

# Summer sentiment & Brexit blues

August 2018



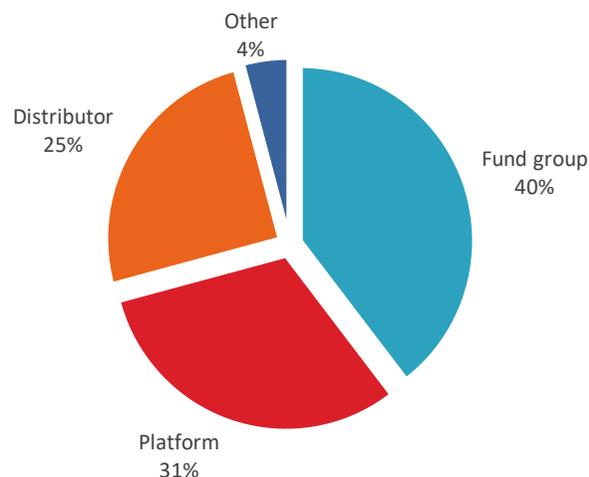
# August 2018 summary

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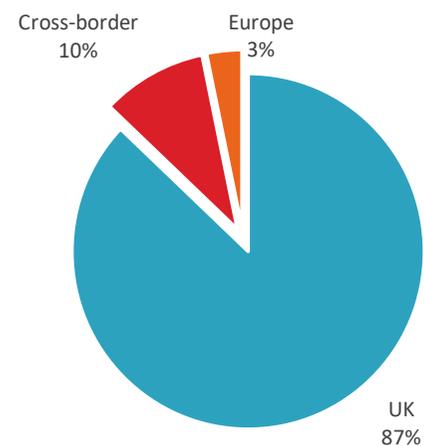
## FOOTBALL FEVER & BREXIT BLUES

- We ran the spring sentiment survey in mid July over in the week running up to the World Cup final.
- In all, there were 104 responses. Fund groups represented 40%, platforms 31% and distributors 25% and 4% were other (consultants, service providers etc). The audience was mainly British (87% ) and the rest European or cross-border.
- Geopolitical uncertainty has become the new norm and respondents appear to be resigned to the fact that black swans will be far more commonplace in the future.
- Despite this new norm, stock markets have weathered the storms... until that is the first quarter of 2018 when they plummeted by nearly 10%.
- Stock markets only began to stabilise in early April, giving investors pause for thought during the UK's crucial ISA season. The Govt's ineptitude over Brexit talks has also put investors on the back foot.
- H1 retail sales were a damp squib. Football fever provided a welcome feelgood factor, but with a heatwave settling in, sales in H218 are likely to be no better.

Respondents by type of company



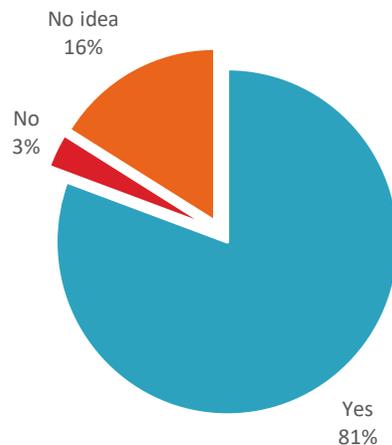
Respondents by market



# Do you think Brexit will still happen?

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The sentiment survey takes into account economic and political factors. Despite recent shenanigans and the government's lack of strategy, most people thought Brexit would still go ahead regardless. Comments, however, were varied – a selection are below – some we can't show.



Respondents were emphatic about Brexit with 81% believing it would happen.

*"But a very soft one".*

*"Our government can't even agree among itself so there is no chance of a sensible deal with Europe."*

*"But not in the form everyone expected."*

*"The bill has been passed. We will leave. But not much might change."*

*"It will happen but will be Brexit lite with a quasi free trade area and limited political independence."*

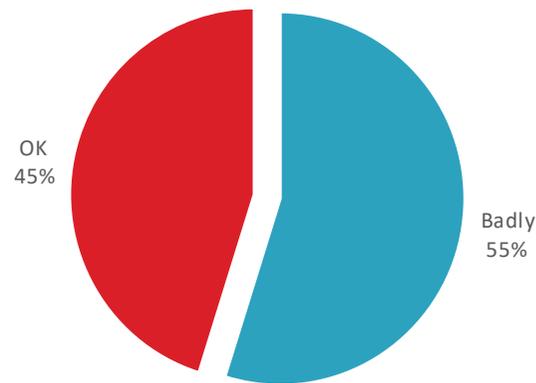
*"BINO - Brexit In Name Only."*

*"Omnishambles."*

# How do you think Brexit will turn out?

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The options for this question were Badly, OK, Well. There were many comments to this question. We've included a selection — nearly all were negative.



More than half of all respondents thought Brexit would turn out badly. Nobody thought it would turn out well.

