

# The Brexit effect on property, pensions and investments

By FT Reporters

More than a week has passed since the country took the plunge towards Brexit. Volatile markets, fears over economic growth and a vacuum of political leadership have brought little clarity to investors, homebuyers and retirement savers as they navigate the potential pitfalls of an EU departure.

Uncertainty clouds everything from interest rates and portfolio values to foreign holiday homes and the price of petrol. Many will have seen the value of their investments fall, along with pension values if invested in the UK stock market. But opportunities for smart investors have begun to emerge from the market maelstrom.

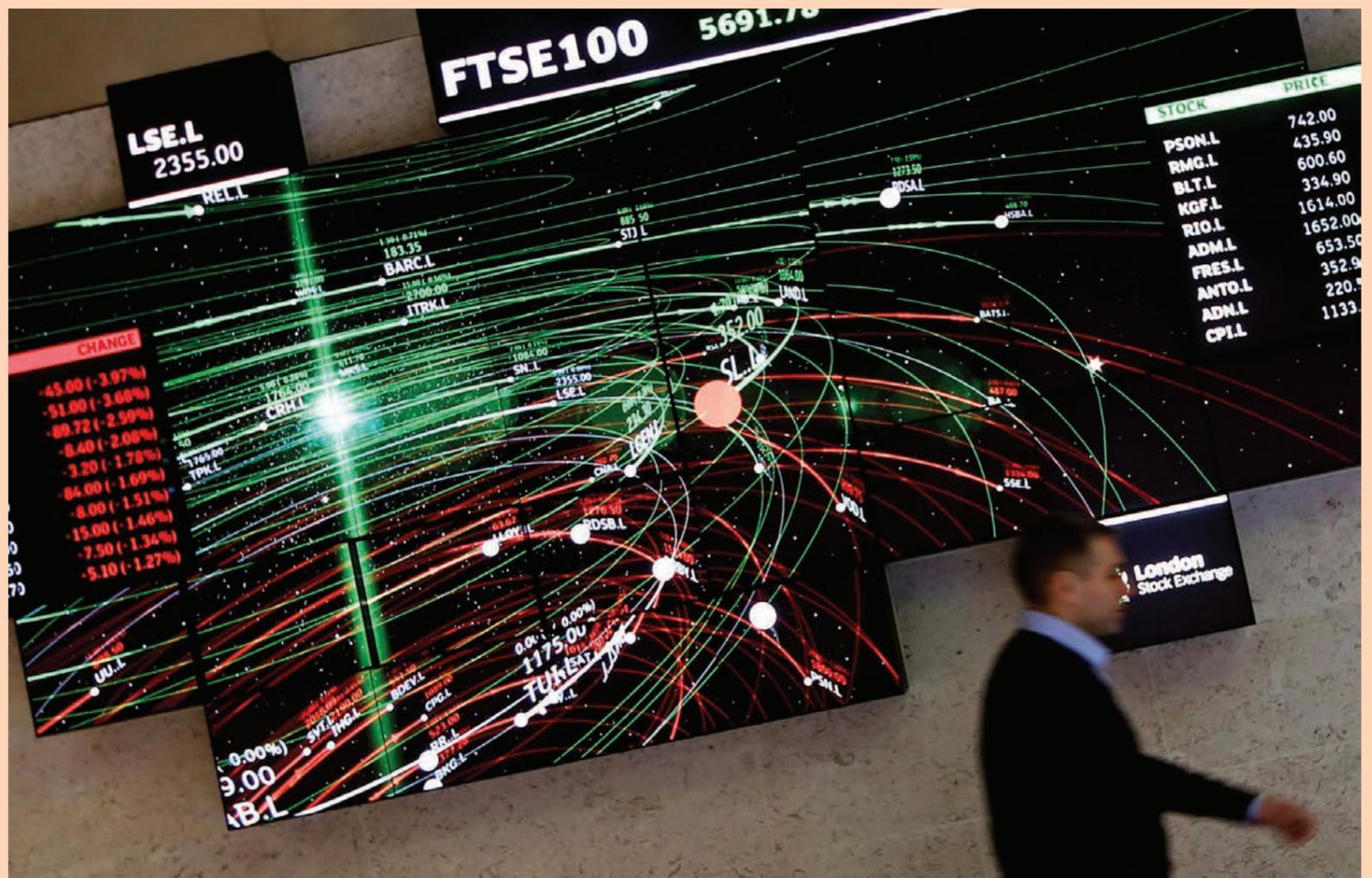
FT Money reporters assess the risks of the EU rupture for your financial plans and offer ways to sidestep its most damaging implications.

