

# Market Flash Note

## Russia/Ukraine



### Market Update

There has been an escalation of events over the weekend and as always, our thoughts are first and foremost with those in the Ukraine or with family there. Key updates:

- > Approx. 70% of Russian banks cut from SWIFT system but crucially carves out energy sector so payments can be made for gas/oil supplies from Russia
- > Freezing of Russian central bank assets so that it cannot use its reserves
- > Russian currency (Ruble) is -22% today with interest rates up from 9.5% to 20%
- > European gas up 18% today and 50% in a week; Brent +5% to \$103
- > While strategically important in specific areas (see below), the combined size of Russia and the Ukraine represents c.2% of global GDP

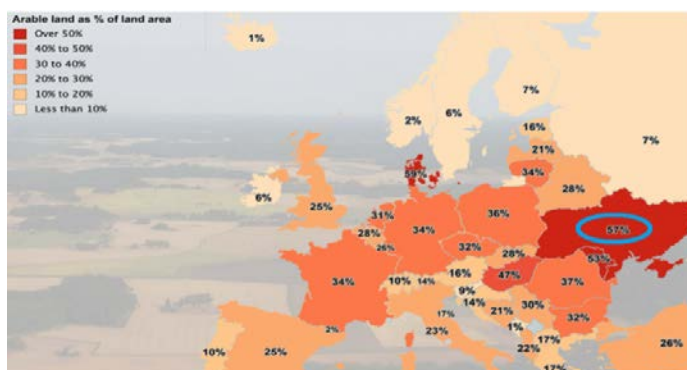
**Key near term risk:** extension of SWIFT to include energy payments or decision by Russia to cut energy supplies to Europe in retaliation for increased sanctions.

### MAPS and a History of Market Impact Events

- > ILIM believes the strategic asset allocation of MAPS funds are well positioned to come through this event and deliver on longer term return expectations
- > Very well diversified to minimise exposure to single asset classes, sectors and geographies
- > Designed to manage downside risk with multiple strategies like Low Volatility, Alternatives, Option Strategy and DSC
- > Proven over the longer term to deliver within expected Range of Returns despite events in recent years like Euro crisis, Greece, China etc.
- > History has shown that staying invested through short term volatility delivers better long-term returns
- > Global stock markets have experienced many different geopolitical events but have always recovered over time. Below is the performance of the US S&P 500 index through some of those events. On the righthand side is the market fall associated with an event and in the middle, the performance of the index in the subsequent week (+1w), month (+1m) etc.

Date	Conflict	SPX Performance				Max drawdown (+/-3m)
		+1w	+1m	+3m	+6m	
15-May-48	Arab-Israeli War	7.2%	10.9%	2.0%	-0.8%	-3.8%
25-Jun-50	Korean War	-7.6%	-10.0%	1.5%	4.9%	-14.0%
01-Nov-54	Algerian War	3.0%	6.0%	15.5%	19.4%	-3.3%
01-Nov-55	Vietnam War	4.4%	7.3%	4.1%	13.9%	-10.6%
05-Jun-67	Six-Day War	4.1%	3.3%	6.5%	7.7%	-6.5%
08-Mar-69	War of Attrition	-0.7%	1.5%	3.5%	-6.0%	-9.2%
06-Oct-73	Yom Kippur War	1.4%	-4.5%	-10.0%	-15.3%	-17.3%
29-Mar-76	Dirty War	1.1%	-0.3%	1.4%	2.9%	-4.7%
22-Sep-80	Iran-Iraq War	-5.3%	1.2%	4.1%	2.8%	-5.3%
02-Apr-82	Falkland Islands War	1.0%	1.1%	-6.5%	6.0%	-12.7%
02-Aug-90	Gulf War	-3.3%	-8.2%	-11.3%	-2.4%	-19.9%
06-Apr-92	Bosnian Conflict	0.1%	2.8%	2.0%	0.4%	-6.2%
05-Mar-98	Kosovo Conflict	3.4%	8.5%	7.6%	-9.9%	-1.6%
07-Oct-01	Afghan War	1.9%	4.1%	8.7%	4.8%	-20.9%
20-Mar-03	Iraq war	-0.8%	2.0%	13.7%	18.3%	-14.1%
15-Feb-11	Libyan Civil War	-0.9%	-3.5%	0.7%	-9.3%	-6.4%
15-Mar-11	Syrian Civil War	0.9%	2.5%	-1.3%	-5.7%	-6.4%
23-Feb-14	Annexation of Crimea	1.3%	1.6%	3.5%	8.3%	-5.8%
15-Sep-14	Yemeni Civil War	0.5%	-6.1%	0.3%	3.5%	-7.4%
21-Feb-22	Ukraine / Russia crisis	-	-	-	-	-9.6%
<b>Median</b>		<b>1.0%</b>	<b>1.6%</b>	<b>2.0%</b>	<b>2.9%</b>	<b>-7.0%</b>
<b>Average</b>		<b>0.7%</b>	<b>1.1%</b>	<b>2.4%</b>	<b>2.5%</b>	<b>-9.3%</b>
<b>% times positive</b>		<b>68%</b>	<b>68%</b>	<b>79%</b>	<b>63%</b>	

Source: Bloomberg Finance L.P., J.P. Morgan



### Ukraine – Strategically Important

- > Ukraine has a population of 44 million, but its agricultural output could feed 500 million
- > In Europe: No.1 for arable land, recoverable reserves of uranium ores and production of Ammonia, No.3 for shale gas reserves.
- > Globally: No.5 for iron ore reserves, No.6 for titanium, No.7 for coal reserves
- > It is also a top 5 GLOBAL producer of corn, sunflower seeds, potatoes, cucumbers, cabbage, pumpkin, squash, rapeseed, gooseberries and currants

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