



## MANAGING YOUR MONEY IN THIS VOLATILE CLIMATE

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Mayhem! The pound sterling plunged almost 10% in just a few hours before the average British woke up from bed, European markets then led Asian markets lower and the Dow dropped over 600 points (3 plus percent) – when results showed that the United Kingdom had voted to end its strained marriage with the European Union.

In the final market sessions just before the referendum, stock markets were lifted with news that polls had predicted that the pro-EU supporters would marginally edge out those who wanted to quit. But this was not to be and the whole world remains in shock although most markets have recovered from a week of frenzied sell-down.

### Positioning Your Portfolio

For our clients' portfolios, most of our accounts are focused on Asian equities. No doubt the handful of investee companies which have significant exposure to the United Kingdom and Europe would face the risks of reduced business activity and the prospect of lower reported earnings after conversion from a weak euro and a languishing British pound.

We are pro-EU for the well-being of the global economy (I am pro-EU although I was not there to vote in the referendum in late June like I did in their General Elections when I was a student in England in the early 80's). Nevertheless, we had positioned our global portfolios to minimize the impact in the event that UK voted to quit EU. The risk of the UK leaving EU was not a black swan as it was an expected risk when the referendum was called – what was

unknown was the probability for either pro-EU or anti-EU to win the referendum.

### Reviewing Your Portfolio

After the Brexit (short form for the exit of Britain from the EU) result, we have continued to review our portfolios. We are likely to continue to be cautious on Europe. The impact of Brexit is likely to be more on adversely affecting the growth potential of Europe and hence, slowing down the global economy and translating into slower growth for Asian economies.

Whether or not the UK would indeed leave the EU is currently unclear with disunity and the impending departures of leaders in both the Conservative and Labour parties. We are also looking at the possibility of the demise of the UK and having Scotland, Wales and North Ireland (perhaps absorbed into the Republic of Ireland), but not England, as members of the EU. I would think that it is political suicide for the ruling Conservative Party not to respect the decision of the British citizens and proceed with an exit after having called for a referendum.

It would have been anyone's wildest guess that Britain would one day deliberate to leave the EU. Now, we are looking at a fairly long time span for Britain to leave, that is if this eventually comes to pass.

Indeed apart from economic considerations, the formation of the EU had political beginnings and I think the European bloc still has political relevance today. With an open-arm approach, we could well see an EU with more members and an economically and politically stronger, more dominant union.

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## Talk to us. **Talk to Phillip.**

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MAInsights V04/2016

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Co. Reg No. 197501035Z

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