## THE INVESTMENT OUTLOOK

For investors, the prospect of Brexit has so far been a gloomy affair, with plummeting share prices, rock-bottom bond yields and depressed sterling all hitting portfolios hard. But low share prices and a weak currency could present opportunities for a portfolio, as well as threats.

In UK equities, the two main indices have diverged. While the large-cap FTSE 100 index had recovered all of its post-Brexit losses by Wednesday, the FTSE 250 was still down, leaving mid-cap funds as the worst performers following the vote. FTSE 100 companies tend to have more international exposure, with the FTSE 250 sell-off down to its exposure to the UK economy, analysts say.

Tom Becket, chief investment officer of Psigma Investment Management, says he would be looking for opportunities to buy small and mid-cap stocks with depressed share prices over the coming weeks.



A man walks past a board showing data on the FTSE 100

Others are less sure buying mid-cap funds is a good idea. Gary Potter, portfolio manager for F&C, says his portfolio was “slightly over-

M&G Investments. “If you look at China, what happens to the UK economy doesn’t matter to them,” he says. “If you look to Japan,

appear overvalued,” he says, “the dollar remains a strong diversifier when it comes to portfolio construction.”

But Mr Becket of Psigma points to political risk in US, too, noting the controversial campaign of Republican party nominee Donald Trump in the presidential election.

Tom Stevenson, investment director for personal investing at Fidelity International, recommends diversifying across regions. “Timing the market’s ups and downs is as unwise as it was before the vote,” he says.

But the weak pound may still catch investors out. Darius McDermott, financial adviser at Chelsea Financial, warns against moving heavily into US or Japanese equities and suffering a loss because of the relatively weaker sterling.

“Don’t rush into the dollar as it has already risen

significantly on the back of the pound falls, but make sure your portfolio isn’t just assets or equities reliant on sterling,” he says. “Perhaps think about moving UK equity exposure up the cap scale - trimming small- and mid-cap and adding to the FTSE 100 where revenues come mostly from outside the UK.”

Investors can also think about other investment opportunities that might arise from a weak currency, says Ben Yearsley, investment director of Wealth Club.

Weak sterling may make holidays more expensive, so investors could look for funds with a “staycation” theme, he says, such as those that invest in UK caravan parks or pubs. “Think about what has exposure to the UK holiday industry,” says Mr Yearsley. “Think about how you can make money from a weak economy.”

Rash readjustments to portfolios bring the danger of being exposed to other risks.

“We mustn’t lose sight of the risk of a lancing of the Chinese credit bubble or a sharp devaluation of the yuan, nor indeed the ramifications of a Trump victory,” says Jason Hollands, managing director at Tilney Bestinvest.

“I would caution against moving a portfolio around in what is likely to remain a very turbulent period for markets and funds with capital preservation as part of their mandate,” he says.

Mr Potter, of F&C, says investors must not lose sight of their long-term goals. “All events are monumental in at the time but in history they’re just issues that happen,” he says. “One thing commentators forget when they talk about investing is that it should be for the long term.”

**“ Don’t rush into the dollar as it has already risen significantly on the back of the pound falls.**

DARIUS MCDERMOTT

weight” FTSE 250 stocks, but that the position was under review.

For investors who want to steer clear of Brexit shockwaves, investment opportunities abound. Investing in overseas equities means your portfolio is less vulnerable to further declines in sterling, says Eric Lonergan, multi-asset fund manager at

what matters is their fiscal plan.”

