



INDEPENDENT RESEARCH COMPANY

First reaction on Brexit – brief analysis

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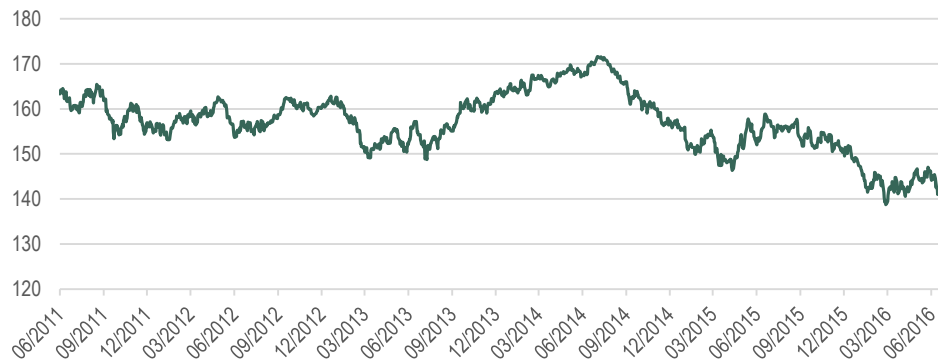
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GLOBAL MACRO – BREXIT TRIGGER

- The majority of voters in UK decided that UK should not be a member of the European Union. The 'Leave' vote will have a negative impact on UK growth and potentially on other EU countries
- The UK vote will also be a trigger for Bank of England and other banks, including US Fed, to react. More aggressive easing, at least from the ECB, and low rates are expected by the market
- The persistence of shock will depend on the policy response. The main risk of break-up in euro area with the Netherlands and some other countries supporting the exit
- Fed might increase the rate in the second half 2016 that should negatively affect the US dollar but, on the other hand the USD is now considered as a 'safe haven'
- One of the most important Brexit consequences is Sterling devaluation versus US dollar and unclear prospects of Euro
- The risk of Euro area break-up might create additional pressure on Euro
- The shock on the market has already materialize in 11% devaluation of Sterling and 2% Euro devaluation against USD
- Swiss Franc and Japanese Yen are considered as a 'safe haven' among currencies, however BRIC currencies demonstrated better resistance in the first shock
- Other preferable during the turmoil assets are gold and governments' bonds
- UK and EU equities lost 13% in 3 days since Brexit vote. FTSE100 lost 1.6% and FTSE250 lost 11% YTD as of 29/06

FIRST REACTION: FX, GOLD, OIL

Sterling (\$/100£) lost 11% vs USD in 3 days after Brexit vote



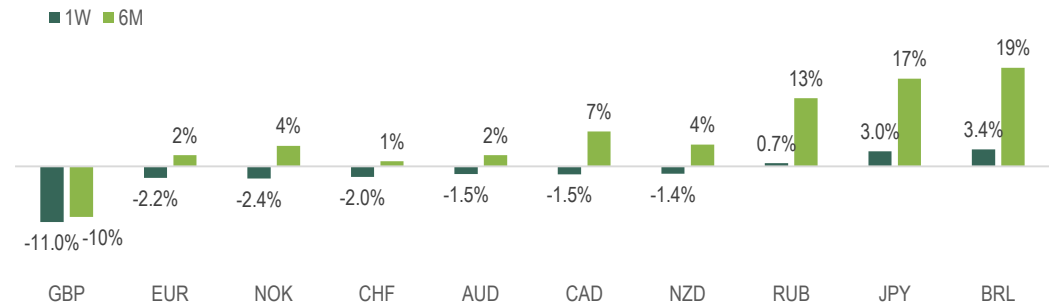
Source: Capital IQ

Gold price (\$/oz) grew almost 4.3% (1W) following the Brexit vote, as a safe asset for investors



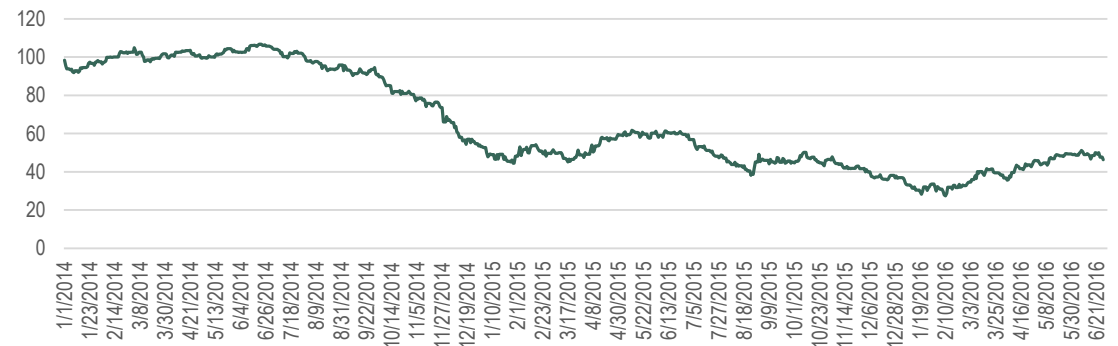
Source: Capital IQ

European currencies depreciation was first reaction on Brexit, whereas Japanese, Russian, and Brazilian currencies stay resilient



Source: Capital IQ, Hypothesis Research estimates

Oil price (\$/bbl) reacted with 7.5% correction in the first 3 days on weaker global growth expectations



