

	1/1/14	5/10/14	1/1/15	5/4/15	1/7/15	5/10/15	1/1/16	5/4/16	1/7/16
FTSE 100	6749	6528	6566	6834	6609	6299	6242	6091	6504
FTSE All Share	3610	3486	3533	3696	3616	3457	3444	3351	3515
Dow Jones (US)	16577	17010	17823	17763	17758	16776	17425	17603	17930
S&P 500 (US)	1848	1968	2059	2067	2077	1987	2044	2045	2099
Nikkei 225 (Japan)	16291	15709	17451	19435	20329	18005	19034	15733	15576
WMA Balanced	3395	3441	3549	3703	3582	3497	3531	3538	3721

Growth Equities

Babcock Int.
Carnival
Diageo
Experian
Mondi
Prudential
Reckitt Benckiser
Sage
Shire
Unilever

Higher Yield Equities

AstraZeneca
BATS
BP
HSBC
Imperial Brands
National Grid
Royal Mail
Severn Trent
Sky
Vodafone

Mid-Cap Equities

Beazley
Croda Intl.
DS Smith
NCC Group
Pennon
Shaftesbury
Smiths Group
SSP Group

Overseas Equities

Becton Dickinson
Colgate-Palmolive
CR Bard
Johnson & Johnson
Kimberly-Clark
Nestlé
Novartis
Philip Morris

Collective Investments

Bankers IT
Caledonia IT
Finsbury Growth & Income IT
Henderson Intl Income Trust
JPM American IT
Monks IT
Murray International IT
Pacific Assets Trust
Perpetual Income & Growth Tst
Worldwide Healthcare Trust

Brexit

There is no doubt that this Newsletter will be out of date by the time you read it. However, William Barratt's immediate summing up of the situation entitled:

'The UK has voted to leave the EU'

despatched within 12 hours of the announcement on 24th June 2016, sums up Barratt & Cooke and our clients' situation perfectly. I do congratulate the whole team on the advice they have given, their clear message, their investment policy and their efficiency as I played (perfect!) golf at St. Andrews and Muirfield. Of course, I was kept fully informed, but I knew I was in safe hands and even I could not have summed up the position better (should you wish to read this piece again, please visit the 'publications' section of our website at: www.barrattandcooke.co.uk/publications).

In the early days following the Brexit vote, a few clients contacted us to ask:

'why have you not taken any action to reposition our portfolios following the change in financial circumstances?'

The answer is quite simple:

'we were proactive by repositioning the portfolios before the event, in our own time and at our own prices, not reactive, by repositioning after the event, in panic and at any old price'.

Though as a firm the majority had been 'remain', we were aware how close the vote could be. We reviewed all discretionary and advisory portfolios and where appropriate subject to suitability to individual requirements, made positive, responsible and conservative decisions for clients whereby:

1. we retained short dated index-linked and conventional gilts and bonds for relative safety and liquidity.
2. we weeded out some weaker stocks and took some gain elsewhere to concentrate on core 'global brand' stocks.

3. where clients need income we:
 - a. built up tobaccos (for the first time) in the equity sector.
 - b. built up infrastructure funds for the relative security of higher income.
4. For those not needing income we bought Gold (for the first time) as a hedge against falling currency and uncertainty.
5. We invested most surplus cash into foreign stocks in sectors we continue to favour but with the added benefit of currency diversification.

Of course each portfolio is bespoke for the underlying client requirements, but this generic advice has applied where appropriate across our client base.

Markets on the day of 'The Result'

It was widely anticipated that markets would fall sharply in the event of a 'leave' vote.

The enclosed early afternoon FTSE100 'screenshot' on the day of the result shows:

<u>Date</u>	<u>FTSE100 index</u>	<u>Fall</u>	<u>% fall</u>
24/06/16	6095	242	-3.8%

(where the market had been down 550 points / -8.6% at the open).

Many of the UK stocks which were up on the day were on our buy list and are widely held by clients such as:

ARM, AstraZeneca, BATS, Compass, Diageo, GlaxoSmithKline, Imperial Brands, National Grid, Pearson, Reckitt Benckiser, Rolls Royce, Shire and Unilever

The only other stocks showing gains were:

- Fresnillo and Rangold Resources, both Gold/Silver stocks

where we had bought physical Gold and:

- Burberry (we do not like the reliance on Chinese sales)
- Smith and Nephew (we had taken gains earlier)
- MDC (a new entrant to the FTSE100 – a South African healthcare company and certainly not a B&C type stock)

At the same time:

- Gilts and bonds rose on 'safety considerations'
- Infrastructure funds rose on 'income considerations'
- Sterling based investors in foreign equities benefited from the currency conversion effect

and

- Gold rose on a 'lack of world stability'.

