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## Manager's Comment – Brexit and Political Uncertainty January 2019

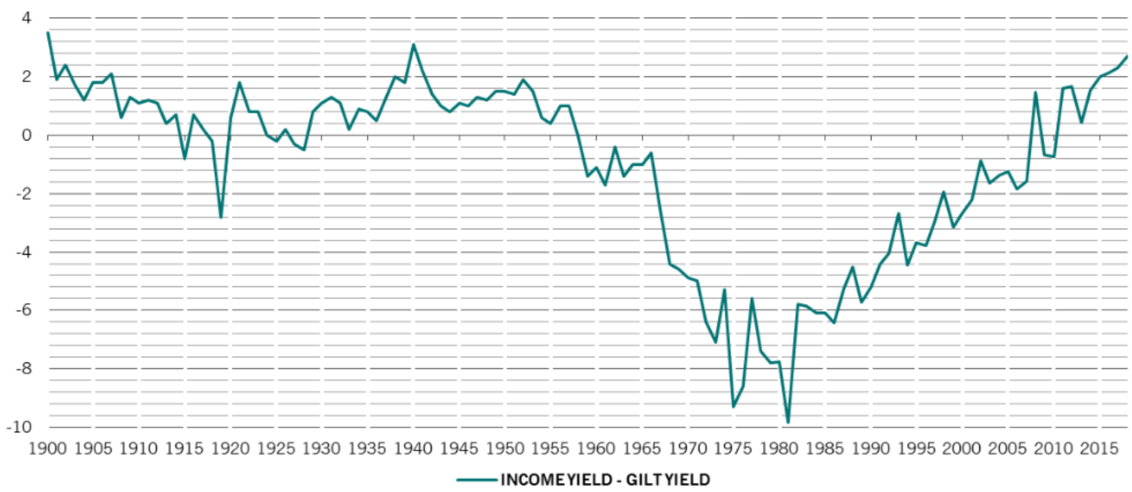
Following the Referendum two years ago the UK has been in a near state of limbo around "what happens next" over Brexit. Despite the many expert predictions of imminent recession and economic capitulation Britain remains in pretty good shape, with stronger economic growth than the EU, many of whose strongest countries have been knocking on the door of a technical recession for the past quarter.

As an investment manager life is particularly difficult when politics drive asset values to the extent that has been the case recently. However, looking at sterling's movements immediately following the historic Parliamentary vote against Mrs May's EU Withdrawal Agreement – where sterling remained broadly unchanged, it is becoming clear that the economic fundamentals remain in pretty good shape domestically.

No one really knows how Brexit will pan out but something many agree on is that UK domestic stocks offer attractive valuations at this stage with some brokers encouraging institutional investors to buy. Many stocks are not priced with good news in mind.

A "no deal" may not be fully priced in but nevertheless UK valuations have fallen below those of their European and US peers, and UK dividend yields have reached their highest since 2009. This encourages us at Alpha Beta Partners to maintain our UK weightings and to remain cautiously optimistic about the domestic equity allocation. We are of course managing diversified portfolios well within stated risk tolerances for our clients and this remains our focus.

ON THE UP
UK dividend yield minus long-dated government bond yield, percentage




Source: Barclays Equity-Gilt Study, Thomson Reuters Datastream,Pictet Asset Management. Data covering period 31.12-1899- 23.11.2018.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