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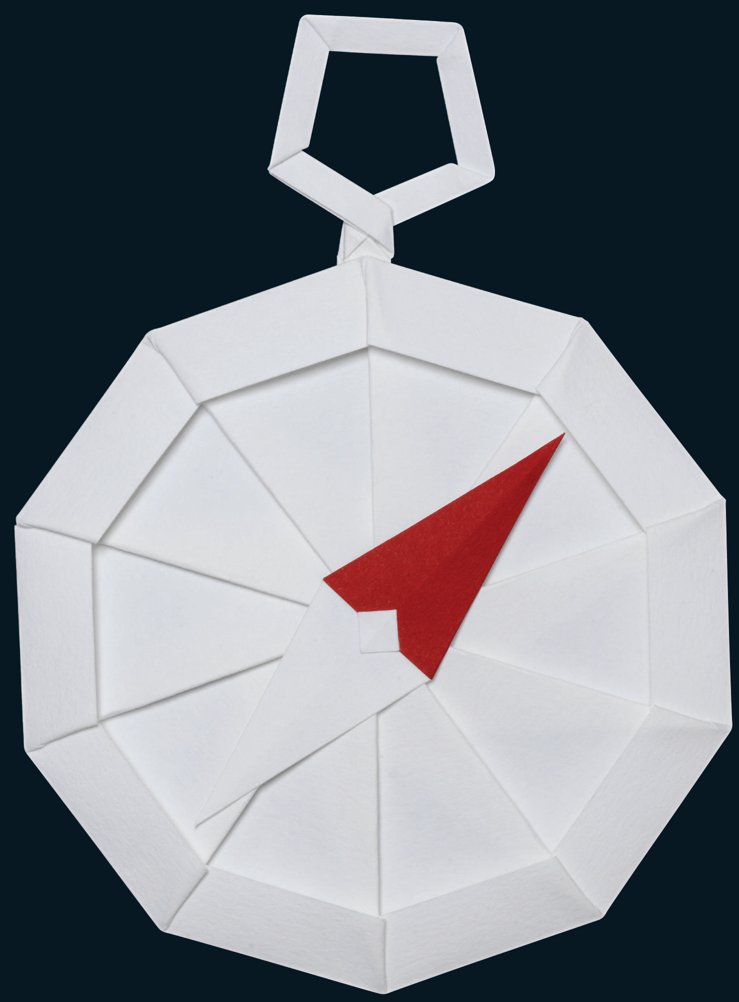
Brexit
Sector Focus



Brexit – Sector Focus

Healthcare & Life Sciences

The NHS
Around 50,000 NHS employees are EEA citizens – the foreseen tightening of immigration laws will have a major impact on this part of the workforce. Although one of the Leave campaign's main pledges was the channelling of funds into the NHS that were formerly sent to the EU, this now seems unlikely. In addition, the potential wider economic impact of Brexit may threaten health and social care services in the form of reduced public spending.

Investment
Foreign investment in the sector is likely to take a hit. REITs that traditionally liked the UK market as an entry to the EU single market may now decide to focus their investments on other jurisdictions. However, cheaper assets mean an opportunity to capture higher returns, which may make this attractive for some investing in the sector.

Life sciences
Marketing authorisations are likely to be an issue. The current system of a single application to the European Medicines Agency may well end up being an individual application to each member state resulting in delays and increased costs.

Care
The social care sector faces a similar problem to the NHS in terms of staffing. The sector already struggles to recruit and retain enough staff, and a change in free movement rules can only increase the problem.

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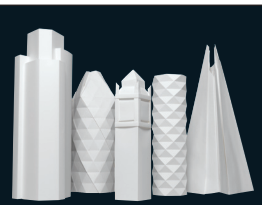

Real Estate

The Market
UK real estate legislation is largely unaffected by EU rules. However, economically, the Brexit vote may well have a deep impact, even after things have calmed down. Uncertainty over what is going to happen is, and will undoubtedly continue, to cause caution among investors.

