INVESTMENT OUTLOOK APRIL 2026

At a Glance

- **Base case:** Markets are balancing macro resilience with geopolitical regime risk, as the Iran conflict is being priced primarily as an inflationary supply shock rather than an imminent growth recession.
- **Why:** Dispersion dominates beta. Cross-asset correlations and 'traditional hedges' can behave inconsistently when inflation (not demand) is the binding constraint.
- **Key risk:** The passability and functioning of the Strait of Hormuz remains the critical macro signpost; ceasefire headlines may lower tail risk, but do not, on their own, resolve the regime.

Key Themes

1. **Iran conflict = inflation shock, not recession**
   - Cross-asset moves are consistent with cost-push inflation dominance: energy outperformance alongside pressure on global/EM risk assets.
   - Long-duration bonds have not behaved as a reliable hedge in this inflation-sensitive regime.

2. **Hormuz is the lever behind volatility**
   - The market is responding to whether energy flows remain durable, not simply to headline intensity.
   - Even with improved headline conditions, the backdrop remains path-dependent: outcomes can reverse quickly on either escalation or credible de-escalation.

3. **Non-linear end-states create 'unstable equilibria'**
   - Markets can tolerate elevated stress until a threshold is crossed, at which point risk premia, correlations, and liquidity can reset abruptly.
   - Portfolio robustness comes from resilience across multiple end-states, not from positioning for a single forecast path.

4. **Policy paths are increasingly conditional and asymmetric**
   - Geopolitics has reintroduced inflation–growth trade-offs, narrowing central-bank flexibility.
   - Relative policy constraints are diverging across regions, reinforcing dispersion across rates, FX and equity leadership.

Key Signposts

- **Strait of Hormuz:** evidence of sustained passability vs renewed friction; watch for 'flow durability' rather than headline noise.
- **Energy transmission:** oil direction *and* spillovers into inflation expectations (including stress points beyond crude, such as refined products / feedstocks / freight sensitivities).
- **Rates regime:** whether inflation shock dynamics keep duration behaving like a risk asset (vs regaining diversification power in growth-downside scenarios).
- **Central bank reaction functions:** whether policy remains 'look-through' vs turns more reactive as inflation persistence risks rise.
- **Cross-asset dispersion:** persistence of sector-driven equity leadership and unstable correlations.

INVESTMENT STRATEGY APRIL 2026

At a Glance

- **Most likely outcome:** Returns are shaped by selectivity and risk control in a higher-volatility, higher-dispersion environment (rather than broad market direction).
- **Implementation bias:** emphasise diversification, liquidity and optionality; avoid concentrated, single-scenario exposures in a path-dependent geopolitical regime.

Key Themes

5 Equities - neutral, diversified; sector dispersion matters

- Corporate earnings have been resilient, but equity outcomes are increasingly driven by sector repricing linked to geopolitics and energy.
- Maintain portfolio discipline: prioritise diversification and be aware of sharp sector rotations.
- US tech has seen a valuation de-rating, shifting the opportunity set toward fundamentals and execution (earnings delivery) rather than multiple expansion.

6 Fixed Income: carry is attractive; duration is conditional

- Elevated yields improve income appeal, but inflationary supply shocks can undermine duration's hedging role.
- Prefer short- to intermediate-duration, high-quality credit where carry can be harvested with more manageable volatility.
- Treat long-duration sovereign exposure as more scenario-dependent (better in growth-downside than inflation-shock regimes).

7 Credit: resilience in public markets; valuation buffers are thin

- Public credit is not signaling systemic stress, despite concerns in private credit; markets look vigilant rather than disorderly.
- Fundamentals and liquidity remain supportive, but event-driven tail risks can still create abrupt repricing i.e., so quality and liquidity matter.

8 FX: USD behaves more as a hedge than a yield story

- Geopolitical stress supports the USD primarily as a safe-haven, with regional policy constraints shaping relative FX outcomes.
- Positioning should assume FX can add volatility; hedge design matters more than in calmer regimes.

9 Commodities & Gold: oil is path-dependent; gold is rates-sensitive near term

- Oil remains highly sensitive to conflict duration and supply-path outcomes, reinforcing the need for prudence around commodity-driven volatility.
- Gold's near-term behaviour is increasingly tied to real rates and policy expectations, with higher volatility; its diversification role is still relevant, but the driver is not always 'fear premiums'.

10 Portfolio construction: resilience across regimes

- Build portfolios that can participate if risk premia compress on de-escalation, while remaining robust to abrupt resets under escalation.
- Emphasise diversification, liquidity and optionality over tactical over-reaction.

INVESTMENT STRATEGY APRIL 2026

Global Tactical Asset Allocation

Sub-Asset Classes	UW	N	OW	Comments
Equities				
US/Canada	■			• Earnings resilience remains intact, but equity outcomes are increasingly driven by geopolitical risk premia and energy-shock sector rotations rather than uniform market beta. • Index-level moves can mask meaningful dispersion: energy and defence leadership versus lagging transport/airlines under supply-shock conditions. • Given headline volatility and unstable correlations, maintain a neutral, diversified stance and focus on disciplined positioning rather than chasing short-term swings.
Europe		■		
Japan		■		
Asia & EM			■	
Global Thematic Equities		■		
Fixed Income				
Developed Sovereign	■			• Carry is attractive, but duration behaves as a conditional risk asset in an inflationary supply-shock regime. • Emphasise short- to intermediate-duration, high-quality credit as a carry source supported by manageable volatility. • Be selective with long-duration sovereign exposure: bonds can diversify in growth-downside scenarios, but entry points and regime matter more than in prior cycles.
Developed Corp IG			■	
Developed Corp High Yield		■		
Emerging Markets Bonds		■		
Alternatives				
Precious Metals		■		• Gold is trading increasingly on real rates and policy expectations near term, which can raise volatility even when geopolitical headlines appear supportive. • Oil and broader commodity behaviour remains sensitive to conflict duration and supply-path outcomes; FX and commodities may add portfolio volatility rather than reliably dampen it.
Hedge / Alternative Funds	■			