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# THE ADVOCATE



**Catch 22**

**Rains Foundation Golf Tournament**

**Market Review**

**City Council Election**

**Millard V. Oakley**

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# A Note from the Principal

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Throughout the course of human history, change has occurred slowly and then suddenly. We barely notice the slow and steady change, which is the predictable result of evolution. Sudden change, on the other hand, is typically unpredictable and often catches us unprepared.

Sudden change often stems from breakthrough discoveries (wheel, printing press, steam engine, microchip) or the actions of people and nations (Jesus, 9/11, the Declaration of Independence, the Communist Revolution, World War II).

In the span of roughly two years, two sudden events have set in motion change that will affect us for generations to come.

In early 2020, the COVID-19 virus attacked an unprepared world. We've already discussed the virus at length, so we won't rehash it now. COVID fundamentally changed many aspects of our daily lives as well as altering multiple governmental positions.

Just as we were feeling free of the virus' hold on our lives, an even more sinister threat emerged. On February 24th, Vladimir Putin ordered Russian forces to invade Ukraine, setting in motion the largest mobilization of forces Europe has seen since 1945. The war has unleashed a devastating humanitarian toll and claimed thousands of lives. Over four million people have fled Ukraine, spurring what the United Nations called the largest refugee crisis since World War II.

In response to this aggression, most western nations, along with the EU and NATO, have joined together to invoke on Russia the

harshest economic sanctions ever placed on a G20, nuclear-armed nation. In addition, the US, UK, France, and many other countries are also supplying enormous amounts of humanitarian and military aid to Ukraine. With the help of these weapons and sanctions, the Ukrainian people have denied Moscow the swift victory it anticipated. But Russia is still committed to forcibly taking land and freedoms from Ukraine.

Regardless of who prevails, this sudden invasion has irreparably changed the calculus of our world. Countries who were decreasing their defense spending since the end of the Cold War are now faced with the reality that major conflict between nuclear-armed countries is possible. This means a shifting of priorities and alliances. It is highly likely these shifts will impact us for many years to come.

When the Soviet Union collapsed in 1990, we declared the end of a 45-year emergency and our economy realized a "peace dividend". Sadly, we now should be prepared to see that dividend be cut as we deal with the realities of a cruel world.



**Wayne H. Cravens**  
**President**  
**Cravens & Company Wealth Management**

# Catch 22

Drew Martin  
Wayne Cravens

## Introduction

The Oxford dictionary defines a Catch 22 as “a dilemma or difficult circumstance from which there is no escape because of mutually conflicting or dependent conditions.” When Russia invaded Ukraine on February 24th, the world watched in disbelief and horror. Two months later, with no end in sight, tens of thousands have already died due to the conflict.

While the United States and other NATO countries have been clear they do not plan to send troops directly into the conflict, they are providing billions of dollars in military and humanitarian aid to Ukraine. In addition, led by the US and using the “dollar” as a weapon, numerous countries have instituted the harshest economic sanctions ever against Russia. Furthermore, the US and other NATO members, are beefing up troop strength in countries bordering Russia for fear that the war moves beyond Ukraine’s borders. Finally, President Biden has plainly declared Russian President Vladimir Putin as a “war criminal” and the US Secretary of Defense declared one of our goals is to “Russia weakened”.

The implications of this go far beyond a verbal tongue lashing; it increases the stakes of the conflict exceptionally. As the fighting in

Ukraine continues, and global consensus continues to wave in support of Ukraine, Vladimir Putin is increasingly being pushed into a corner. With a nuclear arsenal at his disposal, the world now watches with concern as to what his next actions may be.

Overall, the situation leaves the rest of humanity concerned that another global war, the likes of which the world has never seen, could transpire. The current unknowns of this conflict have put the world in its own Catch 22. If Putin succeeds, what horrors will unravel? If he loses, what devastations will soon follow?

## What if we Win?

As Ukraine continues its valiant resistance against the massive Russian military, we have begun to see the faint light of hope and victory growing brighter in the distance. Undoubtedly, this is our hope but, are there consequences we should prepare for? One major concern lies in the nature of the strict economic sanctions against Russia.

