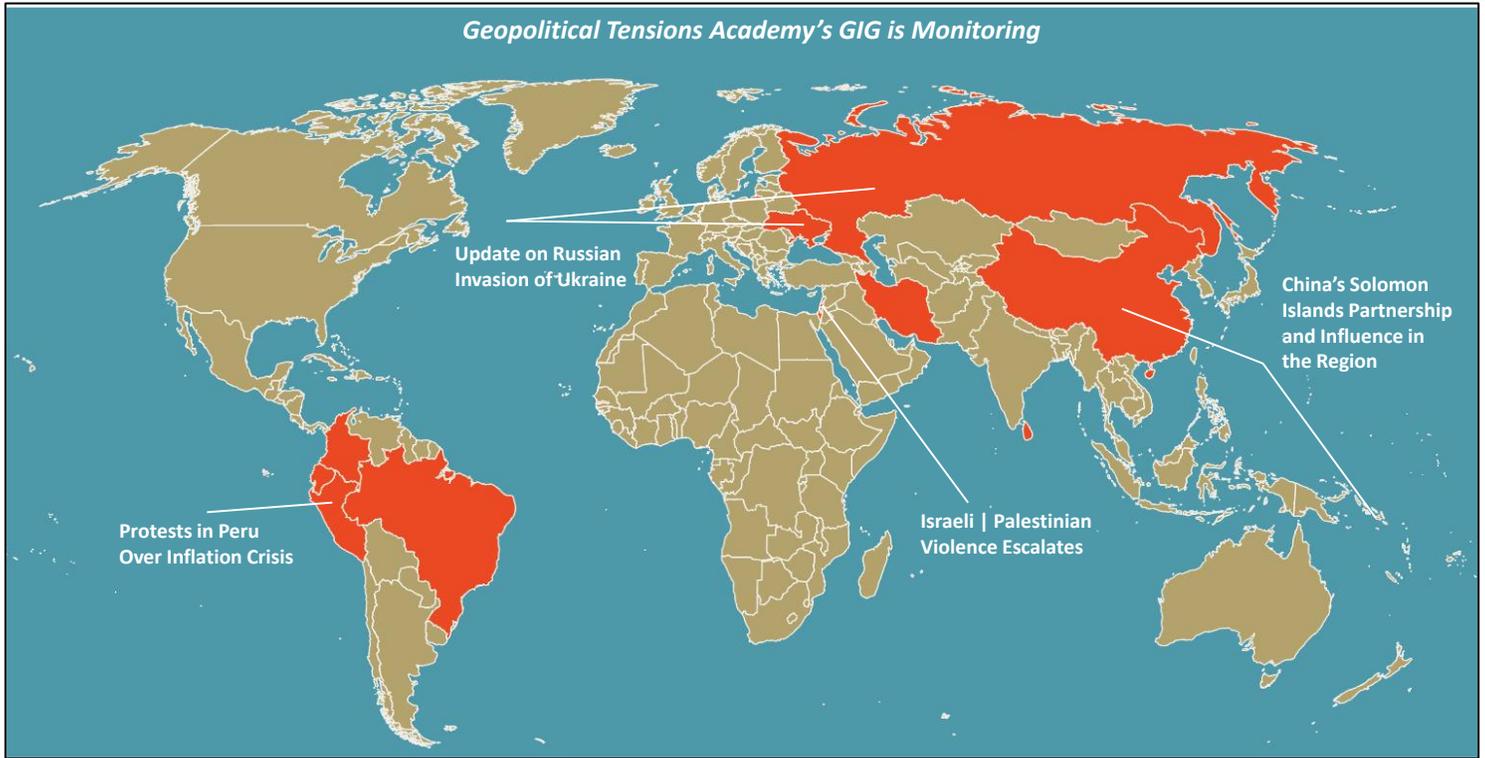


Around the World with Academy Securities



In this month's edition of *Around the World with Academy Securities*, our [Geopolitical Intelligence Group](#) (GIG) focuses on providing their perspective on the following geopolitical tensions that we are monitoring:

