

Macro perspectives on the Ukrainian invasion

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Source: www.independent.co.uk, March 4, 2022



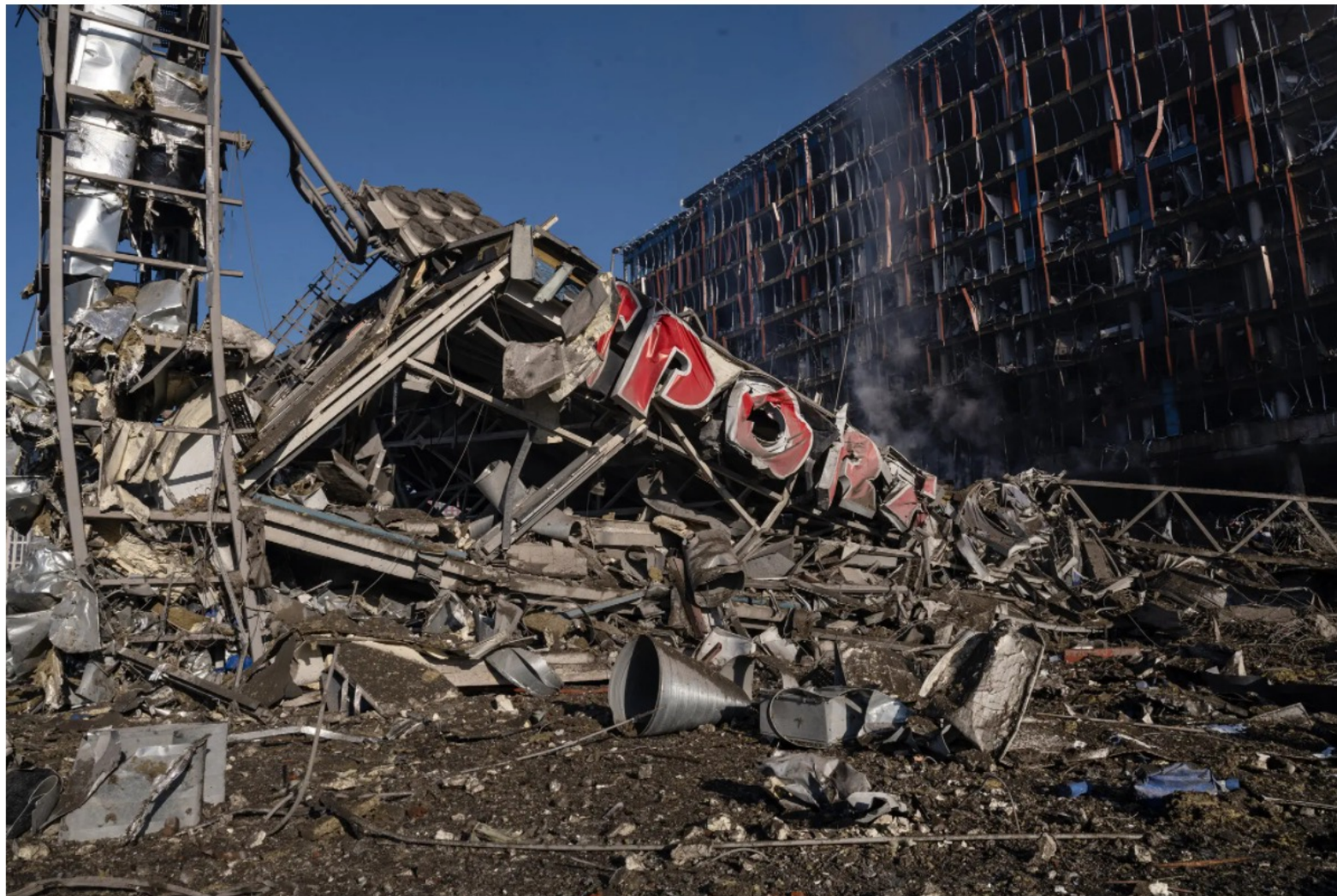
www.bostonglobe.com, March 4, 2022



www.jpost.com, March 3, 2022



www.npr.org, March 21, 2022



Part of the Retroville mall in Kyiv, Ukraine, on Monday. Lynsey Addario for The New York Times

