

---

## Tensions between Russia and Ukraine – A week on

### The invasion continues

After the devastating news last week that Russia had invaded Ukraine, the fighting has continued. Focus has been firmly placed on the invasion and the horrific events that are unfolding. The humanitarian crisis that is developing is unthinkable and our thoughts and prayers are with the Ukrainian people.

The growing repercussions that are occurring due to this conflict are providing heightened short-term volatility and markets are moving on headlines and intraday movements are heightened.

We woke this morning to the shocking news that Europe's largest nuclear power plant has been attacked. The news out of Ukraine is extremely fluid and markets are reacting swiftly to the changing circumstances.

Everybody is hopeful that Russia will soon step back and stop what is now the worst crisis to hit Europe since the second world war.

### What additional sanctions have been placed on Russia?

After placing sanctions on Russia last week to try and halt the invasion, global sanctions have continued to be enacted and restrictions have been placed on Putin and his inner circle this past week. Assets have been frozen for these individuals with passports being rescinded, not allowing these individuals to travel. More Russian Oligarchs are currently being sanctioned on a daily basis.

The Russian sporting teams have also been kicked out of all upcoming events including the football world cup and the Paralympic games in Beijing.

Further sanctions have also been placed on Russian Banks and corporations with some banks being removed from the Global Swift Banking mechanism. This shuts down their opportunity to access foreign markets and place trades in foreign currencies.

We believe further sanctions will continue to be enacted over time. Currently worldwide dependence on oil and natural gas has meant that these sectors have been untouched with regard to sanctions, but this is likely to be looked at as this will hurt Russia the hardest.

### How have markets continued to react?

Markets continue to react to the ever-changing news flow. Today highlights this with markets falling on the news of the devastating attack on the Ukrainian nuclear power plant. With the news flow changing so quickly, markets are extremely volatile, providing investors with large positive or negative returns depending on what has occurred in that day.

Russian markets have closed and trading in Russian assets cannot be undertaken by investors outside of Russia. Companies outside of Russia are self-policing themselves regarding undertaking business in Russia or with Russian partners. Major names like BP, Shell and Apple have all come out to say they are limiting business in Russia or removing it all together. This will have major impacts on the Russian economy moving forward.

Where markets have continued to react the most, is within commodities markets. Russia and Ukraine are major oil, natural gas and commodities producers. This will have impacts on inflation in the short term and could put further pressure on some businesses supply chains, especially if the conflict continues over time.

---

## Has this led to any changes in the management of the portfolios?

While we cannot predict upcoming military and political developments or how far the current conflict will escalate, what we can try to assess is the impact on growth and the subsequent market implications. The key risk is the impact on energy and commodity prices. The increase in tensions will have an escalating impact on commodities.

The Russian and Ukrainian economies are small in the context of the global economy, but the on-going invasion will provide increased volatility which markets will react to. Higher energy prices should have a small impact on inflation in the short term. The team continue to focus on the medium to long term opportunities as history has shown how quickly markets can move with news flows. Timing moves in and out of markets can provide greater risks for investors in times of stress, maintaining investment discipline in times like these provides the best long-term opportunities for investors.

The team have been monitoring any direct or indirect investment within Russia and any impacts the ongoing conflict will have to underlying investments. Managers are looking to limit and sell down any investments which will be impacted from the on-going tensions. We have had calls and been in contact with the managers of our active holdings to monitor the effect this may have on companies' profitability, share price and outlook moving forward. It is good to see that fund houses and managers are being extremely active and making changes where required.

Within our underlying portfolios the team are focusing on the longer term to make sure the holdings continue to be diversified across styles, sectors, and asset classes. We are not in the market to try and time events, especially when they are political in nature. They are very fast moving and trying to time when best to invest or disinvest could provide negative outcomes for long term investors.

The higher weight held in alternatives should work well in volatile markets and therefore we continue to have allocations to gold and defined returns which provide lower correlation to other asset classes in times of stress. Gold has been a stand out performer in the recent weeks and we believe will continue to be a safe haven asset for investors meaning prices will stay positive.

Within fixed income our focus is on valuations, income, and risk. Assets where default rates are low, and wider spreads & coupons compensate for inflation, are preferred. We also continue to favour shorter duration to lessen the impact from rising interest rates.

Within our equity exposure, the additional risks from the Ukraine/Russia tensions highlights that diversification is key. We continue to invest across regions which should benefit investors over time. We also continue to favour valuation discipline. The price swings in markets and the dislocation of pricing in regions highlights where having diversification continues to work in favour

The team are continually monitoring the situation in Ukraine and its impact on the global economy, markets, and underlying portfolios & investments, and will continue to do so over time.

T. 01564 796870 E. [info@maia-am.co.uk](mailto:info@maia-am.co.uk) [www.maia-am.co.uk](http://www.maia-am.co.uk)

Important information: Maia Asset Management Ltd is registered in England. Registered office: April Barns, Redditch Road, Ullenhall, Warwickshire, B95 5NY. Company registration No. 237 3988 66. We are authorised and Regulated by the Financial Conduct Authority, Registration Number 747887.

This document is provided for information purposes only and does not constitute advice or a personal recommendation. Past performance is not a guide to future returns. The value of investments and the income from them, can go down as well as up, and you may get back less than you invested. Fluctuations in currency value will mean that investments may be affected by exchange rate variations. The information on which this document is based is deemed to be reliable, but we have not independently verified such information and we do not guarantee its accuracy or completeness.