Mark Preskett, portfolio manager at Morningstar, says global diversification is key. “We’ve got it all; we allocate across the regions,” he says. Investors are divided on US equities, however. “US exposure is one we’ve wrestled with the most,” he adds.

Although US equities “ap-

## The Brexit effect on property, pensions and investments (continued)

### SAFE IN BRICKS AND MORTAR?

Some homebuyers are adopting a “wait and see” approach in the wake of the vote, reasoning that if house prices fall, they will be in line for a cheaper purchase.

Mortgage brokers say buyers who were putting their deals on hold were either delaying or cancelling them entirely. Aaron Strutt, director at broker Trinity

Financial, says some were far advanced in the process and were on the brink of exchanging contracts.

However, the trend has not yet led to a widespread knocking-down of prices. “They might be hoping for a better deal but a lot of sellers aren’t ready to give a drop in price.”

Others say there had been a noticeable, though not drastic, drop in activity. David Hollingworth, director at broker London & Country Mortgages, says: “It’s not fallen off a cliff. Inquiry levels are generally a little bit softer, but it’s not silent here.”

It is too early to say what the effect on prices will be, but one analyst note from

Bank of America Merrill Lynch assumed a 10 per cent fall in average selling prices, and pointed to a 13 per cent decline in prices outside London during the 2009 recession.

“We believe that even though there is a structural shortage of housing in the UK, it is likely that consumer confidence will be hit and this in turn could result in decisions to move house being either deferred or permanently cancelled,” the



note said.

Researchers at property advisers JLL are less bleak, but nonetheless forecast a flat 2016 overall and falls of between 3 and 5 per cent in the subsequent two years.

Transaction volumes are likely to drop, too, by 10 to 15 per cent, “resulting in downward pressure on prices for at least a couple of years. We anticipate current activity levels will return but this is unlikely before late in 2018.”

One sticking point, should prices fall significantly, is that the valuation given pri-

or to mortgage approvals may disappoint sellers and force them to trim their borrowing, as surveyors adopt a more cautious approach to property values.

“We’ve had more down valuations and more of a chance the valuation might not stack up. Valuers are going to be under even more pressure now,” says Mr Strutt.

Some foreign buyers, meanwhile, have spotted an opportunity in sterling’s fall.

Ollie Hooper, a buying agent for prime central London properties, says he has

seen a surge in inquiries from his largely overseas clientele, particularly those from the Middle East or whose currencies are US dollar-pegged. “Most are intrigued and want to see what’s happening. It looks like a currency play.”

What is the outlook for buy-to-let? Highly leveraged investors will face the same levels of uncertainty over interest rates as residential owner-occupiers with big mortgages - and their profits are in any case set to decline further as George Osborne’s new

tax treatment of relief for mortgage interest payments comes into force between 2017 and 2020.

But some are predicting, at least in the short term, an uptick in rents as buyers rethink or delay purchase until they have a clearer idea of economic conditions, particularly first-time buyers. “It’s a good outcome for landlords as more first-time buyers are going to have to rent,” says David Lawrenson, a landlord advisor and author of *The Tenants’ Guide to Successful Renting*.

### THE PICTURE ON PENSIONS

Pension savers and investors are being urged to protect their portfolios as market uncertainty puts their retirement funds at risk. Financial advisers say those approaching retirement, or who are drawing on their pension savings, are financially vulnerable if their funds have stock market exposure.

“Market turbulence is not helpful when looking to take income from investments and certainly market falls in the short term can have a big effect on overall asset levels when combined with making withdrawals,” says Andy James, head of retirement planning at Towry, a firm of advisers.

Rules that came into effect last year gave investors freedom to spend as much of their defined contribu-

tion pension funds as they wished, with no requirement to buy an annuity. But Mr James says it might be time for investors to dip into a cash buffer, if they have one, rather than draw on their pension, and give time for “things to settle down.”

