

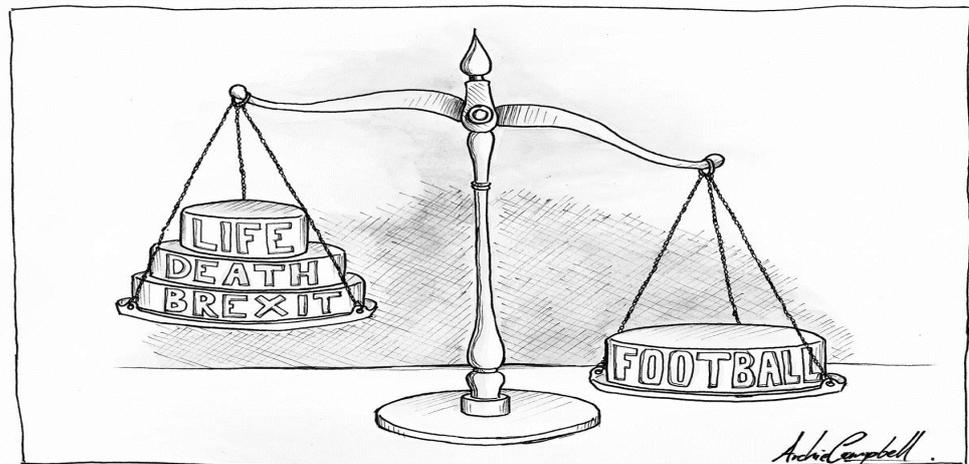


MVAM
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MVAM Newsletter

'A Poll of Two Halves'

April 2016



As we reach Decision-Day in the European debate, we at MVAM, after much in depth research, know the outcome some two months ahead of time. It seems certain that Leicester will be in and Chelsea out. Furthermore in France this summer England are in, while Scotland are out. As Bill Shankly famously said, "football is more important than life and death" - and certainly as important as Brexit. On reflection football may be as good a way as any for investors to analyse the Brexit debate, which lacks any hard facts.

Globalisation, not the EU, has been the key theme of this century. Football, as the global sport, has flourished, with the English Premiership emerging as the most successful league financially, dwarfing the rest of Europe. The free movement of people and capital has played a key role in this, with the Premiership dominated by players from Europe, Asia and South America. This has been good for the supporters (no more hopeless Scottish goal keepers) and good for the economy, given billions of overseas investment. It may have been bad for the younger UK generation, aspiring to be professional footballers. The standard has been raised in a far more competitive market. What has happened in football has happened across the rest of the economy, with the arrival of more highly educated, skilled "foreigners", securing many of the best jobs. This is good news for the economy and for our wealth, with the UK enjoying one of the highest growth rates in Europe. What it does highlight is the need to ensure that our children are well educated to compete in this new world. Look at France and its lacklustre economy, where the focus is on defending the past. Uber taxis is an excellent example of the UK embracing the future, while Paris endures strikes and violence to maintain the status quo. What the latter highlights is the ability to have an uncompetitive economy in or outside the EU. Sunderland manufactures more cars than Italy, France has double the unemployment rate of the UK, and Greece went bust for very good reasons.

This leaves us with the view that whatever the Brexit vote outcome the UK's medium term future will depend more on government policies going forward than anything else. For example in football under current rules Brexit would theoretically force c.100 Premiership European players to go home (BBC report). More room for home grown talent or more room for Scottish goalkeepers depending on your perspective. But in reality the Premiership may change the rules and keep the good players in anyway!! The bottom line is we don't know. And that is the bottom line on the European debate. If we leave, it is impossible to tell what the future holds, the rules may be bent or they may not. That leaves us voters between a rock and a hard place. We can't tell what is going to happen either way!!

Investors don't like uncertainty and that is the bottom line in the run up to June, the markets as a whole and the currency markets in particular can be expected to be volatile. In the longer term given globalisation, the UK's fate will depend more on the path of the global economy than on the EU, but not for the moment. Meanwhile back to the important subject of football. MVAM predict Chelsea return to Europe stronger and better, while we hope Leicester don't do a Greece and self-destruct from their European adventure.

Mole Valley Asset Management Ltd.

Website: www.mvam.com Tel: 01306 776999 Email: enquiries@mvam.com

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