1. Update on Russian Invasion of Ukraine
2. China's Solomon Islands Partnership and Influence in the Region
3. Israeli | Palestinian Violence Escalates
4. Protests in Peru Over Inflation Crisis

We begin with an update on the Russia/Ukraine conflict and comment on the change in strategy by the Russian military to focus on the south/eastern portions of Ukraine. We also review the change in tone from the U.S./NATO/EU regarding the goal of weakening Russia's military to reduce the likelihood of another invasion in the future, which could cause Putin to lash out in ways we have not previously seen. Next, we revisit the China/Solomon Islands partnership, and the threat of further Chinese influence in the region as well as the likelihood of a permanent military installation on the island nation one day. We also report on the latest tensions in the Gaza Strip between Israeli forces and Palestinian protestors/Hamas. With rockets being fired into Israel by Hamas from Gaza (as well as Lebanon), the situation could quickly escalate and result in a conflict like the one last May. Finally, we address the protests in Peru which are being held due to high inflation brought on by the war in Ukraine. Peru's economic and political situation was already relatively unstable prior to the Russian invasion of Ukraine, but the rapid increase in prices has exacerbated the crisis, which is also being felt in neighboring nations. Amidst all this turmoil, we also discuss China's growing economic influence in South America.

Please reach out to your Academy coverage officer with any questions and we would be more than happy to engage.

*Around the World with Academy Securities***Front and Center: Update on Russian Invasion of Ukraine**

In our last [ATW](#), we reported that Russia was in the process of revamping its strategy in Ukraine to focus on the south/eastern portion of the country. What has become abundantly clear over the course of the past eight weeks is that the Russian military is not well trained/equipped and is certainly not capable of mounting a sustained siege across all of Ukraine. Yes, the Ukrainian resistance, especially around the major cities, coupled with the overwhelming support from NATO/EU nations has been a deciding factor. However, it is also clear that Putin's aides significantly



overestimated the capabilities of the Russian military and underestimated NATO/EU unity and Ukrainian resolve. The question now is how does Putin salvage a "victory" for the Russian people? The likely scenario at this point is a sustained operation in the south/east that successfully takes control of the Donbas region and would provide Putin with at least some sort of leverage to transition to peace talks. However, at this point, we believe this new strategy will still take weeks to achieve any success and there is a lot that can happen between now and any potential resolution.

Meanwhile, other developments this month include the news that Sweden and Finland are looking to join NATO (sparking a reaction from Russia), the sinking of the guided-missile cruiser Moskva (the biggest wartime loss of a naval ship in 40 years), and the fact that Slovakia will provide the Soviet-era S-300 air defense system to Ukraine. While Putin has warned nations against providing further assistance to Ukraine, the support has helped to prolong the conflict and bog down Russian forces. A directed siege in south/eastern Ukraine with the goal of taking the Donbas region will be a different kind of battle as most of this region consists of open fields as opposed to the urban environment where the fighting took place around Ukraine's large cities over the past two months. To help the Ukrainian military adapt to this shift, the latest shipment of offensive weapons the U.S. is providing include Mi-17 helicopters, 155mm Howitzers, and Switchblade drones, which are designed to better equip the Ukrainian forces for this next phase of the conflict. While the Russian military has had little time to regroup/resupply, artillery and ariel bombardment could be more effective in executing its new strategy. That being said, morale is low, and Russian equipment is not in good condition, which means there will be a sense of urgency to achieve some level of success in a shorter period of time.