Patrick Connolly, a certified financial planner with financial adviser Chase de Vere, says investors who were planning to begin taking income from a pension pot should consider capital protection. “The right approach for these people is not to be too reliant on the stock market,” says Mr Connolly. “They may want to hold equities because there is long-term growth potential but to spread risk by holding other assets, such as fixed interest and commercial property.”

Mr Connolly adds that younger pension savers, who are decades away from retirement, could afford to ride out the market volatility.

Meanwhile, prospects worsened for individuals looking to turn their fund into a secure income in the form of an annuity, after rates were hammered. A flurry of insurers cut annuity rates during the week, as gilt yields, which providers use to price their annuities, collapsed.

“Gilt yields and annuity rates have been dropping steadily over the past year,” says Tom McPhail, head of retirement policy with Hargreaves Lansdown, the investment manager and annuity broker. “The events of the past couple of days have given momentum to that trend. For any investor planning to buy an annuity, it may make sense to do so sooner rather than later.”

Those looking for a secure retirement income were urged to consider enhanced annuities, which pay a higher income to those in ill health or who, due to lifestyle reasons, had a shorter-than-average life expectancy.

“As always, make sure you shop around for the most competitive terms for your personal circumstances,” adds Mr McPhail. “If you want to delay purchasing an annuity, but need to draw on savings, look at using a drawdown arrangement.”

Reporting by Josephine Cumbo, James Pickford, Naomi Rovnick and Aime Williams

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## Expats: Uncertainty for 2m Brits abroad

Naomi Rovnick and Josephine Cumbo

There are 2 million British citizens living, working or travelling in the 27 member states of the European Union, according to government data. Of these, 1.2 million have fully migrated to EU states.

So what will the people who have made EU countries their home do after Brexit? They have enjoyed not only the right to work in their adopted homes, but also to access healthcare on the same terms as locals. Those who have retired to EU nations can draw their British state pensions. Spain is has been the most popular destination for such British migrants, followed by Ireland, France, Germany and Italy, according to United Nations data.

Whether these expats will continue to enjoy these rights may depend

on a future deal the UK agrees with EU nations. In a Brexit briefing document published in February, the UK government said: “At the very least, any terms which the UK seeks for its own citizens would have to be offered to EU citizens wishing to come to or stay in this country.”

For those who own property in EU nations, there are uncertainties over whether they would now be able to live there year round, according to Charlie Tee, a partner at law firm Withers. “There could be restrictions on how long they could stay per year,” Mr Tee says, “in common with that country’s arrangements for other non-EU citizens.”

These are all different. Malta allows people it considers of “good standing” to become citizens through investing in the local economy, by buying a home there. Non-EU citizens who

invest more than €500,000 can also apply for Spanish residency, under its “golden visa” scheme.

There are about 400,000 British pensioners living in EU nations. They face the issue of the falling pound buying less for them in their adopted country. In addition to currency volatility, there is also uncertainty over whether those receiving the UK state pension while living in the eurozone will continue to have their pension uprated - or revalued to account for inflation - each year.

This is because the uprating requirement is an EU one and there is uncertainty over whether it will remain as part of the UK’s exit from the EU.

For the next two years or so, though, Britain will remain part of the EU as it negotiates the terms of its exit under article 50, giving expats time to consider their options.

By Malcolm Foster in Bangkok

**T**HAILAND is smitten by Japan: Sushi restaurants fill the malls, Issey Miyake's luxury "Bao Bao" bags are all the rage and Thai tourists are flocking to Japan in record numbers to visit a country many view as a role model.

"I love Japan. They really put their heart into whatever they do," says Aunyawee Sahachalermpat, 26, who has traveled to Japan more than a dozen times since studying there five years ago and owns at least 10 Comme des Garçons shirts, another popular brand that sounds French but is actually Japanese.

Like many Thais, she loves Japanese food and admires the quality of its products and its advanced, orderly economy that retains a respect for tradition. "We look up to them," she says.

Japan, too, has a soft spot for Thailand, although it doesn't loom nearly as large in the public mind. It's seen more as a warm, easygoing tourist spot — a welcome break from Japan's often onerous social codes — and a vital production and export hub for more than 4,500 Japanese companies, including behemoths such as Toyota, Honda and Canon.

