The Federal Reserve has cut rates again but much more significantly has extended the discount window to the securities industry (a first) and started to accept lower quality collateral against loans (another first). Meanwhile the Office of Federal Housing Enterprise Oversight has reduced "excess" capital requirements for Fannie and Freddie from 30% to 20% (gearing for these August institutions stands at just 19x and 27x respectively) and instructed them to raise additional equity. Please read, or re-read, Russell Napier's "Nationalising America" for a fuller understanding of how this slow motion train crash will unravel.

Key Data (as at 31st March 2008)

Share Price	145.00p
Net Asset Value	164.50p
Premium/(Discount)	(11.8%)
Shares Outstanding	20m
Market Capitalisation	£29.0m
Historic Yield	2.1%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
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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	31st March
Net Asset Value	Calculated weekly on Friday's closing prices and published the following Monday or Tuesday.

Export orientated Asia is undoubtedly "geared" into the US led global economic downturn and it should come as no great surprise that many Asian markets are suffering as growth and earnings forecasts are revised down. Your Company's investments are targeted primarily towards domestically orientated businesses which we expect to come through this downturn relatively unscathed - particularly since most concerns are comparatively unleveraged. For example the typical leverage of an Asian bank (using the same ratio - total liabilities divided by total equity) is 9-12x and in some cases substantially less. Asian markets may be high beta but to conclude that the underlying businesses are high risk would be a mistake.

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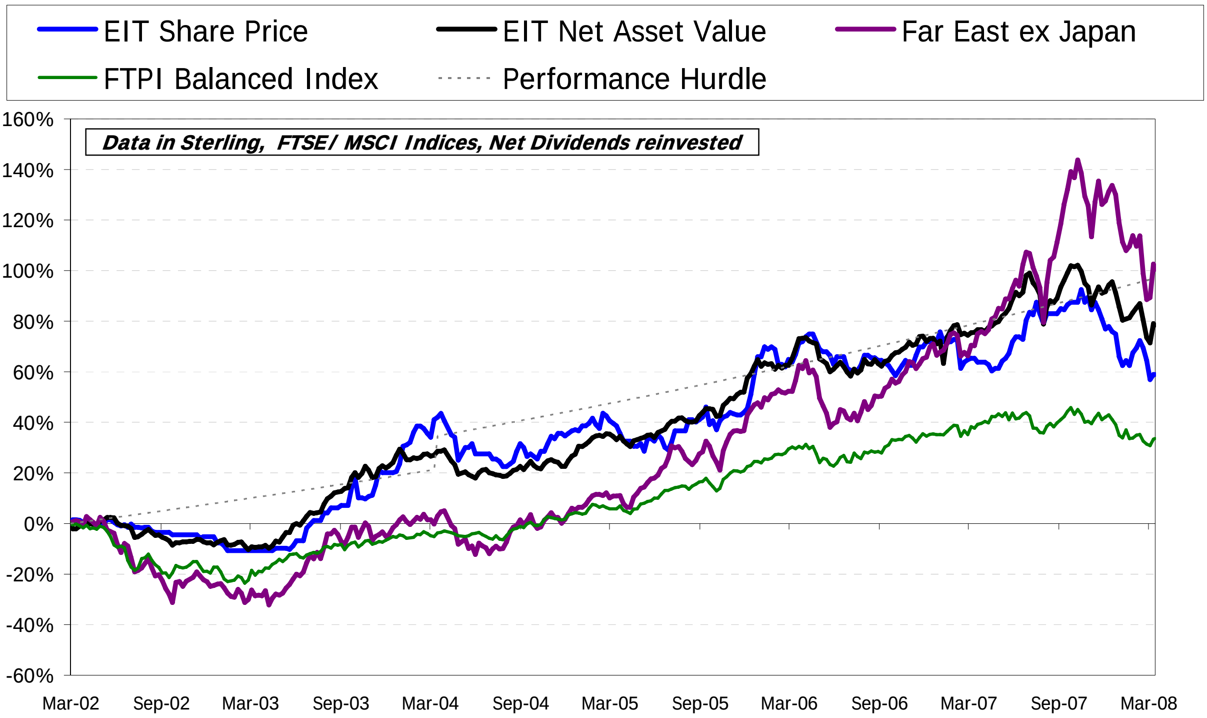

The KMT's sweeping victory in the recent Presidential election should prove to be an enormous positive for the Taiwanese economy. Although they have already performed well, we will be increasing the company's exposure to stocks likely to benefit from closer economic ties with the Mainland. This is a long term, structural story that the market has not yet fully discounted.

The failure of the ruling UMNO coalition to retain a two thirds legislative majority in recent elections in Malaysia hit the market hard since a substantial number of listed concerns rely on Government granted concessions and contracts. For example portfolio holding IJM fell nearly 30%. We believe the market has overreacted although we would concede that certain sectors may be "dead money" for a while. A more positive "spin" on the result would be that Malays, Indians and Chinese are sick of current deadbeat Government policies, at the heart of which lies the New Economic Policy introduced in the early 1970s that gives preferential economic treatment to Malays and is directly responsible for Malaysia's atrocious record of attracting foreign direct investment. We would view very positively any indication that the New Economic Policy, instituted by the increasingly discredited former PM Mahathir, is to be binned.

BDT Invest LLP
2nd April 2008

Currency Exposure		Asset Type		Direct Equity by Country		Equity by Sector	
Sterling	28.1%	Listed Equities	51.8%	Hong Kong	9.1%	Financials	16.3%
Taiwan Dollar	14.5%	Absolute Return Vehicles	26.3%	Taiwan	11.4%	Industrial	13.0%
Hong Kong Dollar	8.5%	Sovereign Bonds	12.9%	Japan	9.4%	Consumer Discretionary	4.3%
Euro	9.9%	Gold Bullion	6.9%	Korea	4.0%	Property	5.5%
Japanese Yen	7.2%	Cash	14.7%	UK	4.5%	Technology	7.3%
Korean Won	4.1%	Unlisted Equities	4.5%	Thailand	4.1%	Telecoms	2.0%
Malaysian Ringgit	2.9%	Derivatives	0.0%	Other Asian	13.8%	Materials	0.0%
Thai Baht	4.1%	Other	0.0%	Other non Asian	0.0%	Energy	2.3%
Other	20.9%	Loan	-17.1%			Consumer Staple	0.0%
						Health Care	1.0%

Top Ten Equity Holdings		Top Bond & ARV Holdings	
Farglory Land Development	4.2%	BDT Invest Asia Fund $ Dist	11.2%
Siam Steel	4.1%	Bundesobligation 3.5% 10/08	9.9%
China Insurance	3.9%	BDT Invest EM Focus $	6.1%
BDT Investment Mgnt	3.0%	SR European IT	4.6%
China Trust Financial	2.8%	Treasury 4% 07/03/2009	3.1%
Taiwan Semi	2.5%	BDT Invest Japan Fund £	2.3%
Samsung F & M Ins	2.5%	BDT Invest Japan Small Cos	1.0%
Ezra Holdings	2.3%	Lindsell Train Inv Trust	1.0%
Rexcapital Financial	2.1%		
Bharat Heavy Electricals	2.0%		

Performance	18-Mar-02	31-Mar-08	+/- %
EIT Share Price #	100.0	145.0	45.0%
EIT Net Asset Value #	100.0	164.5	64.5%
Premium/Discount		-11.8%	
UK Equity #	670.2	708.1	5.7%
World Equity #	714.8	723.5	1.2%
Asia Free ex Japan #	153.8	266.8	73.4%

 # excluding dividends
all MSCI indices in Sterling terms