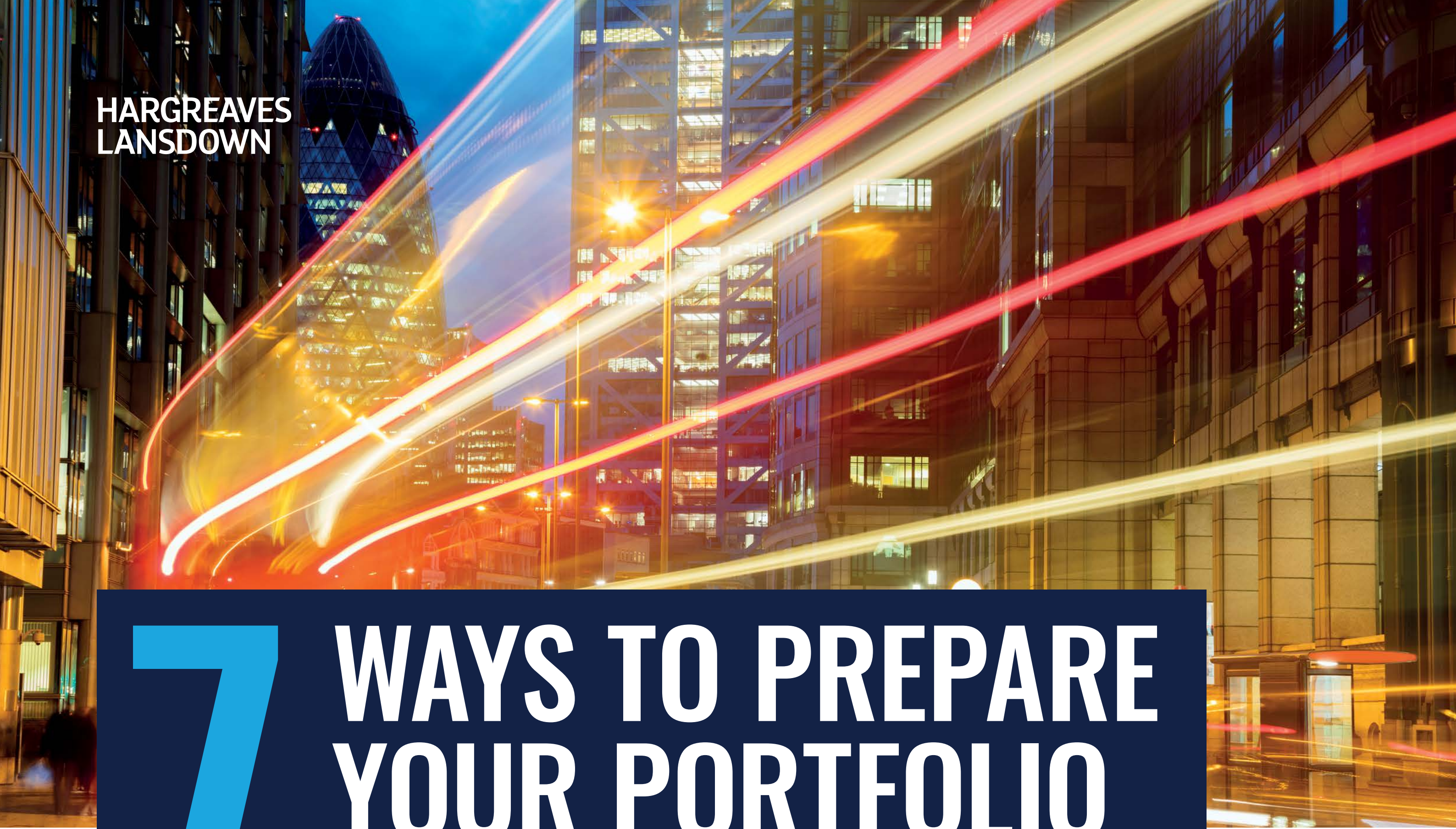

7 WAYS TO PREPARE YOUR PORTFOLIO FOR BREXIT

On 29 March 2019, Britain is set to leave the European Union and head into the unknown. Although many in the media will make bold predictions between now and then about what will happen, the reality is that nobody really knows.

