

BREXIT DECISION

Britain's unexpected decision to exit the European Union (EU) has sent shock waves through global markets since it was confirmed early last Friday.

This is, without doubt, a possible game changer. It has the potential to change the future as we have come to think of it.

The uncertainty is not only about what is next for Britain. The fear is that Brexit sets in motion similar events (in other member nations) on a slippery slope towards complete break-up of the EU.

Developments in Britain since the announcement have confirmed concerns that it is going to be a long and protracted road to exit. The EU is not happy with David Cameron's request to wait until November to start exit negotiations. And Cameron's resignation means there is a potential power vacuum.

As things stand, the EU and Britain are in no man's land. Whilst the vote to exit has been confirmed, formal notice to EU has not been given and the EU has made it clear that they are not prepared to negotiate until such time as formal notice has been given (invoke article 50 in political speak).

In the meantime there is evidence of regret by some of those who voted to exit. It is interesting to note that GoogleTrends (@GoogleTrends) reports the following as the top five Google questions on the European Union since the Brexit result was officially announced:

1. What does it mean to leave the EU?
2. What is the EU?
3. Which countries are in the EU?
4. What will happen now that we've left the EU?
5. How many countries are in the EU?

One would have expected these questions to have topped the charts BEFORE the referendum took place, and not AFTER. This points to an ever so remote possibility of a second referendum. However, this too adds to the uncertainty.

PERSONAL TRUST PORTFOLIO'S

So, what does all this mean for your portfolios?

In the long term, I believe, the British economy should be strong enough to survive an exit even though it will lose out on talent (and ultimately growth) to competing nations. Brexit proponents argue that less money will go to Brussels and thus more money will be available

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for investment. However, the issue at hand is that markets do not like uncertainty and so in the short term, there will undoubtedly be volatility.

The markets have responded by sharply devaluing both Sterling, UK equity markets and global equity markets. Emerging markets have also borne the brunt of the uncertainty as there has been a flight to safety (Gold and Dollar Bonds) as a result of the 'risk-off' trade. The Rand, in particular, has seen a sharp decline to R15.49/\$ (from R14.47/\$) mostly because of its liquidity and thus being used as a proxy emerging market currency.

Below is a snapshot of how the Personal Trust Funds have performed since the vote:

JSE All Share Index	-6.61%
Personal Trust Equity Fund	-6.43%
Personal Trust Managed Fund	-3.58%
Personal Trust Prudent Fund of Funds	-2.00%
Personal Trust Conservative Managed Fund	-2.74%
Personal Trust Income Fund	-0.02%

CONCLUSION

Brexit is, without doubt, going to be seen as a significant event in history. Brexit highlights increasing protectionism or anti-globalisation sentiment globally. The exit process itself is going to be complicated as there are apparently some 80 000 pages of treaty agreements to be renegotiated. Even after Brexit, there are going to be more negotiations as most governments will have a window in which to negotiate new terms. New terms which could differ materially from existing ones.

In the last 72 hours, market analysts have come up with facts and theories no one thought important a mere two weeks ago. And no doubt more will cross our desks in the weeks to come.

Our portfolio managers will continue to proactively deal with the news flow and make the best long-term decisions they can for your portfolios. Opportunities will spring up, but we are always mindful of our priority which is to protect our clients' capital. Our focus remains that of capital preservation.

The most important thing you can do is to constantly remind yourself not to panic. Remember that modern markets are driven by trading models/machines and not long-term investors. This means that the patient long-term investor can pick up bargains when markets are fearful.

We shall keep you informed of further significant developments. Should you wish to discuss this in more detail, please do not hesitate to contact your Trust Officer.

Thando Gobe, **Managing Director**
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