Source: Capital IQ

FIRST REACTION: EQUITIES, FIXED INCOME

US Treasury 10-year bond yield – stay below 2%



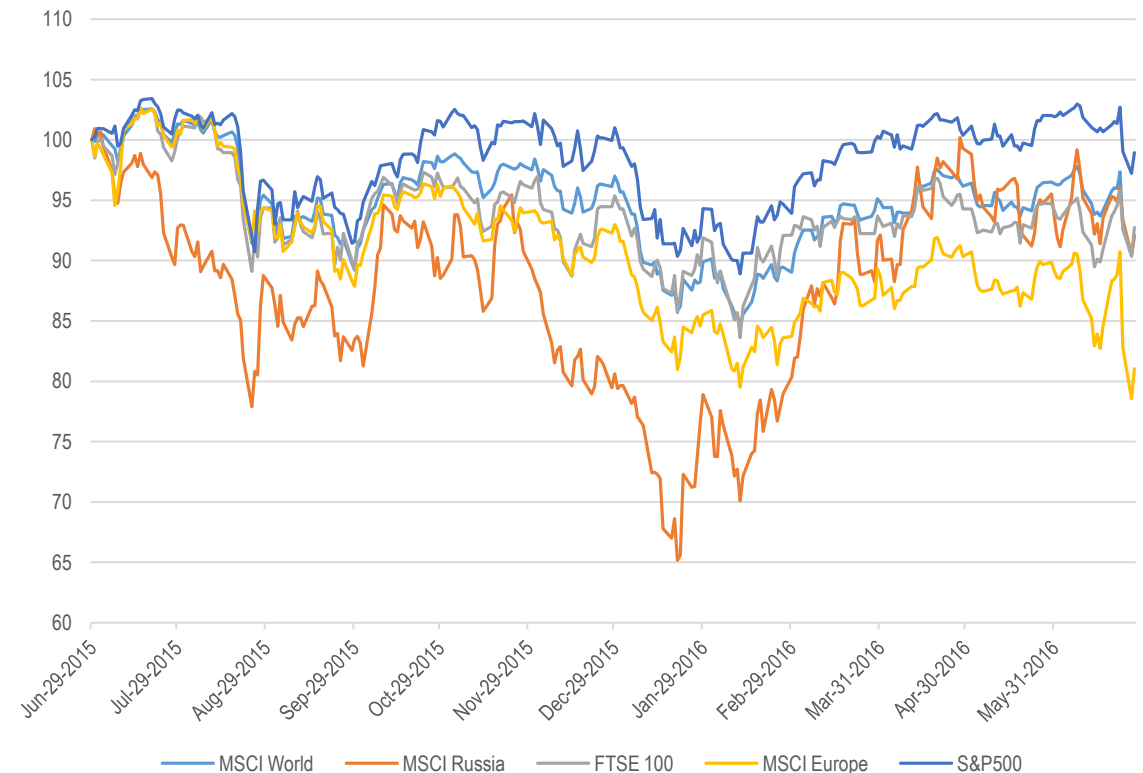
Source: Capital IQ

German government bond 10 years yield – hit negative zone



Source: Capital IQ

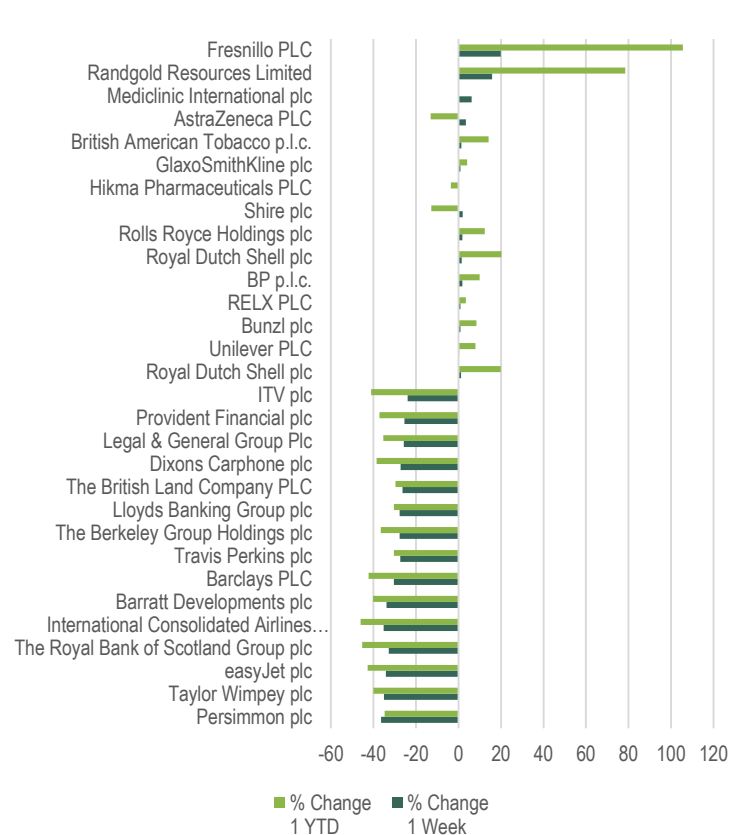
Global stock markets fell over 5% with MSCI Europe down 13.4%, S&P500 -5.3%, MSCI Russia -5.7%,