www.nytimes.com, March 23, 2022



www.npr.org, March 11, 2022

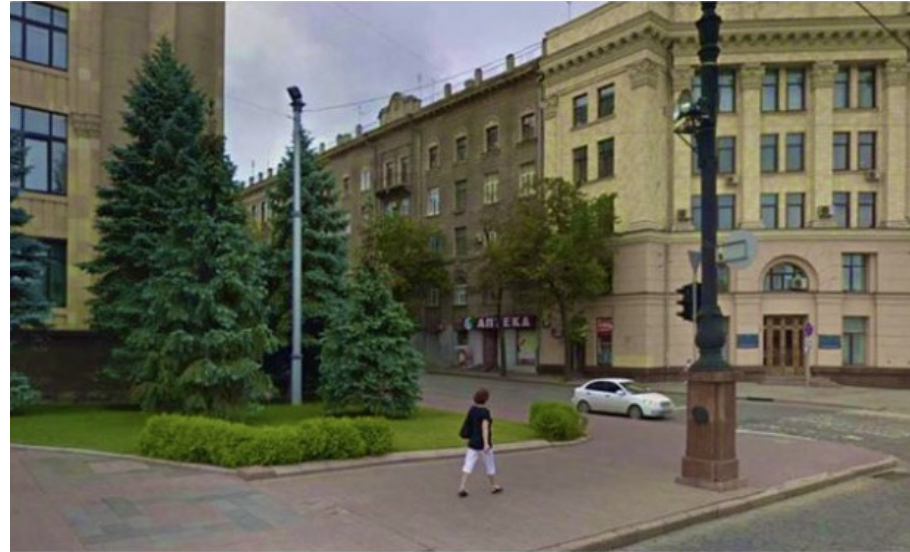


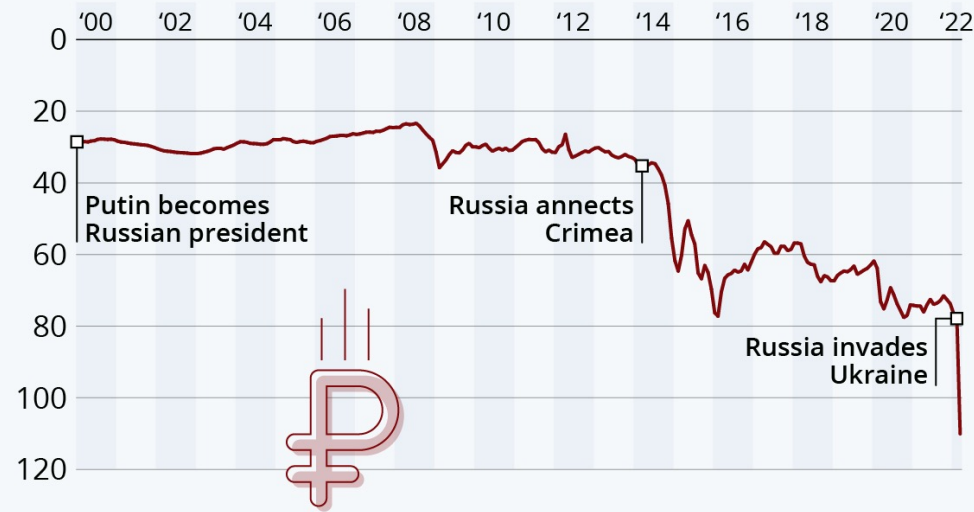
Photo source: twitter.com



Photo source: washington.post.com

Ruble Plummetts in Face of Western Sanctions

Valuation of the Russian ruble against the U.S. dollar
(in ruble per U.S. dollar)*



* scale inverted; monthly average rates as of March 3, 2022, 8:30 AM EST
Sources: OECD via FRED, Yahoo Finance



What Putin wants

1. Officially ceding Crimea from the Ukraine to Russia
2. Declaration of independent nation-states in the East (Luhask, Donetsk)
3. A declaration that Ukraine be formally neutral and will never join NATO
4. The end of Western sanctions

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Let's go back in history

- The USSR has just unwound
- Ukraine had the third largest fleet of ICBMs (intercontinental ballistic missiles) in the world

Source: <https://www.brookings.edu/opinions/honoring-neither-the-letter-nor-the-law/>



Photo source: <https://www.wsj.com/articles/how-ukraine-was-betrayed-in-budapest-russia-vladimir-putin-us-uk-volodymyr-zelensky-nuclear-weapons-11645657263>

What did the Budapest Memorandum of 1994 do?

The most important [agreement] was to “reaffirm their obligation to refrain from the threat or use of force against the territorial integrity or political independence of Ukraine.” They also pledged to “refrain from economic coercion” against Ukraine and to “seek immediate United Nations Security Council action to provide assistance to Ukraine” in the event of an “act of aggression” against the country. Ukraine had returned all of the nuclear weapons to Russia by 1996.

