



DART CAPITAL

Views from the Monument

November 2018

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Brexit Update

As I'm sure you will have noticed, the UK's Brexit process is nearing a crunch point following the Cabinet's begrudging support of Prime Minister Theresa May's Brexit deal on Wednesday evening. Whilst May isn't expected to bring the deal to Parliament for ratification until early December, we have already seen some resignations within her party – most notably that of Brexit Secretary Dominic Raab on Thursday morning – which indicate that a vote of no confidence on Mrs May's leadership could be held imminently. Whilst this is not necessarily our base case, should such a vote pass, or she decide to resign of her own accord, there would be an increased likelihood of a hard Brexit whereby the UK leaves the EU without a transition deal.

With that backdrop, it is unsurprising that it has been a volatile couple of days for financial markets with significant moves across currencies, stocks and bond markets. In particular, the Pound has fallen around 1.5% against the US Dollar from its level on Wednesday evening. As is to be expected given the sharp move in sterling, within the UK stock market we have seen an outperformance of stocks with global earnings, such as GlaxoSmithKline and Unilever to which our managed portfolios have significant exposure. In contrast, domestically exposed stocks, such as banks and homebuilders have experienced significant falls. Within the bond market, Gilt yields have declined sharply with the yield on the 10 year Gilt falling 10 basis points to close the day at 1.42%, as traders pushed back the timing of future Bank of England rate rises.

Whilst the market moves over recent days have been significant and we continue to monitor the domestic political situation closely, it is important to note that our managed portfolios are by no means reflective of the domestic economy. In particular, within our UK equity exposure we retain significant exposure to the global multi-national businesses mentioned above which tend to see share price gains when the Pound weakens. Further to this, through holdings in international equities and gold (the latter of which has gained 3% in sterling terms over the last two trading days), our managed portfolios have significant exposure to overseas currencies which deliver positive returns over periods such as this.

As always, if you have queries please contact your Investment Manager.