BENTLEY REID

The UK Referendum

24th June 2016

The referendum result has been announced and the UK has voted to leave the European Union. With opinion polls and betting markets forecasting the converse, over the past week financial markets (particularly UK equities and sterling) had effectively priced in a Remain outcome. The reaction of markets will thus be more acute.

Whilst the referendum brings much economic and political uncertainty, your portfolio is defensively positioned. A possible Brexit was one of many reasons why we have, over the past 18 months, significantly reduced headline equity exposures in favour of more defensive assets, including cash, government bonds and gold bullion. These “safe haven” assets should provide some protection as the initial market shock is replaced by a more sober consideration of the medium and long term impacts.

“Brexit” could well be the catalyst for the equity market sell-off we have been anticipating for over a year; the market reaction will likely expose some economic and market fragilities that we have talked about in Investment Views and client meetings for quite a while. Given the magnitude of the initial reaction and the level of uncertainty, we will not be precipitous in our investment reaction. That said, at some stage soon, we expect volatility and bouts of market irrationality to offer us an opportunity to increase exposure to high quality, risk assets.

As ever, if you have any questions, please do make contact.

Rupert Bentley