*"We are heading for a hard Brexit and this will have great ramifications over many years."*

*"I'm not too worried about 'The deal'. It's only a deal. And deals can change."*

*"We need certainty and to stick to a plan."*

*"Complete mess, because the Tories are more worried about internal acceptance than what may be best for the country."*

*"Sub-par to start gradually normalizing over the next 10 year."*

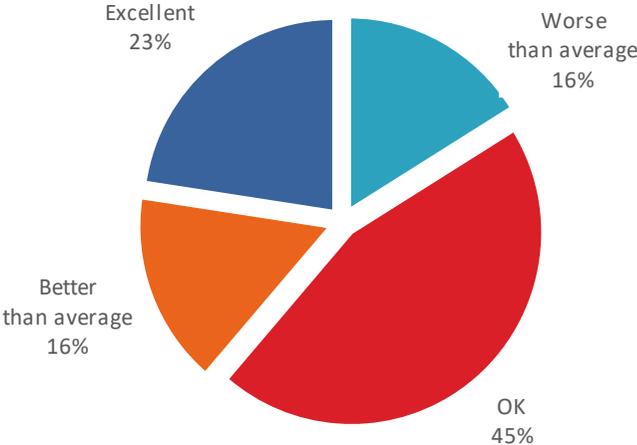
*"It will work out fine in the end. Why are people making such a mountain out of a molehill?"*

*"It is becoming obvious where we are heading, and we will get there with the conservative rebels or without... What is a pity is that we will be worse off than before voting to leave in terms of trade and political power, and it will have wasted billions."*

*Young people today will take us back in when European institutions have been reformed enough."*

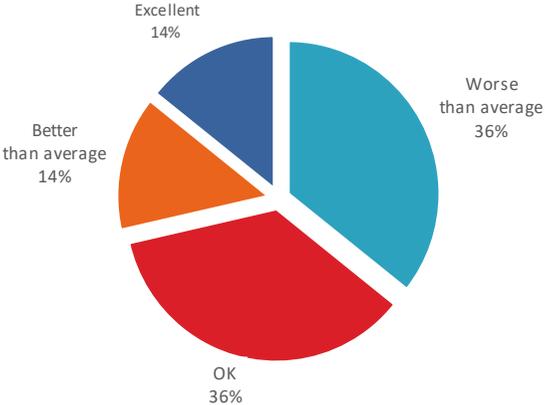
# How was business in H1 2018?

84% of respondents reported that business was OK, better than average or excellent in the first half of the year. The majority of platforms gave a non-committal answer of OK, while nearly 40% of fund groups said business was worse than average.

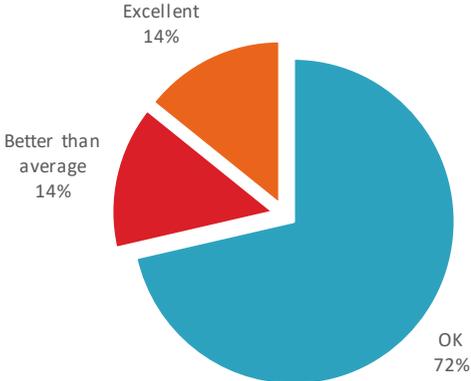


*39% of respondents found business better than expected or excellent.*

Fund groups

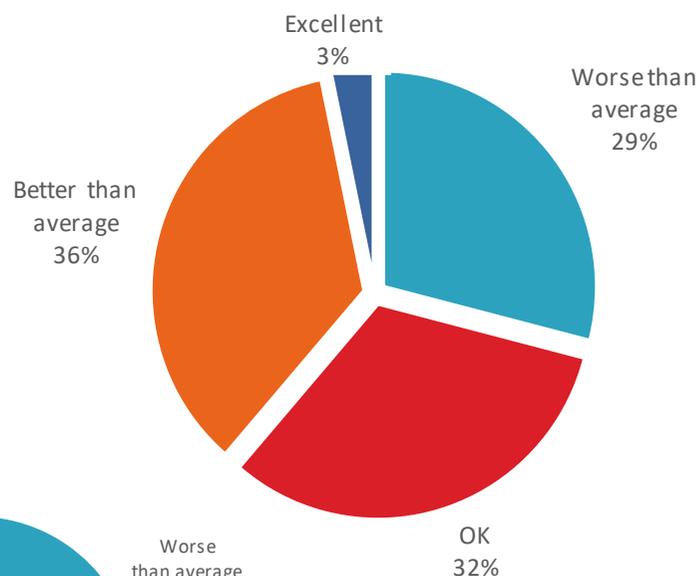


Platforms



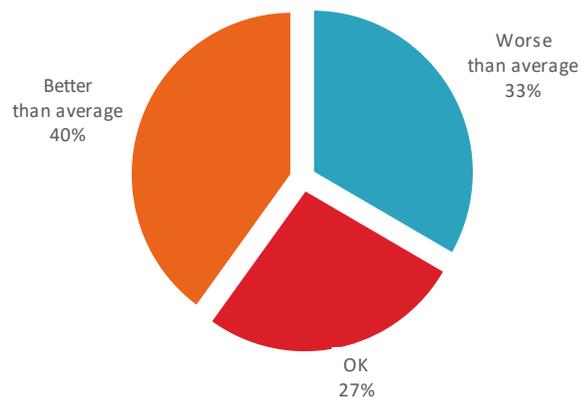
# What do you expect in H2 2018?

