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Braced for volatility

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Our focus is on assets and not politics.

The election result leaves a lot to be desired. Whether you are left leaning or right, a hung parliament creates uncertainty. After the Brexit vote and Donald Trump being elected in the US, nothing should really surprise us.

The key point for us is how this plays out in investment markets. We have written previously about the need to understand how the assets you own would behave following unexpected events and ensure that there is a balance between capital preservation and potential growth. We have been firmly in a capital preservation mindset since late last year and our strategies have been moved onto a more defensive footing as political risks have risen and the economic environment remains fragile.

On a morning such as today it is important to remember that all Tacit strategies are positioned to preserve capital on days such as this. Perversely, this is done mainly through owning UK equities which have risen as the Pound has fallen due to their significant overseas earnings.

The impact of the election result will not be fully known for a while yet but one thing we must brace ourselves for is continued political uncertainty, both here in the UK and abroad. As human beings it is difficult to remove our personal biases from our decision making. The current investment environment requires a focus on the behaviour of the assets we are invested in. Volatility will rise going forward, but as today, this can lead to a rise in asset prices for UK investors.

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