SWAN

REINFORCING our Strategic Initiatives with BREXIT

On 24th June 2016, the unexpected outcome of the UK's referendum prompted a sharp decline in stock markets around the world. The voting counts were not over that stock markets resumed in negative territory. The Volatility Index was propelled up by the news (but not as high as last August and February). Since several months, global markets were monitoring this date and the outcome of the election but BREXIT was not the only event that was frolicking with the nerves of investors: The normalisation of the FED rate, the interest rate war and competitive currency devaluation in the Asian blocks and commodity prices were also in the course.

While we expect the aftershock of the UK's vote to reverberate across financial markets for some time, we have witnessed "similar" events shocks in the past:

Date	Event Shocks	1st day decline	Full decline	Time to recover loss
11-Mar-11	Japan earthquake	Nikkei: -6%	Nikkei: -16%	4 months
01-Aug-11	U.S. debt ceiling debacle	S&P500: -3%	S&P500: -14%	3 months
27-Mar-12	European debt crisis	Stoxx 600: -3%	Stoxx 600: -11%	3 months
17-Aug-15	Chinese Slowdown	CSI: -3%	CSI: -21%	4 months
24-Jun-16	Brexit	FTSE: -7%	-	-

Source: Bloomberg data as of 27/06/2016.

If history is any guide, the fuss will die down soon enough.

While there is certainly ground for concern, the only thing that has changed at the moment is an increase in uncertainty. As investors realise how long the process is likely to take, markets should gradually settle down, as they always do.

Our initial take with BREXIT is that this will have a meaningful impact on UK, but is unlikely to cause a dramatic change to broadly diversified portfolios. We believe that volatility will give rise to some significant opportunities. This is a time for the investor community to focus on long term fundamentals.

Our Strategic Initiatives since last year's Third-Quarter revolved around minimising downside risks (instead of maximising on returns as we believe that on top of the prevailing uncertainties, we are also navigating in a low-return environment).

We are taking higher stance on diversification of assets (Equities, Fixed income, and Alternatives). Diversification helps to minimise portfolio losses with the assets moving at different paces and different directions. US and Asia markets are only marginally affected by the UK's exit from the EU, and are supported by a mix of easy monetary policy and economic growth.

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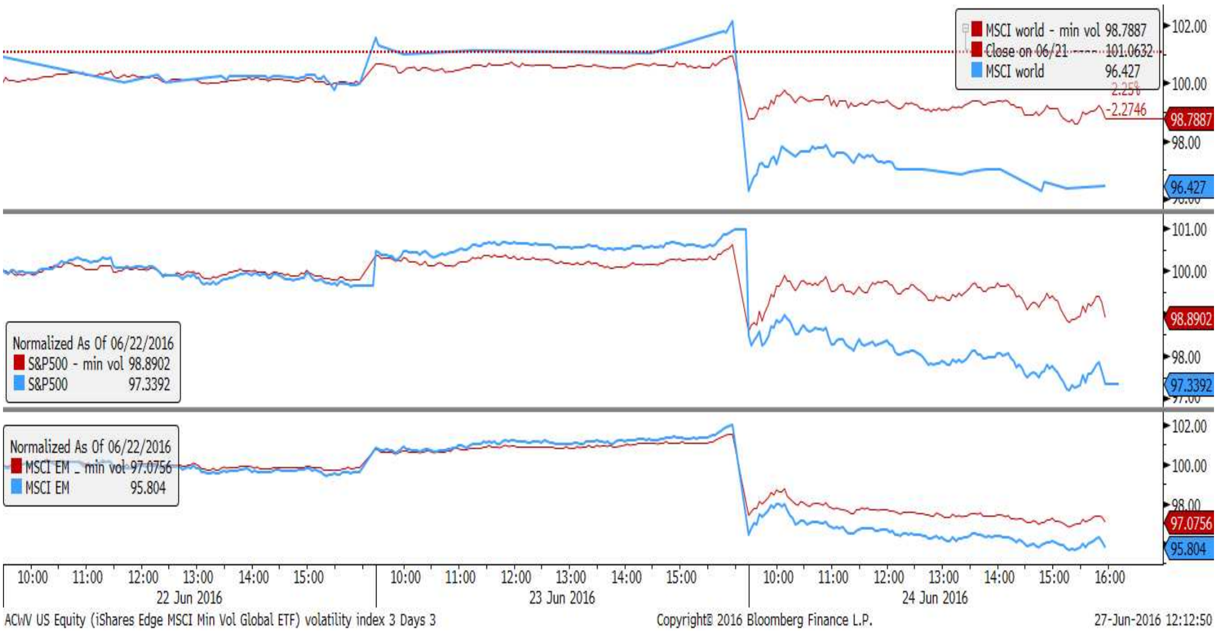
Within the global equity portfolios, we are seeking lower-cost and highly liquid vehicles- A unit of saving is incremental to portfolio return.

Our tactical allocation goes to building exposure on funds with minimum/ low volatility features (they outgrow their core peers in times of volatility- see charts below) and on stable dividend-payers.



To weather the currency volatility, our favorable stance for the moment is the USD-denominated vehicles as we believe that any unsound impact of the rest of the world should help the greenback.

Usually, after a sharp decline, equity markets see a surge in prices. We shall monitor markets for such upside opportunities, as current valuation preludes a classic of BUY LOW SELL HIGH.