

Investment Rationale

British Portfolio Trust aims to provide growth in capital and income over the long term through investment in a diversified portfolio of UK equities. The broad range of sectors within the UK equity market helps achieve a balanced portfolio of stocks. Manager Jeremy Thomas takes full advantage of RCM's global research capabilities, as over half of the companies listed on the London Stock Exchange also derive profits from overseas.

Aim

The Trust's objective is to provide shareholders with growth in capital and income over the long term through investment in a diversified portfolio of UK equities. The Trust invests mainly in the shares of FTSE 100 companies, although its portfolio also includes some medium-sized and smaller UK companies.

History

The launch of the Trust in December 2001 followed offers to holders of Loan Notes issued by Lafarge Minerals Ltd (former shareholders of Blue Circle Industries PLC) and Shopgoal Ltd (former shareholders of Fairbar Ltd, which was de-merged from Whitbread plc), effectively to exchange their Loan Notes for Ordinary shares. In addition, Ordinary Shares were available through a Placing and Offer for Subscription by Cazenove. The Trust has issued new shares on subsequent occasions at the planned wind-up dates of other quoted investment trusts and also in exchange for loan notes issued in cash takeovers.

Fund Manager's Review

Jeremy Thomas



British Portfolio Trust NAV fell 4.9% during September, marginally less than the FTSE All Share which declined by 5.2% over the month. For the quarter as a whole the Trust suffered a 14.4% fall by comparison with a 14.3% decline in the wider index, the worst quarter since 2008. Over the course of the month the portfolio benefited most from the underweight position in the mining sector which fell sharply as commodity investors began to react to economic data that indicates slowing growth is likely to impact the outlook for emerging markets as well as the debt burdened developed economies. The large defensive growth stocks in the portfolio such as GlaxoSmithKline, Centrica and Reed Elsevier were also positive contributors. This was offset by weakness in Man Group, which gave a disappointing trading update in the final week of the month, as well as weakness in some of the less liquid smaller companies such as Henry Boot and Mothercare which tend to suffer when markets fall sharply. Portfolio activity was kept low through this period with the proceeds of the sale of 3Legs Resources, a successful IPO the fund participated in, reinvested in Lupus Capital, a deeply undervalued manufacturer of doors and windows. Lupus also owns a couplings business that provides product to the oil and gas industry, which we expect them to sell for a consideration somewhat more than half of the current market capitalisation of the whole group. The remainder of the business will perform extremely well when first signs of a recovery in new housing construction in the US become apparent. Overall the portfolio remains fairly defensively positioned, whilst looking to benefit from stock specific opportunities volatile markets present.

Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-14.44	-14.55	-10.00	-4.28	-27.93
NAV	-11.03	-12.89	-10.07	-4.21	-27.22
Benchmark	-14.28	-13.47	-7.43	6.87	-12.98

Standardised Past Performance (%)

From	29.09.06	28.09.07	30.09.08	30.09.09	30.09.10
To	28.09.07	30.09.08	30.09.09	30.09.10	30.09.11
Share Price	7.39	-29.88	-4.34	11.19	-10.00
NAV	7.42	-29.27	-6.51	13.93	-10.07
Benchmark	8.73	-25.12	6.08	8.84	-7.43

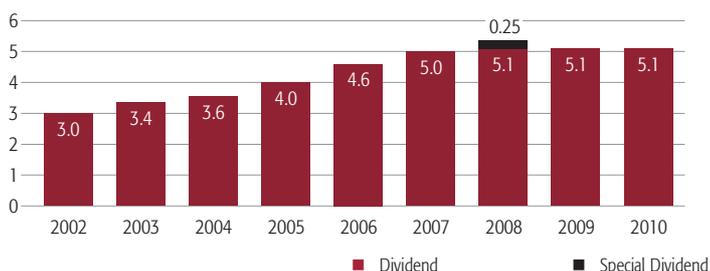
Source: Lipper, share price calculation percentage growth, mid to mid, capital return to 30.09.11.

Benchmark: FTSE All-Share Index.