Of course we also hold other UK equities showing losses, and some 'UK equity only' portfolios will look 'ugly', though, thank God, we had low weightings in UK banks, house builders and retailers.

We have survived Brexit so far, and I believe we are now perfectly repositioned to survive the short-term turbulence which is certain to follow.

Whilst we are comfortable with the present balance of most portfolios and there is no need for a 'knee-jerk' reaction, we shall be keeping our eyes wide open:

- a. to pick up quality 'bombed out' stocks on a further fall

or indeed

- b. to sell some stock if we feel the market recovers too sharply (which it is beginning to show signs of as I write).

I started this newsletter congratulating the team in my absence, and indeed I congratulate them on:

1. their proactive stance
2. overruling the firm's long-term aversion to gold and tobacco
3. appreciating the merits of infrastructure funds
4. thinking globally

while remaining responsible, conservative and decisive. This really is the new, 'younger face' of Barratt & Cooke.

Mayhem or The Brave New World

As many of you will know, I have nearly completed my book - taking the 'best of CWLB's newsletters', back to 'The Hurricane Crash of 1987' - which I shall entitle:

'A History of our Time Through Different Eyes'

which I hope to publish before Christmas.

Brexit is the obvious chapter to end on and it is the perfect place to start the next book called 'Great Britain', but this will not be published for at least 10 years.

The 'leave' decision has been described as 'the most important event in British history since the end of World War II'. I think this is going a bit far, but we really are entering 'a brave new world', particularly for trade, employment, immigration, taxation, regulation, and indeed our complete financial infrastructure.

Only time will tell, but as we enter the 'world of the unknown', with a great deal of trepidation, we must put our faith behind our politicians (very hard at the moment), and embrace the change and the future. We are 'out' and there is nowhere else to go. Sadly we can no longer say

'Vive la France'

instead I suppose we must use the northern expression

'Get stuck in'

knowing that the UK economy is in the best shape it has been for many years.

The true answer is

'nobody knows'

and what really worries me is that I do not believe there is a Brexit plan.

In this newsletter we look at:

1. the reason David Cameron called the European referendum
2. the vote
3. the short-term consequences
4. the long-term future

The reason David Cameron called the European referendum

For years, the Conservatives have been side-tracked by constant 'Eurosceptic' criticism within its own party. This criticism constantly took place throughout the Thatcher and Major years, and has now affected Cameron. Cameron wanted to end this once and for all.

At the same time, Nigel Farage and the UKIP party, whose very being was to leave Europe, had won 3,881,099 votes (12.6% of the electorate who turned out) at the 2015 general election (many from the Conservatives), and yet had only one seat in Parliament. Cameron wanted to regain the UKIP vote by appeasing them with a European referendum.

Cameron had politically calculated that with:

Labour 'remain' (the unions were desperate to remain)
SNP 'remain' (Scotland always wanted to remain and they knew that if England voted 'leave', this would give Scotland another opportunity for a Scottish referendum)
Lib Dems 'remain' (what was left of them) as they always wanted to be in Europe

with the only opposition from:

a few Eurosceptic Conservatives (to be silenced forevermore)
one UKIP MP and Nigel Farage
and a few 'right wing cronies'.

This vote was a 'racing certainty' to be 'remain'.

Cameron could be 'the nice guy' promising a referendum, while knowing there would be no change, just as he had gambled in Scotland, and had only just won there.

There was all to gain, and this time, nothing to lose and so the referendum was called on 23rd June 2016.

But all gamblers know that 'there is no such thing as a racing certainty'.

The Vote

A few Conservative MPs turned against their friend Cameron, and in particular

The People's Hero – Boris Johnson
The Justice Secretary – Michael Gove

resembling the great scene from Shakespeare's Julius Caesar where Brutus, with his dagger drawn on the Ides of March, had to remind his cohorts that:

'I come to bury Caesar, not to praise him'.

The daggers were out and with the 'slings and arrows of outrageous fortune', insults, lies (connotations), promises and fears were hurled back and forth, while the great prize of Prime Minister was in sight.

