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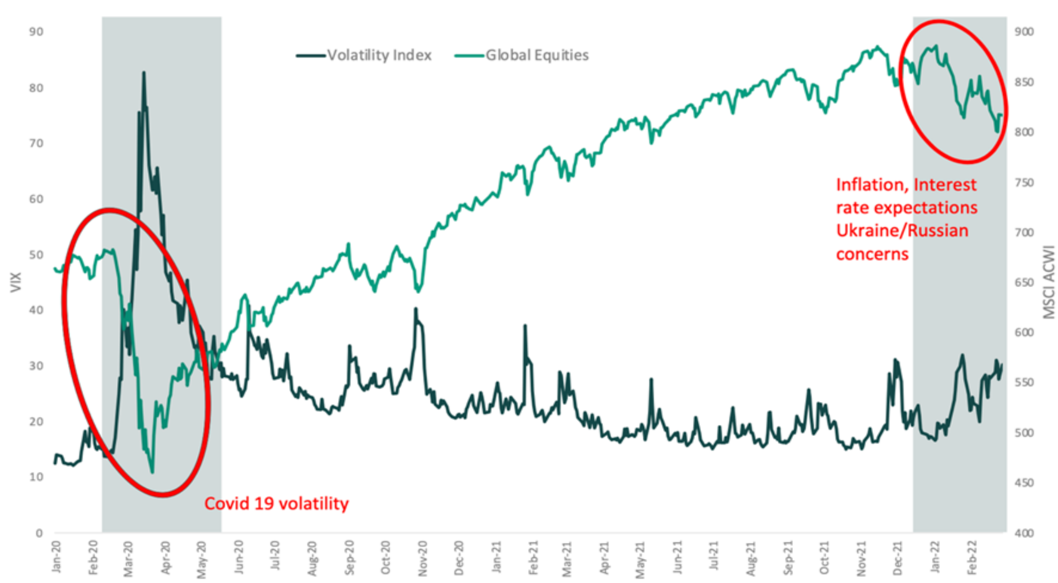
4 INVESTMENT LESSONS FROM UKRAINE'S RESPONSE TO INVASION

By Brian Butchart, CFP® and Managing Director, Brenthurst Wealth Management

The invasion of Ukraine by its much larger and more aggressive neighbour is a timely reminder to investors that markets are in continuous turmoil. They're not always as volatile as during wartime, but every long-term graph of equity (and other) markets shows a steady rise punctuated by occasional stutters and brief recoveries.

What we've seen in the past few weeks is one of those stutters, influenced by geopolitical events well beyond our control. And over the past year, fears about COVID's lingering effect and rising inflation have put the brakes on what had been a rampant recovery after March 2020's 30% fall.

AFTER A ROARING RECOVERY - MARKETS SEEM NERVOUS



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Even in hindsight, the pressure on markets can look horrifying, but only if the lens through which you're looking highlights the last few months.

This is an incredibly short period of time over which to gauge the success of your investment strategy. Short-term moves are always going to be exaggerated, just as we saw the uncharacteristically strong recovery in 2020.

Judging 2022's returns against 2021's is simply not an accurate reflection of how your portfolio will perform over the next 5, 10 or more years.

If I may be so bold, the response by the people of Ukraine offers the ideal blueprint on how you, as an investor, should respond to market turmoil.