Since the end of WWII, the United States dollar has been considered the world’s reserve currency, which creates powerful economic advantages for America. If these strict economic sanctions against Russia prove to be



as effective a weapon as President Biden hopes, the fear of potential weaponization of the dollar in the future may begin to spread to other countries. Their only way to combat this threat is to reduce their dollar-denominated assets. If this occurs, the dollar may come under considerable pressure or even be displaced by a basket of currencies or some other store of value. To say this would be impactful to the US's financial hegemony is an understatement.

By far, the gravest concern associated with Ukraine progressing toward victory is the growing desperation of Putin himself. If Russia's war in Ukraine fails, Putin's political career, and potentially his life, is done. Combined with the potential economic crippling of the entire Russian nation due to the US sanctions, Putin faces the ultimate checkmate. As history has consistently shown, the only thing more terrifying than an evil dictator is an evil dictator with no fallback position. As the legitimacy of Russia as a global superpower, as well as Putin's legacy, is on the line, it may be psychologically impossible

for him to accept defeat until every measure has been taken and every weapon has been utilized. With nowhere else to turn, the world may yet witness the true ruthlessness of Vladimir Putin for the first time.

### **What if we Don't?**

On the other hand, what happens if Russia succeeds? Does an empowered Russia push for a greater 'buffer' by attacking Moldova or even Finland? Could the US and other NATO countries determine this too important to lose and feel compelled to join the fray? Obviously, these actions could result in the global conflict we have so hard to avoid for over seventy-five years.

Even if the US and NATO stay out of the war militarily, if Putin emerges victorious, where will we stand? One conclusion is that a Russian victory, surmounting the economic penalties the US has imposed, will prove to the world that America's economic strength is not as powerful as once believed. Without the dollar or economic might as a deterrent,

the only issue is who has the bigger military stick.

Furthermore, with a renewed sense of confidence and China as a potential ally, could we once again see the revival of the Soviet Union or an Axis Pact? If something such as this transpires, the Cold War that ended with Russia 30 years ago will look like child's play.

Putin's desire to diminish the dominance of the US and restore Russia as the superpower has been clear for some time. If Russia should regain control of Ukraine, it is more than likely that Putin should once again engage in the extensionist plans of his predecessors. If this should occur, the United States and its allies will have no choice but to retaliate in more aggressive ways.

## Conclusion

Amidst the destruction happening in Ukraine, the rest of the world finds itself grappling with this Catch 22. In a situation with a spectrum of possible outcomes, none come without ancillary risks. Clearly, we believe the risks associated with Ukraine prevailing are much more palatable and manageable than those associated with Russia's success. Regardless, despite our flaws and divisions, we should not underestimate the United States. In the face of previous conflict and in times of peace our nation has risen above. Whether through domestic crises or issues abroad, this country has continued to sustain its strength and prestige. After all, as the great Warren Buffett once said, "Never bet against America."





# The Rains Foundation

## The Rains Foundation Golf Tournament

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Dust off your clubs, call your friends, and get ready to have a day filled with golf, food, and fun. We are excited to announce the Rains Foundation Golf tournament is set for **May 7th, 2022 at the Golden Eagle Golf Club!**

There are plenty of charity golf tournaments held every year but we think you will find this one to be a bit different. The event is more of a **FUN**draiser with golf at its center. Rather than the typical 18 holes and some food, be prepared for an entertainment experience including golf, games, food, and fun while doing good for your community.

All proceeds from the tournament go to the Rains Foundation. The Foundation was established by our friend, Steve Rains, to help deserving individuals from the Upper Cumberland attend Tennessee Tech University. Since its inception, the foundation has pro-

vided over \$335,000 in scholarships to 201 students from Cumberland, Fentress, Morgan, Pickett, and Putnam counties. Steve was very proud of this.

With the support from attendees and many volunteers, the golf tournament has been the primary means of raising funds for the scholarships. Since Steve's death, his wife, Emily, and the Rains Foundation have continued to carry out the mission that he began.