As highlighted in the recent visit to Ukraine by Secretary of State Blinken and Secretary of Defense Austin, the U.S. will continue to support Ukraine and would like to see the Russian military capability "weakened" after this conflict so that Russia cannot mount a similar operation into Ukraine again. To reinforce this theme, Germany is sending Ukraine armored anti-aircraft vehicles for the first time. Intelligence officials are warning that Russian progress in the war coupled with the increasing international support for Ukraine could make Putin's reactions even more violent and unpredictable. On April 27th, Russia cut off natural gas to Poland and Bulgaria in response to both countries' support of sanctions. In addition, Russia's recent test of a new ICBM and the announcement that it will continue to strengthen its ties with China (which continues to amplify Russian disinformation claims about the war in Ukraine) is designed to send a strong message and reinforce the danger we all face if Putin anticipates a losing campaign in Ukraine.

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"Should things not go as planned for Putin in eastern Ukraine and Crimea (the Donetsk/Luhansk regions), he may feel backed into a corner if he cannot negotiate favorable terms to remove crippling sanctions which continue to get levied by nations worldwide as the war progresses. He has been reserving cyber and nuclear responses and I believe that he would resort to cyber responses (as retaliation) particularly against the energy, financial, and transportation sectors in the U.S. knowing the chaos and immediate financial impact that would have on the U.S. economy. The NSA, USCYBERCOM, Cybersecurity and Infrastructure Security Agency (CISA) under the Department of Homeland Security, and leading commercial companies in cyber intelligence have been sharing intelligence that Russia (specifically their cyber unit code named "Sandworm" in the GRU) is probing our critical infrastructure networks and laying the groundwork for access and implants for an attack. In April, President Biden released a statement warning that such an attack was likely and asked companies to share indications of compromise with CISA and others in their sectors and to prepare by beefing up their cybersecurity measures and monitoring. Part of the problem we face as a nation is that our critical infrastructure is owned and operated by the commercial sector and dispersed over thousands of companies from big oil refineries to "mom-and-pop" shops that provide small pipelines. Attacks on any of these operations can have a devastating cascading effect. All indications are that there will be some type of attack soon unless a peace accord is reached which seems unlikely at this point." - Admiral Danelle Barrett

"Zelensky will not give up Ukrainian territory at this point, and he is a long way from negotiations. Putin is not interested in negotiating at this time either. The only way negotiations will move forward is when either combatant gets so beat down that further fighting is futile. That is why (if U.S. leadership believes it's in the best strategic interests of the U.S. that Ukraine prevails) they must get more capable military equipment to Ukraine ASAP.

A Russian General this week let it slip that Putin's aspirations are now not just the Donbas region, but the southern coast of Ukraine...and that would provide not just a land-bridge between Russia and Crimea, but also to Moldova which may be the next country in Putin's sights. Russia wants to move on Odessa, Ukraine's port on the Black Sea. If the Russians capture Mariupol, as they likely will after their brutal siege, then Odessa would be Ukraine's last major port on the Black Sea.

If the Russians succeed in the Donbas, they'll be able to concentrate their forces in the south. Once the south is conquered, that would leave a big chunk of Ukraine in Putin's hands. He will then bide his time as Western sanctions erode, while rearming and waiting for another chance to march on Kyiv. If there was ever an example since WWII of a nation fighting against all odds for the freedoms that our own nation regards as unalienable, it's here in Ukraine. We should support them to the greatest degree possible and provide Ukraine weapons that will give them an advantage in their defense.

For Ukraine to win they need control of the air and that's not just me saying that it's President Zelensky's number one priority, because he realizes the historical precedent that whichever side has control of the air will win. He has repeatedly called for nations to send him weapon systems that will enable him to do that—MiG-29s, surface-to-air missile systems, more capable drones, and even old U.S. fighters that we're retiring like F-15s and F-16s.

The bottom line is right now it's critical to get more powerful weaponry to Ukraine as soon as possible to prevent and reverse Russia's next onslaught as described above." - General David Deptula

"It is unlikely that President Zelensky will agree to a negotiated settlement that surrenders any portion of Ukraine to Russia regardless of the conditions on the ground. It is equally unlikely that President Putin will do an about face and leave Ukraine despite his growing tactical losses at the hands of a well-trained, purpose driven, and creative Ukrainian military. The level of kinetic military activity will play itself out over the next few months. Neither side can keep up this blistering pace of operations nor sustain the logistics required of a high operational tempo. The conflict will move into a period of stasis probably better described as a "frozen conflict." Russia will claim victory and continue to establish control in southeastern Ukraine by placing Russian "apparatchiks" in charge of local provincial governments which is already underway. This could be a redux of the Soviet occupation of Afghanistan in the 1980's.

