



Russia Ukraine conflict and investment implications

By now you will all be aware of the considerable uncertainties generated by the Russian Ukrainian conflict. We thought it would be useful to put down a few thoughts from an investors' perspective.

What we know

- There is significant disruption to global oil and wheat supply as well as some other commodities. This is putting upward pressure on inflation.
- These higher prices are effectively a tax on growth as it takes money out of the hands of consumers. This leads to weaker economic activity.
- Central Banks are already in a tightening monetary policy phase which together with potentially slowing economic activity contributes to a somewhat less supportive environment for growth assets.
- Global equity markets have sold off quite meaningfully reflecting both the above and a rising risk premium. There is little doubt that the fear factor is running hot.
- South Africa has benefitted from higher metal commodity prices and the rand has been relatively stable in this risk off environment.

We know that these issues will ultimately be resolved but **what we do not know is**

- How long this will take.
- Whether it will get worse before it gets better.

We can however be relatively certain that volatility will remain elevated for some time to come.

What we take comfort from

At FG Asset Management we stick to a very rigorous investment process that is important during times like these. We are confident in our strong manager selection, asset class diversification and our emphasis on quality. We indicated in the recent global brief of a more challenging environment for growth assets in 2022 (although we certainly did not foresee the severity of this geopolitical risk factor) and hence we were cautious in our approach.

Where to from here?

From experience we know that it seldom pays to have a knee jerk reaction while so many uncertainties prevail. We have adopted a prudent approach to this market shock and will continue to communicate this through to you as things unfold.