Overseas investment
The weak pound and general economic uncertainty is likely to attract overseas buyers who want to snap up deals before the market rises again. The risk however is the increased volatility in the Fx markets.

Occupiers and developers
Supply may end up outstripping demand, particularly if businesses decide to relocate to other financial centres within the EU. The weakness of sterling is driving up the price of imported materials which is having an adverse effect on speculative developments.

Student accommodation
The sector may well be impacted by a long-term rise in non-EU students taking advantage of the weakened pound to come to the UK to study.

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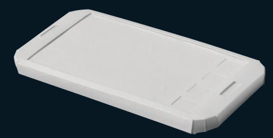


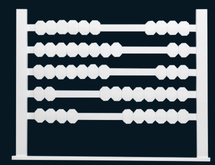
Technology

Start-ups
The UK and, particularly, London's status as a hub for technology may be under threat if the innovators starting up in the UK can no longer get access to finance and talent. VC investment activity has dropped as a result of the referendum vote. Those who seek to start up in the UK as an access point for the single market may no longer see the UK as an attractive kick off venue for their business.

Finance
EU research grants, often granted to technology firms, will also go. It remains to be seen if the UK government will be matching these.

Big Tech
The likes of Amazon and Google all have bases in the UK which they use as hubs to access the rest of Europe. The UK will need to negotiate a sufficiently good deal with the EU in order to keep the big techs in the country.

Talent
It is estimated that 1.56m people are employed in the UK's tech sector. A long term drought in the highly skilled talent pool, caused by a change in freedom of movement legislation, may have an adverse effect on the UK's "tech hub" label.



Financial Services

EU regulation
Whilst it is clear that many aspects of the UK's financial services regulatory regime are based on European law, it is also worth remembering that some of the more controversial regulation has been driven by the UK, not the EU. It is likely that the UK will enshrine the majority of EU financial regulation into domestic law.

Passporting
The potential loss of UK authorised businesses' passports to operate across the EU is likely to impact the UK financial services industry unless we can negotiate appropriate arrangements for the post-brexit relationships.

Crowdfunding
The EU's Capital Markets Union is a work in progress and certain important growth areas, notably crowdfunding, are not currently subject to any bespoke EU regulation. The UK's crowdfunding industry has grown to be the largest and most dynamic in Europe, under mostly FCA oversight. Brexit may mean that the industry misses out on any move by the EU towards a cross-border framework, but this seems very distant. The impact of Brexit on UK crowdfunding is therefore likely to be confined to broader economic issues, rather than any increased regulatory uncertainty.

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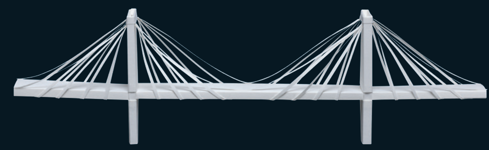

Infrastructure

Investment
Inward investment is likely to pause as investors wait to see the full impact of Brexit on the UK. Some investors are still willing to invest in major infrastructure projects but, despite this, the UK government has put projects on hold. This is likely to frustrate investors and may have a long-term impact on the sector. Investors will be looking for commitment and funding from the UK government going forwards.

Existing projects
It was initially thought unlikely that Brexit would have a major impact on infrastructure projects currently underway. Since Theresa May has taken office, this is now in doubt. The decision to reassess the proposed project to build a new nuclear plant at Hinkley Point, despite investor support is the most high profile example, and it is possible that other major projects in the pipeline, such as HS2, will face similar delays.

Public funding
There is uncertainty over sources of public funding. Public funding, whether from the EU or the UK, contributes to most major infrastructure projects. Funding sources are currently in a state of flux. The gap in investment is likely to need to be plugged by the private sector.

Skills
Many major construction contractors are heavily reliant on EU labour. The skills shortage that could result from a tightening of immigration law in the UK will have a knock on effect on projects in terms of delays, as well as potential cost implications.

Disputes
We expect there to be an increase in disputes arising out of infrastructure and construction projects. The lack of funding and uncertain economic climate mean every penny counts.

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