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Like the Soviet experience in Afghanistan, the outcome this time may be similar; Russia departs after many painful years and leaves behind a devastated country defined by the borders of its neighbors." - General Spider Marks

China's Solomon Islands Partnership and Influence in the Region

As we discussed in our previous [ATW](#), in late March it was leaked that China and the Solomon Islands were preparing to enter into a security agreement. The immediate reaction from Australia, New Zealand, and the U.S. demonstrated the concern over such an arrangement and the threat of Chinese expansion into the South Pacific. Australia's Minister for International Development and the Pacific Zed Seselja even went as far as to ask Prime Minister Sogavare of the Solomon Islands not to sign the agreement during a recent visit. Australia has a bilateral security agreement with the



Solomon Islands and has had peacekeepers on the ground since November of 2021 to help quell the protests that erupted there which were calling for the resignation of Sogavare. Of note, Sogavare recently said that he had, "no intention whatsoever...to ask China to build a military base in the Solomon Islands," China (which offered to do so in December) could send security forces to the island nation, and then likely expand upon the relationship from there. In addition, U.S. Deputy Secretary of State Wendy Sherman recently spoke with Solomon Islands Foreign Minister Jeremiah Manele regarding plans to reopen the U.S. Embassy in the country as well as "joint efforts to broaden and deepen engagement between our countries in support of a free and open Indo-Pacific region." This pact between China and the Solomon Islands was signed April 19th and is of significant concern to all in the region, not just Australia and New Zealand and is why the U.S. needs to fortify its QUAD agreement with India, Japan, and Australia as well as support other nations including Vietnam, Malaysia, Indonesia, and the Philippines.

Another recent example of Chinese influence was their offer to help Sri Lanka, which is in the midst of its worst fiscal crisis in 75 years. Sri Lanka is currently in default and is seeking \$4 billion in support, including a revolving credit facility to enable the country to purchase fuel, food, medicine, etc. India has indicated that it would be open to meeting Sri Lanka's request for support because the risk of Chinese influence in Sri Lanka is not acceptable to India. Sri Lanka spoke with the IMF last week and was asked to produce a plan to manage its billions of dollars in debt outstanding.

"In 2021 the INDO-PACOM Commander, ADM Davidson, in Congressional testimony said "the greatest danger for the U.S. is erosion of conventional deterrence. Without a valid and convincing deterrent, the PRC will be emboldened to act in the region to supplant U.S. interests. The purpose is to convince our adversaries and competitors that they simply cannot achieve their objectives with force." This was also relevant to what we watched happen in Ukraine. We need to work with our network of allies and partners to maintain our competitive edge and insure we have strong anchor points with Japan, Australia (Pacific Ocean), and India (Indian Ocean) - the QUAD.

We need to build on how Ukraine, the EU, and the U.S. countered Russian disinformation and took a proactive role. We need to do the same with countering Chinese disinformation in the Indo-Pacific region by speaking with a unified voice on Chinese military movements/actions and violations of international law in the South and East China Seas. ASEAN, not being NATO "like" with a collective security pact, is an advantage in the region as a consensus is not needed from all our bilateral treaty allies." - General KK Chinn

"We should not be surprised by China's advances in the south Pacific. China knows well how to hide in plain sight. It has the expeditionary navy to support its adventurism and has increasingly demonstrated that it is willing to show off its capabilities in provocations vis-à-vis Taiwan. The move into the Solomons reinforces China's military