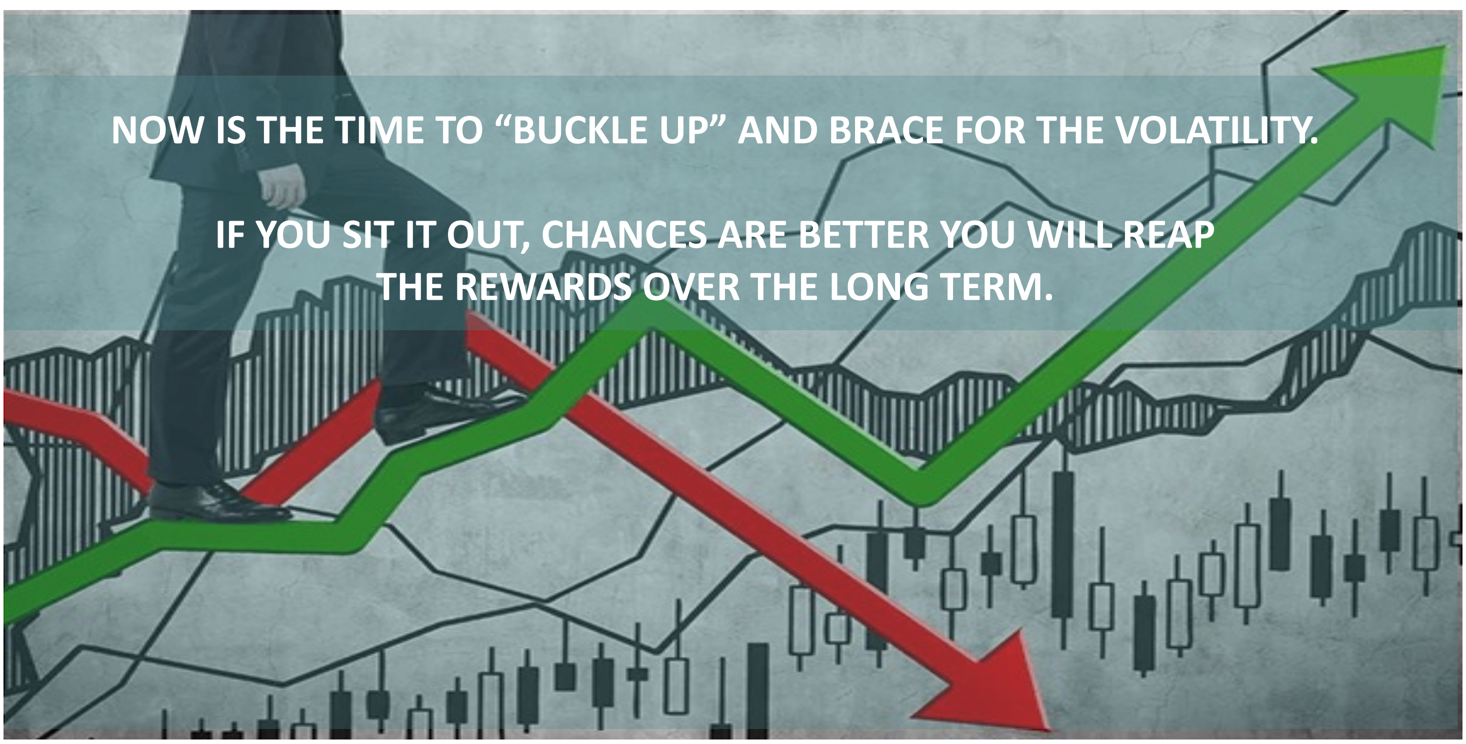
BE STEADFAST IN THE FACE OF ADVERSITY

Ukrainian president Volodymyr Zelenskyy, has reframed what real leadership looks like, often using social media to send messages of solidarity and strength to his people. Not surprisingly, it has galvanised ordinary citizens into action that has slowed the effectiveness of the invasion.

And while many have fled, many more have stayed to defend what they believe in.

As an investor, you need to adopt a similar resilience against adverse events. Fortunately, financial turmoil doesn't involve the devastation and loss of life seen in Ukraine, but cutting and running will do more harm to your portfolio than sticking it out.

Now is the time to stay calm and invest according to your long-term objectives. History has shown that geopolitical shocks such as these provide buying opportunities for investors. The table (page 3) **shows how the US stock market has performed 12 and 24 months after a correction.**



STOCKS TEND TO DO WELL AFTER CORRECTIONS

S&P 500 INDEX CORRECTIONS AND BEAR MARKETS (1980— PRESENT)

High Date	S&P 500 High Price	Low Date	S&P 500 Low Price	Correction Return	1-Year Return After Lows	2-Year Return After Lows
2/13/1980	118.44	3/27/1980	98.22	-17.1%	33.0%	10.6%
11/28/1980	140.52	9/25/1981	112.77	-19.8%	9.4%	50.5%
11/30/1981	126.35	3/8/1982	107.34	-15.1%	43.2%	48.4%
5/7/1982	119.47	8/12/1982	102.42	-14.3%	57.7%	57.9%
10/10/1983	172.65	7/24/1984	147.82	-14.4%	30.3%	61.5%
8/25/1987	336.77	10/19/1987	224.84	-33.2%	22.9%	52.5%
10/21/1987	258.38	10/26/1987	227.67	-11.9%	24.0%	51.5%
11/2/1987	255.75	12/4/1987	223.92	-12.5%	21.4%	56.6%
10/9/1989	359.80	1/30/1990	322.98	-10.2%	3.7%	28.5%
7/16/1990	368.95	10/11/1990	295.46	-19.9%	28.8%	38.2%
10/7/1997	983.12	10/27/1997	876.99	-10.8%	21.5%	47.9%
7/17/1998	1186.75	8/31/1998	957.28	-19.3%	37.9%	57.7%
9/23/1998	1066.09	10/8/1998	959.44	-10.0%	39.2%	46.9%
7/16/1999	1418.78	10/15/1999	1247.41	-12.1%	10.2%	-13.9%
3/24/2000	1527.46	4/14/2000	1356.56	-11.2%	-12.1%	-18.8%
9/1/2000	1520.77	4/4/2001	1103.25	-27.5%	0.0%	-21.0%
5/21/2001	1312.83	9/21/2001	965.8	-26.4%	-13.7%	6.5%
1/4/2002	1172.51	7/23/2002	797.7	-32.0%	23.9%	36.2%
8/22/2002	962.70	10/9/2002	776.76	-19.3%	33.7%	44.8%
11/27/2002	938.87	3/11/2003	800.73	-14.7%	40.4%	51.0%
10/9/2007	1565.15	3/10/2008	1273.37	-18.6%	-43.5%	-10.0%
5/19/2008	1426.63	10/10/2008	899.22	-37.0%	19.7%	30.1%
10/13/2008	1003.35	10/27/2008	848.92	-15.4%	25.3%	39.3%
11/4/2008	1005.75	11/20/2008	752.44	-25.2%	45.0%	59.2%
1/6/2009	934.70	3/9/2009	676.53	-27.6%	68.6%	95.4%
4/23/2010	1217.28	7/2/2010	1022.58	-16.0%	31.0%	33.5%
4/29/2011	1363.61	10/3/2011	1099.23	-19.4%	31.5%	53.8%
5/21/2015	2130.82	8/25/2015	1867.61	-12.4%	16.5%	30.6%
11/3/2015	2109.79	2/11/2016	1829.08	-13.3%	26.6%	45.2%
1/26/2018	2872.87	2/8/2018	2581	-10.2%	5.0%	30.1%
9/20/2018	2930.75	12/24/2018	2351.1	-19.8%	37.1%	57.8%
2/19/2020	3386.15	3/23/2020	2237.4	-33.9%	74.8%	?
1/3/2021	4796.56	2/22/2022*	4304.76	-10.3%	?	?
		Average		-18.8%	24.8%	37.4%
		Median		-16.5%	25.9%	45.2%
		% Higher			90.3%	86.7%

