

# The Establishment Investment Trust plc

## Performance Review

The Company's share price fell by 1.9% in November while the net asset value advanced by 2.3%. The discount moved out to 10.6%. Despite the "Dubai shock" towards month end, most equity indices recovered from October's decline. In Sterling terms the MSCI World Index rose 4.4%, the MSCI Japan ex Japan Index climbed 3.0% but the MSCI Japan Index slipped again, falling 0.8%.

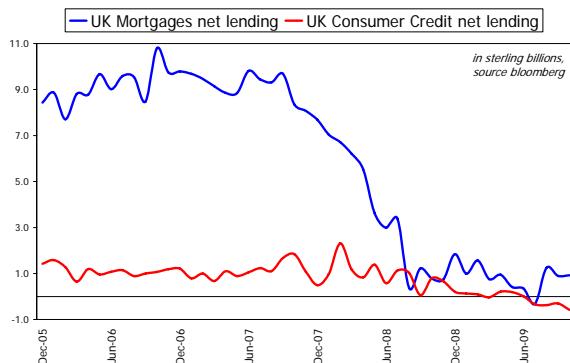
## Interim Results

The results for the six months to September 2009 were released towards the end of the month. Shareholders funds grew by 40.5% during the period and the Company recorded a profit after tax of £449,000 (2008 £757,000). An interim dividend of 1.5p (2008 1.4p) was declared. The shares trade ex dividend from tomorrow (2<sup>nd</sup> December 2009) and the dividend should hit shareholders letterboxes or bank accounts on, or shortly after, the 18<sup>th</sup> December 2009.

## The visible hand of Government

A defining feature of the past year has been the huge increase in Government influence across much of the UK economy. The UK is not alone here but Adam Smith's invisible hand has been displaced by increasingly centralised decision making, more bureaucratic intervention – especially in the financial sector - and a surge in both Government spending and borrowing.

Indeed we would argue that the key to successful investment during 2009 was to take an early view on the likely success of Government policy - i.e. would the fiscal stimulus and aggressive monetary easing break the deflationary cycle and reopen financial markets. Perhaps this was an easier decision for investors such as ourselves who have long invested in markets where the broad ownership of, and influence over, key industrial and financial assets by Government is nothing new and thus some "guess work" on likely Government policy always needs to be incorporated into one's investment thinking.



## Key Data (as at 30<sup>th</sup> November 2009)

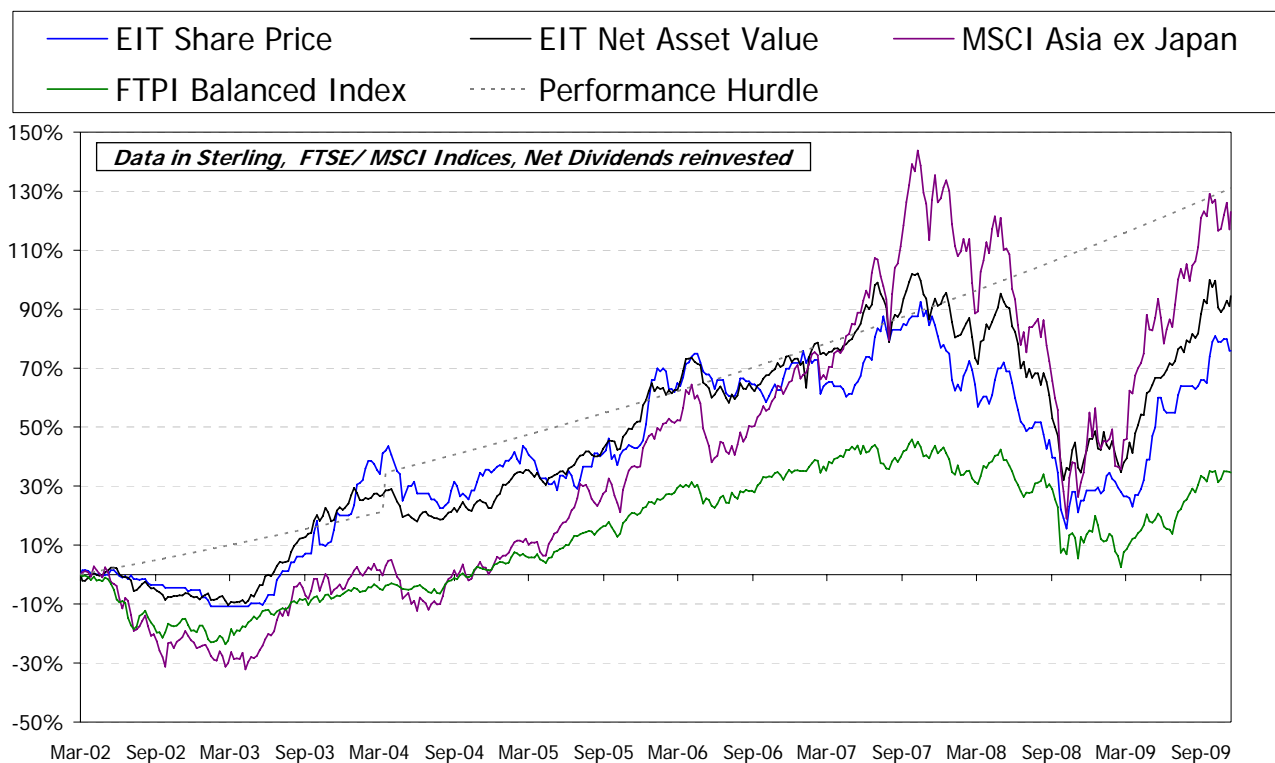
Share Price	157.00p
Net Asset Value	175.54p
Premium/(Discount)	(10.6%)
Shares Outstanding	20m
Market Capitalisation	£31.4m
Historic Yield	2.1%
Listed	London Stock Exchange
Bloomberg Ticker	ET/ LN <Equity>
ISIN	GB0031336919
Website	www.bdtinvest.com

