

The Establishment Investment Trust plc

Performance Review

The Company's share price inched higher in September while the net asset value increased by 7.1%. This resulted in the discount increasing to 15.0% at the end of the first half of the Company's current financial year. In Sterling terms the MSCI World Index gained 5.7%, the MSCI Japan Index fell 0.1% and the MSCI Asia ex Japan Index rose 10.7% during the month.

For the first half of the Company's financial year the share price and net asset value climbed 38.7% and 39.2% respectively. In addition a final dividend of 1.9p was paid during the period lifting the total return of the share price and net asset value to 40.5% and 40.7% respectively. In Sterling terms the MSCI World Index rose 26.6%, the MSCI Japan Index rose 17.0% and the MSCI Asia ex Japan Index rose 43.3%.

The interim results should be published towards the end of November and the interim dividend paid in time to cover that late Christmas present buying spree.

Recovery

The net asset value and share price of the Company peaked in late October 2007 at 180p and 189.6p respectively. While the share still languishes some 20% below the peak, your Manager is pleased to note that the net asset value, adjusted for dividends paid since October 2007, finished the month approximately 5% below the historic peak. The weaknesses of Sterling over the past two years and the terrific recovery in South East Asian equities over the past six months have both played a significant role. We are hopeful of further progress in the second half of the financial year although, as the chart below (pilfered from CLSA's Chris Wood) illustrates, we note that Asian equities are now trading slightly above their long term price-to-book ratio.

MSCI AC Asia ex-Japan index trailing price-to-book



Note: The index traded on 1.08x trailing PB on 27 October 2008 and 2.01x on 18 September 2009.
Source: Bloomberg

We remain deeply suspicious of the growing belief that the downturn in the West is over. Both households and the *commercial* banking sector continue to reduce leverage which bodes poorly for consumption trends.

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Key Data (as at 30th September 2009)

Share Price	147.00p
Net Asset Value	172.86p
Premium/(Discount)	(15.0%)
Shares Outstanding	20m
Market Capitalisation	£29.4m
Historic Yield	2.2%
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.

Management Fee
One per cent of the market capitalisation of the Company annually.

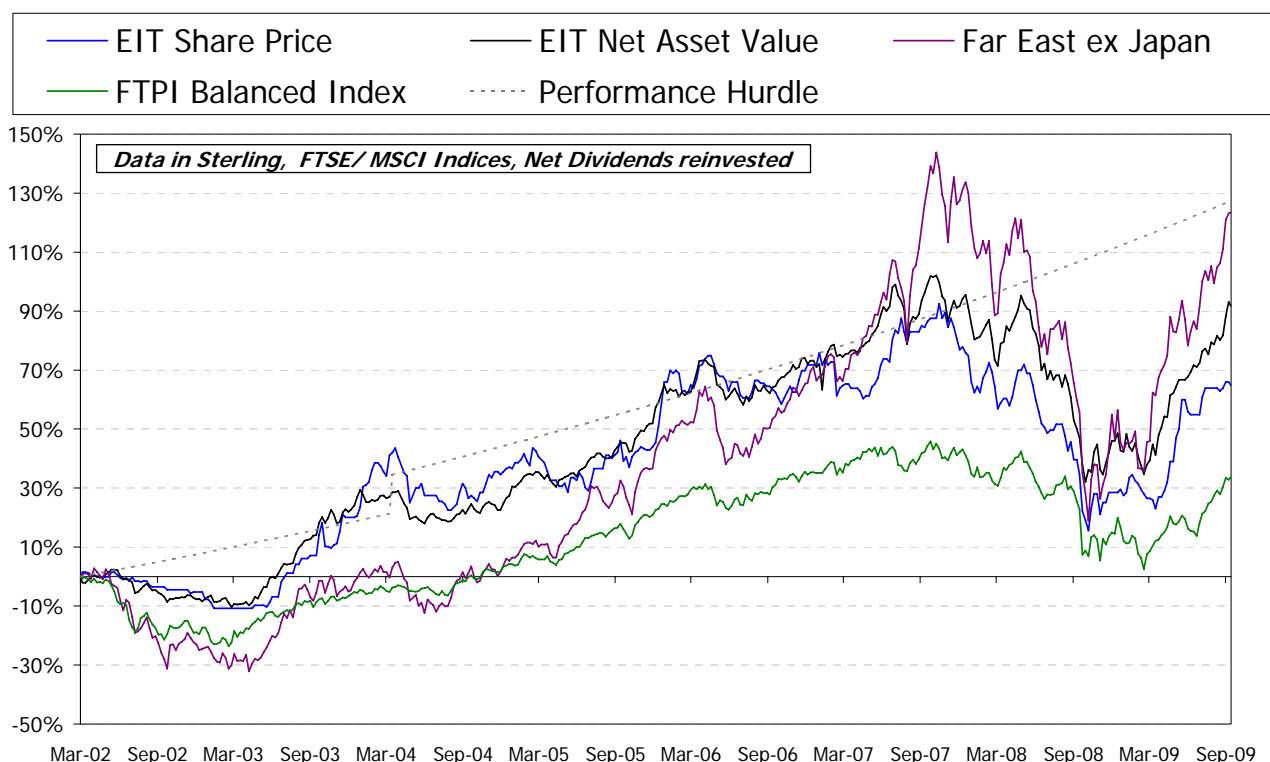
Performance Fee
10% of any gain in the market capitalisation of the company that exceeds the 10% performance hurdle annually.

