International investments and Brexit

With Brexit now less than a year away, how insular are your investments?

Brexit – or more accurately the start of the transition/implementation period of the UK leaving the EU – begins on 29 March 2019. By the end of the following year, the UK's remaining links to the EU are due to be cut.

Since June 2016, when the Brexit referendum took place, the FTSE 100 has been one of the world's poorest performing major indices. So it is perhaps no coincidence that, in March 2018, a survey by the Bank of America (BoA) of 163 global investment managers found the UK stock market was least popular of 22 wide-ranging investment asset classes.

If you live and work in the UK, then naturally enough you tend to think in terms of UK-based investments, be they shares, bonds or property. The BoA survey is a reminder that taking such a parochial view of investments may come at a price.

Diversification is one way investment professionals limit risk and potentially increase returns. For example, the most recent report from the Pensions Regulator showed that in 2017 the average UK defined benefit pension scheme had only one fifth of its total shareholdings in UK quoted shares.

International investment offers:

- Access to industries not represented on the UK stock market, such as Amazon or Daimler-Benz.
- The opportunity to benefit from different economies and different stages of the economic cycle, e.g. emerging markets. Both are especially important when UK economic growth is forecast to remain weak.
- Exposure to foreign currencies, which can provide an additional boost to returns when sterling is weak, as it was in the 12 months following the Brexit vote.

There are many ways to increase the international element of an investment portfolio, whether it is held directly or via an ISA or pension arrangement.

For the strategy appropriate to your circumstances, please talk to us.

The value of your investment can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.