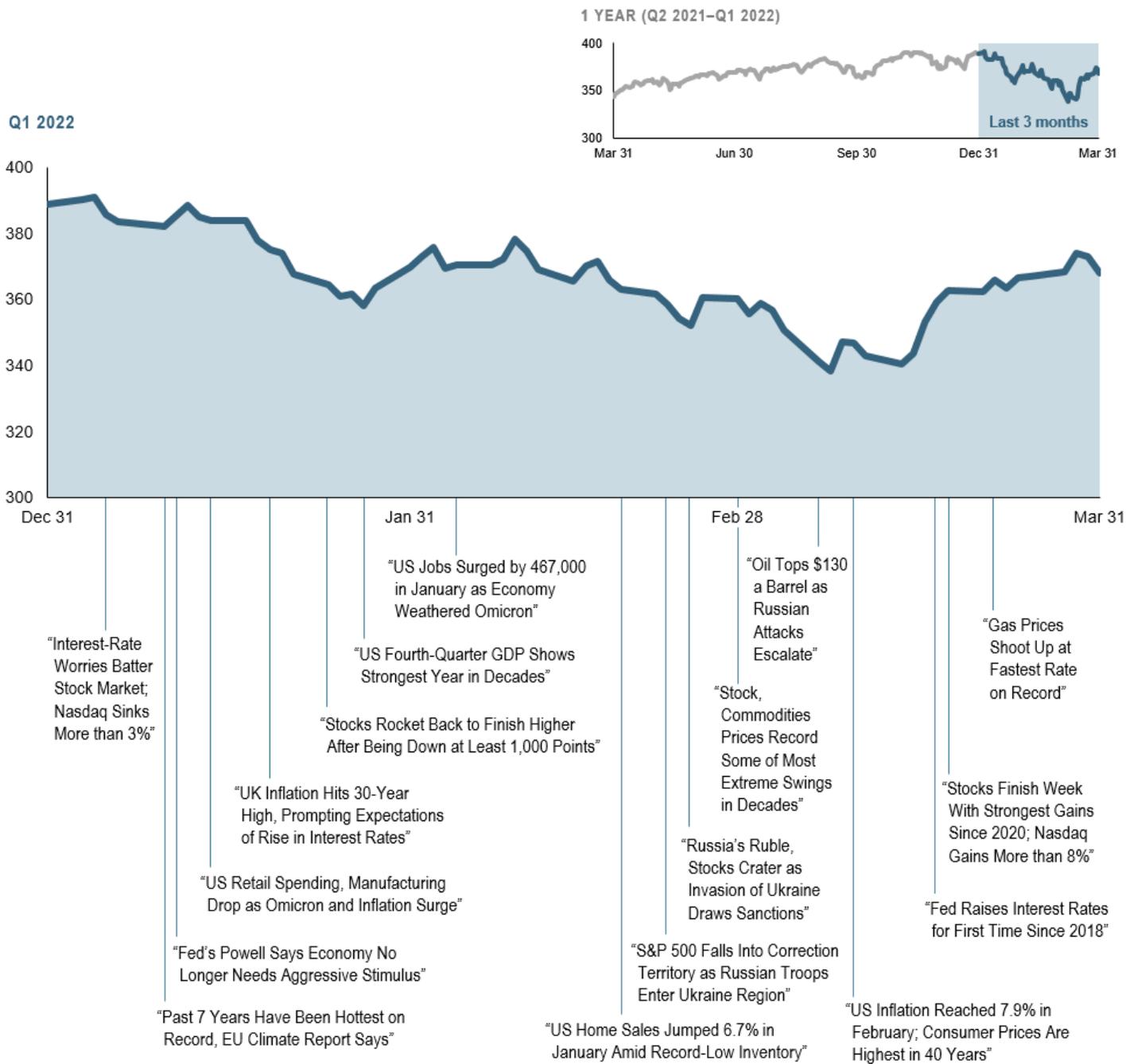
If you don't play golf, we also welcome your donations and support in any form. We want to help even more students. To do so, we need donors, sponsors, players, and volunteers – essentially, **Advocates**.

If you wish to make any donation, please reach out to us at **[Info@cravensco.com](mailto:Info@cravensco.com)**.



# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2022



*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index (net div.). MSCI data © MSCI 2022, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio.

Past performance is not a guarantee of future results.