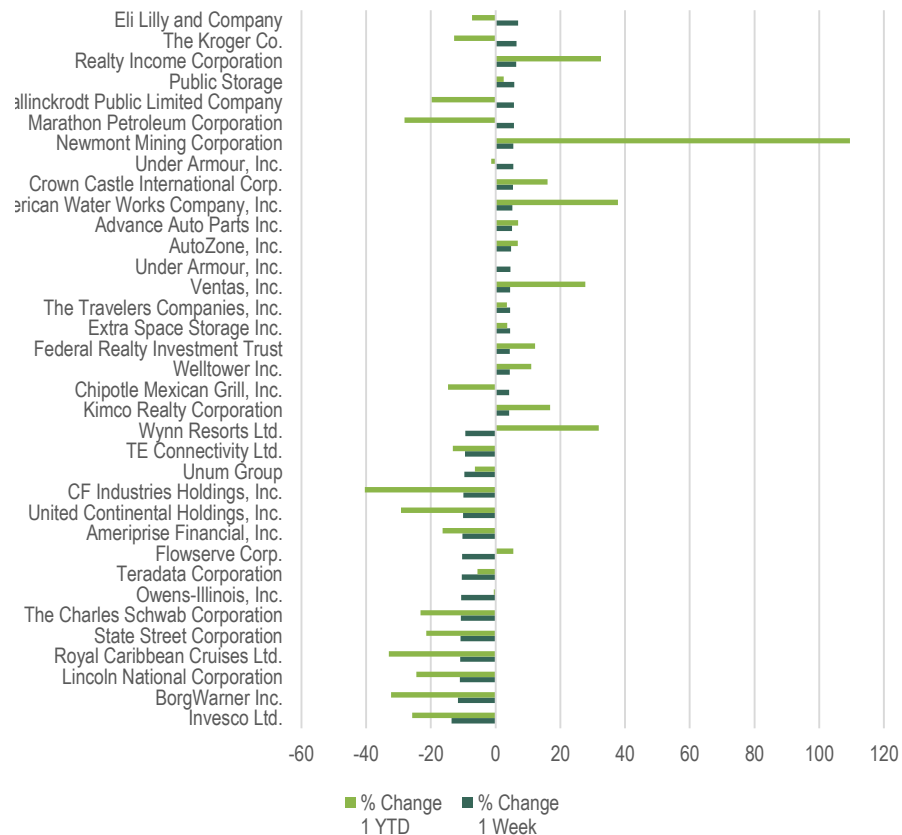
Source: Capital IQ

BREXIT – INFLUENCE ON UK / US / EU EQUITIES

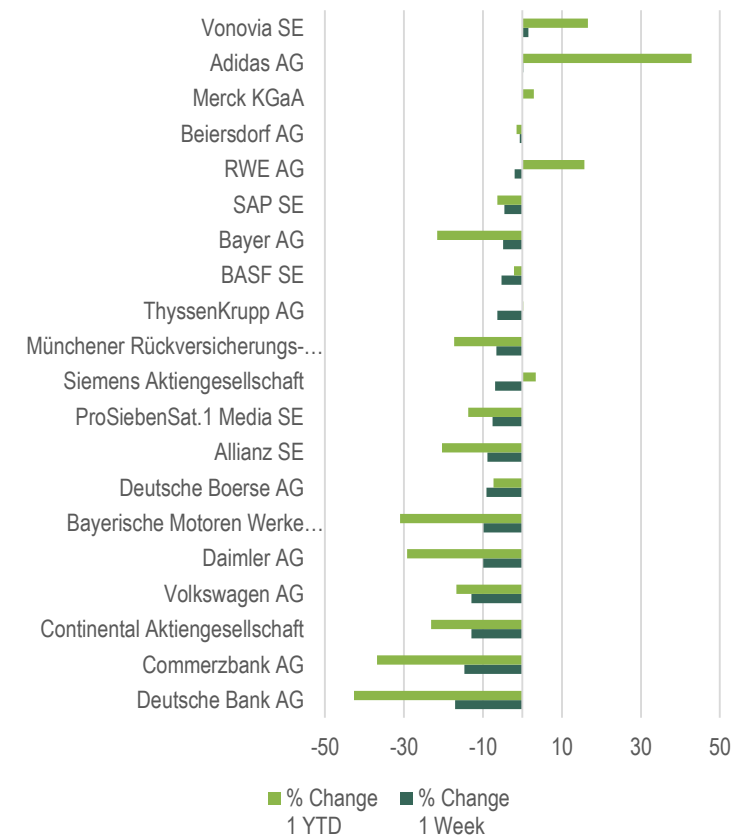
UK FTSE best/worst performers in 1week



S&P500 best/worst performers in 1week



German DAX index best/worst performers in 1week



ASSET PREFERENCE CHANGES – NEW ‘SAFE HAVEN’

Risk appetite of investors has changed dramatically over the last few days. Uncertainty around the process of UK exit and consequences for European countries will depend on political response. We would outline several relatively stable assets for the uncertainty period in EU

1. **Currencies** – US dollar, Japanese Yen, Swiss Franc are the first tier choice. More diversified portfolios might look at Norway Krona and some currencies of already depreciated “resource” countries, including Russian ruble and Brazilian Real
2. **Fixed income** – governments’ bonds are already traded at their minimums for several years

More risky options might include

1. **Gold** ETFs and gold stock with low cash production cost – Polymetal, Barrick Gold, Newmont and others
2. **Eurobonds** in USD of first class issuers from non-EU countries. Our choice include Russian Eurobonds USD nominated below 5.5 years duration – Gazprom, Norilsk Nickel, Lukoil, Severstal, Russian railways and others
3. **UK equities with lowest domestic exposure from FTSE100 / buy on weakness** – Coca-Cola, Fresnillo, Randgold Resources, Antofagasta, Hikma Pharmaceuticals, Arm Holdings, British American Tobacco, Rio Tinto, Sabmiller, BHP Billiton, Royal Dutch Shell

