

FUND FINANCE FRIDAY

Brexit . . . the Story Continues

July 26, 2019 | Issue No. 38

There is a new Prime Minister in the UK -- Boris Johnson -- who swept to power on the back of the votes of less than 1% of the UK electorate, with the enthusiastic support of the “hard” Brexiteers in his party and with an apparent intention to Brexit (yes, it is now a verb) by the current deadline of 31 October, a plan he intends to execute, despite serious obstacles, with a mixture of a “can-do” attitude, “optimism” and the appointment of a cabinet made up of fellow Brexiteers who share the Prime Minister’s unbridled enthusiasm. A cautionary note for those on either side of this historic debate: Optimism, a can-do attitude and enthusiasm are all admirable qualities but do not by themselves alter the political and economic realities of the Brexit process.

What happens next (despite the current noise) with Brexit is anybody’s guess, from a “hard” Brexit on the 31 October, to an adoption of the existing “Brexit” deal currently on the table, another extension, or even a general election, but right now the odds have probably shortened on either a “hard” Brexit and/or an election. We can pretty safely predict, though, a continuation of the political instability that has dogged the Brexit process from the start and that has knocked the financial and currency markets certainly in the UK and also in Europe, and that is likely to continue for a while yet.

So what effect this all has on the Funds market and the Fund Finance market is also hard to predict. Short of a hard Brexit and a significant economic downturn, the reality is probably not that much, at least in the shorter term. The Brexit uncertainty is probably already “priced in,” although a “hard” Brexit may not be, and short of a dead stop, any instability should also create opportunities and demand on which Funds and their Investors (and their financiers) depend.

And, finally, to paraphrase a well-known quote: “A [lawyer] is an expert who will know tomorrow why the things he predicted today didn’t happen.”