# Market Review

Woody Welch  
Jennifer Cross

## 1st Quarter 2022 Recap

A lot has happened since our year-end letter just three months ago. The biggest macro event is Russia's brutal invasion of Ukraine. While the human impact has been devastating and tragic—and our hearts and support are with the Ukrainian people—our job here is to focus here on the economic and financial market impact of this event.

It was a rough first quarter across the board, with stocks, bonds, U.S., international, and emerging markets all hurt by rising interest rates, inflation, and the war in Ukraine. Global stocks (MSCI ACWI Index) fell 5.4% for the quarter. Among major global markets, the S&P 500 was a relative outperformer, dropping 4.6%, compared to a 5.9% loss for developed international markets (MSCI EAFE Index) and a drop of 7.0% for Emerging Market (EM) stocks. The relatively mild declines for the full quarter masked the intra-quarter volatility, where peak-to-trough declines were much larger.

Unusually, the damage was worse in the U.S. core bond market than in the U.S. stock mar-

ket. The benchmark Bloomberg U.S. Aggregate Bond Index (the "Agg") fell 5.9% for the quarter. This was the second-worst quarter for the Agg since Q1 of 1980, when Paul Volcker's Fed was in full-bore tightening mode. In the fixed-income markets outside of core bonds, high-yield (lower credit quality) bonds lost 4.5%.

## Outlook

The war in Ukraine has had wide-ranging but diverse impacts on the global economy and individual regions. Besides Ukraine itself, the most direct and damaging economic impact is on Russia. Given that Russia's economy is less than 2% of global GDP it is immaterial in relation to the rest of the world.

However, Russia is a major producer and exporter of oil and natural gas—to Europe in particular, accounting for roughly 50% of Europe's natural gas imports and 25% of its oil imports—and certain agricultural commodities and base metals. As such, the war

<sup>1</sup>The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is a market value weighted index with each stock's weight in the index proportionate to its market value.

<sup>2</sup>The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

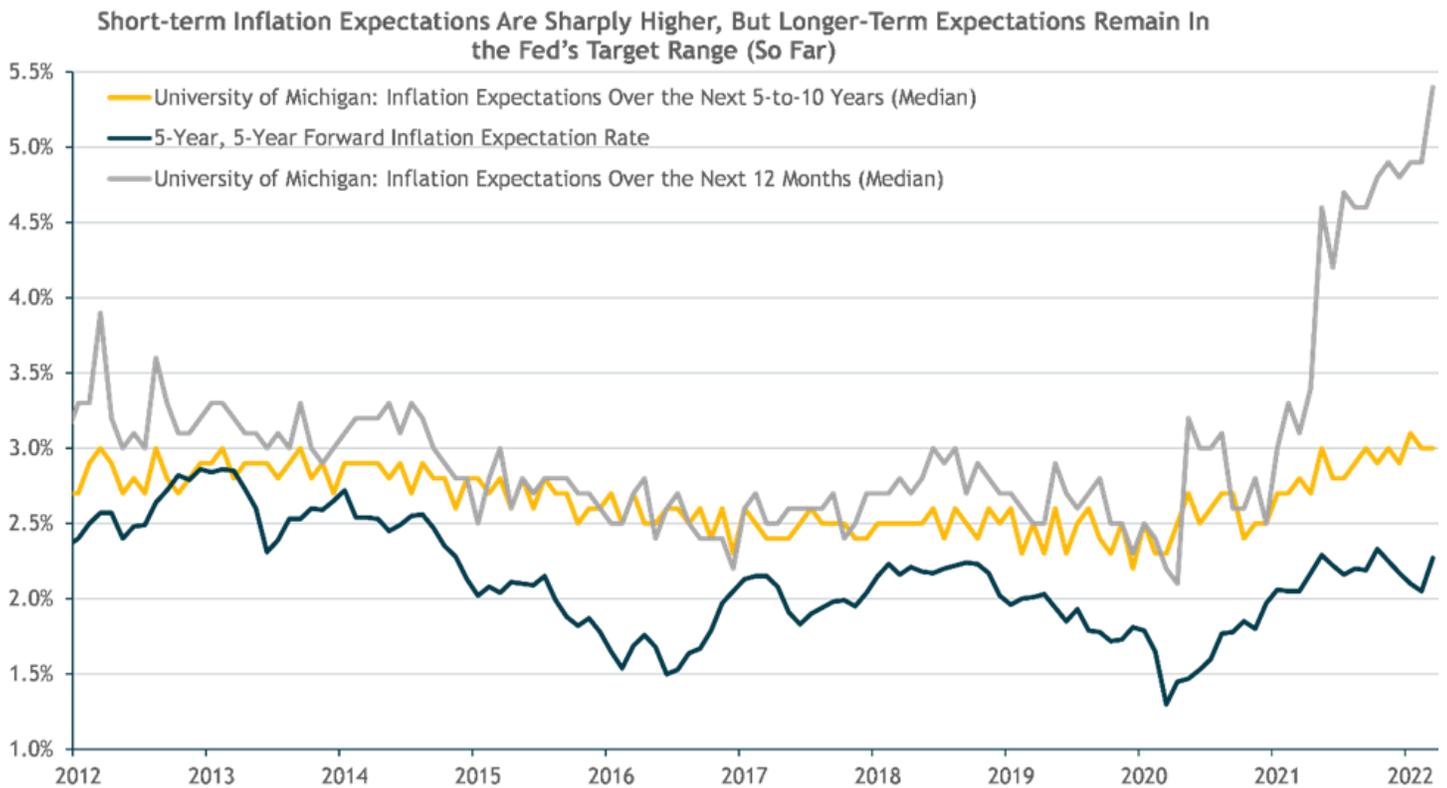
<sup>3</sup>The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

