What does the Russia-Ukraine crisis mean for your investments? (28 February 2022)

We wanted to share views from our Investment Manager on last week's Russian invasion of Ukraine and what it could mean for fund investments with RBSCIFL customers.

While it's incredibly hard to predict how such events will play out, history shows their impact on investment markets tends to be short-lived.

The experts at Coutts who manage the funds still see good conditions for investing over the long term. Companies generally are reporting solid profits, the economy continues to grow – albeit at a slower pace – and the outlook remains positive.

Do remember though, that past performance should not be taken as a guide to future performance. The value of investments, and the income you get from them, can fall as well as rise and you may not get back what you put in.

The impact

Investors reacted instantly to news of the invasion, with global stock markets falling between 3 per cent and 4 per cent, and oil prices rising above US$100 a barrel for the first time since 2014. Government bonds also rose as investors moved to the relative safety they can provide.

One possible impact of the conflict could be that it pushes prices up higher. Russia is the world's third-largest producer of oil and second-largest producer of natural gas, so we could see energy prices shoot up further as a result of the conflict. This in turn could mean inflation rises higher than its already record levels.

Over time, though, higher inflation today could mean lower inflation tomorrow as an energy shock would slow economic growth and lower demand for the things we buy.

Managing your money

Before this crisis struck, the team at Coutts behind your fund had already made a number of changes for the three Managed Funds (Defensive, Growth and Equity Growth) to reflect current market conditions, which include:

- selling European equity stocks, which already looked set to meet a number of challenges.
- buying more US equity stocks, which tend to perform better when investors look to reduce risk

It's also worth pointing out that these funds have very limited investments in Russian equities – just 0.1% across these Managed Funds.

The Global Bond Fund only invests in bonds, which tend to be more stable in such crises, while the remaining two Funds are only exposed to UK equity stocks (Stakeholder and UK Equity Fund) and have no Russian or other European equity investments.

Don't forget you can check on your fund's progress any time either on the Bank websites
https://personal.natwest.com/personal/investments/existing-customers.html
https://personal.rbs.co.uk/personal/investments/existing-customers.html
The prices of Shares in each Fund are also available from our Contact Centres by telephone on 0345 300 2585.