



THOUGHTS ON THE UKRAINIAN SITUATION

Kopernik condemns the military actions in the Ukraine. We believe that war is not good for anyone (other than a handful of war profiteers), and our hearts and prayers go out to the people of Ukraine. We were dismayed when we heard last summer that the U.S. was sending troops to the Ukraine, disappointed that the Ukrainian government and the breakaway regions never really attempted to honor the Minsk agreement and very displeased with Russia's current overreactions. Anyone who has read *The Fourth Turning* knows that the world is sitting in a potentially explosive situation for a variety of reasons. We hope that world leaders can display some wisdom.

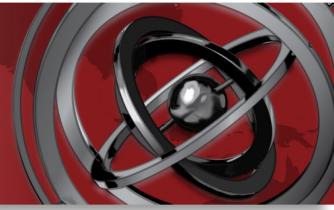
On the one hand, Putin's move may prove to be as deadly foolish as the response to the assassination of Franz Ferdinand by the Hapsburgs and Kaiser Wilhelm. On the other hand, it may be, as Putin wants us to believe, tantamount to his 2008 incursion into South Ossetia and Abkhazia in 2008. If the former, it is tragedy for mankind. For investors, they would be well advised to shun stocks and (especially) bonds for years to come. Nothing is more inflationary than war. Gold should anchor one's portfolio and other commodities would likely do well too. To be clear, we are not predicting war as we believe that mankind is unlikely to do anything so clearly stupid; time will tell.

If this is more akin to 2008's happenings in Georgia, investors would be well served to hold their wits. 2008 was a bad time to panic and sell. As a matter of fact, it was a tremendous time to buy stocks almost everywhere in the world. This was especially true of the Russian market, which went up fourfold over the ensuing two years. It was a time when Russia was the "R" in BRICs, the acronym of the era. Brazil, Russia, India, and China were the de rigueur investments of the era. History, as Mr. Twain informed us, may not repeat, but it rhymes. History would suggest that people think twice before selling into a panic. This holds for most panics, but especially regional geopolitical conflicts. The risk, while meaningful, is often dwarfed by the upside potential. Additionally, though the history of mankind is filled with unwise decisions, it is usually best to bet on mankind eventually doing the right thing and prevailing, even succeeding.

Looking further at history as a guide, when the U.S. escalated its misadventures in Southeast Asia, though the market reacted well at first, it was best to have stood well clear of the stock and bond markets for the next decade and a half. The damage was severe when adjusted for inflation. But, one was prescient to buy, not sell, following U.S. excursions into Iraq (both times), Korea, Afghanistan (tough first year), Granada, Cuba (1898), and others. It was wise to buy China in the early 2000s following the unpleasantness of SARS1, Tiananmen Square and fears of poor business conduct. The Chinese market rose fivefold from 2005 to 2007! The Russian market was one of the best performing markets from the Crimea situation in 2014 through last October. Buying British stocks following the UK's brief conflict in Argentina over the Falkland Islands (Isla Malvinas) was clearly the right move.

We've been to many countries; our CIO has been to almost 80. We've been highly impressed with the people everywhere. We've found quality businesses in many places. Wars are generally waged by governments, not by the people. We do not approve of or condone most military actions, nor do we seek to profit from them. At the same time, when markets are depressed because of misguided government decisions, history and logic suggest that it is best to invest in the good people and companies of most countries. The Russian and Ukrainian people are smart and industrious. Both stock markets are valued extremely attractively. The RTSI is currently at 3 times earnings, half of book value, less than one times sales, with a dividend yield of 11%. We urge investors to definitely think long and hard before selling into the panic, and to consider investing further. We pray for the best for all the peoples of the world.

We can't know what type of sanctions will be imposed. Importantly, we hold a well-diversified portfolio across different sectors, countries, regions, and currencies, recognizing that while some part of the portfolio could be impacted negatively, others are positioned to do well.



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