Those who thought the UK market and economy would be negatively affected following the vote, for example, have so far been proved wrong.

Since the day of the Brexit vote (up to 25 June 2018), the UK stock market has risen over 20% buoyed largely by a weaker pound. But of course, this doesn't mean it will definitely continue to rise and past performance isn't a guide to future returns.

Of course, there'll be lots of twists and turns between now and March 2019. Positive news in negotiations could give a boost to companies focused on the UK economy and boost the pound, but the reverse could happen too.

Whatever Brexit entails, you shouldn't let it derail your investment plans. There will undoubtedly be several factors out of your control, but we believe it's essential to focus on what you can control. This will give you the best opportunity to grow your money in the future.

This short guide is here to help you do just that. We've listed seven key things you should think about to ensure your investment portfolio is in the best possible shape for Brexit and beyond.

IMPORTANT INFORMATION:
This guide is written for clients who like to make their own investment decisions, it is not personal advice. If you have any doubts about the suitability of an investment for your own circumstances please seek expert advice.

All stock market investments can fall in value as well as rise, so you could get back less than you invest and you should regard them as long-term investments. Tax rules can change and the value of any benefits will depend on individual circumstances. Past performance is not a guide to future returns.

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1. DIVERSIFY

Diversification is one of the fundamental principles of good risk management. Having all your eggs in one basket will mean that the fortunes of your portfolio are tied to that one asset.

By spreading your money across different regions and sectors, however, you can construct a portfolio that's less likely to be volatile than a more concentrated one. The hope is that when one part of your portfolio performs poorly, another part should pick up the slack to help smooth out returns.

Let's say you've invested your portfolio across the UK, US, Europe and Asia. If the UK struggles as a result of Brexit, the other areas you've invested in will hopefully deliver better returns.

2. REBALANCE

Investors often start their portfolios with an asset allocation (mix of shares and bonds) to match their attitude to risk.

The problem is that we often set up our portfolio and forget to review it. But as we all know, markets move every day and this can completely change what your portfolio ends up looking like.

We've provided an example below showing the effect of market movements on a £40,000 portfolio spread equally across four funds five years ago . Fund A, B and C have risen 60%, 40%, 20% while Fund D has fallen 10%.

An investment in the Fund A would have increased from 25% to over 31% of the portfolio in five years. Conversely, the same amount invested in Fund D would have fallen from 25% to 17%.

An investor in this portfolio would need to rebalance to get back to the original weightings. This would mean selling the areas that have performed well and reinvesting into those that have performed less well. This would help the investor restore the asset allocation to levels that they're happy with.

By not rebalancing your portfolio at least once a year, you're likely to be exposing yourself to unnecessary risks. And with Brexit just around the corner, it might be a good time to review your portfolio and rebalance as necessary.

EXAMPLE £40,000 PORTFOLIO:

	Fund A	Fund B	Fund C	Fund D	Total portfolio value
Original value (% of portfolio)	£10,000 (25%)	£10,000 (25%)	£10,000 (25%)	£10,000 (25%)	**£40,000**
Value five years later (% of portfolio)	£16,000 (31%)	£14,000 (27%)	£12,000 (24%)	£9,000 (18%)	**£51,000**

3. KEEP A LITTLE CASH ON HAND

Experienced investors know there's no need to always be fully invested. That's because keeping a little cash on hand means you can take advantages of any opportunities that arise.

With the potential upcoming volatility from Brexit, it's possible that we'll experience short-term falls in the market which could present opportunities to add to your favourite holdings at lower prices.

And history shows you that by buying cheap assets after markets have dipped, you get the best chance of achieving decent long-term returns. Although investments can continue to fall so you could get back less than you put in.

So after ensuring you've got enough money in case of emergencies, we feel it's sensible to keep around 5 to 10 percent of your portfolio in cash at any given time so you can react quickly to any opportunities.

4. INVEST REGULARLY

The best investors are prepared to stomach a little short-term volatility. Often, this means putting money to work in tougher times to deliver long-term returns though of course there are no guarantees.

