

The Establishment Investment Trust plc

Performance Review

The share price declined 9.8% in September while the net asset value fell by 12.6%. For the first half of the Company's financial year the share price and net asset value declined 17.9% and 18.9% respectively. In Sterling terms the MSCI World Index fell 7.0%, the MSCI Japan Index declined 5.8% and the MSCI Asia ex Japan Index dropped 20.9%. September proved a poor month to round off a very disappointing six month reporting period.

Commodities

The portfolio does not own Bumi Resources, down 63% from recent highs. Nor CNOOC (down 48%) nor Pacific Basin (down 66%) nor Hyundai Heavy (down 49%) nor BHP (down 37%) nor POSCO (down 46%). Generally we feel we have called the macro picture correctly and it is, therefore, doubly disheartening to have produced such miserable returns despite avoiding the energy and commodity sectors.

The difficult question facing holders of cyclically sensitive issues is whether the Chinese economy (and to a lesser extent India) will continue to grow at a sufficient rate to justify the current price of commodities such as steel, iron ore, oil and copper. For example although copper is 30% off recent highs it remains at some 2-3 times the average price of the past two decades. "BRIC" believers will say yes, doomsters predicting a 1930s re-run will say no. There is increasing evidence of rising Chinese inventories in commodities such as iron ore and certainly growth expectations in China and elsewhere in Asia are falling sharply. The dramatic decline in the Baltic Dry Index, down nearly 75% since May, also points to weaker demand. We continue to believe that the future earnings of these companies are little more than guesswork.

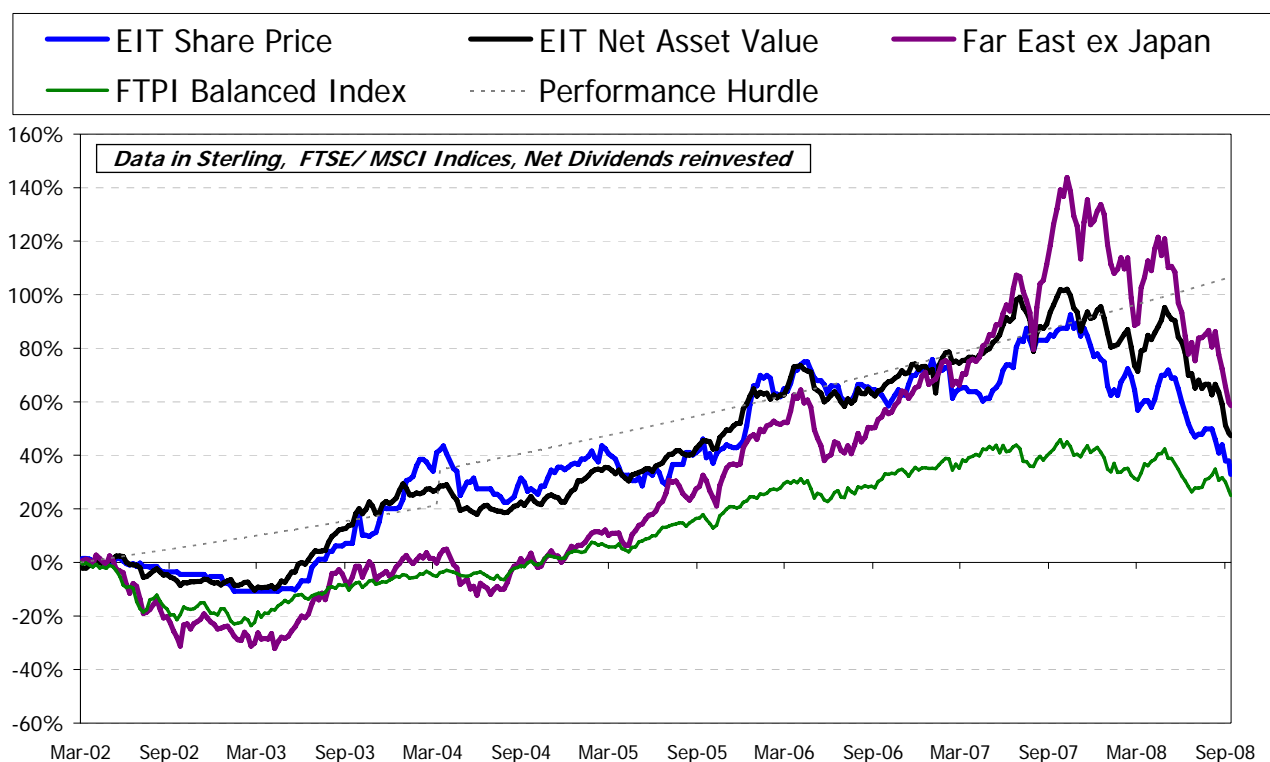
Aside from not lifting liquidity levels more aggressively our principle mistake has been to attempt to hide in growth orientated, domestically focused small and mid cap stocks in Asian equity markets. The rapid rise in risk perception, and increasing evidence of redemption pressures across Asian equity products (be they active long, index or long short) has led fund managers to shun anything other than large and liquid counters. The question we ask ourselves as we view the rubble of our somewhat eclectic positions is somewhat easier. Will these companies deliver decent growth over the next few years? In all but the most exceptional of circumstances we believe the answer is yes. The de-rating of certain stocks has been vicious and we do not believe it would be in shareholders' interests to run for the exit at this point.