All this has resulted in a mutual affection between these two nations that's rare in Asia, where historical, political and territorial tensions often complicate ties.

Typical of many in her generation, Aunyawee traces her positive feelings to watching Japanese cartoons such as "Doraemon" and "Sailor Moon" as a child. As an adult, she instinctively trusts anything "Made in Japan" and admires the courteous, subdued manners of many Japanese — widespread sentiments among Thais.

Economic and bureaucratic changes have helped foster these ties. Three years ago, Japan waived visas for Thais for up to 15 days, prompting tourist numbers to surge to nearly 800,000 last year, up five-fold from 2011.

As Thai incomes have grown and budget carriers such as AirAsia have intensified competition, trips to Japan have become more affordable. Likewise, Japanese tourists can now fly from Tokyo to Bangkok for about the same price as to Okinawa, in southern Japan.

There seems to be a cultural affinity between these two peoples — a gentleness, an aversion to conflict and an emphasis on proper etiquette — that creates a sense of familiarity and safety.

Yet there are still enough intriguing differences to make the other culture appealing in a non-threatening way.

Buddhism, for example, has influenced both countries, al-



Tanong Prakuptionon, who runs a Facebook site with 230,000 followers, "Japanthaifanclub"



Visitors read leaflets on hotels in Japan at the Japan Tourism Fair in Bangkok



A Thai shopper gets inside a Japanese restaurant at Japanese shopping mall in Bangkok

# Thailand, Japan share mutual affection that is rare in Asia

though in Thailand it plays a more overt role and it is epitomized by brilliantly colored temples and monks in orange robes, while in Japan it takes on a more subdued form. Both countries have royal families, although the Thai king holds greater sway over society than the emperor does in Japan.

"There's a kindred feeling" with Thais, more so than with other Asians, said Mariko Uehara, an English instructor from Chigasaki, southwest of Tokyo, who recently visited Thailand for a second time since 2012. "We have something in common that makes us feel secure." Some 1.38 million Japanese tourists came to Thailand last year, a similar level to previous years.

Japan and Thailand aren't encumbered by historical baggage that has strained ties with their respective neighbors.

Tokyo's ties with China and South Korea are tainted by territorial disputes and lingering resentment over Japan's aggression before and during World War II. After briefly resisting Japanese troops, Thailand formally became an ally of Tokyo during most of the war and served as a supply base and so suffered less. Japan's infamous "Death Railway" in western Thailand was built by British, U.S. and Australian POWs and thousands of other Asians.

Japan's rosy image here has been partly shaped by popular books, TV dramas and movies.

"Khu Kam," a novel that has been made into movies many times — titled "Sunset on the Chaophraya" in English — depicts a wartime romance between a Japanese naval officer and a Thai woman in the resistance. He manages to win her over before being killed.

Japanese food, once considered a delicacy in Thailand, has become more affordable and popular as more than 2,300 Japanese restaurants have opened up across the country, tripling since 2008.

**There seems to be a cultural affinity between these two peoples — a gentleness, an aversion to conflict and an emphasis on proper etiquette**

Now a top reason Thais want to go to Japan is to eat authentic Japanese food — in Japan.

Chaitee Tandhanskul, a 29-year-old manager in his family's chemical business, says he makes bookings at restaurants in Japan weeks ahead of time, and bases his itinerary around those reservations.

"I've traveled many times to Japan just for the culinary experience," he said.

Japan is more popular than previous favorites Hong Kong or Singapore because "it's much more exotic" and less "robotic," said Chaitee, who also roams the country taking pictures.

Taking their cues from Thai fashion magazines and websites that highlight the latest Japanese styles, Thai women line up in Tokyo to buy Issey Miyake's "Bao Bao" brand bags, which can cost several hundred

dollars and have become a staple of Bangkok's fashion elite. Shiseido cosmetics, Kenzo shoes and Casio G-Shock watches are also hot.

