

**Brexit – Britain exits the European Union**

Periods of volatility in international economies are part and parcel of market cycles. Over the last decade investors have been exposed to the global financial crisis; material shocks in the Chinese, Japanese and broader European economies; and emerging market declines – to name a few.

Markets were surprised again this morning when Britain voted to exit the 28-block European Union (EU). Results out this morning showed that 51.9% of voters voted to leave the EU, while 48.1% voted to remain in. A few hours after the results were announced, British Prime Minister David Cameron resigned, stating that a new prime minister should be in place by October 2016.

What this means for investors

The largely unexpected Brexit has resulted in short-term market volatility and increased market uncertainty. The British pound has weakened, and we are likely to see an impact on global equity markets as the outlook for global growth deteriorates. The silver lining is that any consideration for monetary policy normalisation has likely now been placed on hold.

Unfortunately, however, a UK sovereign rating downgrade should be expected. Bond yields have therefore been rising as the market is pricing in an increase in the cost of capital. Over the short term, safe haven assets are likely to rally on the back of a poor inflation outlook.

We are seeing significant volatility, and we expect this to continue in the near-term. We have been cautioning against greater volatility for some time now, given the level of uncertainty in markets.

PSG Wealth is positioned to withstand volatility

Our Wealth Solutions are well-positioned to withstand the volatility and have maintained particularly well diversified portfolio compositions.

We continue to closely assess the potential impact on our client portfolios and will act swiftly if we deem any risk to clients to be unjustifiable. In addition, as the market tide moves out indiscriminately on the back of poor sentiment, we will undoubtedly find some opportunities in which case we will act with prudence when considering any new investment opportunities.

If you have any queries, please contact your Investment Specialist or your dedicated Client Service Team.

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