
INTEGRIS
WEALTH MANAGEMENT

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# BREXIT

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## WHAT HAPPENED

The British public voted yesterday in an historic referendum on whether or not the United Kingdom would choose to exit the European Union (EU) (commonly referred to in the press as "Brexit"). Contrary to what markets were predicting going into the vote, the public voted for Brexit. The vote of approximately 52% for "Leave," 48% for "Remain" clearly demonstrates a real divide in the country on this contentious issue. Following the vote, Prime Minister David Cameron, who had been a strong supporter of Britain remaining in the EU, announced his resignation from office. His replacement will take over in October, and will be tasked with the process of unwinding Britain's involvement in the EU.

From the standpoint of global economic stability over the next few years, this is clearly the less desirable outcome, as the process of Britain leaving the EU will take at least a few years to complete and will increase economic and market uncertainty in the meantime. The exit from the EU will be complex, necessitating the negotiation of new trade agreements between the UK and the rest of Europe, changes in border policies and immigration, etc. However, given the complexity and the many steps necessary to effect the exit, not much is likely to change in the way businesses and individuals actually operate and move around over the next couple of years.

In the long run, it is unclear whether Brexit will be good or bad for the UK, Europe and the world. There are strong arguments on both sides, and many people feel that it doesn't really matter long term – that this is one course versus another, and each has its pros and cons. And while the EU may be tempted to "punish" the UK today for its rejection of the EU, over the long term, cooler heads will likely prevail, as doing so would only serve to punish the EU as well. This bodes well for finding some sort of long term political and economic stability.

## WHAT DOES THIS MEAN FOR INVESTORS?

The short term reaction of markets has been predictably negative, as markets had been strongly expecting the "Remain" camp to prevail, and markets had run up a bit prior to the vote. Markets really dislike uncertainty, and the "Leave" outcome results in questions as to how the exit will play out over the next few years. However, while the short term response to the outcome has been negative, it has not been panicked.  One CNN commentator this morning referred to the response as “organized disappointment.”

From the standpoint of a long term investor with a broadly diversified global asset allocation, there was nothing to do before this vote and there is nothing to do now, other than weather the short term market volatility, monitor the portfolio, and rebalance to the target asset allocation as necessary.

We will of course keep our ear to the ground, and be in touch with any material thoughts on the matter going forward.  Of course, please feel free to contact us with any questions at any time.

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