BREXIT VOTE AFTERMATH FOR UK

The consensus opinion (analysts, UK government officials, investors) for UK economy expects rather negative implications following the Brexit which we would summarize as following:

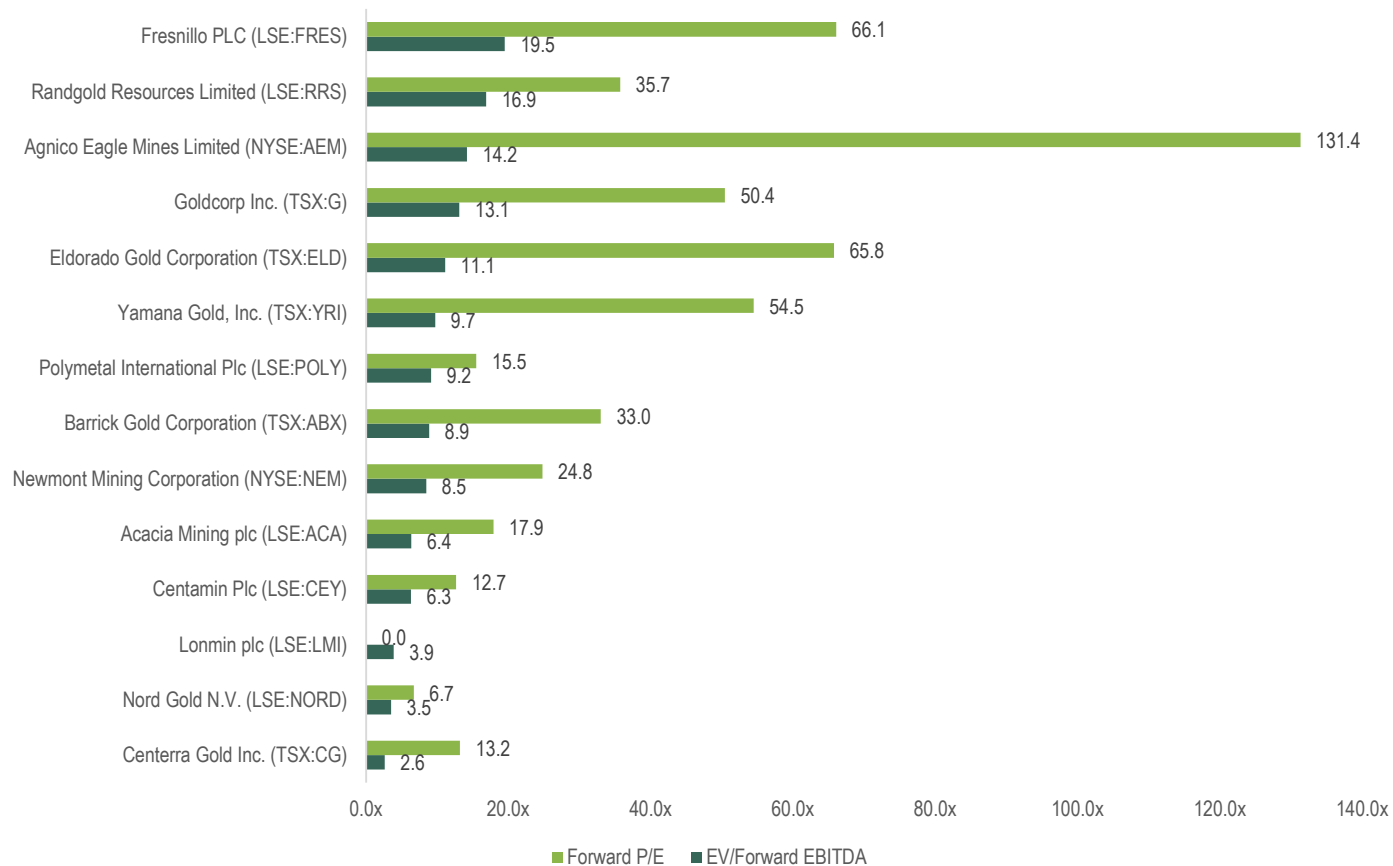
- Slow down of the GDP growth from 1.8-2.0% to 1% pa
- Increasing inflation on the back of more difficulties in foreign trade and imports
- Decline of real estate demand, at least in London, with price correction by 15-20%
- Weaker sterling due to trade balance deficit covered before Brexit by foreign investments.
- Possible increase of taxes and reduction of benefits
- Volatile market due to long (2 years or more) trade negotiations with EU and other countries
- Potential easing of the monetary policy
- Further reduction of UK gilts yield
- Possible rate cut by BoE by 25bp in the nearest months