Source: <https://www.wsj.com/articles/how-ukraine-was-betrayed-in-budapest-russia-vladimir-putin-us-uk-volodymyr-zelensky-nuclear-weapons-11645657263>

2000



2007



2012



2016



2020

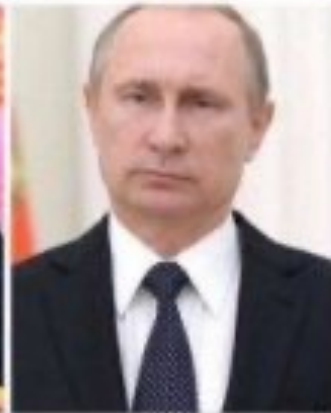
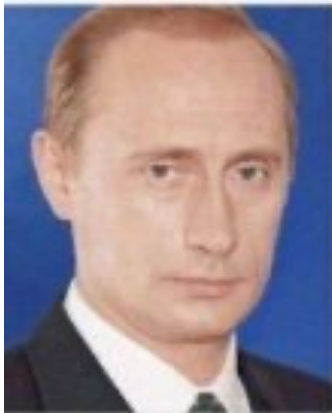


Photo source: <https://www.quora.com/How-many-US-Presidents-has-Vladimir-Putin-met-and-which-one-did-have-the-closest-relationship-with>

Russians have made few advances in recent days



What we've learned

- Russia's military isn't as fearsome as anticipated
- Putin's tactical skill was overrated
- Sanctions can be meaningful
- Western fragmentation can be reversed

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A military proverb: “Amateurs talk about strategy, but professionals study logistics.”

Possible outcomes

- A long grinding war
- A very unpleasant compromise
- Putin being ousted

Source: <https://www.brookings.edu/opinions/honoring-neither-the-letter-nor-the-law/> This communication expresses the views of Eventide Asset Management, LLC. This is for informational purposes only

Bolstering security is the need of our generation

- Food security
- Energy security
- Cybersecurity
- Medicine supply security
- Technology security
- Transportation security
- ...and more



Source: <https://www.latimes.com/business/story/2022-03-09/most-expensive-gas-stations-in-la>

Why has the price of gasoline gone up so much?

Oil is a fungible commodity



Fungible

My \$10 is valued the same as your \$10



Semi-fungible

We both have tickets to the show, although the seat numbers could affect the value

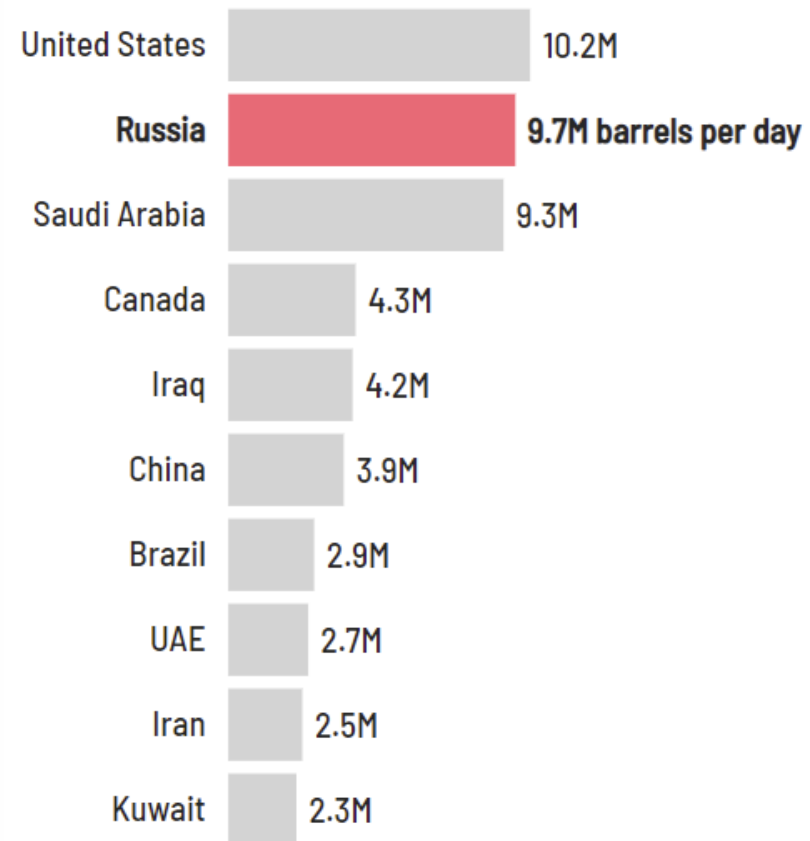


Non-fungible

Represents something unique in value

Photo source: <https://support.opensea.io/hc/en-us/articles/360063450733-What-is-a-Non-Fungible-Token-NFT->