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 Thomas Waring
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.

If some investors have been wrong footed, however, individuals in the United Kingdom have had no such difficulty reading the tea leaves. The Government is currently borrowing something approaching £250 per month per person and there is no sign that this debt binge will cease anytime soon. Rational individuals are clearly unwilling to add much, if anything, to this liability that is being created on their behalf. The chart shows net mortgage lending (in blue) and net consumer lending, or more recently repayments, (in red) since December 2005.

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Personal deleveraging, therefore, continues apace and this – coupled with an inevitable reversal in Government largesse – suggests the gloomy outlook for the economy will not change soon. Things are not much better elsewhere in the West and in some countries (Greece appears the media favourite at present) possibly even worse.

Asian markets have rallied strongly during 2009 and it would be disingenuous of us to suggest that equities are a steal at present. The Asia ex Japan equity universe is now selling at a small premium to developed markets and perhaps a 15-20% premium to average historic valuations on a price to book basis.

That said, it is worth pointing out that a unit of Sterling today buys 50% more Chinese Renminbi, twice as many Indian Rupees and four times as many Indonesian Rupiah than it did twenty years ago. As in the West, each country faces its own particular problems and challenges. Today public enemy number one is excessive capital inflows. Some countries have acted already and the likelihood of further forms of inbound capital controls across Asia is rising. Anyone remember the days of the “Dollar premium”?

BDT Invest LLP  
1<sup>st</sup> December 2009

<b>Currency Exposure</b>		<b>Asset Type</b>		<b>Direct Equity by Country</b>		<b>Equity by Sector</b>	
US Dollar	29.8%	Listed Equities	52.3%	Hong Kong / China	21.4%	Financials	25.2%
Hong Kong Dollar	21.0%	Absolute Return Vehicles	22.2%	Singapore	11.0%	Industrial	7.0%
Singapore Dollar	11.0%	Sovereign Bonds	8.4%	Malaysia	7.0%	Materials	5.7%
Taiwan Dollar	7.1%	Cash	9.5%	Taiwan	5.8%	Consumer Discretionary	5.1%
Sterling	7.0%	Gold Bullion	6.0%	Indonesia	4.1%	Property	3.4%
Malaysian Ringgit	7.0%	Unlisted Equities	1.5%	Philippines	2.1%	Health Care	2.6%
Japanese Yen	6.9%	Derivatives	0.0%	UK	0.9%	Energy	2.3%
Indian Rupee	4.2%	Other	0.0%	Other non Asian	0.0%	Information Technology	0.9%
Indonesian Rupiah	4.1%	Loan	0.0%	India	0.0%	Telecoms	0.0%
Philippine Peso	2.1%			Other Asian	0.0%	Consumer Staple	0.0%
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	30-Nov-09	+/- %
China Taiping Insurance	7.6%	BDT Invest Oriental Focus \$	10.0%	EIT Share Price #	100.0	157.0	57.0%
First Ship Lease Trust	6.1%	US Treasury 2.75% 2/19	8.4%	EIT Net Asset Value #	100.0	175.5	75.5%
Rexlot Holdings	5.7%	BDT Invest Japan Focus \$	4.7%	Premium/Discount		-10.6%	
Minth Grp	5.1%	SR European IT	4.3%	UK Equity #	670.2	643.4	-4.0%
Top Glove	2.6%	BDT Invest Japan Small Cos ¥	2.2%	World Equity #	714.8	700.7	-2.0%
Mermaid Maritime	2.3%	Lindsell Train Inv Trust	0.9%	Asia Free ex Japan #	153.8	283.6	84.4%
Jasa Marga	2.2%						
Metro Pacific	2.1%						
Johnson Electric	2.0%						
Lafarge Malayan Cement	1.9%						
				# excluding dividends			
				all MSCI indices in Sterling terms			

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