GLOBAL MARKETS MOVE ON POLICY DECISIONS

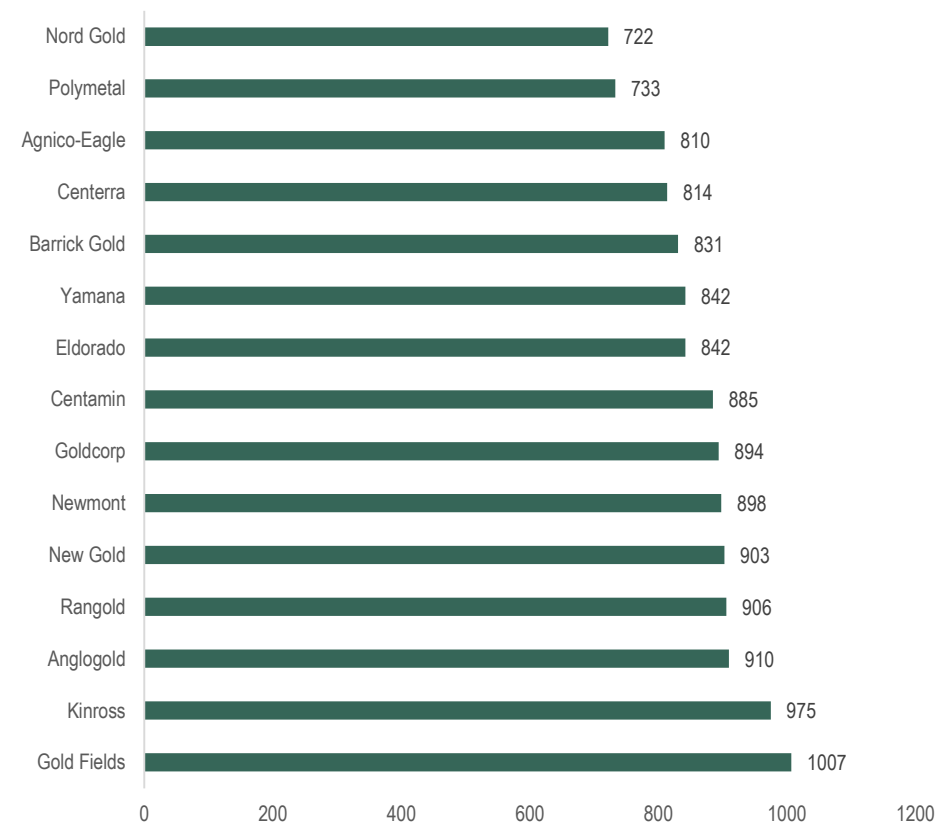
- Financial markets will be driven by political events, at least in medium term
- Brexit made us believe that D.Trump might be elected a President, and one more wave of financial turmoil is possible this year
- The UK-EU negotiations and risk of further EU break-up will create pressure on euro assets
- Low or negative expected interest rates on the back of slow growth of the world economy
- Possible US Fed rate decision in 2H2016
- US dollar and USD assets will stay anyway a defensive play for investors
- Oil price remains under pressure as Brexit added uncertainty

