INVESTOR NOTE ON RUSSIA-UKRAINE CONFLICT

28 February 2022

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Late last week, Russia launched a full-scale invasion of Ukraine following months of tensions between the two countries, causing some wild swings across financial markets. With the situation remaining particularly fluid, investors have been left on edge and many questioning what the conflict means for the global economy and financial markets, as well as their own portfolios.

Russia's invasion of Ukraine has been strongly condemned by the NATO alliance and the West, triggering a wave of sanctions against Russia over recent days. These sanctions include restricting Russia's access to finance and technology, aimed at isolating Russia, and weakening the country's economic status. Further sanctions may well be announced in the coming days and weeks as the West attempts to cut the country off from the rest of the globe, with the latest measure targeting the Russian central bank's foreign exchange reserves.

As one of the globe's largest commodity producers and the dominant supplier of gas in Europe, there is growing concern that the Russia-Ukraine war could cause further supply chain disruptions and put additional upward pressure on oil prices. For the global economy, this poses further upside risks to inflation in the near term and complicates the situation that global central banks currently face as they attempt to rein in already-elevated global inflation without hurting the economy. In the longer run, the impact of the war could meanwhile create long-lasting economic divides between Russia and the West.

While the full economic impact of Russia's actions will become clearer in time, the more immediate impact has been felt across global financial markets, dampening sentiment and triggering some significant risk-off trade. Though it may be uncomfortable to stomach the current volatility, we would caution investors against deviating from their long-term strategy in response to the current situation between Russia and Ukraine. In the context of long-term investing, trying to time market movements can be very costly. This is especially true as history shows that the majority of the best days on the domestic stock market have occurred after bad news or during uncertain times.

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Geopolitical risk has become a regular feature of the global economy in recent years, and while the situation between Russia and Ukraine remains particularly fluid, we implore our investors to avoid any knee-jerk reactions. As Russia's attack on Ukraine advances, the markets are likely to remain jittery and volatility could continue to feature prominently in the near term. While it is tempting to try and avoid the drawdowns associated with such volatility, we would strongly caution against responding to a rapidly-changing situation. Sticking to your long-term investment strategy and staying invested remains our best advice.

We continue to monitor the situation on behalf of our clients and will issue further communication should the need arise.

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