

Russia-Ukraine Border Conflict Heightens Geopolitical Risk but... No Broad Credit Implications

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Russian President Putin's threat to invade Ukraine could devastate the country and put the Western World on military alert. Ukrainian lives will be endangered as would the country's fragile democracy. While President Putin continues to speak with G7 leaders — like France's President Macron and Germany's Chancellor Olaf Scholz — who are trying to avert an attack on Ukraine, his relationship with China is added leverage to gain concessions, if any. Even without a military strike, Russia is well positioned to destabilize Ukraine by breaching its cybersphere. **Spectrum has no direct investments in Ukraine or Russia.**

The Russia-Ukraine border crisis is more a macro event, than one which affects credit. There are economic implications for Europe given its proximity to Russia and dependence on Russian gas. Further energy price spikes would create an inflationary burden for Europeans, though we believe that the higher associated prices could slow but not stop European output growth. In comparison, Russia could face more economic pain from crippling sanctions and lower gas revenues from Europe. Notably, Russia's expertise in hacking computer systems underscores the importance of high-level cyber security, a top ESG issue.

Mr. Putin's political gamesmanship of championing autocracy in opposition to democracy will have limited returns but at a greater risk to Russia. **Importantly, the cash flows and capital of our bank, insurance and non-financial investments have little to no exposure to Russia. We believe that the Russian-Ukraine conflict will not materially impact profits, thus the credit profile of names in which we invest.**

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