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## Brexit Consequences

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As you know, on June 23, 2016, a majority of the U.K. voted to exit the European Union. The decision, on the part of U.K. voters, was a signal to governments worldwide. People are tired of politicians voting their own agendas, rather than representing their voters. This is evidenced by entrenched politicians and parties being voted out worldwide. People are being financially squeezed by technological innovations that are reducing the number of jobs. At the same time, they are facing higher costs for housing, healthcare, and basic services, and dealing with inflation that is substantially higher than governments are reporting. The increase in economic disparity between the privileged and underprivileged has resulted in large-scale social discontent. There is a growing view that an elite few, comprised of bankers and politicians, are benefiting from the policies that are putting others at a disadvantage. This political discontent is one of the reasons we believe in the long-term benefits of renewable energy. There is strong governmental support for projects that promote clean air and water.

The Brexit vote will have some financial consequences. The formal departure of the U.K. from the European Union is a two year process, which will bring the status of the euro into question. We can expect to see more voter referendums from countries including Sweden, Denmark and the Netherlands, as well as a decline in support for financial bailouts of countries like Greece. The U.S. dollar and the Japanese yen, considered safe havens, are expected to rise. Oil and commodity prices are likely to come under pressure as the U.S. dollar strengthens. European stocks will likely be under pressure, particularly European and U.K. financial institutions facing negative interest rates.

There will be some beneficiaries of the Brexit vote. Essential services in the clean energy sector, including renewable energy-focused electric, gas and water utilities, waste management companies, and telecom companies, that represent hard assets that produce income, should outperform. We also expect to see gains in defense stocks, as international frictions increase. High quality bonds should also benefit, although that benefit is likely to accrue to corporate bonds rather than government issues. There is likely to be more interest in gold, but we do not expect to see a sustained long-term rally until foreign countries begin to default on their debt.

In conclusion, our portfolios are well-positioned with core holdings in essential services with an allocation in cash, to take advantage of opportunities as they rise.

Please contact us at [info@seamanscapital.com](mailto:info@seamanscapital.com) if you have any questions or would like to discuss our products in more detail.

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