



CAPITAL MANAGEMENT GROUP

## Hefter Report Short Take – March 2022

---

As we said two weeks ago in our report, equity markets are experiencing a painful correction because of the Russian invasion into Ukraine. At this time, there is no way of knowing when and how this war will end.

The best we can do is outline various scenarios and analyze what we think each outcome portends for stocks. In the worst-case scenario Putin doesn't stop with Ukraine and goes after other countries. If that were to happen there could be a broader war, stocks would likely plummet, and the world would likely be at the precipice of nuclear war. However, we don't believe this is likely.

In our view, the likeliest scenario is that Putin captures Kyiv, and installs a pro-Russian government without annexing Ukraine to Russia. He might even negotiate an end to further Russian incursion in the Western part of Ukraine in exchange for sanction relief. Some Russian forces would probably stay in the country to fight what would most likely be an insurgency similar, but more widespread to, what occurred in various countries under Nazi rule in World War Two.

Potential changes in energy policy, in conjunction with increased production from the Middle East, may bring down oil prices, while economic incentives to farmers may reduce food costs. However, we believe these current higher costs will slow the economic recovery.

As we saw with COVID in 2020 selling into what looks like a hopeless situation doesn't always work. If there's any sign of an end to the war or even a cease fire, equities could see a sharp rally. If the war is prolonged stocks could drop further and selling could reach a capitulation level perhaps 5% lower from current levels. However, we think a capitulation would create a buying opportunity.

Some of our value-oriented managers are still up on the year and we continue to shift funds from higher to lower P/E stocks.

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. HLM Capital Management is a separate entity from WFAFN. CAR #0322-01119

### HLM Capital Management Group

1849 Green Bay Road  
Suite 200  
Highland Park, IL 60035  
847 563-3400 phone  
800 247-1541 toll-free  
847 563-3420 fax  
[www.hlmcapital.com](http://www.hlmcapital.com)



Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan  
*Partners*



CAPITAL MANAGEMENT GROUP

## Hefter Report Short Take – March 2022

Page 2

This report has been prepared for informational purposes only, is subject to change without notice, is not all encompassing and is not a solicitation or an offer to buy any security or instrument or to participate in any planning or trading strategy. Wells Fargo Advisors Financial Network did not assist in the preparation of this report. The opinions expressed in this report are those of the author(s) and are not necessarily those of Wells Fargo Advisors Financial Network or its affiliates. Statistical information has been obtained from sources believed reliable, but its accuracy and completeness are not guaranteed. All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security, including the possible loss of principal. Asset allocation and diversification are investment methods used to help manage risk. They do not guarantee investment returns or eliminate risk of loss including in a declining market. Past performance is not a guarantee of future results and there is no guarantee that any forward-looking statements made in this report will be attained. Since each person's situation is different you should review your specific investment objectives, risk tolerance and liquidity needs with your financial professional before selecting a suitable planning, savings or investment strategy.

**S&P 500 Index:** The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

Stocks are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Investments in equity securities are generally more volatile than other types of securities. There is no guarantee that dividend-paying stocks will return more than the overall stock market. Dividends are not guaranteed and are subject to change or elimination.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Investing in emerging markets accentuates these risks.

Investments that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than investments that are more diversified.

Investments in fixed-income securities are subject to market, interest rate, credit and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and/or principal. This risk is heightened in lower rated bonds. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. HLM Capital Management Group is a separate entity from WFAFN. CAR #0322-01119

**HLM Capital Management Group**  
1849 Green Bay Road  
Suite 200  
Highland Park, IL 60035  
847 563-3400 phone  
800 247-1541 toll-free  
847 563-3420 fax  
[www.hlmcapital.com](http://www.hlmcapital.com)



Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan  
*Partners*