Forget Henry V's speech before the Battle of Agincourt, this was the real thing. However, this time, the nation was insulted by such abuse and lies on both sides.

Nobody believed Gove's £350m a week to Europe ('yes, we get some back, but it is not guaranteed!'), or Osborne's 'leave budget', fanning the flames of fear; indeed, the British people smelt political lies, and rebelled.

Cameron had talked about the single market and trade barriers, but he had misjudged the British man's worry of excessive immigration by the free movement of Europeans.

He had misjudged the arrogance of the politically inspired intervention of President Obama; the 90 chairmen of FTSE100 companies; Richard Branson; the European Parliament; Mrs Merkel and indeed Osborne and himself, as he ignored the words of great industrialists Dyson (an old Greshamian) and Halsall. The British public does not like arrogance, and being told what to do!

He had misjudged Jeremy Corbyn's total lack of leadership to encourage his Labour supporters to vote 'remain' (more about that later).

He had misjudged how the British public was fed up to the back teeth of the last 40 years of rules and regulations from Brussels, where one East End greengrocer said:

'all they (Europe) want is straight banarnars (bananas) and square 'te mar as' (tomatoes)'.

As a private client stockbroker, regulation and compliance is suffocating our industry (but not us quite yet!).

Indeed, the insults and lies, the fear of immigration, the frustration of regulation from Europe and the arrogance of the 'remain' campaign led the British public to rebel, and on the evening of 23rd June 2016 they said:

'enough is enough, leave Europe'.

Though a close call, the polls had predicted 'remain' and the bookmakers were betting 1/12 on 'remain'.

Even the exit polls at 10pm predicted 'remain' and at one stage, Nigel Farage acknowledged defeat:

The nation went to bed.

As dawn broke, following early results from Newcastle and Sunderland it became more and more obvious the media was wrong and at 4.40am David Dimbleby announced:

'the UK has decided to leave the European Union'

I think we shall all remember that feeling of total shock, total amazement and for many that totally empty feeling of the unknown. I was speechless – what had David Cameron done?

This was brilliantly summed up by the Scottish Daily Mirror (my usual morning read in Scotland!) in that immortal headline:

"So what the hell happens next"?

At 8:15am, David Cameron, tight lipped and slightly greyer, held back the tears and made such a moving, humble and impassioned resignation speech:

"I love this country"

that it was difficult to hold back one's own tears as we realised the 40 year marriage to Europe would end, and the divorce settlement would begin.

My solicitor friend (who is an expert in family law) with whom I was playing golf said:

"divorce always takes longer, costs more and is sadder than one ever imagines".

By 9.00am the FTSE100 was down 550 points and Sterling had fallen against the US\$ by 12% to a 35 year low.

10 year Gilt yields had fallen to 1.05% - an all-time low and Gold had surged from \$1,260 to \$1,340.

Two hours later, Mark Carney, the Governor of the Bank of England, made a statement reassuring the world that 'plan B' would come into action with £250bn available to protect a run on the banks, there would be even more quantitative easing, even lower interest rates and that there was nothing to worry about (interesting times)...

There were no jubilant celebrations from the 'leave' team. I believe they were as shocked as anybody - and 'what the hell would happen now'?

While George Osborne disappeared into oblivion (for 3 days), Samantha Cameron kept her composure, her dignity, her style and her support as she turned away from the cameras, totally and utterly devastated, proving to be the real star of the show, a true 'English Rose' in this world of mayhem.

For the record: despite atrocious weather, there was a very high turnout: 72.2%

17.4m people voted to leave
16.1m people voted to remain

A clear, decisive and final result.

Scotland voted 62% remain (making another 'independence referendum' "highly likely") whilst 75% of under 25 year olds also voted to stay.

We are now rudderless, drifting up **** Creek without a paddle and no life jacket - help!

The short-term consequences Financial

Markets fell sharply across the world, but surprisingly, some have bounced back (I learnt never to be surprised by markets many years ago).