GOLD PEERS COMPARISON

Comparable multiples of gold producers

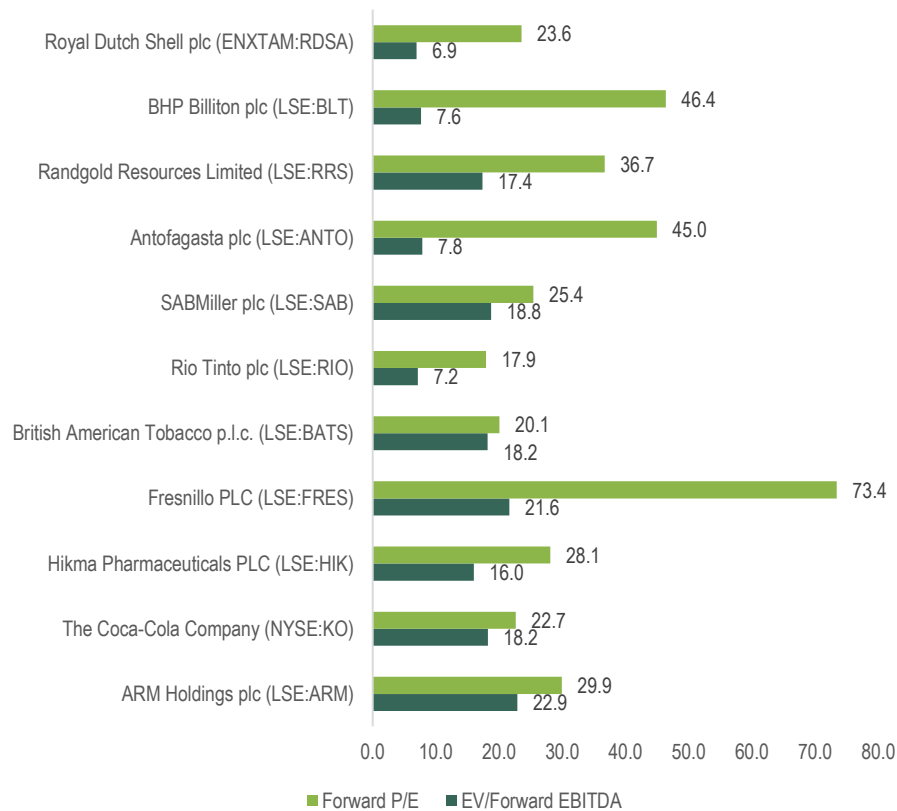


Gold producers all-in sustaining cash cost, \$/oz of GE

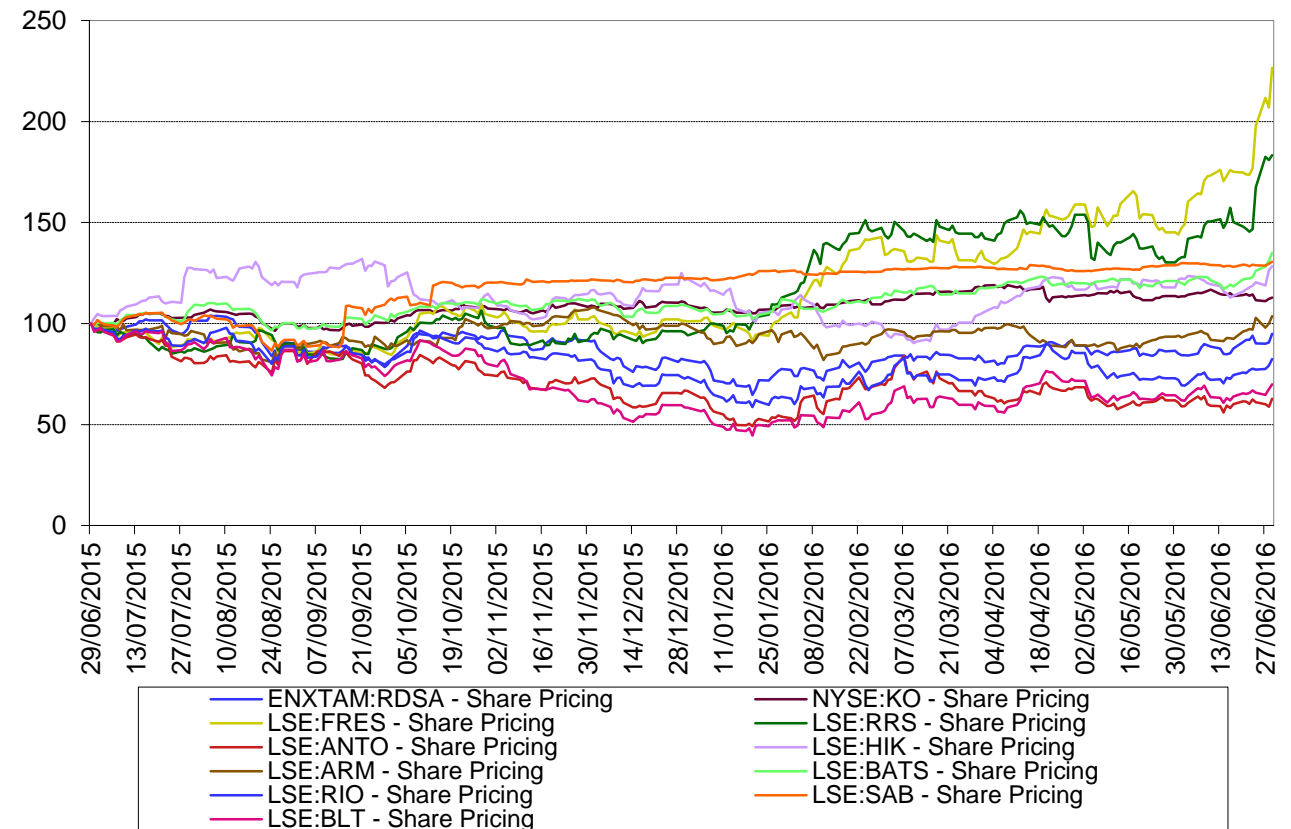


FTSE 100 COMPANIES WITH LOWEST DOMESTIC EXPOSURE

Multiples of selected FTSE 100 companies



1Y share price performance of selected FTSE 100 companies



UK FTSE 100 – EQUITY 1W AFTER BREXIT LOSERS / WINNERS

Company Name	Exchange:Ticker	Currency	Market Cap	Revenue	% Chng 1 W	% Chng 1 M	% Chng YTD	P/E	P/BVPrimary Industry
Taylor Wimpey plc	LSE:TW.	GBP	5,298.5	4,630.3	-38.52	-43.52	-43.17	8.2	1.46Homebuilding
Persimmon plc	LSE:PSN	GBP	5,518.1	4,279.2	-38.32	-38.75	-36.68	8.1	1.68Homebuilding
International Consolidated Airlines	LSE:IAG	GBP	10,087.2	26,455.2	-38.07	-41.68	-48.44	6.2	1.75Airlines
Barratt Developments plc	LSE:BDEV	GBP	5,069.2	5,985.4	-36.65	-39.55	-42.66	7.4	1.02Homebuilding
easyJet plc	LSE:EZJ	GBP	5,633.8	6,755.0	-36.22	-37.31	-44.52	8.1	2.16Airlines
The Royal Bank of Scotland Group plc	LSE:RBS	GBP	26,828.8	18,873.7	-34.43	-35.28	-46.59	NM	0.38Diversified Banks
Barclays PLC	LSE:BARC	GBP	29,614.2	31,025.5	-32.28	-33.45	-43.83	NM	0.42Diversified Banks
The Berkeley Group Holdings plc	LSE:BKG	GBP	4,335.1	2,996.4	-31.75	-33.21	-40.17	8.8	1.79Homebuilding
Travis Perkins plc	LSE:TPK	GBP	4,689.9	8,762.1	-31.02	-31.83	-33.94	21.4	1.26Trading Companies and Distributors
Legal & General Group Plc	LSE:LGDN	GBP	14,034.8	9,908.6	-28.34	-29.87	-37.64	9.9	1.65Life and Health Insurance
Dixons Carphone plc	LSE:DC.	GBP	5,221.6	14,251.1	-27.75	-30.98	-38.93	22.6	1.38Computer and Electronics Retail
The British Land Company PLC	LSE:BLND	GBP	7,938.1	1,042.8	-27.68	-27.95	-30.88	4.7	0.64Retail REITs
Lloyds Banking Group plc	LSE:LLOY	GBP	52,121.8	22,261.3	-27.62	-29.13	-30.29	290.0	0.95Diversified Banks
ITV plc	LSE:ITV	GBP	8,862.9	4,382.8	-27.02	-28.62	-43.54	13.5	5.97Broadcasting
TUI AG	LSE:TUI	GBP	6,849.8	22,996.2	-25.78	-26.87	-37.09	0.0	0.00Hotels, Resorts and Cruise Lines
Provident Financial plc	LSE:PFG	GBP	4,397.3	1,523.5	-25.59	-26.93	-37.26	15.3	4.64Consumer Finance
Standard Life plc	LSE:SL.	GBP	7,280.2	7,459.1	-25.01	-25.06	-34.60	20.7	1.36Life and Health Insurance
Unilever PLC	LSE:ULVR	GBP	127,317.8	57,857.2	-2.47	-1.73	5.03	26.6	8.41Personal Products
RELX PLC	LSE:REL	GBP	35,562.4	8,805.5	-2.32	-3.36	0.13	27.5	12.69Publishing
Royal Dutch Shell plc	LSE:RDSB	GBP	207,207.9	247,808.0	-2.14	7.29	15.94	0.0	0.00Integrated Oil and Gas
Rolls Royce Holdings plc	LSE:RR.	GBP	16,396.5	20,240.4	-1.83	2.00	8.24	149.4	2.46Aerospace and Defense
Shire plc	LSE:SHP	GBP	50,794.6	6,637.6	-1.71	-7.12	-15.87	27.1	3.51Biotechnology
GlaxoSmithKline plc	LSE:GSK	GBP	97,992.6	35,330.5	-1.71	-3.42	1.37	120.1	26.19Pharmaceuticals