Key Data (as at 30th September 2008)

Share Price	119.00p
Net Asset Value	133.46p
Premium/(Discount)	(10.8%)
Shares Outstanding	20m
Market Capitalisation	£23.8m
Historic Yield	2.7%
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
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 st March
Net Asset Value	Calculated weekly on Friday's closing prices and published the following Monday or Tuesday.

The same cannot be said for the collapsing edifice of the Western financial system. The passing of the US\$700bn TARP legislation is encouraging since it suggests that all principle constituents of the US Government are coming to terms with the extent of the damage. It is also true that the downturn in the housing market is relatively mature. By contrast the policy response in Europe, thus far, leaves much to be desired. We expect the US Dollar to continue to trade higher and the portfolio is reasonably well positioned to benefit from this.

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With senior management still relatively fresh from the pain of the "Asian crisis" just one decade ago, it is perhaps unsurprising that Asia's bankers have dodged the bullets pretty well in recent years. According to Bloomberg data, Asian banks have accorded for less than 5% of global credit write downs over the past year. An important consequence of this is that Asian banking systems are extremely well placed to extend credit once the short term crisis emanating from the West blows over (as it surely will once the majority of the system has been nationalised as appears likely).

The outlook for growth in the West is dire and global growth will continue to slow which will clearly impact the

trade orientated Asia region. It appears, however, unlikely to us that the promising signs of increased domestic demand over the past few years will reverse where demographic patterns and ongoing urbanisation are sufficient drivers to propel domestic consumption in their own right.

The recent underperformance of Asian equity markets appears increasingly at odds with the promising longer term outlook.

BDT Invest LLP
6th October 2008

Currency Exposure US Dollar 22.5% Japanese Yen 13.0% Sterling 12.5% Euro 11.9% Taiwan Dollar 10.0% Singapore Dollar 8.7% Hong Kong Dollar 7.5% Thai Baht 7.0% Malaysian Ringgit 4.9% Indian Rupee 2.2% Other 0.0%	Asset Type Listed Equities 48.7% Absolute Return Vehicles 25.3% Sovereign Bonds 11.9% Gold Bullion 0.0% Unlisted Equities 4.4% Cash 9.8% Derivatives 0.0% Other 0.0% Loan 0.0%	Direct Equity by Country Japan 12.0% Singapore 8.7% Hong Kong 7.5% Thailand 7.0% Taiwan 6.5% Malaysia 4.8% UK 4.4% India 2.2% Other Asian 0.0% Other non Asian 0.0%	Equity by Sector Financials 18.5% Materials 7.2% Information Technology 5.1% Health Care 4.2% Consumer Discretionary 3.8% Property 2.4% Industrial 2.2% Energy 1.7% Utilities 1.6% Telecoms 1.5% Consumer Staple 0.6%
Top Ten Equity Holdings Siam Steel 5.0% China Insurance 4.5% First Ship Lease Trust 4.4% BDT Investment Mgmt 2.7% Top Glove 2.6% Bharat Heavy Electricals 2.2% Lafarge Malayan Cement 2.2% TMB Bank Public Co Ltd 2.0% Minth Group Ltd 1.9% Bedlam Asset Management Plc 1.7%	Top Bond & ARV Holdings BDT Invest Asia Fund \$ Dist 13.0% Bundesobligation 3.5% 10/08 11.9% SR European IT 4.4% BDT Invest Oriental Focus \$ 3.0% BDT Invest Japan Fund E 2.9% Lindsell Train Inv Trust 1.0% BDT Invest Japan Small Cos 1.0%	Performance EIT Share Price # 18-Mar-02 100.0 EIT Net Asset Value # 100.0 Premium/Discount 119.0 19.0% UK Equity # 607.1 -9.4% World Equity # 663.8 -7.1% Asia Free ex Japan # 207.1 34.6% 30-Sep-09 +/- %	
<i># excluding dividends all MSCI indices in Sterling terms</i>			

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