For the record:

Closing Prices

	<u>Pre vote</u> <u>23rd June</u>	<u>The result</u> <u>24th June</u>	<u>27th</u>	<u>28th</u>	<u>29th</u>	<u>30th</u>
FTSE 100	6338	6139	5982	6140	6360	6504
FTSE 250	17333	16088	14968	15503	16003	16271
DAX Germany	10257	9557	9269	9447	9612	9680
Dow Jones US	18011	17401	17140	17410	17695	17930
10 year Gilt yield	1.38%	1.09%	0.94%	0.96%	0.95%	0.86%
Sterling / \$1	1.5	1.37	1.32	1.34	1.35	1.33
Sterling / Euro	1.31	1.23	1.2	1.21	1.21	1.2
Gold \$ per Oz	1260	1322	1325	1318	1327	1321

Standard and Poor's rating agency has cut the UK credit rating from AAA to AA.

Political

'Article 50', the formal declaration to leave Europe, will not take place until after a new Prime Minister is appointed on 9th September 2016.

This has infuriated Europe, who will not discuss 'preliminaries' with the UK until after Article 50 has been triggered, and then it will take another 2 years to leave (as my lawyer friend says – 'divorce always takes longer than you think').

The Conservative Party

David Cameron has effectively resigned and Europe has turned the cold shoulder on him.

Boris Johnson couldn't wait to be Prime Minister and would appoint Michael Gove to high office. They were the face of Brexit, and it was now up to them to take it forward; but Michael Gove had other ideas. He took Brutus' dagger and thrust it into Boris' back, giving a whole new meaning to the word Machiavellian (Michaelavellian).

Boris was, in the political sense, mortally wounded and shambled away – though I doubt into oblivion.

My first lesson on the floor of the stockmarket was the law of the 'city jungle':

'You can stitch up a market maker once – but never twice'.

I believe Gove's treachery of destroying the people's champion Boris will haunt Gove for the rest of his political life. We shall see.

But, Theresa May could be the calming, uniting, independent influence and then there is 'Uncle Tom Cobley and all', wanting their moment of glory. I think Theresa May would be the 'safe pair of hands', but as the Daily Mail states:

'Theresa May's humour makes Gordon Brown look like Ken Dodd'.

We shall see.

Labour

I make no apology for my January 2016 article on Jeremy Corbyn, stating that he was 'unelectable and would do more harm to the Labour party than Michael Foot in the early 1980s'. I was severely criticised for this article at the time, but as events unfold it seems every word was right.

Corbyn has either gone completely mad, or he is acting out the ideology of anti-establishment, anti-monarchist, and anarchy on the very large world stage, while the UK is desperately in need of sensible and calm leadership.

He did nothing to support the Labour Party's 'remain vote'; he has not adhered to the Parliamentary vote of 'no confidence' by 172 votes to 40; and, urged and encouraged by his left-wing loonies, he is defiant against his party, stating that he would be betraying the Labour grassroots members if he resigns now, and shall await their vote before he resigns.

The whole situation has sunk into farce – if only it was funny, which it is not. It is embarrassing to the British Parliament and, indeed, could spread anarchy to the nation.

It was once said the Labour party is like a bird, it needs a left wing and a right wing to be able to fly; without both it will fly around in circles. Yes, the left wing is as important as the right, and Corbyn has proved this point.

Corbyn, we all applaud your decency and ideology for democracy, but you have made the point and it is now time to go, for the sake of the Labour Party and the nation, who need a credible opposition.

The SNP

Nicola Sturgeon, as we all knew she would, has grabbed onto the 62% remain vote in Scotland and will use this in any way she can to force another independence referendum, which now appears highly likely.

She has already spoken to Europe (who don't want her yet), and you can forget Alex Salmond's promise that 'there would not be another vote for a generation, unless...'

When David Cameron started the referendum gamble, did he ever realise the UK could lose Europe and Scotland (and possibly Northern Ireland)?

What has he done?

UKIP

Nigel Farage's job is done. He has had the last laugh on the European Parliament and told them so in the rudest, most politically incorrect way possible. It is not clever to tell all the MEPs

'well none of you have had a proper job'

when we are still to negotiate our exit, but it gave him, and some of us, pleasure anyway.

'Oh what a terrible tale of woe
Those awful words, I told you so'

How much longer will we have to suffer Farage? It will be very interesting now that UKIP has achieved its purpose to see what actually happens to the party and its members.

The Bank of England

Thank God we have one stabilising influence in all of this mayhem; The Bank of England and its Governor, Mark Carney (a Canadian). Every time he gets to his feet, the world does listen, and with his calming influence the FTSE100 rises.

It should also be remembered that whilst we were 'in' Europe arguably we were one foot 'in' one foot 'out' as whilst Germany and France share a currency with Latvia and Cyprus, the UK managed to stay out of the euro.