For the second half of the year, the spread of answers (excl. excellent) was roughly even, but **better than average** had the edge. **Worse**, **OK** and **Better** got more responses than they did in H1, while **excellent** plummeted to just 3%, suggesting that no-one has any real idea as to what to expect ahead. Another sign of not knowing is the fact that there were very few comments and opinions.

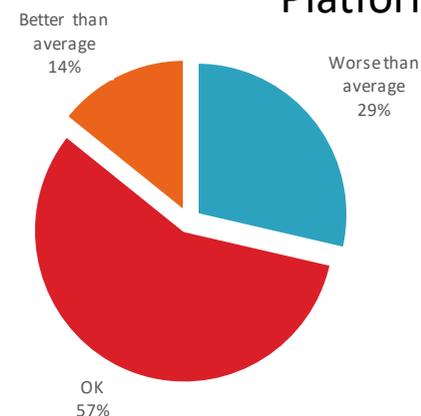


*39% of respondents expect business to be better than expected or excellent.*

Fund groups



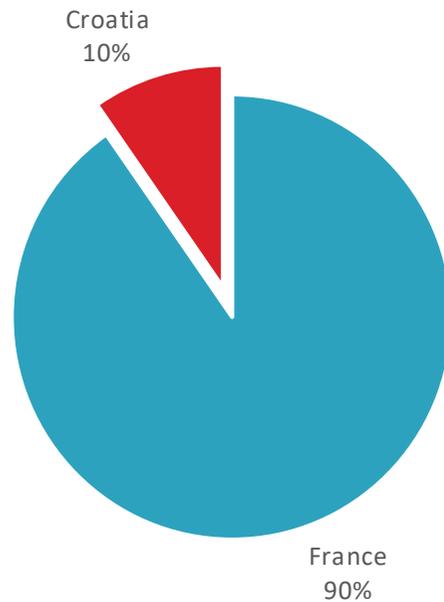
Platforms



# Who's going to win the world cup?

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A light-hearted question on the World Cup, one of the most interesting tournaments we've seen in a long time. 90% of respondents thought France would win, but several were rooting for Croatia.



*90% of respondents expected France to win the world cup.*

# Unintended consequences of MiFID2

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This was an open-ended question, More than 90% of answers were negative. We've posted some of the comments below.

- *The lack of any clear guidance is the most unexpected. There seems little agreement as to how to best interpret the rules and no clarity from the regulators.*
- *Huge problems with platforms and indirect build up of delayed business being placed.*
- *The unexpected consequence is that nothing has changed.*
- *Confusion at the retail (investing public) level. Focus on proprietary products and guided architecture / sub-advisory from the professional investor. On balance, counter-productive all the way around!!*
- *MIFID II will introduce more cost and complexity for all involved. We don't see how sending valuation statements to clients 4 times a year instead of twice a year is of any benefit.*
- *Finding out St James's Place are supposedly exempt!!!! Scandalous!!*
- *The obligatory data provided to us has meant we can streamline and reduce the information we traditionally had to obtain from the providers.*
- *The MiFID disclosure documents are utterly irrelevant at best. Customers do not understand them.*

# What are your thoughts on the next 12-18 mths?

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- Volatile markets, volatile politics and volatile Brexit negotiations!
- Massive change in fund distribution methods, technology and charging.
- Brexit looms large. How that transpires will effect the UK and Europe greatly. Worldwide this will be less so. Trump and trade will be the biggest issue for investments. Hopefully most of the regulation changes are already with us.
- Platforms will be under increasing pressure to demonstrate why the client pays for the platform if the client has no access.
- Fund prices will continue to decline although market volatility could boost active managers demonstrating added value.
- Hopefully ESG funds will become mainstream in retail.
- Tough to hit targets for new business. Active will continue to struggle against passive and when/if markets fall/correct (or if clients are encashing units for income) there will be some terrible outcomes for clients long term.
- Continued uncertainty on Brexit will impact UK market sentiment, scramble by fund groups to ensure ability to operate and distribute appropriate products in UK / EU market.
- More start up platforms.
- We will get a global market correction followed by a decent rally after 6 months. Sector rotation from Fang stocks and miners/oils to more traditional sectors like banking.
- The mess that is PRIIPs KIDs will be gradually unwound until something worth disclosing, but it won't happen quickly.
- Interest rates will rise slightly, but not enough to make much difference, particularly as the UK economy will grow below trend.
- Regulator needs to man up!!!
- Passive will be found out in a sideways or volatile market.
- Value Delivered will create a lot of work and angst, and stay under the investors' radar by being hidden in Report & Accounts.
- Masses of share class mergers and price reductions as platforms and managers try and work out what being an 'agent' for the end investor actually means.
- Consolidation in fund groups and platforms.
- Considerable increase in the launch of share classes due to Brexit with associated challenges for platforms/distributors for re-registering UK and non-UK investors into the correct UK and EU share classes.
- I think we'll have an election that Labour will win.
- Hopefully no more red tape regulation.