

Peter Elston: Brexit decision

This document is intended for professional investors only

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A comment on the Brexit decision

We wake up today to the extraordinary news that Britons have voted to leave the European Union. The immediate question is what the implications are for financial markets and for our funds.

First, although we did not discount the possibility of this outcome, nor did we think it the more likely. We believed that although the polls were close, undecided voters would tend to vote to remain. We were wrong.

Our funds are multi-asset funds so have some natural defensiveness built in via exposure to fixed income investments and what we call specialist assets, some of which are denominated in foreign currencies that will be rising today against a sharply falling pound. But within our multi asset framework we are still exposed to investments, principally equities, which will fall sharply today.

We have always communicated the message that we are long-term investors so our hope, and indeed our expectation, is that our investors will remain calm. As the saying goes, if you are going to panic, panic first. We certainly think it unwise to join any stampede and indeed at some point would like to take advantage of the lower prices.

Right now it is unclear how far and for how long markets will fall though it is quite possible that markets today will end the day well off their lows. Markets have a tendency to overreact. We will be watching very closely but remaining calm.

Further out, it will be the implications of voting to leave the EU for the UK economy that will continue to occupy our thoughts. It was patently clear from the debate that even those campaigning to leave the EU did not know precisely what a post-Brexit world would look like. The financial markets are sending a clear message today that it could well be bleak, though that is by no means a certainty. Indeed 52% of the electorate believes that the UK's prospects are now brighter. They and their flag bearers should now be listened to.

Before investing in the CF Seneca Funds you should read the key investor information document (KIID) as it contains important information regarding the fund, including charges, tax and fund specific risk warnings and will form the basis of any investment.

The prospectus, KIID and application forms are available from Capita Financial Managers, the Authorised Corporate Director of the Fund (0845 608 1497).

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Multi-Asset Value Investing