SOURCE: LPL Research, NED Davis Research, Fact Set 02/22/2022.

- *The current weakness is not the correction as yet, however, we decided to include it.*
- *All indexes are unmanaged and cannot be invested into directly.*
- *Past performance is no guarantee of future growth.*

LONG-TERM PERSPECTIVE IS CRUCIAL TO PRESERVING WEALTH.

VOLATILITY IS UNAVOIDABLE IN GLOBAL EQUITY MARKETS,
BUT THE ONLY WAY TO BEAT INFLATION AND CREATE LONG-TERM WEALTH,
FAR OUTWEIGHING ANY IMMEDIATE SENSE OF RELIEF.

PLAN AND BE PREPARED

One of the most confounding aspects during the early days of Russian advance was that cities and citizens didn't simply surrender. They put up a resistance built around clear plans and citizen action that included making home-made weapons and training with wooden cut-outs of rifles.

That preparation appeared to pay off, allowing the country's defence forces to hold off the invading forces.

The lesson here is that you can limit the damage to your portfolio by shoring up your defences against possible downturns. That you can do through a proper diversification strategy across different asset classes, investment styles and geographies.

YOU MUST LOOK TO THE LONG TERM. UNDERSTAND HOW YOUR PORTFOLIO IS CONSTRUCTED AND HOW DIVERSIFICATION IS HELPING YOU WEATHER THE STORM.

LOOK TO HISTORY

A country like Ukraine has experienced a tremendous amount of conflict throughout its history, especially the past eight or so years of low-scale war since Crimea was annexed by Russia.

However, the country has a long history of its people standing up against oppression to declare their independence dating back to 1991. In 2014 this was followed by a public uprising that saw the overthrow of a dictatorial president. The resistance that many volunteer citizens are putting up should, therefore, come as no surprise given their long history of declaring a desire to live freely in their own country.

Similarly, we need only look at the historical performance of equity markets over the past number of decades to see scattered highs and lows, but still a steady upward rise.

This long-term perspective is crucial to preserving your wealth and not squandering it when you're spooked by short-term events or volatility, as the long-term picture for global equities illustrates.

REMAIN RESOLUTE AND UNITED

The leadership shown by the Ukrainian president shows what can be achieved when you're able to rally people around a common cause. The united front they have shown has rallied world leaders to spring to action, and volunteers to flock to the country to help.

Your support as an investor comes from your financial advisor or whoever you trust with your financial affairs. It's true that two heads are better than one, especially when one of those is qualified to give you advice based on fact, not whimsy.

The people of Ukraine are showing incredible courage in the face of such adversity. **You should exercise the same determination and long-term vision to stay the course because volatility is unavoidable in global equity markets, but the only way to beat inflation and create long-term wealth, far outweighing any immediate sense of relief.**

ADVISOR PROFILE

BRIAN BUTCHART, CFP® AND MANAGING DIRECTOR OF BRENTHURST WEALTH

BRIAN is Managing Director and key individual of Brenthurst Wealth.

He was recognised as one of the country's top three Wealth Managers in SA's Intellidex Top Private Banks and Wealth Manager's Awards consecutively in 2020 and 2021.

Brian is also responsible for compliance and operations nationally, across all seven offices. He has been in the financial services industry since 1998, for more than 24 years, and previously gained experience at Citadel and Magnus Heystek International.

Brian is also a key individual and representative of Brenthurst Capital (Pty) Ltd and a senior member of the investment committee dealing with all investment and asset allocation decisions.

Brian is a CERTIFIED FINANCIAL PLANNER® professional, a member of the Financial Planning Institute of South Africa and is fully qualified to give advice on all investment matters.

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