If anyone wants to mention 'sovereignty', a buzz word for the 'leave' campaign, surely there is nothing more sovereign than having the Queen on our coins.

The decision not to go into the euro is often overlooked and is arguably as significant as our current predicament; indeed being able to have control over our own monetary policy has given us a degree of control over our own destiny, of which I have no doubt leading 'players' in Europe are jealous.

Without the Bank of England this week, where would we have been?

Football

On top of this, England played the worst football ever seen to be beaten by Iceland 2 - 1 in the European Championships. Iceland has a population similar to Norwich and we only have one championship team (but a wonderful one!) with many overseas players. No wonder Roy Hodgson has lost his £3.5m per annum manager's job, it was a disgrace and an embarrassment - good for Iceland, now stuff France (wouldn't that be marvellous)!

The long-term future

Nobody pretends that Britain has an empire and indeed, 'Great' is a rather outdated word, but like Cameron, we love Great Britain and really are prepared to go it alone. Cameron and Osborne have helped to restore our finances, whereby following the banking crisis of 2008 Britain is now the strongest economy in Europe and one of the strongest in the world. The UK is a very efficient, competitive manufacturer and a world leader in financial services; we must preserve these industries.

Though 45% of our exports go to Europe, 55% do not, and we must now:

- a. build bridges to trade in the 'single market' (is it still 'single?') and remember that if there is a 4% trade barrier at maximum, then with an 8% depreciation of Sterling, we will still be competitive.
- b. build other trade relationships with the US (which is only 'across the pond') and China etc.
- c. accept controlled immigration (though not the right of immigration from Europe) which is actually good for the economy.

Conclusion

In essence, this long winded newsletter endeavours to make sense out of insanity. I have tried to explain how within the last 3 months a stable majority government, with economic success and a core member of the European Union within the single market, has lost everything on a tragic personal gamble by the Prime Minister, which failed.

We are looking at:

A new leader of the Conservative Party who will be Prime Minister

The distinct possibility of two leaders of the Labour Party

The possible disintegration of the United Kingdom, and indeed Europe

A negotiated exit, a new political and economic policy, and new trade agreements for the UK, none of which have even started yet.

and a new manager of England's football team (thank goodness I have an ounce of Welsh blood in my veins).

Within 3 months the UK has fallen into mayhem, indeed farce, if it was not so serious.

However, I personally have no doubt that:

The right political leaders will be appointed and that sanity and sanctity will be restored to Parliament.

A sensible exit strategy will be negotiated, together with appropriate trade deals and controlled immigration.

and that with the underlying strength of our economic success story in the world today, UK industry will survive and prosper, be it in Europe or further afield.

After years of complaining, perhaps 23rd June 2016 was the time to say 'enough is enough', leaving this dying, rotting colossus and move on into the 'Brave New World'. Europe certainly made very little effort to negotiate to keep us 'in', and I have no doubt that this was the writing on the wall for the future.

As I complete this Newsletter, we are surprised that the FTSE100 has recovered to its pre-Brexit highs (having initially fallen over 8%). The FTSE250 has fared less well, due to its greater reliance on domestic demand, but it has still rallied strongly from its low.

We have been proactive realigning portfolios before the Brexit vote and portfolios will retain a strong core of global brands but we will not be afraid to 'look for value' at the appropriate time.

While playing golf in Scotland during this crisis, my swing was as slow and calm as ever as I knew Barratt & Cooke and its clients were in 'safe hands'.

Final Thought

Does the Brexit party have a formal Brexit policy? I think not.

Will we end up with a fudged solution similar to Norway, where our terms will be worse off, and there will still be immigration...whatever the terms are, I am sure they will be hailed a huge success!

