

THE WALL STREET JOURNAL.

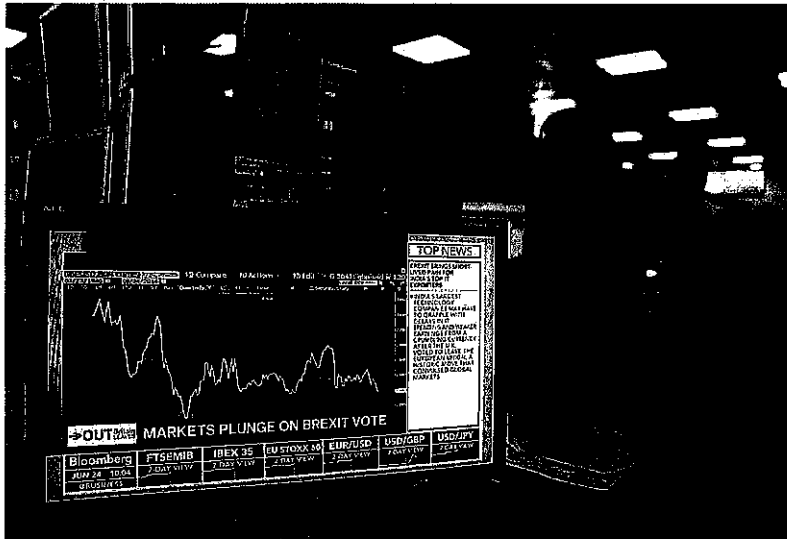
This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<http://www.wsj.com/articles/fund-managers-tally-the-cost-of-a-brexit-1466762539>

MARKETS

Fund Managers Tally the Cost of a 'Brexit'

The U.K.'s vote to leave the EU was a big hit for investors who had bet that 'remain' would prevail



Traders from ETX Capital work in central London following the announcement of the EU referendum as stocks pared losses significantly as British Prime Minister David Cameron announced his resignation. PHOTO: AGENCE FRANCE-PRESSE/GETTY IMAGES

By **GEORGI KANTCHEV** in London, **KOSAKU NARIOKA** in Tokyo and **CHAO DENG** in Hong Kong

June 24, 2016 6:02 a.m. ET

As the first ballot counts began to suggest that the U.K. had voted to leave the European Union, the British pound plummeted, global stocks tumbled and fund manager Richard Benson ordered a taxi.

Mr. Benson, co-head of portfolio investments at \$15 billion fund Millennium Global Investments, was planning to monitor the referendum results from home but instead, not long after midnight, rushed to his office in central London.

“It was a big, big shock,” Mr. Benson said.

More than 3,500 miles away, Randy Warren, chief investment officer of U.S. fund Warren Financial Service, was in the living room of his Philadelphia home, following the action from his laptop. "I still struggle to understand why the British did this."

Hours earlier, financial markets and opinion polls were predicting that Britain would vote stay in the European Union. By 4 a.m. U.K. time it became clear that this wouldn't be the case, roiling global markets and reverberating through trading floors and living rooms around the world.

MORE 'BREXIT' COVERAGE

From
a New
York

- Live Analysis: U.K. Votes to Leave the EU (<http://www.wsj.com/livecoverage/eureferendum>)
- Cameron to Resign After Losing His Big Gamble (<http://www.wsj.com/articles/cameron-loses-his-big-brexit-gamble-1466740195>)
- U.K. Exit Delivers Shock to Europe (<http://www.wsj.com/articles/u-k-exit-heightens-fears-of-disintegration-1466742117>)
- 'Brexit' Vote Changes European Business World (<http://www.wsj.com/articles/british-vote-changes-european-business-world-1466741635>)
- 'Brexit' Outcome Wreaks Havoc in Markets (<http://www.wsj.com/articles/pound-plunges-on-u-k-vote-to-leave-eu-1466753711>)

trading room, Marc Chandler watched the British pound fall to its lowest level in more than 30 years in one night.