and the sanctions imposed on Russia by the West are having, and for the foreseeable future will continue to have, a material impact on global economic growth and inflation.

In a nutshell, the war is a "stagflationary" supply-shock: it fuels higher inflation via sharply rising commodity prices (especially oil) while also depressing economic growth via negative impacts on consumer spending. Our main concerns revolve around production costs for companies. If costs such as raw materials and labor continue to increase, then companies will either be able to pass along the cost increase to consumers resulting in continued inflation, or profits will decline. Continued inflation is expected to lead to higher interest rates, which is challenging for both stocks and bonds. A decline in profits would also be challenging for stocks, but less impactful for bonds.

On the more positive side, the US economy is strong, jobs are plentiful, and while the US may be increasing interest rates, China is poised to start expansionary monetary and fiscal policy to recover from their current COVID-19 problems. Longer-term inflation expectations remain mostly "anchored" in a range consistent with the Fed's 2% long-term core inflation target. Short-term (12-month) inflation expectations have spiked higher, consistent with the recent sharp rise in gasoline prices and overall CPI, but over the medium-to-long-term expectations are that inflation will moderate. Should the longer-term measures move higher, we'd expect the Fed to accelerate its tightening pace.

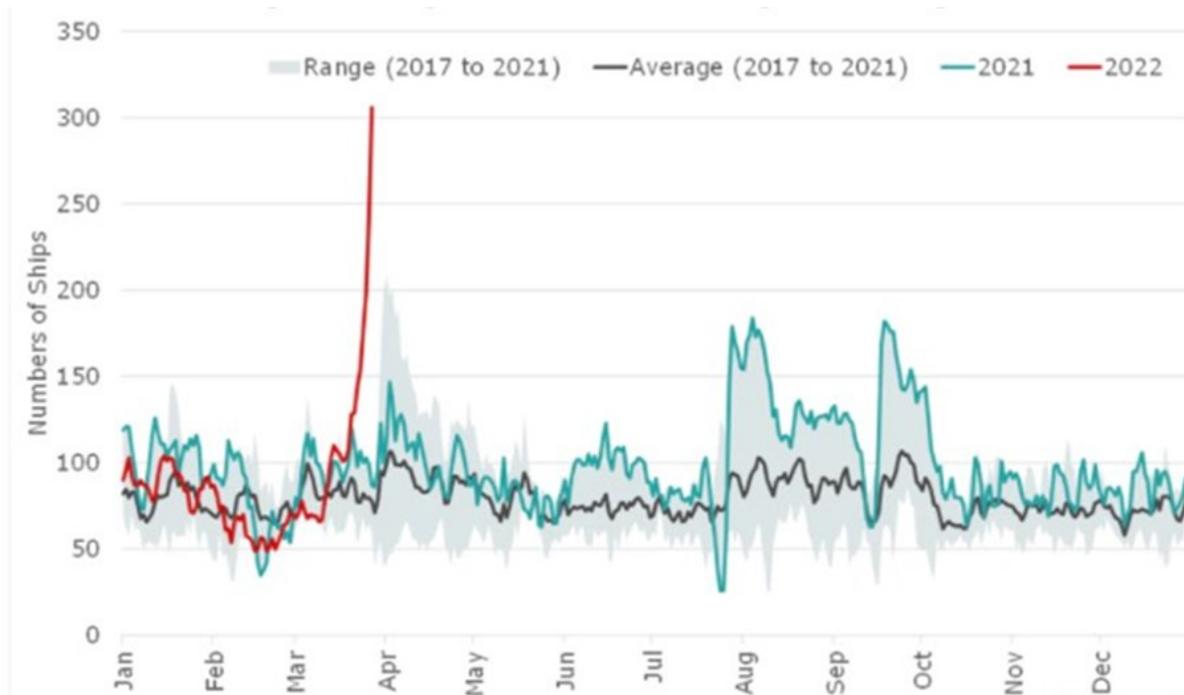
The COVID-19 pandemic is another wildcard but here the news has been getting better. Over time, with continued rising immunity rates and wide distributions of effective vac-



cines, the economic damage and disruption should continue to recede. If so, this should both support economic growth and mitigate some of the inflationary pressures the U.S. and global economy experienced over the past year caused by supply-chain bottlenecks and supply/demand mismatches for durable goods (e.g., autos). But at the present, the COVID-19 outbreak in China is signaling additional supply chain issues, as seen in the number of ships waiting outside Shanghai.

Taking all of these factors into account, our base case shorter-term (12-month) economic outlook is for decelerating economic growth and still-high but moderating inflation. Absent a recession, which of course we can't rule out, this macroeconomic backdrop should be generally supportive for "risk asset" returns, such as global equity and credit markets, and a headwind for core bonds in the face of rising government bond yields.