The King is dead, long live the King
Europe is dead, long live Great Britain

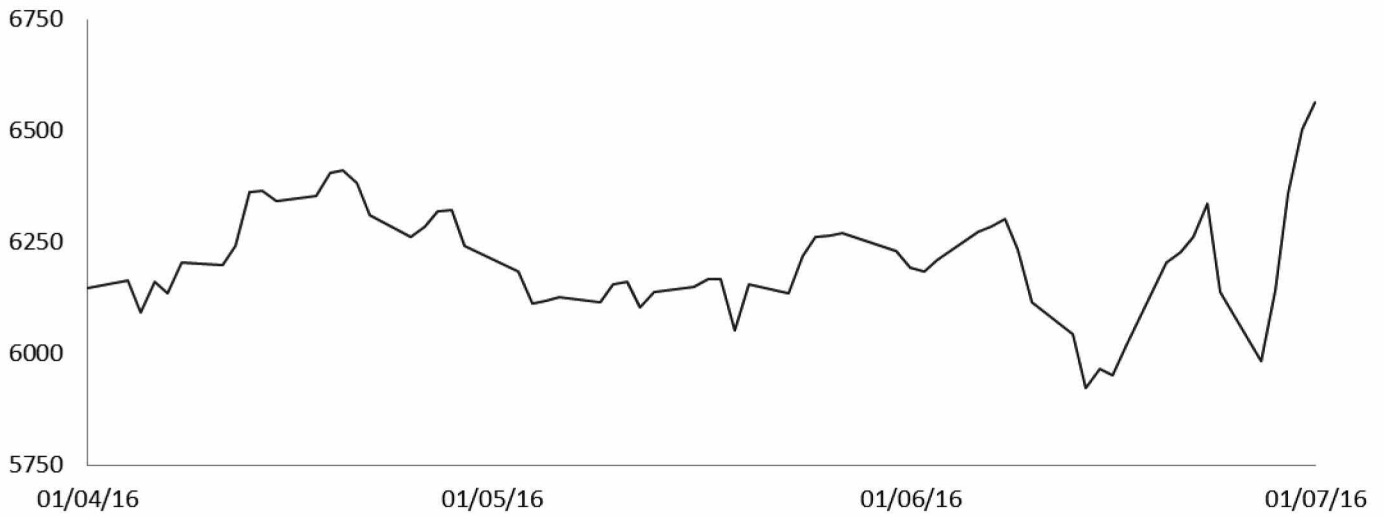
Hold on to your seats – we are off! 'Interesting times'.

CWLB
01/07/16

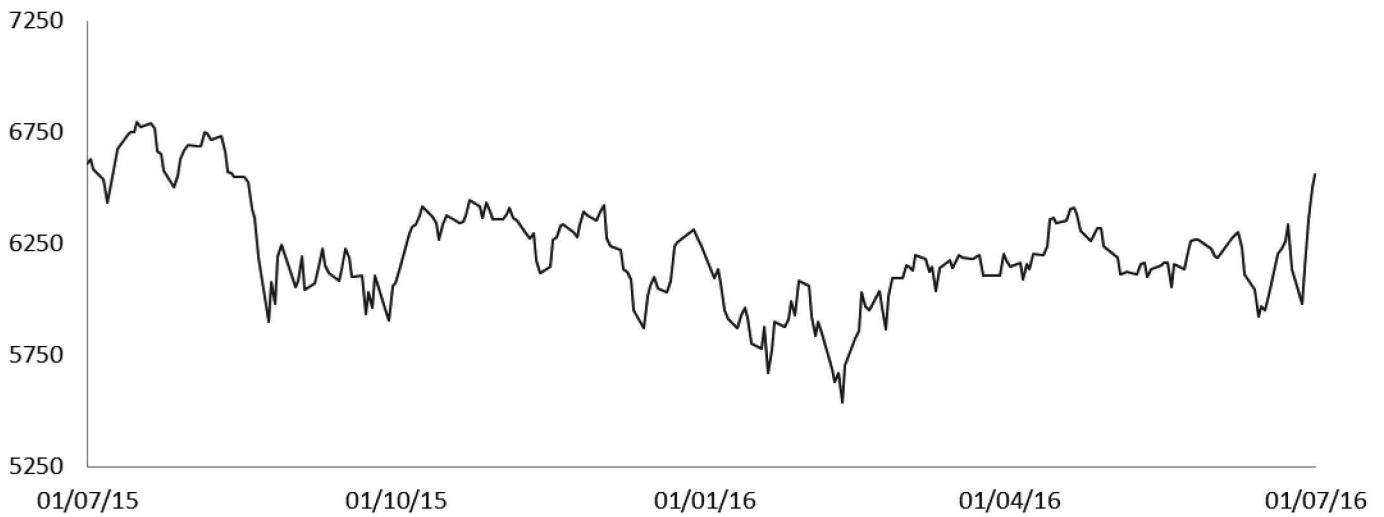
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FTSE 100 – Previous Quarter



FTSE 100 – 1 Year



FTSE 100 – 5 Year