Top crude oil producers in 2021

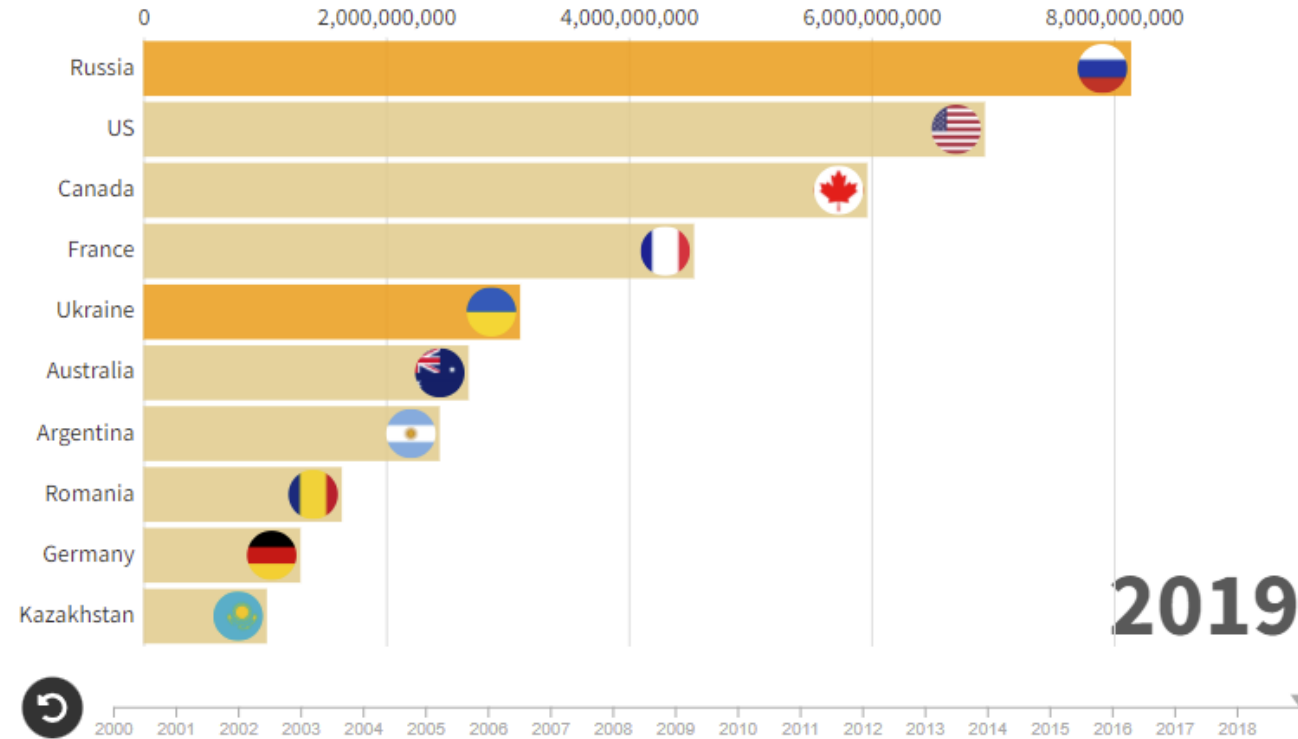


Source: Rystad Energy

Top wheat exporters around the world

Trade value of wheat in USD (2000-2019)

Click on the play icon to replay the animation



Source: [OEC, 2019](#) • February 17, 2022

Ukraine's agricultural land

Considered the **breadbasket of Europe**, **71 percent** of Ukraine's land is agricultural.

