

On Thursday, 22 June, the British people voted to leave the European Union. This was a major referendum on Britain's role in the EU, and it was a significant test for the leadership of British Prime Minister David Cameron, who has been a staunch advocate of remaining as part of the common union. The most immediate impact of the vote on Great Britain has been the resignation of David Cameron as the "leave" vote essentially serves as a vote of no confidence in his "stay" driven government. A great many questions remain, however, and many of you are likely wondering "what does this mean to me and my investments at Capstone Investment Group?"

If you've been following our commentary at all for the last number of months you'll know that we have felt markets to be overvalued for quite some time and due for a pullback. We have made this as clear as we could in our monthly comments, and you've likely heard some version of this refrain in your in-person meetings with us as of late. As a result of that conviction we have taken steps over the recent months to provide a level of protection against any major market downturn. As we manage a variety of investment models, and as our clients have varying ages, time horizons and tolerance for risk, this can look like different things to different people. For some, it simply means that we were reducing equity exposure and have stocks and/or bonds on the sidelines ready to be deployed once the market is done selling off. For others, it has meant that we've added specific hedges that will perform well in a market downturn. We may have also added precious metals to your portfolio. For all of our clients it means that we've taken action to mitigate the risk of a market downturn, which we believe can continue beyond today's trade. As always, we welcome your questions if you have them as we'd be happy to discuss the specifics as they relate to you and your assets with us.

For the broader, global economy, Brexit is a watershed moment. It represents a complete shift in the current of European expansion which has been occurring since the passing of the Maastricht Treaty in 1991. Brexit means that a previously expanding economic zone of influence is now contracting and there are others who could likely follow suit. Opinion polls within the EU will tend to tell you that only Poland and Germany are happy with how the EU is working. Every other nation, for their own reasons, is dissatisfied and seeing the example set by the Brits could start a broader "leave" movement. The ramifications of which will impact currency markets, trade agreements and global GDP.

While we can in no way foretell the future, what we have been convinced of for some time and what we remain convinced of today is the fact that stocks will not simply go up forever and that a correction has been looming. We're positioned for that and will continually seek to take advantage of every crisis with which we are presented for your benefit.

Most Sincerely,

CAPSTONE Investment Group, LLC