What happened?

On 24 February 2022, the Russia-Ukraine tension escalated into an invasion by Russia into Ukraine, ushering in new waves of fear and worry, just as markets are grappling with news of inflation and interest rate hikes – a double whammy. This has led to bouts of market volatility and even claims of an impending all-out war.

Should investors be concerned?

There is every reason for an investor to be fearful that doomsday is just around the corner, if one were to only look at news headlines and recent market performance. In fact, the first response to the invasion was scary for many people. Markets' immediate reaction was also as expected - bloody and volatile. However, investors were pleasantly surprised as markets turned out just fine as they woke up the next morning. If history has taught us anything, it is that market declines are just temporary knee-jerk reactions that are part and parcel of investing.

Looking back at past geopolitical events, equities on average have delivered returns of 8.6% 12-months later (see table below).

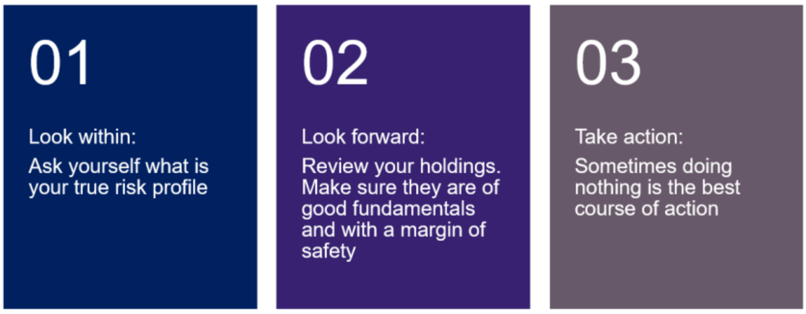
Date	Select geopolitical/ military events	1-month later	3-months later	6-months later	12-months later
12/7/1941	Pearl Harbor	-3.4%	-12.7%	-9.1%	0.4%
10/31/1956	Suez Canal crisis	-2.8%	-3.8%	-0.1%	-11.5%
10/20/1962	Cuban missile crisis	8.7%	17.7%	25.1%	32.0%
10/17/1973	Arab oil embargo	-7.0%	-13.2%	-14.4%	-36.2%
11/3/1979	Iranian hostage crisis	4.2%	11.6%	3.8%	24.3%
12/25/1979	U.S.S.R. in Afghanistan	5.6%	-7.9%	6.9%	25.7%
8/3/1990	Iraq invades Kuwait	-8.2%	-13.5%	-2.1%	10.1%
1/17/1991	Gulf War	15.2%	23.5%	20.6%	33.1%
8/17/1991	Gorbachev coup	0.0%	3.0%	7.0%	8.9%
2/26/1993	World Trade Center bombing	1.2%	2.5%	4.0%	6.4%
9/11/2001	9/11	-0.2%	2.5%	6.7%	-18.4%
3/20/2003	Iraq War	2.2%	15.6%	17.4%	28.4%
	Average	**1.3%**	**2.1%**	**5.5%**	**8.6%**
	% Positive	**50%**	**58%**	**67%**	**75%**

Source: Truist. Performance shown for S&P 500.

What does this mean for us?

To put it simply, while it pays to be patient in such tumultuous situations, we should expect and brace for volatility moving forward. We take comfort that our portfolios are well diversified, and are prepared to ride through such an event due to our focus on quality and value. We expect our portfolios to benefit from the subsequent recovery.

Here are 3 things you can do when markets decline (as shared in our client seminar on the day of the invasion)**:**



1. Market declines are the best times for investors to discover their true risk profile, and find out what they are comfortable with.
2. Make sure you are invested in areas with good fundamentals and with a margin of safety. These investments are good to hold through volatile periods.
3. If you are prepared - good. Sit back and let your money compound over the long-term.

At the end of the day, the fact is that markets do recover after such geopolitical events. For those who have been waiting patiently on the sidelines, this is a window of opportunity for you.