

- Jennison was surprised by the UK's vote on June 23, 2016, to exit the European Union (EU).
- The vote enables the UK government to serve notice of its intent to exit the EU, the possible timing of which is uncertain. If the notice is served, there will be a two-year period, during which there would be negotiation with the EU about the terms of the exit and the nature of the UK's relationship with the bloc.
- We believe the vote will be disruptive to trade flows and global financial markets in the short term.
- Global GDP growth may be affected, and we believe the risk of recession in the UK, and to a lesser extent Europe, has increased.
- The vote also increases uncertainty about an array of social and geopolitical initiatives and relationships.
- As fundamental, bottom-up investors, we examine company and industry prospects over the intermediate and long term. Numerous factors, including company fundamentals, macroeconomic conditions, and market risk tolerance, cause variability in the way equity markets price securities in the short term. We constantly assess if and how these factors affect our investment theses and company long-term value.
- When constructing equity portfolios, we generally do not make top-down investment decisions based on market action, currency exchange rates, or bond yields. Macroeconomic events inform our investment decisions; however, we assess their effect on the fundamentals of investment opportunities on a company-by-company basis.
- We believe the vote to exit creates what we expect will be prolonged uncertainty that will likely affect equity valuations, consumer confidence, and corporate confidence and investment.
- Because slowing GDP growth and currency swings will affect earnings, and valuations will affect stock prices, we expect that risk-averse assets will outperform in the short term. These factors present headwinds for many of our equity portfolios.
- Jennison equity portfolio exposure to the UK is limited and diverse in terms of geographic exposure of revenue streams, with some holdings generating most or all of their revenue from the UK, and others deriving revenue globally.
- We have made modest modifications but no major changes to equity portfolios in the wake of the vote.
- As with any period of volatility, we look for potential opportunities to invest in or add to companies with attractive long-term fundamentals.

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