

## Information for holders of vested benefits and 3a savings within the Lemania platform via the flp and frpi foundations

### **A new crisis**

The outbreak of Russian military operations in Ukraine is a legitimate concern for investors and thus for many future retirees, as their retirement savings could suffer from the turbulence resulting from the deterioration of the geopolitical situation.

Thus, after the Covid crisis, we have entered another one, that of war on European soil. If the pandemic could not be anticipated, the deterioration of relations between the West on the one hand and the Russian and Chinese dictatorships on the other is not new.

### **A little history**

Let's go back a few decades: once the Iron Curtain disappeared, it seemed that the capitalist democracies had won. Optimism reigned, China joined the WTO in 2001, and we all hoped that with the economic development of the Middle Kingdom, the country would become more open and tolerant. The 2008 Summer Olympics marked the climax of this capitalist euphoria and globalization period.

However, the same year, the real estate financial bubble burst. It ravaged the entire planet and plunged the world economy into recession, starting in the USA. This was a wake-up call for many people. In the East and Asia, it demonstrated the excesses of capitalism. The West realized that only a tiny part of society benefited from creating wealth in a hyper-globalized world. Bitcoin was born out of this mistrust of a globalized world where when the banks fail, the economy stops.

Since then, international cooperation has become strained, and divisions have emerged within Western societies. Between 2008 and 2020, new trade treaties were not signed; instead, new trade barriers were put in place. Because the Western middle class feels downgraded, threatened in its values by Islamism, and asks to be protected. In this context, relations between Chinese and Westerners and between Russians and Westerners are deteriorating. The Chinese Communist Party, worried about its dominant position, is pursuing an increasingly aggressive domestic and foreign policy; and the Russians, after having tried to forge closer ties with the West in the 1990s, feel cheated by NATO and want to regain the influence they had before the fall of the Soviet Union.

The timidity of American foreign policy since the end of the Bush presidency and the naivety of Europe are opposed by two dictatorships whose ambitions are growing every day. However, these ambitions are not economical; they are about gaining power and influence.

## **A new era**

The entry of Russian troops into Ukrainian territory marks the beginning of a new era, which looks more like a return to the past. That of the end of the Second World War, when the world was cut in two. This is happening today because China is leaning towards the Russian side, and let's not forget that President Xi is looking to make Taiwan 100% Chinese again.

The Ukrainian crisis seems to have woken up the Europeans. It took only a few hours for the German government, composed mainly of social democrats and ecologists, to release 100 billion for their army. This was unthinkable a week earlier. And this is probably just the beginning; Europe will have to take responsibility for its security, even in the unlikely event of a quick resolution of the Ukrainian conflict. The Americans are not reliable enough to delegate European defense to them. This is a paradigm shift. Military spending will make a significant jump in the budgets of European countries.

The war has also highlighted Europe's dependence on Russian gas. It is therefore urgent to find new sources of energy on the one hand, such as atomic energy, and to accelerate the energy transition, it will be necessary to invest *massively* in this sector.

And since the world is not doing so well, since the commercial partners are not reliable, it is necessary to organize the economy of the short circuits, independent of the exports of the great unreliable dictatorships of the planet. Incidentally, this is also a good thing for the earth, and given the stakes involved, it will be necessary to go faster than initially planned.

## **A new investment regime**

Therefore, we are entering a new phase of "de-globalization," that of green, technological capitalism, and short circuits. We must build it. Regardless of short-term considerations, which are always random, these changes will lead to investments on a scale similar to what happened after the 2nd World War when it was a question of rebuilding Europe. Unlike the last thirty years, the States will be the main sponsors of these changes.

In the markets, Russia and Ukraine are small macroeconomic entities. For this reason, the impact of the conflict on the global economy will hardly be noticeable. However, a surge in energy prices due to supply uncertainties will have a dampening effect on consumption. There is a small, but not zero, chance that the conflict will spread to the other countries of the former Eastern bloc. This would mean that nuclear powers would come face to face. A World War 3 would take us back to the Stone Age. In this eventuality, the banking system would collapse, and only the gold held in the atomic shelter would still be of any use. We would still need a hacksaw to cut the gold bars into small pieces to exchange them for food.

Therefore, it seems unnecessary to plan for the worst. In the context of pension planning, what happens in the short term is not very important. Volatility is inherent in the financial markets, so focusing on the long term is essential.

## **Protecting yourself from the loss of purchasing power**

Equities are the most volatile asset class and the most rewarding over the long term, i.e., ten years and more. Today, valuations are low in Europe and emerging markets. Only the US is more expensive than the average of the last 30 years, while interest rates remain close to zero. As for bonds, real estate is also costly.

The 2020s are likely to be a decade of more volatile economic growth, with higher inflation than we have seen in the past. This is similar to what we experienced after World War II because even if we don't have destruction today, there is a world to build.

Moreover, the leaders of democracies cannot afford to alienate their population; likely, they will not hesitate to increase deficits to support the middle class if energy prices soar or if a recession strikes. As for the central banks have no choice, as the level of government debt does not allow interest rates to be normalized. We, therefore, have a fiscal and monetary policy mix that is very favorable for risky assets.

To protect your pension against a loss of purchasing power due to inflation, it is essential to remain invested at all times. When you own a house, you don't sell it because the price drops.

When you choose an investment plan for your pension, you have to think ahead to the time frame of this plan, in ten or twenty years or even more. In this perspective, it is useless to wonder whether the markets will correct or not but to choose a solution with which you are at peace, which allows the real, corrected from inflation, value of your money to grow, with variations in wealth from one year to the next that you can bear. Diversification allows you to reduce the gap between decreases and increases in the value of your assets. There is no need to follow the evolution of your investments daily because 99.99% of the information about them is useless. Despite what some people would have you believe, no one can anticipate the evolution of the markets over the next few months.

Another important consideration is fees. The more expensive a strategy is, the more it will reduce the final result at retirement time. All things being equal, over 30 years, fees can "eat" up to 50% of capital and therefore of the future annuity. Consequently, it is necessary to carefully select a quality strategy for the appropriate risk profile at a reasonable cost.

### **Make your choice**

In conclusion, the coming times will not resemble the last twenty years; however, the best way to protect your capital is to remain invested. Lemania offers a diversity of quality investment schemes solutions. The funds are measured. The performances are evaluated over several years according to the risk taken. Only the managers having obtained the best quality of performance are presented. Everyone will find what suits him.

Do not hesitate to contact your consultant if you have any questions.

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