

## INVESTMENT REVIEW / INVESTMENT MANAGER'S REVIEW

## OUTLOOK



Joe Bauernfreund



Tom Treanor



Scott Beveridge



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*Outlook*

Following the end of the financial year, market volatility has increased markedly, causing declines in most major equity markets at the time of writing. Although the exact origins of market declines are always hard to pinpoint, the proximate causes in this case appear to be interest rate tightening by the Federal Reserve and a rise in long-dated US government debt above 3%, the first such occurrence in almost five years.

To the extent that all of your portfolio's holdings have some correlation with the overall market, there has been a decline in the net asset value of British Empire in response to this market uncertainty. However, it is worth noting that we have eschewed exposure to the most richly valued companies and markets – technology stocks (in particular, Asian and US technology stocks) and US equity markets – which helps to insulate your portfolio from market volatility.

In addition, the portfolio contains attractive companies, the values of which we expect to continue growing over the long term. Valuations remain attractive, with a weighted average portfolio discount of 30%. The prospect of corporate events at the portfolio company level remains strong, driven in some cases by our own activism which will provide catalysts for discounts to narrow.

**Joe Bauernfreund**  
Chief Executive Officer  
Asset Value Investors Limited  
9 November 2018

**KEY FACTS**

**Total assets**  
£1,033m\*

**Launch date**  
1 July 1889

**Average annualised return**  
+12.1%\*\*

\* As at 30 September 2018.

\*\* From 30 June 1985 to 30 September 2018.