

## Mixed Investments – 7 March 2022

The table shows the solution's exposure to Russian assets as of 23 February 2022, so before the hostilities began:

	Mixed Investment (40-85%) Shares Fund	My Future Focus Consolidation Fund
Russia Equity	0.1%	0.0%
Russia Fixed Income	0.1%	0.1%
Ukraine Fixed Income	0.1%	0.1%
<b>Total</b>	<b>0.3%</b>	<b>0.2%</b>

### Summary of the Ukraine / Russia crisis

- *Russia has launched a full scale invasion of Ukraine. In response, the West has imposed sanctions against Russia. These have included a SWIFT ban on some Russian banks while the central bank of Russia has been sanctioned, preventing it from being the lender of 'last resort' and facilitating the flow of money into the Russian financial system. Russian bonds are no longer paying coupons to foreign holders.*
- *Hopes of the crisis being resolved quickly have waned, especially after Russia put its nuclear forces on high alert. Further military support has been provided to Ukraine, while there is a greater commitment by NATO members, especially Germany, to increase spending on defence.*
- *The global private sector from financials to telecommunications companies have responded to the situation by saying that they will no longer do business with Russia.*
- *Some commentators talk of fears that the situation could escalate into a global war if the US becomes more involved. However, US President Joe Biden has vowed that he will not deploy American troops to Ukraine under any circumstances. Under NATO's article 5, the alliance is only obliged to come to the defence of any NATO member state that comes under attack.*
- *At a time of already heightened inflationary pressures, a major concern is the potential impact of the unfolding conflict on the global energy supply. Russia is the second largest producer of oil and gas globally and provides 40% of Europe's gas supply.*
- *Reflecting fears about disruptions to the global energy supply, the price of oil rose to \$113 a barrel on 2 March, its highest level since June 2014. Gas prices reached a record high. The oil price then rose above \$130 a barrel on Monday 7 March as US and Europe announced that they were considering a ban on Russian crude oil.*
- *While there are mitigating factors in maintaining global oil supply, for example through potential increased OPEC production, a new deal with Iran to increase its supplies and the potential for the release of global strategic reserves, the near-term impact is likely to add to already strong inflationary pressures.*
- *These inflationary moves leave little room for central banks to delay any interest rate hikes for too long for fear of the impact of inflation on economic growth, despite the geopolitical turmoil.*

### **How has the situation impacted the world's financial markets?**

- *Stock markets fell heavily following the invasion of Ukraine by Russia. It is worth noting the clear divergence between the US and Europe in terms of stock market performance. The FTSE All-Share Index and the FTSE Eurofirst 300 Index have suffered more losses, that said all markets remain under intense pressure.*
- *Reflecting the heightened volatility in markets and the demand from investors for less risky assets, developed market government bonds, including UK government bonds, have secured positive returns since the outbreak of hostilities on 23 February 2022.*

### **What action has the Aviva Investors' multi-asset team taken?**

- *Although we believe the global economic impact of the crisis should be limited, the team increased its allocation to bonds through the purchase of US government bonds in anticipation of a probable flight to safety by investors. This thesis has proven correct.*

### **What action has Aviva taken?**

- *Aviva has made the decision that the group will exit all Russian investments from its funds, which includes funds managed by Aviva Investors. This will be reflected within the Mixed Investments Universal Lifestyle approach, which has a very small exposure to Russian assets. We are aware that it will take time to exit these positions.*

### **What is our view?**

- *We will continue to monitor the events in Ukraine.*
- *As we stated at the outbreak of the Coronavirus crisis in March 2020, we remain focused on the long term. Our funds are well-balanced, multi-asset portfolios, which invest in a broad range of assets in order to manage the risks that our customers are exposed to as they travel through their journey to retirement. Looking after our customers' savings remains our number one priority.*

**Aviva, 7 March 2022. Returns from FE in sterling. This update is for advisers, trustees and employers only. It is not suitable for use with pension scheme members.**