

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.

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.

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

The FTSE All Share Index fell 6.6% during May as a stock market correction, that started in April, took all major global equity indices into negative territory for the year to date. The UK market has now fallen 15% since reaching its peak for the year in mid April. This rapid turn in investor sentiment and risk appetite resulted from a confluence of factors such as renewed worries over the viability of sovereign debt, a peak in some of the key economic leading indicators, concerns over the durability of Chinese growth, and an overbought equity market. British Portfolio Trust marginally underperformed the market (-6.9% NAV) over this period with the benefits from the limited exposure to the mining and banks sectors offset by disappointing trading updates from Cobham and Keller.

We have used the set back in markets to add to favoured positions in the cyclical parts of the portfolio that have fallen more sharply, such as Aviva, Logica and Hansen Transmissions. We have also added modestly to selected mining and banks stocks, such as Rio Tinto and Lloyds, that look oversold in the short term. The two new investments added to the portfolio this month were Misys and Songbird, replacing Serco, Bunzl and Informa which met our price targets. Misys is a healthcare and banking software company that is set to benefit from a government initiative supporting electronic health records in the US and from the release of a new product for the banking market 'Bank Fusion'. Gearing rose modestly towards the end of May as we sought to take advantage of the market's set back. Although we share a number of the macro concerns raised in the market in recent weeks, the bottom up valuation of a good number of stocks is now becoming highly appealing, even in an environment of muted economic growth.

Key Information

Total Assets:	£46.8m
Gearing (net):	4.8%
No. of Shares (Ordinary 1p):	32,848,820
Share Price¹:	125.5p
Net Asset Value²:	132.1p
Premium/-Discount to NAV²:	-5.0%
Dividend Yield²:	3.76%
No. of Holdings:	53

All data source RCM (UK) Limited as at 28.05.10 unless otherwise stated.

Launch Date:	December 2001
Continuation Vote:	2013
AIC Sector:	UK Growth
Benchmark:	FTSE All-Share Index
Year end:	31 October
Annual Financial Report:	Final posted in January, Half-yearly posted in July
AGM:	February
Dividends:	March, September
Price Information:	Financial Times, The Daily Telegraph, www.rcm.com/investmenttrusts
Board of Directors:	Andrew Barker (Chairman), Nicholas Gold (Chairman of the Audit Committee), George Luckraft (Senior Independent Director), Simon White, Charles Worsley
Investment Manager:	Jeremy Thomas, Director, UK Equity RCM A company of Allianz Global Investors
Investor Services:	020 7065 1407

¹Source: Lipper as at 28.05.10, market close mid price.

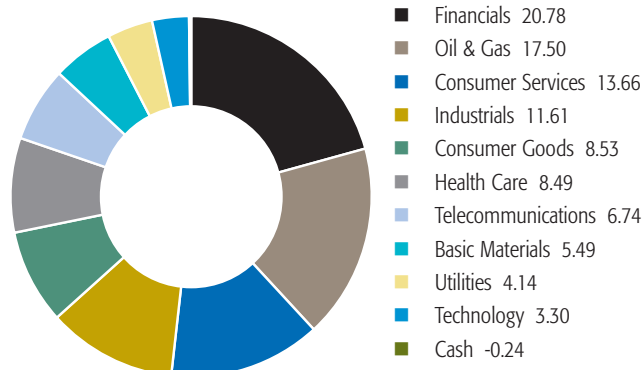
²Source: Datastream as at 28.05.10. Calculated using the latest full year dividend divided by the current share price.

³A 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.

Top Ten Holdings (%)

Name	%
Vodafone Group	6.5
GlaxoSmithKline	6.4
BP	6.0
HSBC	5.6
BG Group	4.4
Royal Dutch Shell 'B'	3.8
Unilever	3.3
Compass	2.8
Rio Tinto	2.6
Cobham	2.5
Total	43.9

Sector Breakdown (%)



Investing in the securities of smaller companies is likely to cause a higher degree of risk than investing in the securities of larger companies. There is also a risk of illiquidity for investments in smaller companies and unquoted stocks, i.e. they may not be easy to buy or sell.

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.

RIC: BPO **SEDOL:** 3096169 **ISIN:** GB0030961691

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 www.rcm.com/investmenttrusts or from the AIC at www.theaic.co.uk

Please note: Our Investment Trust Savings Plan was closed and transferred to Alliance Trust Savings on 29 February 2008. Alliance Trust can be contacted on 01382 573 737 or contact@alliancetrust.co.uk

RCM Advantage

RCM and its predecessors have been managing investment trusts since 1889, providing investors with access to investment markets around the world through professionally managed portfolios. Each trust benefits from the expertise of the RCM fund managers yet, as a company listed on the London Stock Exchange, it is independent and is overseen by its own Board of Directors.

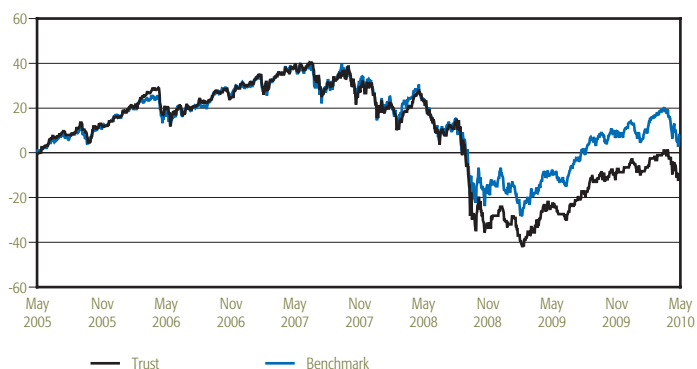
RCM is the global equity specialist within Allianz Global Investors. With offices strategically located in the US, Europe and Asia, RCM uses its global research platform to search out investment opportunities.

All data source RCM (UK) Limited as at 28.05.10 unless otherwise stated.

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Performance

Five Year Trust Performance (%)



Cumulative Performance (%)

	3 Months	6 Months	1 Year	3 Years	5 Years
Share Price	-3.46	-0.79	18.96	-34.97	-9.71
Benchmark	-2.32	0.93	18.67	-22.26	7.64

Standardised Past Performance (%)

From	31.03.05	31.03.06	30.03.07	31.03.08	31.03.09
To	31.03.06	30.03.07	31.03.08	31.03.09	31.03.10
Share Price	25.59	5.74	-14.52	-44.13	56.25

Source: Lipper, percentage growth, mid to mid, capital return, to 28.05.10

Benchmark: FTSE All-Share Index

Standardised past performance figures comply with the Financial Services Authority's regulations to enable investors to compare different products from different providers.

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.