Bunzl plc	LSE:BNZL	GBP	9,290.1	9,570.4	-1.66	-0.78	5.70	30.2	6.85Trading Companies and Distributors
BP p.l.c.	LSE:BP.	GBP	101,080.2	206,272.0	-1.63	4.77	6.28	NM	1.13Integrated Oil and Gas
Hikma Pharmaceuticals PLC	LSE:HIK	GBP	7,623.6	1,440.0	-1.44	-0.99	-5.01	28.1	5.25Pharmaceuticals
British American Tobacco p.l.c.	LSE:BATS	GBP	113,120.0	19,324.6	-1.33	0.36	11.05	19.8	17.63Tobacco
Royal Dutch Shell plc	LSE:RDSA	GBP	207,207.9	247,808.0	-1.33	7.24	16.78	0.0	0.00Integrated Oil and Gas
AstraZeneca PLC	LSE:AZN	GBP	71,980.8	24,766.0	0.95	-1.92	-15.21	26.8	5.28Pharmaceuticals
Mediclinic International plc	LSE:MDC	GBP	10,257.9	3,034.7	2.16	10.75	NA	35.4	2.19Healthcare Facilities
Fresnillo PLC	LSE:FRES	GBP	14,222.1	1,444.4	11.39	33.91	90.85	223.3	6.72Precious Metals and Minerals
Randgold Resources Limited	LSE:RRS	GBP	9,931.6	1,043.8	12.96	26.75	74.08	55.4	3.21Gold

Source: Capital IQ

GERMAN DAX – EQUITY 1W AFTER BREXIT LOSERS / WINNERS

Company Name	Exchange:Ticker	Currency	Market Cap	Revenue	% Change 1 Day	% Change 1 Week	% Change 1 YTD	P/E	P/BV	Primary Industry
Deutsche Bank AG	DB:DBK	EUR	19231	34365	0.1	-17.1	-42.6	NM		0.3Diversified Capital Markets
Commerzbank AG	DB:CBK	EUR	8253	9930	-0.4	-14.7	-36.8	8.3		0.3Diversified Banks
Continental Aktiengesellschaft	DB:CON	EUR	37563	45002	-0.4	-12.9	-23.1	12.0		2.6Auto Parts and Equipment
Volkswagen AG	DB:VOW3	EUR	65004	240899	0.0	-12.9	-16.8	0.0		0.0Automobile Manufacturers
Deutsche Lufthansa Aktiengesellschaft	DB:LHA	EUR	5450	36450	0.7	-11.6	-26.1	3.9		1.0Airlines
Daimler AG	DB:DAI	EUR	63878	171150	0.4	-9.9	-29.2	0.0		0.0Automobile Manufacturers
Bayerische Motoren Werke Aktiengesellschaft	DB:BMW	EUR	47778	104904	0.7	-9.9	-31.0	6.7		1.0Automobile Manufacturers
HeidelbergCement AG	DB:HEI	EUR	14269	15341	1.1	-9.5	-7.7	14.5		0.9Construction Materials
Deutsche Boerse AG	DB:DB1	EUR	15128	3217	-0.1	-9.1	-7.3	0.0		0.0Specialized Finance
Allianz SE	DB:ALV	EUR	64507	117458	3.2	-8.9	-20.4	8.4		0.9Multi-line Insurance
Linde Aktiengesellschaft	DB:LIN	EUR	25765	20281	2.0	-3.9	-4.8	20.1		1.7Industrial Gases
RWE AG	DB:RWE	EUR	8884	52053	4.1	-2.0	15.7	NM		1.2Multi-Utilities
Fresenius SE & Co KGaA	DB:FRE	EUR	39611	31954	2.9	-1.9	1.4	25.5		3.2Healthcare Services
Beiersdorf AG	DB:BEI	EUR	20564	7261	1.4	-0.7	-1.5	28.0		4.4Personal Products
Merck KGaA	DB:MRK	EUR	43687	15339	2.8	0.1	2.9	27.8		3.1Pharmaceuticals
Adidas AG	DB:ADS	EUR	27954	20046	2.8	0.3	42.9	31.8		4.4Apparel, Accessories and Luxury
Vonovia SE	DB:VNA	EUR	16895	4027	1.9	1.5	16.6	15.0		1.3Real Estate Operating
Fresenius Medical Care AG & Co. KGAA	DB:FME	EUR	26391	17396	2.2	1.5	2.0	25.8		2.7Healthcare Services
Henkel AG & Co. KGaA	DB:HEN3	EUR	48548	20631	2.5	2.2	6.4	23.6		3.4Household Products
Deutsche Telekom AG	DB:DTE	EUR	76491	79712	4.1	2.3	-7.9	12.3		2.3Integrated Telecommunication

