



## **Update on the Brexit vote to “Leave” the European Union**

On Thursday June 23, Britain held a referendum vote to determine if it should continue its membership (a vote to “Remain”) in the European Union (EU) or vote to “Leave”, a term referred to as “Brexit” (a combination of “Britain” and “Exit”). **The results were very close, with 51.9% voting to Leave.** The results of the vote sent shockwaves through worldwide markets on Friday. Stocks and currencies around the globe are experiencing heightened volatility due to the uncertainty of what this historic vote means going forward.

The vote, which technically is not binding, was only the first step in the process. The vote needs to be approved and incorporated into an Act of Parliament in the United Kingdom, after which an official notice will be given to the EU, and then negotiations will begin to determine the terms of the exit. **This process is expected to take at least two years, if not longer.**

The decision could have a significant impact on the global economy as new trade agreements will need to be established between the UK, the EU, and the rest of the world. The largest impact will be felt in the UK, but central banks around the world, especially The Bank of England and The European Central Bank, already have stated their willingness to adjust monetary policy as needed to soften the potential impact and minimize market volatility. Over the long run, cross-national trade will adjust, new policies will be adopted, and economies will adapt to the new environment.

In the short run, however, volatility will persist in risk assets, such as stocks, due to the uncertainty of the unprecedented decision for Brexit. Uncertainty, and the resulting volatility, generates the emotion of fear. **Investment decisions based on emotions, whether it be fear or elation, can be irrational and have long-term detrimental effects on portfolio returns, ruining the potential to reach financial goals.** Often times, the best course of action is to be disciplined, stay invested (do not try to time the markets), and focus on long-term goals.

**The MCF Executive Investment Committee continues to analyze new data and will adjust our long-term outlooks, if necessary.** We invest portfolios based on these long-term views and proper diversification, but we may tactically rebalance portfolios when short-term market disruptions provide the opportunity. Not every bout of volatility or uncertainty deems it worthy to trade portfolios. Our goal is to provide the proper allocation to deliver the right mix of risk and reward for your portfolio. We continue to evaluate market and economic data relative to our outlooks, and will communicate to you if we believe an opportunity exists to change the investments in your portfolio to better help you reach your financial goals.

The MCF Executive Investment Committee

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