Past performance is not a reliable indicator of future performance. You should not make any assumptions on the future on the basis of performance information. The value of an investment and the income from it can fall as well as rise as a result of market fluctuations and you may not get back the amount originally invested. This investment trust charges 75% of its annual management fee to the capital account and 25% to revenue. This could lead to a higher level of income but capital growth will be constrained as a result. Your capital could also decrease if income paid out of capital exceeds the growth rate of the trust.

Dividend History

Ten Year Net Dividend Record in Pence (to year end 31 October)



Net Dividends Paid (calendar year to date)

	Pay Date	Record Date	Payment
Final dividend	1.3.11	28.1.11	3.3p per share
Interim dividend	1.9.11	29.7.11	1.8p per share

Capital Structure

Total Assets:	£41.0m
Gearing (net):	5.0%
Shares in Issue:	29,273,820 (Ordinary 1p)
Share Price ¹ :	125.0p
Net Asset Value ² :	127.4p
Premium/-Discount to NAV ³ :	-1.9%
NAV Frequency	Daily
Dividend Yield ² :	4.08%

1. Source: Lipper as at 30.09.11, market close mid price.

2. Source: Datastream as at 30.09.11. Calculated using the latest full year dividend divided by the current share price.

3. A trust's net asset value (NAV) is calculated as available shareholders' funds divided by the number of shares in issue, with shareholders' funds taken to be the net value of all the company's assets after deducting liabilities. It is the capital NAV that is shown, which excludes any income.

Key Information

Launch Date:	December 2001
Continuation Vote:	2013
AIC Sector:	UK Growth
Benchmark:	FTSE All-Share Index
Annual Management Charge:	0.50%
Performance Fee: ⁵	0.75%
Total Expense Ratio: ⁴	1.57%
Year end:	31 October
Annual Financial Report:	Final posted in January, Half-yearly posted in June
AGM:	February
Dividends:	March, September
Price Information:	Financial Times, The Daily Telegraph, www.rcm.com/investmenttrusts

Board of Directors:

Jonathan Cartwright (Chairman), Nicholas Gold (Chairman of the Audit Committee), George Luckraft (Senior Independent Director), Charles Worsley

Company Secretary	Peter Ingram
Investment Manager	Jeremy Thomas, CIO, UK Equity
Codes:	RIC: BPO SEDOL: 3096169 ISIN: GB0030961691

4. Source: Annual Financial Report - year ending 31 October 2010 (excluding performance fee)

5. Aggregate of base management fee and performance fee capped at 1.25%.

Risks & Features

Investment trusts are quoted companies listed on the London Stock Exchange. Their share prices are determined by factors including the balance of supply and demand in the market, which means that the shares may trade below (at a discount to) or above (at a premium to) the underlying net asset value.

The Trust seeks to enhance returns for its shareholders through gearing, in the form of bank borrowings. Gearing can boost the Trust's returns when investments perform well, though losses can be magnified when investments lose value.

Portfolio Analysis

Top Ten Holdings	(%)	(%)	
GlaxoSmithKline	7.8	Royal Dutch Shell "B" Shares	4.4
BP	6.3	Rio Tinto	3.3
Vodafone	5.6	Diageo	3.3
Unilever	4.7	Tesco	3.3
HSBC	4.5	Centrica	3.3
Total Number of Holdings			49

Sector Breakdown (%)

Financials	19.76	
Industrials	15.07	
Consumer Services	13.31	
Oil & Gas	12.94	
Consumer Goods	7.97	
Health Care	7.79	
Telecommunications	7.56	
Basic Materials	5.73	
Utilities	5.03	
Cash	2.71	
Other	2.10	

HOW TO INVEST?

The Trust is a UK public limited company traded openly on the stock market. You can purchase shares through a stock broker. Shares in the Trust can be held within an ISA and/or savings scheme and a number of providers offer this facility. A list of suppliers is available on our website or from the AIC at www.theaic.co.uk

CONTACT US

To download the Annual Financial Report, Trust brochure or watch an interview with the fund manager, please visit us online at www.rcm.com/investmenttrusts



If you have any queries regarding our investment trusts our Investor Services team can be contacted on:

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All data source RCM (UK) Limited as at 30.09.11 unless otherwise stated.

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