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infrastructure build up in several southeast Asian islands over the past few years. The timing is fortuitous and not serendipitous. Minimally, China has changed the diplomatic narrative, at least temporarily, away from Russia's illegal invasion of Ukraine. Hopefully, this will coerce the United States to re-energize its relationship with Indonesia, the world's largest Muslim nation and third largest democracy." – General Spider Marks

"The recent security agreement signed between the Solomon Islands and China has justifiably raised concerns within the region, particularly with Australia, New Zealand, and the U.S. China's heavy-handed influence in the South and East China Seas has only alienated countries in the region. This new move takes a less aggressive approach that is more akin to their Belt and Road Initiative by providing security assistance to the Solomons. We can expect China to use this as a first step in a new strategy to gain influence throughout the region while attempting to diminish U.S. influence. Key to the agreement was how the signing occurred just before the U.S. delegation, led by Curt Campbell (the Biden administration's lead for Asia), was supposed to arrive in the Solomon Islands. The U.S. delegation's objective was to try to convince the government not to sign a security agreement with Beijing. Consider this a chess play won by the Chinese no matter how this ends up in the long game being played between the U.S. and China. The agreement will also allow other small countries to see this as a way to accept China's money while playing the U.S. for more aid while diversifying their security portfolio." – General Robert Walsh

Israeli | Palestinian Violence Escalates

In our last [ATW](#), we also addressed the increasing level of violence between Israel and the Palestinians in the West Bank. Since the end of March, over 14 Israelis have been killed in attacks inside Israel. In response, Israeli raids have recently captured 11 people and killed over 15 Palestinians. The West Bank (and the Gaza Strip) were captured after the 1967 war and have remained a flashpoint for violence and attacks ever since because the Palestinians expect that these lands will one day be the home of a future independent state. In the last few weeks, tensions have been high because of the overlap of Ramadan and Passover and there have been several incidents at the Al-Aqsa Mosque compound (or Temple Mount as it is called in Israel). Last May (see May 2021 [ATW](#)), similar incidents and subsequent violent protests resulted in an 11-day conflict between Israel and Hamas (the Iranian backed militant group that controls the Gaza Strip). However, initial intelligence collected by Israel suggests that Hamas would prefer to avoid another conflict after what the residents of Gaza went through last year during the fighting. Any escalation would also derail some of the infrastructure projects being undertaken in Gaza to improve the life of the citizens there. However, if tensions continue to rise, there is still a chance that the situation escalates to a conflict like last year's. Recent Israeli airstrikes on Hamas in response to rocket attacks could lead to such an escalation. There is also a fear that the conflict could expand in scope with the Israeli shelling of Lebanese targets in response to rocket attacks (likely supported by Hamas) earlier this week.



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Meanwhile, the Iranian nuclear deal remains stalled by the demand to take the IRGC off the U.S. State Department's Foreign Terrorist List. Recently, Iranian President Ebrahim Raisi warned that Israel will be targeted if it makes "the tiniest move" against Iran. As the violence continues in Gaza and the nuclear deal (which is broadly opposed by Israel for several reasons) hangs in the balance, we continue to believe that the tension between Iran and Israel will escalate.

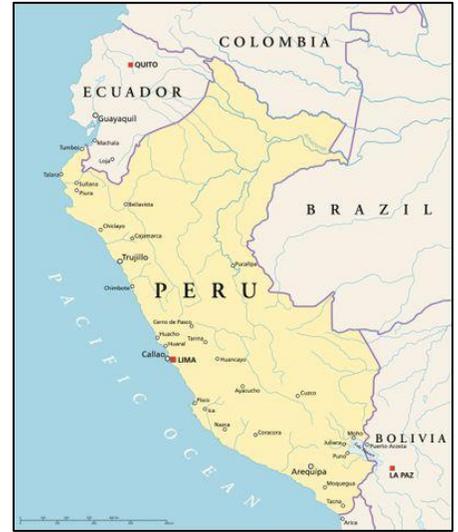
"The recent rocket attacks into Israel from Gaza and the responding Israeli artillery and aircraft attacks are increasing tensions that follow the path of last year's 11-day war. Both sides accuse each other of initiating the violence. They