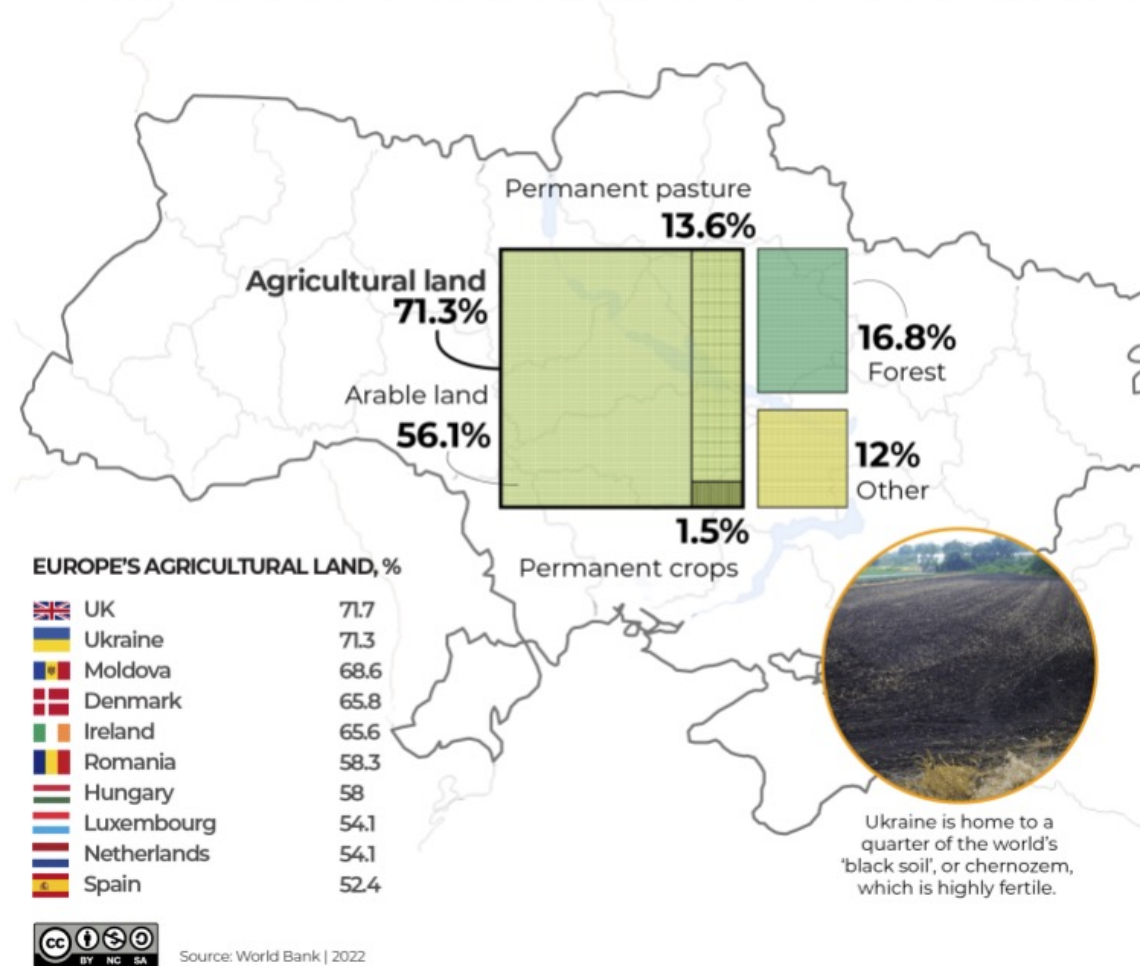




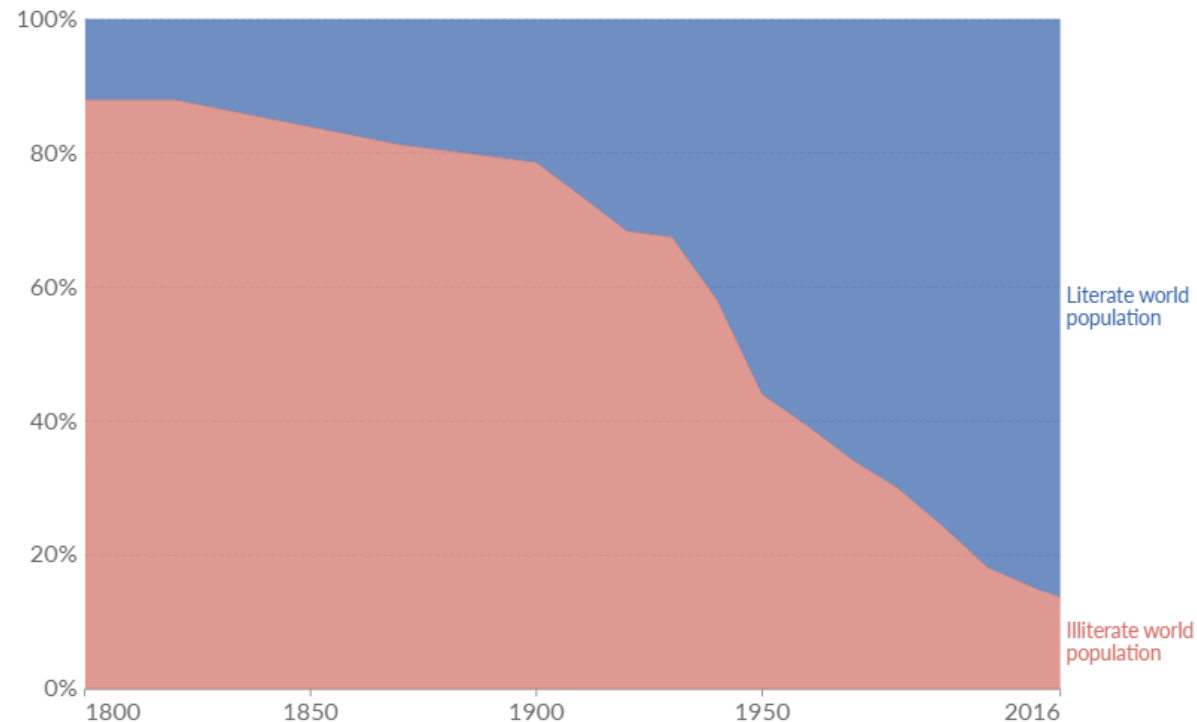
Photo source: Wikipedia.org

Reading literacy has significantly improved

Literate and illiterate world population

Population 15 years and older.

