Brexit From a European Viewpoint

23 November | Marcel von Pfyffer, Arminius Capital

In the wake of the GFC, and again after the June 2016 Brexit referendum, many fund managers left the City of London for European shores, in search of lower tax rates and less regulation, not to mention the fear that Brexit would cut them off from their clients' money. But most of the English fund managers who flocked to Switzerland have long since departed. The fund managers were unable to adapt to Swiss cultural norms, or they deemed Switzerland too "boring", or for many other non-substantive reasons in a long litany of typical English whinges. The "boring" moniker is one viewed with much mirth and amusement by the Swiss, given that no fewer than 5 (**five**) Swiss cities rank in Europe's Top 10 cities for cocaine consumption. (In case you are curious, Barcelona tops the European league tables for consumption of "devil's dust".)

In reality, the 4% corporate tax rate for-a-limited-time deals that the Swiss used to lure the English fund managers here post-GFC have mostly expired. In addition, the funds who moved here (mainly global macro or commodity funds) have suffered poor performance post-GFC. The combination of English corporate tax rates, the wonderful English weather, the warm and friendly disposition of the English people, and the charms of the English political environment have now reversed the post-GFC London exodus. In the Cantons of Geneva and Vaud, sweetheart tax rate deals for multinationals reportedly got as low as 4%. As of January 2019, many of these were terminated and the tax rates for those companies still in these Cantons have normalised to around 17%. Some companies have exited – imagine having to pay more than 4% tax – so traffic around the international schools in the morning is much improved!

Those English who remain in Switzerland are mostly distributed across global pharmaceutical companies and United Nations agencies. There are parts of Switzerland which have so many Englanders staying there that they are dubbed "Little Britain". This is not in homage to the obvious comedic talents of David Cameron, Theresa May, Jeremy Corbyn, Boris Johnson, and British MPs as a whole, but rather to the large concentration of English population in Geneva and nearby towns where many global pharma companies are headquartered – not to mention Nestlé.

By and large, the loudest remain complainers (yes, a crowded field amongst the English) are those who worry that their UK passport will no longer work in Switzerland where, as guests in this country, they are enjoying pretty much everything that England doesn't have – for example, economic stability, political stability, phenomenally low unemployment, low crime rates, negative interest rates, year-round sunlight, no soccer hooligans, countless ski resorts, roads you can drive on year round, drivers who know how to drive, and trains that run on time. All this without the legal obligations of Swiss citizens to vote in cantonal elections, national elections, and endless referendums. Of course, with the power of the pound (GBP: Great British Peso) rapidly approaching parity with the USD, they won't be able to afford these luxuries unless they're getting paid in Swiss francs. Switzerland is an expensive place to live because the Swiss are very, very rich.

The English I have come into contact with who work at the UN as, say, human rights lawyers, are aghast that when Brexit finally happens, they will lose not only their EU passports but all the human rights that are part of being in the EU (e.g. ridiculously cheap holidays, pasta, good wine, soft cheese, and excellent healthcare). They fear that, by leaving the EU without a deal which maintains the same rights as staying in the EU, they will become slaves of the EU and an economic vassal colony of European companies. Imagine that! The people who invented colonies and the slave trade, becoming a colony and being subjected to slavery!

In short, the only people who care about Brexit in Switzerland are the English expats and the Remainers. No one else really cares – Swiss wealth generation is almost a perpetual motion machine. It is a minor annoyance that, when the Brexit circus folds its tents and departs into the night, there will be slightly more paperwork for EU companies' tax, HR, and compliance departments to fill out. So we Swiss find the British very amusing. I have never laughed as often as I have in the last three years since David Cameron hosted the opening night of the Brexit circus. If you want a night full of hilarious "outraged" conversation with people talking about human rights and democracy (who are of course pro-democracy… provided that the democracy is run by the party they voted for), I suggest you organise a dinner party with some English people living in Switzerland. While we still allow them to live in Switzerland.

Full disclosure: I am a Swiss citizen, but I also lived in London (Kensington) for five years. Five years too many.

Q.E.D.

Insights by Australian Fund Monitors Pty Ltd (AFM) provides investors and advisors with commentary and articles originated and provided by fund managers and other contributors. The views and opinions contained within each Insights article are those of the contributor and do not necessarily reflect those of AFM. www.fundmonitors.com.

Disclaimer: Australian Fund Monitors Pty Ltd, holds AFS Licence number 324476. The information contained herein is general in its nature only and does not and cannot take into account an investor's financial position or requirements. Investors should therefore seek appropriate advice prior to making any decisions to invest in any product contained herein. Australian Fund Monitors Pty Ltd is not, and will not be held responsible for investment decisions made by investors, and is not responsible for the performance of any investment made by any investor, notwithstanding that it may be providing information and or monitoring services to that investor. This information is collated from a variety of sources and we cannot be held responsible for any errors or omissions. Australian Fund Monitors Pty Ltd, A.C.N. 122 226 724