Financial Year
31st March

Net Asset Value
Calculated weekly on Friday's closing prices and published the following Monday or Tuesday.

In stark contrast the outlook for consumption in Asia (excluding Japan) remains especially bright driven by demographic factors, generally unleveraged households and functioning financial systems. We see no reason to alter the geographical emphasis of the portfolio.

We have eliminated direct equity exposure to Japan and will, for the foreseeable future, use the BDT Invest Japanese Focus Fund and the BDT Invest Japanese Smaller Companies Fund to provide exposure to this somewhat disappointing asset class.



We have also beefed up exposure to the BDT Invest Oriental Focus Fund and reduced the number of direct equity holdings in non Japanese equity markets. The net result of these activities has produced a decidedly more focused portfolio of equities.

Mermaid Maritime announced a 9 for 20 rights issue in September (fully underwritten by Thoresen Thai, the main shareholder). The stock promptly jumped 20%. With three assets being delivered to (and paid for by) the company over the next few months, the proceeds of the rights issue provides a war chest to fund additional assets to drive longer term growth.

Portfolio holding Rexlot announced results for the six months to June. The bottom line was disappointing with net income declining 10% but this was mainly due to the accelerated roll out of their distribution outlets, the expense of which is written off up front. Turnover grew 40%, operating cash flow was strong and a maiden dividend declared. Rexlot remains an excellent play on the Chinese lottery market and is well positioned in new growth areas such as fixed-odd betting.

BDT Invest LLP
5th October 2009

Currency Exposure		Asset Type		Direct Equity by Country		Equity by Sector	
US Dollar	27.8%	Listed Equities	56.1%	Hong Kong	17.5%	Financials	29.2%
Hong Kong Dollar	17.5%	Absolute Return Vehicles	23.1%	Singapore	11.3%	Industrial	8.3%
Singapore Dollar	11.5%	Sovereign Bonds	8.6%	Taiwan	7.4%	Materials	6.4%
Taiwan Dollar	9.9%	Cash	5.8%	India	5.3%	Consumer Discretionary	3.6%
Japanese Yen	7.5%	Gold Bullion	5.4%	Malaysia	4.7%	Information Technology	2.8%
Sterling	7.3%	Unlisted Equities	1.1%	Indonesia	4.3%	Energy	2.2%
Indian Rupee	5.3%	Derivatives	0.0%	Other Asian	2.6%	Health Care	2.0%
Malaysian Ringgit	4.9%	Other	0.0%	Thailand	2.1%	Property	1.5%
Indonesian Rupiah	4.3%	Loan	0.0%	UK	1.0%	Telecoms	0.0%
Thai Baht	2.1%			Other non Asian	0.0%	Consumer Staple	0.0%
Other	1.9%					Utilities	0.0%

Top Ten Equity Holdings		Top Bond & ARV Holdings		Performance	
First Ship Lease Trust	6.4%	BDT Invest Oriental Focus \$	10.3%	EIT Share Price #	18-Mar-02 100.0
Rexlot Holdings	5.9%	US Treasury 2.75% 2/19	8.6%	EIT Net Asset Value #	100.0
China Taiping Insurance	5.9%	BDT Invest Japan Focus \$	5.0%	Premium/Discount	-15.5%
Minth Group	3.6%	SR European IT	4.3%	UK Equity #	670.2
Metro Pacific	2.6%	BDT Invest Japan Small Cos ¥	2.5%	World Equity #	714.8
Jasa Marga	2.2%	Lindsell Train Inv Trust	0.9%	Asia Free ex Japan #	153.8
Mermaid Maritime	2.2%				
Lafarge Malayan Cement	2.2%				
HDFC	2.2%				
Taiwan Fertilizer	2.2%				

excluding dividends
all MSCI indices in Sterling terms

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