But if you're concerned about putting money into the stock market in one go, you might want to consider investing monthly rather than paying in a lump sum. This means you can benefit from something called 'pound cost averaging' and it's a powerful way to help smooth out the ups and downs of the market.

When you invest monthly, you buy more units or shares in an investment at lower prices if the market falls, helping you achieve better returns. However, if the markets continues to rise, you'll be worse off than if you'd invested a lump sum as you'll buy fewer units at higher prices.

FIND OUT MORE ABOUT MONTHLY INVESTING →

5. CONSIDER YOUR GOALS

It's essential to keep in the front of your mind what you're saving for. This will help guide your decisions when managing your portfolio as well as ensuring that you're not taking on too much risk for your circumstances.

For example, if you're a 30 year old investor saving for retirement, a higher-risk portfolio invested predominantly in shares might be appropriate as the money won't be required for 30 years or more. This is because the longer you invest for, the less exposed you are to short-term falls in the market and the better the chances are that you'll outperform cash.

But if you're in your 50s and 60s and looking to use the money for your retirement in the next few years, you might want to consider taking less risk and move a greater proportion of your portfolio into lower-risk areas.

This could mean evolving your portfolio from focusing on shares to bonds or cash which are less likely to have dramatic falls in value in the short-term.

6. MAKE USE OF TAX-EFFICIENT INVESTMENTS

Nobody knows what the economic impact of Brexit will be – it probably won't become clear for quite a few years. But it's possible the Chancellor could look to raise extra funds to cover the uncertainty of Brexit.

In fact, the International Monetary Fund (IMF) has already warned that the UK government may have to raise taxes to tackle the twin threats of an ageing population and more costly trades after Brexit.

That's why we think it could be more important than ever to make full use of the tax-efficient accounts available to you. Stocks and Shares ISAs and pensions are two of the most popular ways to shelter a considerable amount of your wealth from the taxman. Remember tax rules can change and their benefits depend on your circumstances.

HERE'S A SHORT SUMMARY

STOCKS AND SHARES ISAS

- Shelter up to £20,000 in the 2018/19 tax year
- Grow your money free of UK income and capital gains tax
- Take money out whenever you need to, although you should always plan to invest for the long term

PENSIONS

- Receive up to 46% tax relief on contributions
- No UK income tax or capital gains tax on investments in your pension
- Access the money from age 55 (57 from 2028)

TELL ME MORE ABOUT ISAS →

DISCOVER MORE ABOUT PENSIONS →

7. REVIEW YOUR INVESTMENTS

In the run up to leaving the European Union, it could be the perfect time to take a closer look at your existing investments. Are they performing as you'd expect? For example, how has the fund manager performed against the fund's benchmark over the long term?

Talented fund managers should be able to make a real difference in this environment. By picking the companies they feel are best placed to weather the storm of Brexit, the hope is they can deliver better long-term returns for their investors.

SUMMARY: THE 7-STEP BREXIT CHECKLIST...

1. Diversify
2. Rebalance
3. Keep a little cash on hand
4. Invest regularly
5. Consider your goals
6. Make use of tax-efficient investments
7. Review your investments

1 JOIN OVER MILLION INVESTORS...

Looking to get your portfolio ready for Brexit? As the UK's largest investment platform, we offer a range of tools and services that could help.

- ✓ **Expert guidance** – keep up-to-date with the markets with helpful tips from our respected investment professionals
- ✓ **Helpful tools** – use our portfolio analysis tool to see how diversified your portfolio is across sectors and countries
- ✓ **Friendly support** – speak to an expert on our Bristol-based helpdesk in seconds
- ✓ **Wide investment choice** – choose from over 2,500 funds as well as UK and overseas shares, investment trusts and more
- ✓ **Easy management** – see all your investments together in one place online or using our smartphone app

FIND OUT MORE →

If you need any other help or information, please call our helpdesk on **0117 900 9000** or **email us**. This guide is designed to provide useful information to help you plan your finances, but it isn't personal advice. If you are ever unsure of the suitability of an investment you should seek advice.