### Ships Waiting to Load or Discharge at Shanghai



## Closing Thoughts

The war in Ukraine has caused massive human suffering. From an economic and investment perspective, it has added to already-high uncertainty, degraded the near-term growth outlook, and added additional fuel to the inflationary fire. Crises, as painful as they are, often create opportunities and we are watching for these.

Our balanced portfolios remain positioned with (1) a small overweight to global equities, coming from our tactical overweight to EM stocks; (2) a large overweight to flexible, actively managed, credit-oriented fixed-income; (3) core positions in lower-risk and diversifying marketable alternative strategies; and (4) large underweight to core bonds, but still meaningful allocations in our most conservative portfolios.

While tilting towards our highest-conviction tactical views, our portfolios remain strategically balanced and well-diversified across multiple global asset classes, investment

strategies, equity styles, and risk-factor exposures. This should enable them to be resilient should a risk scenario or shock outside our cautiously optimistic base case occur.

We are confident that our long-term, team-driven investment process, access to quality research, and discipline will enable us to continue to navigate whatever macro and market environments come our way. We can all hope whatever comes next is not as grim as a pandemic or war. But as investors, we need to be prepared for the worse, even as we hope for the better.

If you have thoughts or questions about any of the information we've shared or any other subject, please don't hesitate to call us. We are grateful you allow us to serve you and your family, and we will continue to make every effort to justify the trust you've bestowed on us.

Sincerely,

Your CCA Investment Team



## City Council Election

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With a new year comes new, exciting opportunities for all of us. Specifically, in Cookeville it also brings a new local election cycle, headlined by a vitally important city council race. With our current city mayor, Ricky Shelton, coming to the end of his second term, this race will also bring us a new mayor for the first time in eight years.

We have been lucky enough to have Mayor Shelton, along with an outstanding supporting cast of various city council members, to lead us over the last decade. In that time, Cookeville has absolutely thrived, bringing in countless new businesses and growing in population at a rate of over 15% since 2010. Now with Tennessee Tech, the heart and soul of this city, adding numerous new buildings and facilities, Cookeville looks poised to keep growing at a rapid pace.

