



## Georgian Capital – Reaction to “Brexit” Vote Results

Biggest surprise: who would've guessed that polls could actually be accurate?

To state the obvious, equity markets dislike uncertainty and the vote results upend the status quo and selling pressure should spike today. However, it's also important to remind ourselves that change and uncertainty is always to be expected and not necessarily feared. We believe it's always better to have a well-diversified portfolio with clear, long-term goals rather than being whip-sawed by headlines. We also want to reassure investors that our portfolios do not hold any European equities, nor do we see any real risk of a hit to any of the dividends within our holdings because of the vote.

In the near term, we believe some of the most significant market movements will include:

1. **Flight to Safety** – Buying of U.S. dollars, U.S. Treasuries and gold. Also look for relative outperformance by “defensive” equity sectors, such as utilities, real estate, telecom and consumer staples.
2. **Rates Lower for (Even) Longer** – The chances of the U.S. Fed raising rates in 2016 just became a lot less likely. Look for increased talk of the risks of deflation.
3. **U.S. Dollar** – With a stronger U.S. dollar, Canadian investors will see an immediate foreign currency gain in their (unhedged) U.S. holdings. However, a stronger U.S. dollar can be associated with lower reported earnings by U.S. multinationals.
4. **Stay at Home** – Before the vote, the economies of North America looked relatively good versus the rest of the world. Look for this to be amplified and investors will prefer U.S. and Canadian companies that are domestic in their operations.
5. **Energy** – Concerns about lower global growth and therefore demand for energy will hamper commodity prices.

We will not ignore these short-term fluctuations and where appropriate we will make some modest opportunistic adjustments. However, our focus is always more on the long-term. Rather than betting on macroeconomic news, we strive to build up portfolios of strong companies that have strong cash flow that will lead to growing dividends. At Georgian Capital we also are mindful of investing in diverse industries that tend to help offset macro volatility within a whole portfolio perspective. We want to emphasize that our goal is to build gains steadily over the long-term, through disciplined planning, focus on growing dividends and holding for the long run.

Thank you for your continued support and please feel free to contact any one of us if you would like to discuss in further details.

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