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Charteris' Williams cuts 90% cash position to snap up UK stocks during October falls

By Laura Dew

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Ian Williams, CEO and fund manager at boutique wealth manager Charteris Treasury Portfolio Management, has been buying into UK equities on the expectation of a flood of money returning once the UK leaves the European Union in March.

There has been much debate about whether the UK will achieve a 'hard' or 'soft' Brexit or whether any deal will be reached at all by March 2019. But Williams (pictured) said the most important factor was the removal of uncertainty, regardless of the type of deal achieved.

In his private client portfolios, he had been holding up to 90% in cash and said he was "under pressure" from investors to put this to work. However, he held off until early October

when the FTSE saw a 6.7% fall between 3-11 October and latterly dropping below 7,000 points, prompting him to purchase UK blue chip equities.

Williams also made a similar move in his Premium Income fund, reducing cash from 10% earlier this year to being fully invested. As a result of the UK equities weighting increases, cash on new client portfolios has fallen from up to 90% to about 30%, and will gradually decrease. Meanwhile, it has fallen from 25%-30% on existing client portfolios to 10%.

'No bearish implications'

"We were 90% in cash for the past six months for new clients as they gave us cash and we

did not want to put it to work," Williams said. "But when the FTSE fell, we saw that as a good opportunity. Whatever the Brexit outcome is, it will be bullish for UK equities. There are no bearish implications.

"International investors have low exposure to UK equities because there is so much uncertainty. But once we get that certainty, then there will be an influx of investment regardless of the outcome of the negotiations."

Williams also felt there was "pent-up demand" where companies had been holding

off making decisions over infrastructure and employment in the UK due to the uncertainty.

This move is contrary to many investors who have been exiting the asset class with the IA UK All Companies sector seeing outflows of



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£355m during August, and being the worst-selling IA sector for several months.

Similarly, research by Bank of America Merrill Lynch found global allocations to the UK were at a net 28% underweight in August.

Williams commented: "There is no point waiting to see what the Brexit outcome will be, and I feel there is not one single reason around Brexit that would encourage people to sell UK equities after March, so why not buy them now?"

The manager said he would prefer to see a hard Brexit and thinks the FTSE 100 could jump as much as 1,000 points if Prime Minister Theresa May successfully negotiates a deal.

"We are in favour of Brexit because it would free us from an economic straitjacket.

"There are 7.6 billion people in the world - roughly 7 billion of whom are outside Europe, whose economies are likely to grow at a faster rate over the long term.

"As a result, our prospects would be far better if we were outside the EU."