Between the growth of the city and the improvements to the University, it would look as if our next decade has the potential to be even more successful than this last one has been. That is why it is critically important to have the right people leading the way. It is up to all of us to find those people. The only way to do that is by exercising one of the most precious rights we have, the right to vote. We urge all of you, not only to vote, but to educate yourself on the race in order to make an informed decision that best fits what you want for this community. After all, these are the people who will, ultimately, be making the decisions that affect your day-to-day lives, as well as the future of Cookeville.

Early voting for this election will begin on the 15th of July and go through the 30th. Election day will then be held on August 4th. Exercise your freedoms and get out and vote!



# Millard Vaughn Oakley

May 11, 1930 — April 21, 2022

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Wayne Cravens

We are closing this issue of The Advocate on an extremely sad note. April 21st, 2022, our community, state, and nation lost a great friend. In his 91 years and 345 days, Millard Vaughn Oakley was truly a friend to man. He was also our champion, mentor, and benefactor. While many may have thought of him as a captain of industry, a deal maker, a bank owner; the real essence of his being was helping others be all they could be.

He did this through the personal interest he showed every person he met. He did it by the fierce loyalty to his many employees at First National Bank. And along with JJ, his wife of 40 years, he did this through the tremendous financial support provided to Tennessee Tech, Vol State, Cumberland University, other educational institutions, and countless individuals. He was simply the most giving person I have ever known.

In a time when our nation has become so divided, Millard represented moderation and openness to others' views. He was willing to listen to those who had much less experience than he did. He encouraged thought in such a humble manner, you often didn't realize he did so until later.

For me, Rudyard Kipling's famous poem, "If", represents so much of who Millard Oakley was. For the sake of brevity, I will only share one line and let you read the rest on your own:

"If you can talk with crowds and keep your virtue,  
Or walk with Kings—nor lose the common touch"

Millard was a man who was loved by all who knew him. He was our advocate and we shall miss him.

# Your Financial Advocate

You have goals you want to achieve... places you hope to go... things you want to do... people you desire to spend time with.

These dreams have motivated you over the years to work hard and to sacrifice.

Fully realizing your dreams also takes planning and execution to get them “over the top”.

Whether you aspire to...

- ...travel the world with your spouse...
- ...spend more time on hobbies like flying, cooking, or wine collecting...
- ...live on a ranch in the country or a cabin in the mountains...
- ...create a legacy for your children and grandchildren...
- ...support the charities and causes that you hold dear...

We can help you create and execute a comprehensive plan for financial success. One that will give you the confidence to spend your free time on the other things that are important to you.

At Cravens & Company Advisors, our mission is to help successful individuals and their families realize and enjoy their life goals. We are an SEC-Registered Investment Advisor that combines holistic planning, personalized investment management, tax and estate strategies, and business planning with a proactive, solutions-oriented mindset. The result is a fiduciary with a plan and a culture centered on your success; however you define it.

Since 1996, we have been serving the specialized needs of family businesses and their owners, professionals, and successful retirees. While prudent investment advice is a foundational component of our service, we believe developing an intimate understanding of your overall financial situation and goals is essential to formulating your strategy. Our holistic approach enables the development of solutions with the highest possibility for success. Because goals cannot be measured by return, we benchmark our progress as a firm in the same way you do as our client; by successful outcomes.

As we discuss your situation, goals, and concerns; we hope you will recognize the benefits that come with our independence and objectivity. As your fiduciary, we are held to the highest standard of transparency, objectivity, and disclosure. Simply put, we have not only an ethical but also a legal requirement to always act in your best interest.

Our goal is to provide each client with the leadership, relationship, and creativity needed to allow them to achieve their life’s goals and, even more importantly, the confidence to enjoy the journey. After all, what is the point of all the work and worry if you do not get the satisfaction of realizing the results?

At Cravens & Company, we have a team that is by design, ready to work for you. If you have complex financial issues and/or desire a relationship of this type, please contact us to arrange an introductory meeting. We can be reached at 931-528-6865 or by email at [info@cravensco.com](mailto:info@cravensco.com).



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