Our World
in Data



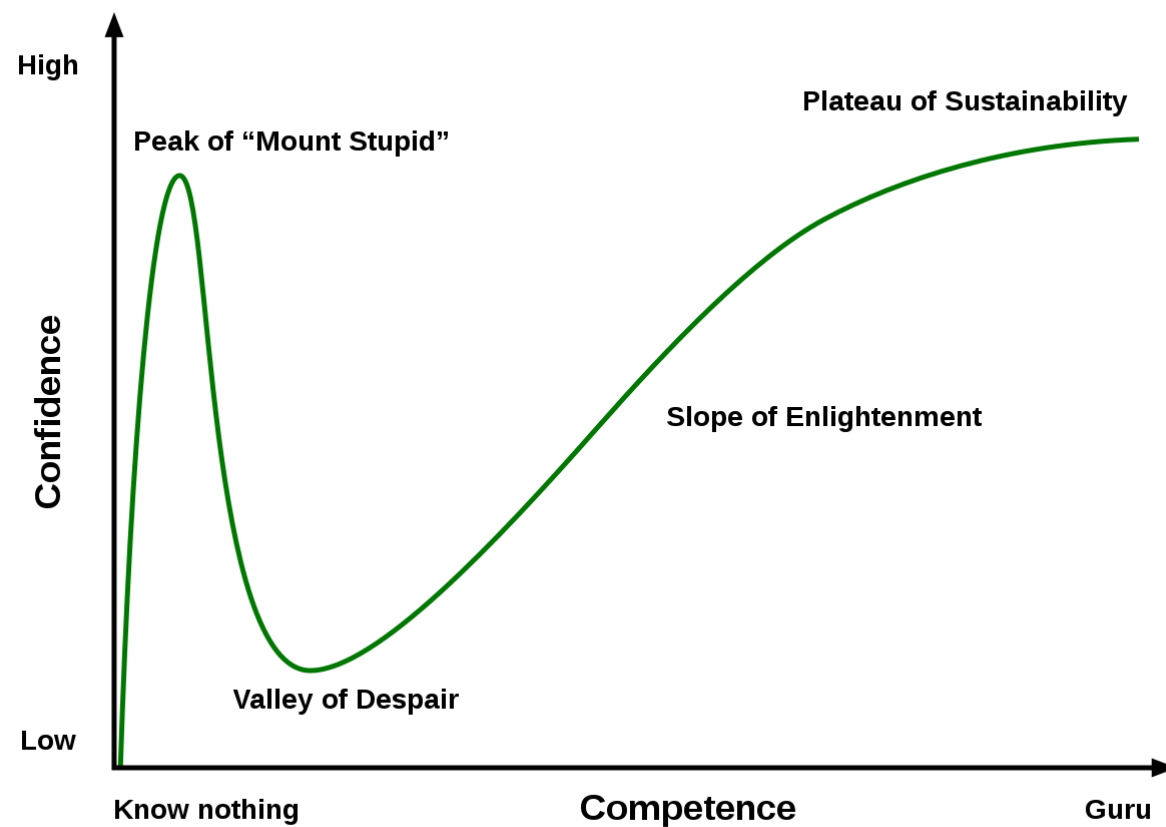
Source: Our World in Data based on OECD and UNESCO (2016)