Many Thais also like Japan because it is safe and they believe they won't get cheated by shopkeepers or taxi drivers, said Kavi Chongkittavorn, a senior fellow at Chulalongkorn University's Institute of Security and International Studies.

The two countries' economies have become increasingly intertwined.

Thailand's importance to Japanese manufacturers was made plain when severe flooding here in 2011 swamped many factories and suppliers, disrupting markets as far away as Chicago and London, Japanese Ambassador Shiro Sadoshima said in an interview.

"We need to think in terms of being in the same boat as they are — that whatever Thailand is doing well is good for Japan, too," said Sadoshima, who was surprised to find a big "Ippudo" restaurant in Bangkok serving ramen noodles native to his home island of Kyushu.

"It's bigger and grander than the main shop in Japan," he said.

Japan's official development aid to Thailand shows up prominently in places like the "Thai-Japanese Bridge" sign — with national flags — on a flyover at a major Bangkok intersection. Assistance from Tokyo helped build 14 of the 21 bridges across the Chao Phraya River that runs through the capital. Officials from the two countries are doing feasibility studies on three high-speed railway lines that would cross the country, the ambassador said.

Bangkok has a large Japanese

community, many of whom live clustered in an area that resembles parts of Tokyo, with Japanese eateries and yakitori shops lining side streets and Thai hostesses calling out in Japanese. There are at least a couple streets of go-go bars devoted to Japanese customers.

Each country offers something appealingly different to the other.

The very discipline and proper etiquette that Thais admire about Japanese culture can become an enormous burden to some Japanese who find Thailand's easygoing, accepting ways a welcome refuge.

Kazue Takenaga moved with her three children to Bangkok two years ago to escape the growing educational and social pressures facing her family, especially her 11-year-old daughter. Her husband had car parts factories in Thailand, so she decided to move here and enroll her children in an international school because the country and environment seemed more accepting and diverse than Japan, and yet also familiar.

"It's so good that we came to Thailand," she said. "Our family's overall health is much better. The lifestyle is much easier here. The thought of returning to Japan is daunting."

Thais, meanwhile, want to see and experience things in Japan they can't at home, like snow, cherry blossoms and colored autumn leaves — without traveling all the way to Europe or North America, said Tanong Prakuptionon, who runs a "Japanthaifanclub" Facebook page, which has tips for travelers and more than 230,000 followers.

"It's different, but not too foreign," he said. "It's a dream destination." AP

## In Paraguay, drought-stricken caimans agonize

By Pedro Servin

**D**OZENS of caimans are on the verge of death because of a harsh drought that has hit a wide desert zone of Paraguay known as the Chaco Boreal.

Owners of the area's San Jorge Hacienda have tried to rescue the adult and newborn yacare caimans by drilling 18 wells to collect water that is then transported to reservoirs normally used for cattle. During a recent visit, Associated Press journalists found two dead caimans in the area and several others agonizing in the mud. The yacare caiman is found in central South American, including the rivers of Paraguay.

The caimans were seen about a few miles outside of Fortin General Diaz, a small community with army barracks near the Pilcomayo River, which is born in the Andean foothills in Bolivia and serves as a natural border between Argentina and Paraguay.

The small fort for which the community is named for is about 310 miles west of the capital Asuncion and can only be reached by land by driving on an unpaved road. The wa-



Two yacare caimans move on the shore of a reservoir in the San Jorge cattle ranch near Pilcomayo river

ters from the Pilcomayo river stopped reaching this area after a massive flood earlier this year changed its course to Argentine territories. The entry point of the river into Paraguay remains blocked with sediment.

"Everyone is demanding a final solution but there's no end in sight to this problem because the river goes where it wants to go," said Edwin Pauls, governor of the affected state of Boqueron. He added that wild animals such as capybaras, as well as the yacare caimans and other reptiles, continue to suf-

fer during the drought.

The government of Argentina's Formosa province has been working to unclog the mouth of the river, which only receives abundant water twice a year through the melting of ice from the Andes.

