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Lacomp plc is an independent investment management company providing portfolio management services to private investors worldwide.

Since the press and all other media – including the rather questionable social media – have exposed us to wall-to-wall coverage of the EU referendum, you may well be fed up with reading more about it. Therefore, we will keep our comments very brief. Nevertheless, events during the lead-up to the referendum on 23 June as well as over the last month since the UK made the momentous decision to leave the EU have been fascinating to observe, irrespective whether you applaud or bemoan the outcome of the vote.

Politicians – both pro- or anti-Brexit – did not cover themselves in glory in the run-up to the vote. By and large, the electorate was rightfully dissatisfied with the lack of proper and considered analysis of the repercussions of either staying in or leaving the EU. Both sides engaged in campaigns that were bordering on insulting the intelligence of the voters: in short, it was 'Project Fear' versus fanciful promises.

David Cameron must rue the day when, in order to placate his Eurosceptic backbenchers and stem the advance of UKIP, he announced that he was committed to holding an 'In/Out Referendum' by the end of 2017. Equally, the powers that be in Brussels and elsewhere in Europe must regret not being more flexible and accommodating when PM Cameron tried to renegotiate Britain's terms of membership during last winter. In the event, the 23 June vote signalled the end of his tenure of office. The leading "Brexiteer", Boris Johnson, was the odds-on favourite to become the next Prime Minister, but in a series of intriguing manoeuvres, the bookmakers were proven wrong.

It took the Tories just three weeks to replace David Cameron, and in Theresa May we have another woman residing at No. 10. A reluctant "Remainer", Mrs. May had kept a very low profile during the referendum campaign and just before the referendum did, in fact, agree that immigration from the EU would have to be curtailed somehow. In addition, she was always seen as a 'continuity candidate' by Messrs. Cameron and Osborne and was the perfect choice in their ABB (Anyone but Boris) stratagem. Little did they know...

Mrs. May's cabinet reshuffle was pretty brutal: many of David Cameron's colleagues are gone, including his Chancellor who was at the forefront of the 'Remain' campaign. The same fate befell Michael Gove, along with other ministers who supported his doomed leadership bid. Apart from Mrs. May, there are another seven women in the new cabinet, and most cabinet members are state educated. The one remaining Etonian, and a real surprise appointment, is the new Foreign Secretary Boris Johnson. One is reminded of Lyndon B. Johnson's statement "Better to have him inside the tent..."

It is early days but Mrs. May already has been busy, visiting Scotland to meet with First Minister Nicola Sturgeon – this in an effort to keep the Union intact – and travelling to Berlin to see Angela Merkel on Wednesday this week and François Hollande yesterday. Whereas Frau Merkel is quite pragmatic in her approach to a new relationship with the UK, Monsieur Hollande will have difficulty overcoming his antipathy towards the "perfidious Brits" who dared suggest that life outside the EU might be a better place to be.

With David Davis and Liam Fox heading the team looking for a solution to the Brexit quandary and forging new trading links with the rest of the world, Mrs. May did a smart thing to keep her cabinet balanced with both “Remainers” and “Brexiteers” in potent positions. It would appear that she really meant it when she said “Brexit means Brexit”.

The run-up to the referendum was an interesting time for us at Lacomp. We were surrounded by people in financial services (above all those in the City) who predicted an easy win for the “Remainers”, expecting a ‘stay’ vote in excess of 60%. Well, we always thought it would be a close call, and we decided to take action in an effort to mitigate any negative fallout and potentially take advantage of the aftershocks. You will have seen our Newsflash communication immediately after the result was known and are pleased with the approval expressed by many of our clients.

Let us take a brief look at what happened to the markets during this year: Anyone tempted to follow the old adage of ‘selling in May and going away’ would, for this year at least, have missed out on some very interesting market conditions.

Having recovered from the tribulations at the beginning of the year, markets had begun a steady climb back, fuelled by the diminishing prospect of a US interest rate rise which served to weaken the US dollar, thereby providing a boost to markets in Asia and to the broad commodities sector. Oil futures, priced in dollars, rose above $50 per barrel in early June, perhaps signalling a reversal of the price collapse since 2015. To be fair, the temporary closure of the Alberta oil shale fields and political tensions in Nigeria might have eased the global oversupply situation. Nevertheless, investors seem to have chosen to regard this as a sign that, perhaps, the fears of a general global slowdown were somewhat overdone. By the end of May, most major market indices were showing a substantial improvement from their February lows with America's Dow Jones and S&P 500 leading the way into positive territory.

It was only in June that we saw an apparent realisation that the EU vote would soon be upon us and commentators and investors alike became drawn into various 'what if' scenarios as the polls continued to predict a close result.

In Japan, many months of monetary stimulus and 'Abenomics' were undone almost overnight as the currency strengthened in anticipation of a 'Leave' victory which renewed the status of the Yen as a safe haven. Similar effects were seen in the value of the dollar versus sterling, and also in the rising gold price.

Market volatility began to pick up as the polling date approached. In the event, the UK went with bookmakers' prediction of a 'remain' vote and the FTSE closed barely 1% off its high for the year as markets closed on the 23rd. Things changed very rapidly as the results became clear during the night - the pound fell spectacularly against the dollar, falling from $1.45 to $1.35, a decline which continued in the coming days until the pound hit a low of $1.286.

Stockmarkets responded in like fashion on the following day with shares in Barclays and RBS temporarily suspended and the house building sector under heavy pressure, reportedly losing 30% over two days. As is typically the case, such market turmoil was overdone and, whilst areas of weakness remain, there has been a pullback from these levels.

In particular, the globally-facing large cap stocks in the FTSE 100 have bounced significantly and are now more than 5% up on the optimistic closing level seen before the vote. Those companies with a more cyclical domestic orientation have fared less well, however. The FTSE 250 index remains down although, even here, there has been a recovery from the worst levels plumbed in the aftermath of the voting decision.

The US market, although temporarily falling after the shock outcome, has powered on to new highs. The Dow Jones Industrial Average now stands 6.3% up for the year to date and is over 16% above its February low.

Markets respond largely to sentiment in the short term and as a result, volatility like this was to be anticipated. Of more lasting impact was the impact on the currency. The ratings agencies moved quickly to downgrade the pound, cutting the UK's triple-A rating and predicting a slowdown in economic performance. The reality or otherwise of this prediction will become apparent with the passage of time but, in the short term, the weaker pound has contributed in no small measure to the recovery of exporters within the FTSE index.

It is interesting to note that yesterday's report by the Bank of England stated that there was no clear evidence of a sharp slowdown, this despite the doom and gloom predictions by its Governor Mark Carney before the referendum. Of course, we had all the establishment figures and institutions saying the same thing...

The investor who followed the advice and 'sold in May and went away' might well return and wonder what all the fuss was about!

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Lacomp plc
77 High Street, Bagshot, Surrey, GU19 5AH, England.
Tel: (Intl. +44) (0)1276 475123 Fax: (0)1276 475273 e-mail: info@lacomp.co.uk website: www.lacomp.co.uk & www.lacompeisfunds.co.uk
Registered in England No. 1851201
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