



FOSTER

WEALTH MANAGEMENT

NEWSLETTER | JUNE 2016

BREXIT UPDATE

As the world, and particularly the United Kingdom recover from the shock of Brexit, we thought we would share some of our thoughts on this surprise event with you.

Brexit was certainly not anticipated and financial markets in general were positioned for the opposite result in the United Kingdom referendum.

The fact that markets were positioned for the opposite result meant that they were severely impacted on the downside by the news on Friday, 24 June 2016.

Our stock market lost nearly 6% on the day with our fund losing about 3% due to diversification and the fact that the fund is positioned to benefit from what is known as Rand Hedge stocks and a weakening Rand.

While there was a significant extraction of capital from South Africa, hence the weakening Rand, the Brexit news was in fact good news for Gold mining companies which suddenly became sought after as global investors reverted to the traditional safe haven of gold.

The implications of Brexit will be far reaching for the United Kingdom and also for South Africa but this shock has resulted in far less a blow to financial markets in general than the effects of the global financial crisis in 2008/2009, although at the time of writing the Pound is trading at a 31-year low to the US Dollar – perhaps the most noteworthy result of Brexit.

We do expect our fund to recover in the medium to long-term despite the fact that we will almost certainly experience volatility in the medium-term. As with all major political or economic events we do not react in a knee-jerk way and we do not overreact.

Please do not hesitate to contact any of us should you wish to discuss this in more detail.

Peter Foster

30 June 2016