"I've been on Wall Street for 30 years and there are a few days that stand out: the 1987 crash, the fall of Lehman Brothers," said Mr. Chandler, the global head of foreign-exchange strategy at Brown Brothers Harriman. "This is one of those days."

The pound traded as low as \$1.3230 in London's early hours, its lowest level since 1985.

Few markets were spared. London's FTSE 100 and the Stoxx Europe 600 both plummeted over 8% in the early minutes of trading. The Nikkei Stock Average fell nearly 8% as the yen gained 2% against the dollar, and the price of other safe havens, like gold, soared.

Brent, the international oil price gauge, shed over 5% to \$48.33 a barrel in early trade on Friday. London copper prices dropped nearly 3% to \$4,643.50 a metric ton.



PAID PROGRAM

Burgers, Shakes and Fries to Grow

Watch how Barclays helped Shake Shack expand from New York to Tokyo. **no had bet that the U.K. would choose to stay.**

WATCH NOW

tioned for it," said Kay Van-Petersen, global macro
kets in Singapore, speaking as the first results showed the

result leaning towards a so-called Brexit.

Bob Browne, chief investment officer at Northern Trust, was waiting in his car Thursday evening in Highland Park, Illinois, checking his mobile phone when the early indications of an upset began to come in.

"It was part wishful thinking hours earlier... people were just betting on results the market really wanted," he said.

Kenichiro Ikezawa, a Tokyo-based fixed-income fund manager at Daiwa SB Investments, had arrived at his Tokyo office early Friday ready to load up on positions, such as bonds, that would benefit from a 'remain' vote in the U.K.

Within a few hours, as the results pointed to a 'leave' vote, Mr. Ikezawa changed his mind.

"I totally backed off," he said.

In the days before the vote Mr. Van-Petersen had laid out contingency plans for clients if Britain voted to leave the EU: buy the yen, gold and U.S. Treasuries while shorting the euro against the U.S. dollar.

As the results came in investors were putting in those trades, he said.

While ballots were being counted across the U.K., traders on the other side of the world were combining quick fire market reaction with a rapid geography lesson.

Yusuke Sakai, a senior trader at T&D Asset Management in Tokyo, watched the yen shoot up against the dollar and pound when results from Sunderland, England came in showing a bigger-than-expected vote to quit Europe.

"Wow. What a big move. I don't even know where this is?" he said. "It must be a rural town or something," he said of the northern English city.

From laptops, terminals and cellphones, investors from Shanghai to Toronto were being reminded of the intensely global nature of modern markets and economies.

“If [the Brexit vote] happened 10 years ago, probably no one would care in China,” Gu Yuan, a 31-year old retail investor from Shanghai said after hearing the news on Chinese social media. “Now everyone is watching.”

The Shanghai Composite Index closed down 1.3%.

As the implications of the vote dawned around the world traders and funds rushed to react.

While Mr. Warren watched global markets slump from his Philadelphia living room, he began thinking about how he could profit.

The investor plans to wake up early in the U.S. morning and start picking up stocks on the cheap.

On his buy list: U.S. shares like MacDonaldds, Nike, Home Depot and Lockheed Martin that he thinks will be undeservedly swept up in the broader turmoil

“It’s a good opportunity to make some money.”

But many saw darker clouds and wondered how the markets would cope.

Ahead of the end result, San Diego-based Sunrise Capital Partners LLC shut down most of its short term-trading systems, wary that they would be ill-equipped to deal with the volatility that a Brexit would generate in currency markets.

“There’s no predictable pattern, it’s going to be one shock after another.” said Christopher Stanton, who helps oversee about \$725 million at the firm.

“I am stunned at how cavalier the market has been in positioning for this move,” Mr. Stanton said.

—Chesley Dulaney, Dominique Fong, Yifan Xie and Ira Iosebashvili contributed to this article

Write to Georgi Kantchev at georgi.kantchev@wsj.com, Kosaku Narioka at kosaku.narioka@wsj.com and Chao Deng at Chao.Deng@wsj.com