Alcides Gonzalez, manager of a large farm in the area, said workers have relocated livestock to give the caimans a larger space to survive. Gonzalez said that some Mennonite communities living nearby have offered to donate food for the caimans. **AP**

## Dead whale towed off Los Angeles beach

**T**HE reeking carcass of a dead humpback whale was towed back out to sea some 24 hours after washing up at a popular Los Angeles County beach Friday.

Authorities used boats pulling ropes attached to the tail to pull it off the sand during the evening high tide, taking the whale far out to sea and avoiding a foul stench and grim scene on the beach as Fourth of July weekend crowds began arriving.

Authorities had earlier attempted the procedure at mid-day, with a bulldozer pushing, but it was unsuccessful because of the low tide.

The huge whale washed onto Dockweiler Beach, a long stretch of sand near the west end of Los Angeles International Airport, just before 8 p.m. Thursday and holiday beachgoers began arriving in the morning.

Lifeguards posted yellow caution tape to keep people away and biologists took samples to determine what caused the death of the humpback, an endangered species. Beachgoers watching from a distance covered their noses.

Tail markings were compared with a photo database and



found that the same whale had been spotted three times previously off Southern California between June and August of last year by whale watchers who gave it the nickname Wally, said Alisa Schulman-Janiger, a whale research associate with the Natural History Museum of Los Angeles County.

At the time of the prior sightings the humpback was covered with whale lice, which usually means a whale is in poor physical condition, but it was also actively feeding and breaching, she said.

Schulman-Janiger said she noticed healed entanglement scars on its tail indicating that in the past it been snarled in some sort of fishing line. The carcass was in relatively good condition which meant the whale could have died as recently as Thursday morning, she said. **AP**

### ASK THE VET

By Dr Ruan Du Toit Bester



## 10 ESSENTIAL DOG CLEANING SUPPLIES

**W**ITH the right dog cleaning equipment, you can keep your house and car clean and fresh smelling, without limiting your dog to one room and no family trips or having to book weekly doggy bath sessions. Even well trained dogs may occasionally have an accident or throw up on the rug. A good stain remover and odor remover are essential. Many dogs shed, so you'll also want a good pet hair remover for your furniture and clothes. An allergen remover and the proper grooming supplies will help you stay healthy while maintaining your dog's skin and fur.

#### PET STAIN REMOVER

You can find a stain remover that will make house cleaning easy and effective. The best type includes enzymes that actually interact biologically with the stain and lift it off the carpet or furniture. Make sure to test the product on a hidden area of the carpet or furniture before applying it on a more visible area. You may need a separate product for carpets and furniture.

#### PET ODOR REMOVER

There are several ways to cope with pet odors, such as those associated with ac-

cidents or just the general aroma a dog can leave. Keeping your dog clean and groomed helps, but sometimes you'll want a good odor remover for accidents and the air. Many of the products that really remove stains will also remove the odor associated with the stain. There are sprays that will actually remove the odors from the air, versus just covering them up with perfume. Make sure to use a product that is safe and non-allergenic for people and pets.

#### PET HAIR REMOVER

There are simple and cheap ways to remove pet hair from clothes and furniture. You can invest in a commercial pet hair remover, which is usually a roller with a sticky surface that you can use on many surfaces and clothes. Wrapping wide tape around your hand, sticky side up, often does a good job. You can also take a slightly damp mop and mop your carpet or floor. The small amount of water will lift the hair right off the carpet. This can also work with a slightly damp sponge on furniture, provided it's not leather. Remember to test on a hidden area first.

#### GROOMING SUPPLIES

Investing in several good grooming



supplies will help your dog's skin and fur stay healthy, and it will reduce the amount of allergens your dog produces. The following items make dog cleaning simple and effective:

- A good hard wire dog brush
- Oatmeal shampoo
- Conditioner
- A grooming table and harness

Another important dog grooming tool is (depending if you wash your dog or cat yourself) a washing glove or brush that really will remove the dead hair and skin. An allergen remover, usually in the form

of a spray, will keep your house and car clean and smelling fresh.

Hope this helps  
Till next week  
Dr Ruan

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