OurWorldInData.org/global-rise-of-education • CC BY

The Dunning-Kruger effect

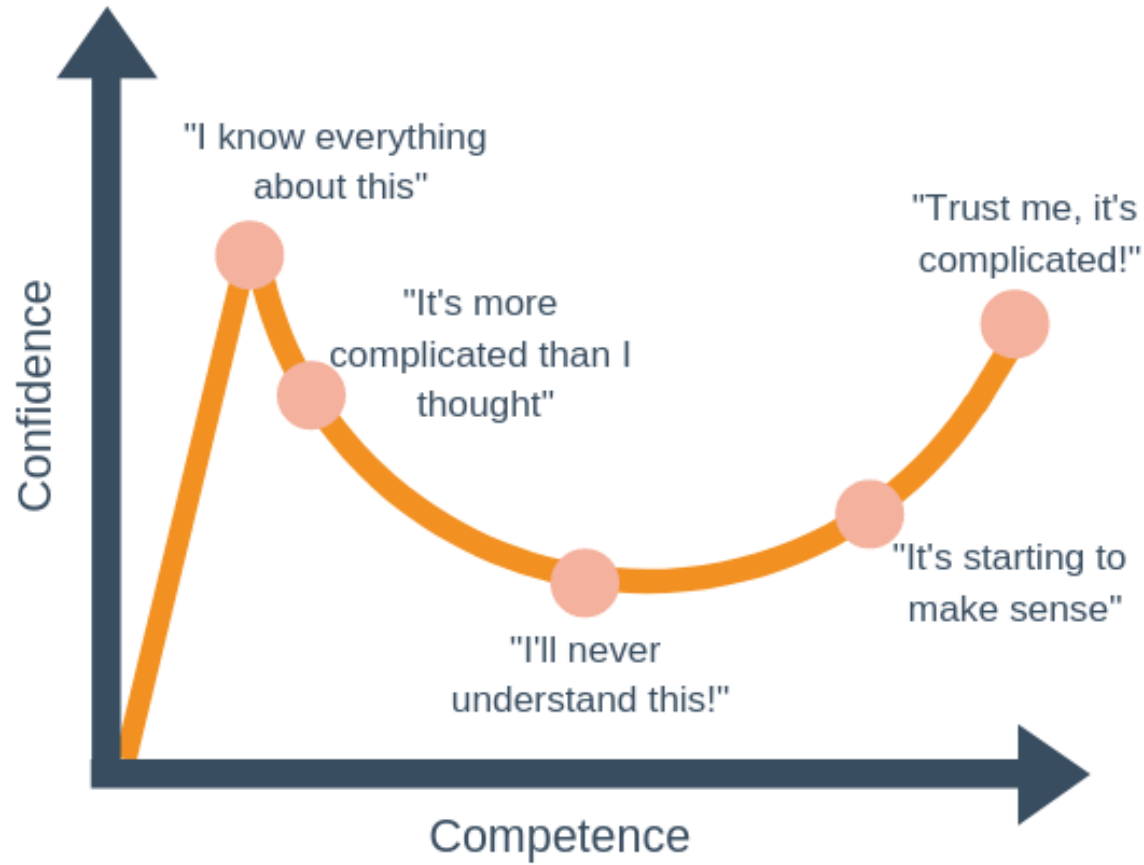


Dunning–Kruger Effect



<https://commons.wikimedia.org/>

The Dunning-Kruger Thought Process



<https://expertprogrammanagement.com/2019/02/dunning-kruger-effect/>

**“Finance would be better if it
was taught by the psychology
and history departments.”
– Morgan Housel**



Market timing is dangerous business

Decade	Price return	Excluding best 10d per decade
1930	-42%	-79%
1940	35%	-14%
1950	257%	167%
1960	54%	14%
1970	17%	-20%
1980	227%	108%
1990	316%	186%
2000	-24%	-62%
2010	190%	95%
2020	33%	-24%
Since 1930	19,975%	45%

Source: BAML. The table shows S&P 500 returns.

What about risk illiteracy?

How does risk management begin?

"The first step in the risk management process is to acknowledge the reality of risk. Denial is a common tactic that substitutes deliberate ignorance for thoughtful planning." - Charles Tremper



Photo source: <https://www.sciencefocus.com/nature/do-ostriches-really-bury-their-head-in-the-sand/>

Risk versus strategy

"Managing risk is very different from managing strategy. Risk management focuses on the negative threats and failures rather than opportunities and successes."

