

'A complete mess': European selectors' UK election reaction

By Chris Sloley, Dalvinder Kular / 09 Jun, 2017 at 09:23



The UK election outcome has divided international fund selectors, as some believe Brexit will take place regardless and others are preparing for a cataclysmic market reaction.

[UK fund managers](#) said uncertainty was set to dominate in the short-term and raised questions over the power of the government to negotiate a strong deal with the European Union.

The view from Belgium

Offering a scathing view on the political landscape in the UK, Accuro's Bart van de Ven warned of economic uncertainty also becoming much more prominent.

'The political situation in the UK since Brexit is a complete mess. This week's election results will turn the Brexit negotiations more difficult. The public is split and leading politicians really have no plan; leadership is missing.'

'The UK economy although not in recession yet, is very vulnerable. Basically the UK economy is in a situation like Asian countries were in the late nineties. Budget and current account deficits need to be financed from abroad in a period of high economic and political uncertainty. A deadly combination.'

The view from Spain

A spokesperson for the fund selection team at FCS Asset Management in Madrid said the company would not be making any snap decisions in the wake of the vote and had prepared their European equity exposure to weather macro shocks.

'We won't be doing any trading around the event,' the spokesperson, who asked to remain anonymous told *Citywire Selector*. 'We took the view that we would position regardless of the outcome, as we are not trying to predict the future.'

'Whether or not there will be impact for European equities is up for debate. We moved to a neutral stance on European equities over the start of the year after seeing gains to the end of May. We have got European equity funds with UK exposure but no direct UK fund exposure.'

The view from Finland

Lassi Kallio, fund selector at SP-Fund Management, said the failure of Theresa May to gain a meaningful majority could have a huge impact for the shape of the Brexit deal and another vote could soon follow.

'It was the younger people who the Labour Party was trying to win on their side and they seem to have succeeded in that. For me it is clear that the hung parliament will have a huge effect on the Brexit negotiations as Theresa May does not have the strong mandate for hard Brexit she was looking for.

'I would not be surprised to see another election pretty soon and/or the resignation of May. For the time being this has no effect on our relationships with the UK fund houses we work with since we invest in their Luxembourg or Dublin based vehicles.'

The view from the Netherlands

[Lukas Daalder](#), chief investment officer of Robeco Investment Solutions, believes there will be only short-term impacts for markets and emphasised the UK's exit is on an unstoppable path.

'At the end of the day, it doesn't change much from the fact we're still going to see a Brexit. The tone of negotiations may change because of this result, but we still need to do the whole Brexit dance, and that continues to be the main theme in markets.'

'If you look at the outcome it appears that voters did not like the hard Brexit stance that May took, but much like with the poll, you get the answer to one question but not another – what the British people do want is still out in the open.'