

An update on current geopolitical tensions

24 February 2022

The situation in eastern Europe has escalated with news this morning that Russia has launched an invasion of Ukraine.

The current situation

A wholesale Russian invasion of Ukraine takes us back to a world we thought we had left behind decades ago. From a social and political perspective, the impact will be huge. As governments around the world contemplate their response, the potential for a full-scale conflict between Russia and the West is now something that cannot be ignored.

From an investment perspective, sentiment has been rocked causing an increase in volatility that we expect will last for some time. There has already been an impact on energy prices, which will prove to be a headwind for economic growth around the world and may temper the desire of central Banks to continue raising interest rates, in spite of the inflationary consequences of higher oil prices.

What is Omnis doing?

While it is not possible to have perfect insight into how this extremely complex political situation will evolve, we should nonetheless consider the risks investors are facing, and how we can best deal with them.

Earlier in February 2022, Omnis became concerned about the prospect of sanctions and capital controls on Russia, which could limit our investment managers' ability to sell holdings in the region if necessary. We had exposure to a small number of Russian and Ukrainian holdings in our funds. As geopolitical tensions rose over the last few weeks, Omnis Investments, as Authorised Corporate Director (ACD) of its funds, reviewed this exposure to Russia and Ukraine. As ACD, our primary responsibility is to act in our investors' best interests and, with this in mind, we decided to take action to ensure investors were not exposed to the risk of sanctions or capital controls. We instructed our investment managers to sell their Russian and Ukrainian holdings immediately, and all holdings were sold before military activity picked up and before any sanctions were imposed. As such, within our single strategies, we have no direct exposure to Russia or Ukraine and our managers will stay away from investments in the region until further notice.

Within the Omnis Managed Portfolio Service, where we have the ability to move the exposures to different investments, we are monitoring the situation closely. Since the start of the year, we have had an underweight position to equities overall and have had higher exposure to high quality government bonds to provide some protection in investors' portfolios in situations such as this.

Geopolitical risks have always been present and the impact of such risks will be different over time and in different regions and asset classes. Times like these remind us of the importance of diversification – both at a geographical level as well as at an asset class level.

With this level of uncertainty, we can expect market volatility to remain elevated for some time. History has shown us that disinvesting when market volatility picks up tends to lead to poorer outcomes. Staying invested for the long-term, and in line with your attitude to risk remains the best investment strategy.

Keeping you updated

We will continue to update you on the situation and the impact on markets in our weekly Omnis Investment Club Podcast and Weekly Market Summary, which can be found on our [website](#) and is updated every Monday morning.

Furthermore, you can also find out how we are positioned in the Omnis Managed Portfolio Service at all times [here](#) and of course we will continue to provide regular updates via your financial adviser.

If you have any further questions or concerns, please speak with your financial adviser.

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