S&P500 – EQUITY 1W AFTER BREXIT LOSERS / WINNERS

Company Name	Exchange:Ticker	Currency	Market Cap	Revenue	% Change 1 Day	% Change 1 Week	% Change 1 Month	% Change 1 YTD	P/E	P/BV	Primary Industry
Invesco Ltd.	NYSE:IVZ	USD	10,010.2	4,980.0	0.00	-16.61	-23.72	-28.35	11.7	1.27	Asset Management
BorgWarner Inc.	NYSE:BWA	USD	6,184.8	8,307.6	0.00	-14.27	-15.42	-34.26	10.7	1.67	Auto Parts and Equipment
Lincoln National Corporation	NYSE:LNC	USD	8,788.3	13,437.0	0.00	-13.81	-20.34	-26.84	8.8	0.60	Life and Health Insurance
Royal Caribbean Cruises Ltd.	NYSE:RCL	USD	14,126.3	8,401.3	0.00	-13.78	-15.61	-35.15	20.0	1.80	Hotels, Resorts, Cruise Lines
United Continental Holdings, Inc.	NYSE:UAL	USD	13,119.3	37,451.0	0.00	-13.62	-13.79	-32.02	2.0	1.69	Airlines
Ameriprise Financial, Inc.	NYSE:AMP	USD	14,210.2	11,914.0	0.00	-13.58	-15.58	-19.47	10.1	2.02	Asset Management
The Charles Schwab Corporation	NYSE:SCHW	USD	32,460.7	6,543.0	0.00	-13.34	-19.82	-25.42	22.3	2.63	Investment Banking, Brokerage
Wynn Resorts Ltd.	NasdaqGS:WYNN	USD	8,986.0	3,981.3	0.00	-12.35	-8.00	27.59	28.5	NM	Casinos and Gaming
State Street Corporation	NYSE:STT	USD	20,299.9	10,232.0	0.00	-12.34	-19.04	-22.74	11.7	1.08	Asset Management
CBRE Group, Inc.	NYSE:CBG	USD	8,394.9	11,650.0	0.00	-12.11	-13.09	-25.71	16.2	3.05	Real Estate Services
Flowserve Corp.	NYSE:FLS	USD	5,673.6	4,493.7	0.00	-12.10	-9.60	3.42	20.7	3.27	Industrial Machinery
Delphi Automotive PLC	NYSE:DLP	USD	16,575.2	15,419.0	0.00	-12.04	-10.42	-29.17	14.2	7.34	Auto Parts and Equipment
E*TRADE Financial Corporation	NasdaqGS:ETFC	USD	6,197.6	1,903.0	0.00	-11.92	-20.06	-24.97	17.2	1.08	Investment Banking, Brokerage
Affiliated Managers Group Inc.	NYSE:AMG	USD	7,347.2	2,394.9	0.00	-11.55	-20.84	-14.53	15.3	2.56	Asset Management
The Priceline Group Inc.	NasdaqGS:PCLN	USD	59,778.2	9,531.4	0.00	-11.46	-5.40	-5.55	23.7	6.60	Internet Retail
Dominion Resources, Inc.	NYSE:D	USD	47,103.7	11,195.0	0.00	3.59	6.74	13.01	24.1	3.54	Multi-Utilities
NextEra Energy, Inc.	NYSE:NEE	USD	59,277.3	17,217.0	0.00	3.90	7.19	23.65	21.5	2.59	Electric Utilities
Crown Castle International Corp.	NYSE:CCI	USD	33,352.8	3,697.8	0.00	3.95	9.03	14.52	79.9	4.62	Specialized REITs
Newmont Mining Corporation	NYSE:NEM	USD	19,719.8	7,789.0	0.00	4.06	16.30	106.61	202.8	1.74	Gold
Ventas, Inc.	NYSE:VTR	USD	24,372.6	3,331.0	0.00	4.51	8.70	27.73	53.7	2.53	Healthcare REITs
AutoZone, Inc.	NYSE:AZO	USD	23,106.8	10,527.3	0.00	4.52	3.23	6.54	20.1	NM	Automotive Retail
Extra Space Storage Inc.	NYSE:EXR	USD	11,454.2	851.1	0.00	4.58	-1.56	3.71	51.6	5.34	Specialized REITs
Endo International plc	NasdaqGS:ENDP	USD	3,604.9	3,518.1	0.00	4.79	5.27	-73.55	NM	0.61	Pharmaceuticals
American Water Works Company, Inc.	NYSE:AWK	USD	14,593.9	3,204.0	0.00	4.93	10.79	37.44	30.9	2.87	Water Utilities
The Kroger Co.	NYSE:KR	USD	34,211.2	111,383.0	0.00	5.35	0.95	-13.82	16.9	5.26	Food Retail
Public Storage	NYSE:PSA	USD	43,889.4	2,495.4	0.00	5.42	-0.82	2.20	40.6	8.64	Specialized REITs
Realty Income Corporation	NYSE:O	USD	17,570.4	1,043.5	0.00	5.97	13.86	32.09	63.8	2.81	Retail REITs