DART CAPITAL

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Post-Election Update

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Markets reacted strongly to the UK election result in Asian markets overnight and in early trading here in London, with the Pound in particular coming under pressure. Whilst the Conservative party had initially anticipated gaining a large majority in the snap election, they are now left facing the prospect of running a minority government having lost their slim majority in the House of Commons. To add further uncertainty, there are also widespread calls for Prime Minister Theresa May to resign following a borderline shambolic election campaign. Although certainly another momentous evening for British politics, the market reaction to the result has been far more muted than following last year's referendum result, and some political commentators believe that the hung parliament makes a more market friendly "soft Brexit" outcome more likely. Sterling is down around 2% against the US Dollar, Euro and Yen as of writing. Due to the international nature of the UK market, the FTSE 100 is up over 1% on open although some more domestically sensitive sectors, such as financials, are down with the largest UK banks off around 2%.

Given the uncertainty over the domestic economy, which we believe was showing signs of slowing even prior to the election, it is important to note that our managed portfolios are very global in their make-up. In addition to large holdings in large-cap stocks with global revenues and little exposure to the U.K. economy, we have significant exposure to international equities and currencies. By way of reference, following our recent decision to take off our currency hedge within Japanese equities, over 30% of our mid-risk portfolio is invested in non-sterling assets. We are confident that this balance and diversified approach will continue to hold portfolios in good stead over coming weeks and months.

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