- Robert Kaplan

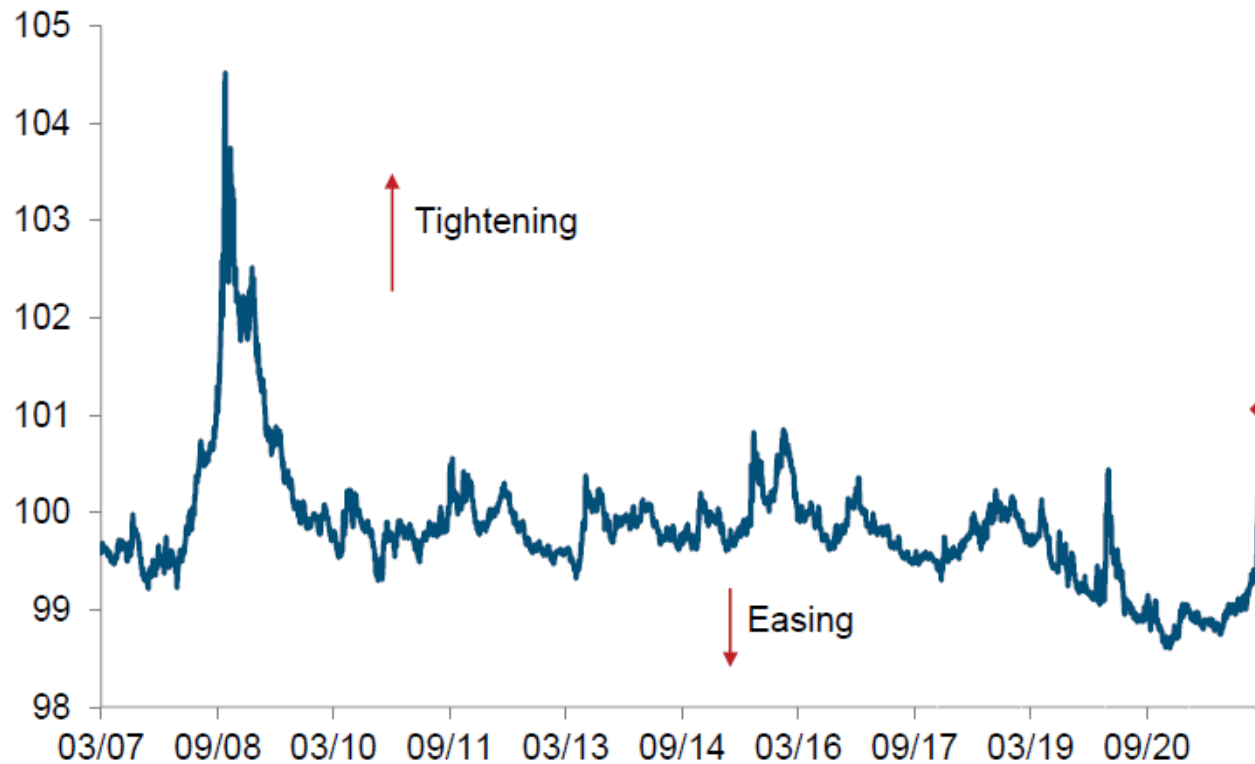


Risks abound in our world

- Supply chains that run through hostile, dishonest, vulnerable, or unstable nations
- Authoritarian regimes that are heavily armed
- A growing inability of the public to discern truth from error
- Divided internets & propaganda machines
- Risk illiteracy

Could this be the beginning of new investment themes?

Financial conditions are tightening

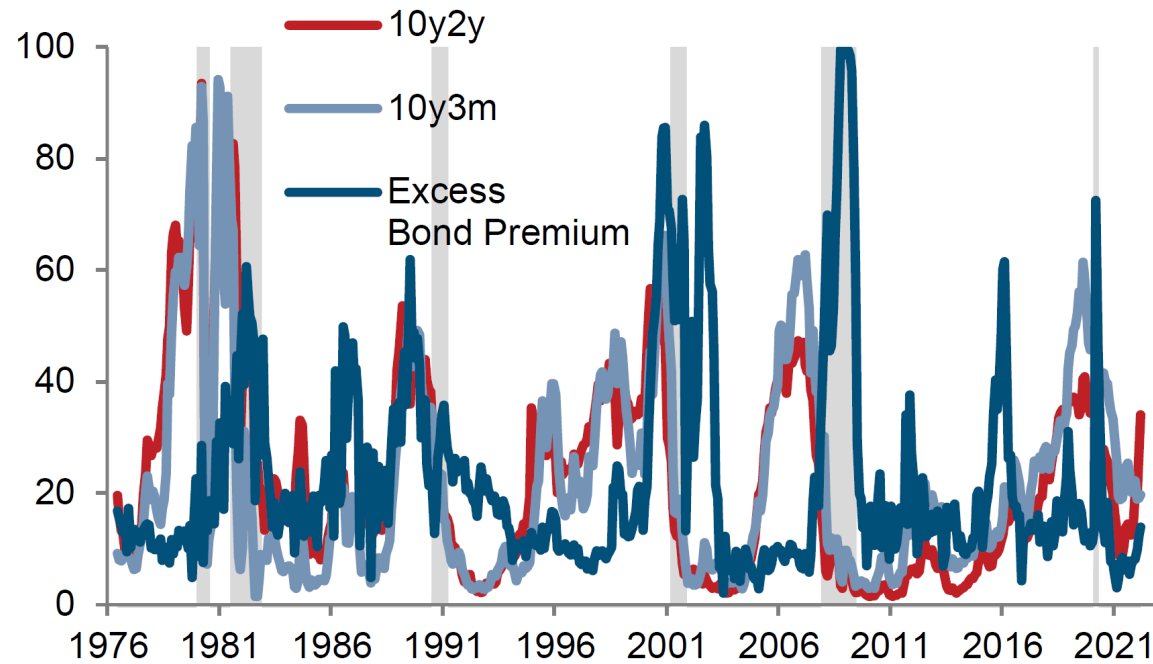


Source: Goldman Sachs; as of March 14, 2022

What about a stagflation-induced recession?

The yield curve implies ~20-35% odds of a US recession over the next year

Market-implied odds of a recession in the next 12 months, %



Source: Bloomberg, Goldman Sachs; as of March 14, 2022

The thesis of values-based investing is clear during times like this



Left the Russian market

FULLY OR PARTIALLY, AS OF 2 MARCH 2022

Source: twitter.com. This communication expresses the views of Eventide Asset Management, LLC. This is for informational purposes only.



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