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once again stem from the Israeli-Palestinian clashes at Jerusalem's Al-Aqsa Mosque holy site. However, a positive development occurred on Sunday when President Biden and Israeli Prime Minister Bennett held a call. President Biden agreed to visit Israel in the coming months to discuss the heightened tensions over the Palestinians and more importantly the situation with Iran. President Biden also expressed "his unwavering support for Israel and its defense needs." This is a positive sign in rebuilding U.S.-Israeli relations which is needed to counter the challenges being presented by Iran throughout the Middle East." – General Robert Walsh

Protests in Peru Over Inflation Crisis

The Russian invasion of Ukraine is having economic implications and 2nd / 3rd order effects across the globe (please see [T-Report](#)). In Peru, violent protests have taken place in the past few weeks. Initially, the unrest was a result of high oil prices, but it quickly morphed into broader demonstrations against the government calling for the president to resign. Six people have been killed as Peruvian forces have tried to control the situation. President Pedro Castillo ordered a state of emergency and a national curfew, but that curfew order was rescinded to try to ease the tensions. Castillo also raised the minimum wage in the country and cut the fuel tax, but neither of these concessions have deterred the protesters. Peru's economy has been significantly impacted because of the pandemic and the subsequent lockdowns. Unlike other countries in the region like Argentina or Venezuela, Peru imports most of its oil and is completely exposed to the higher prices. This increase has resulted in a 9.54% jump in prices for food and fuel, which is the highest year over year increase in 26 years. Castillo just barely won the presidential election last year and the people have already tried to impeach him twice.



The war in Ukraine is having economic ripple effects in other neighboring countries as well including in Ecuador, which exports ~20% of its bananas to Russia and 3% to Ukraine. With the limited shelf life, the country is facing billions of dollars in potential losses because of the sanctions. In Colombia, the flower industry has been severely impacted by the conflict because the exporters have not been paid by their Russian buyers due to the SWIFT sanctions. Finally, the Brazilian poultry industry has been hit because Russia is the 10th largest importer of chicken from Brazil. All these economic impacts will continue to hurt the region and could have broader political implications as well, especially if China steps in to provide assistance directly to some of these nations. Of note, China has over \$10 billion invested in Peru's mining industry and has growing trade ties with both Ecuador and Colombia.

"In Peru, the bigger challenge is whether President Castillo will complete his term as president. There is a crisis of governance in Peru as he has survived two impeachments in his first eight months. He has also continually reshuffled his cabinet, replacing a minister on average every nine days within his first nine months in office. Peru has had five presidents since 2017 (a term for the presidency in Peru is 5 years). Expect more political violence, another impeachment, and based on the current regional dynamics, a more authoritarian leftist leader in Peru rising to power. A concern is how China is supporting leftist elected leaders in the region with investments, loans, infrastructure, and technology that can help them consolidate their power. They are buying influence and last year we saw Argentina, Peru, Honduras, and Chile elect leftist populist leaders and this year we could see the same happen in Colombia and Brazil.

The opportunity is to start leveraging the information war (soft power) on China's Belt and Road Initiative (BRI), which started in 2013, as many countries are starting to have buyer's remorse. The immediate results looked good,

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but much like China's zero COVID policy, down the road there are significant 2nd and 3^d order effects. For example, global supply chain issues continue since China (which is locking down again in Shanghai) is the #1 trading partner of over 120 countries and 7 of the 10 largest container ports are in China. We need to provide unbiased investigative reports which depict the performance of Chinese companies (Ecuador's Coca Coda Sinclair dam has over 7600 cracks, caused massive erosion, and ruptured a major oil export pipeline), assist our partners in better understanding the contracts Chinese state owned companies are pushing them to sign, help them strengthen their institutions through education and transparency so they have the information to make an informed decision, and provide viable alternatives." – General KK Chinn

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