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FACTSHEET

Brexit

Maintaining a long-term perspective is the key to future investment success

As was widely predicted, a vote to leave the EU wiped billions off companies' share prices. Low interest rates and volatile stock markets are likely to be the order of the day for the foreseeable future, and any rise in interest rates would be good news for savers.

However, it's important to keep this event in context. This is far from the global financial crisis of 2008, but the decision to leave the European Union sparked volatility across asset classes. In terms of specific sectors, banking, airlines and construction experienced the biggest falls in share prices.

IMPULSE DECISIONS

For investors that have no immediate need to withdraw money, they should remain invested, especially if they are genuinely investing and not speculating. Making impulse decisions, such as selling much too low out of fear, can be very costly in the long run. Even though there have been falls in the FTSE 100, and more significantly to the FTSE 250 since the EU referendum result, it's also important not to lose sight of buying opportunities.

The golden rule when investing is to buy low and sell high. With the massive amount of uncertainty surrounding Brexit and its potential long-term effects, now may be a good time for adventurous investors to add appropriate stocks selling at all-time lows to their portfolios. For people years from retirement, they have lots of time for these securities to rebound and need to keep calm and carry on.

INVESTMENT SUCCESS

While the knee-jerk reactions will continue to make headlines, history has shown that maintaining a long-term perspective is the key to investment success.

Although there has been a significant slide downwards in sterling, it's worth remembering that the UK has previously endured sharp devaluations before, notably following the ejection of the pound from the European Exchange Rate mechanism (ERM) and in the aftermath of the banking crisis, resulting in periods of economic expansion.

LARGEST ECONOMY

The UK is the fifth largest economy in the world, and, looking at the fundamentals, more than 70% of FTSE 100 earnings are international in nature and so are little affected by any weakness in the UK domestic economy stemming from the vote. It is important that investors' portfolios are well diversified and a long-term perspective is maintained, and investors should be careful not to be drawn into any hysteria – a multi-asset approach will enable investors to protect capital and drive long-term returns in the future.