

MONTHLY REVIEW – APRIL 2026

Dear Clients, Colleagues and Partners

OUR PERSPECTIVE

“The dollar is our currency, but it’s your problem.” ~ John Connally, United States Treasury Secretary under President Richard Nixon, 1971

For more than a decade, investors have benefited from what many came to call “U.S. exceptionalism”: which is an environment where the U.S. equity market, the U.S. dollar, and U.S. Treasury markets consistently outperformed other similar assets globally. Supported by technological leadership, deep capital markets, and a powerful reserve currency, global capital has been flowing, almost reflexively, into U.S. assets. But the foundations of that exceptionalism have shown signs of strain.

The challenge is not growth. America remains one of the most innovative economies in the world and will likely remain so well into the AI-era. The challenge is financing. The United States is running historically large fiscal and current account deficits simultaneously. This so-called twin deficit dynamic is emerging at a time when government debt issuance continues to accelerate, forcing Treasury markets to absorb ever larger supply. In response, investors are increasingly demanding a higher term premium, the additional compensation for holding longer-dated U.S. debt. The result is structurally higher bond yields, tighter financial conditions, and one could reasonably expect lower valuation multiples for risk assets.

At the same time, foreign ownership of U.S. financial assets sits near record levels. For years, this was a source of strength. Today, it represents a vulnerability. If global reserve managers, sovereign wealth funds, or international investors begin diversifying even modestly

De-dollarisation is the gradual reduction in reliance on the US dollar for trade, reserves, and financial settlement, driven by geopolitical risk, fiscal and monetary credibility concerns, and the desire to diversify exposure within an increasingly fragmented global financial system.

away from the U.S. – whether for valuation, geopolitical, or strategic reasons – the implications could be profound.

This is where de-dollarisation matters. We do not believe the U.S. dollar is facing collapse. Not yet anyway.

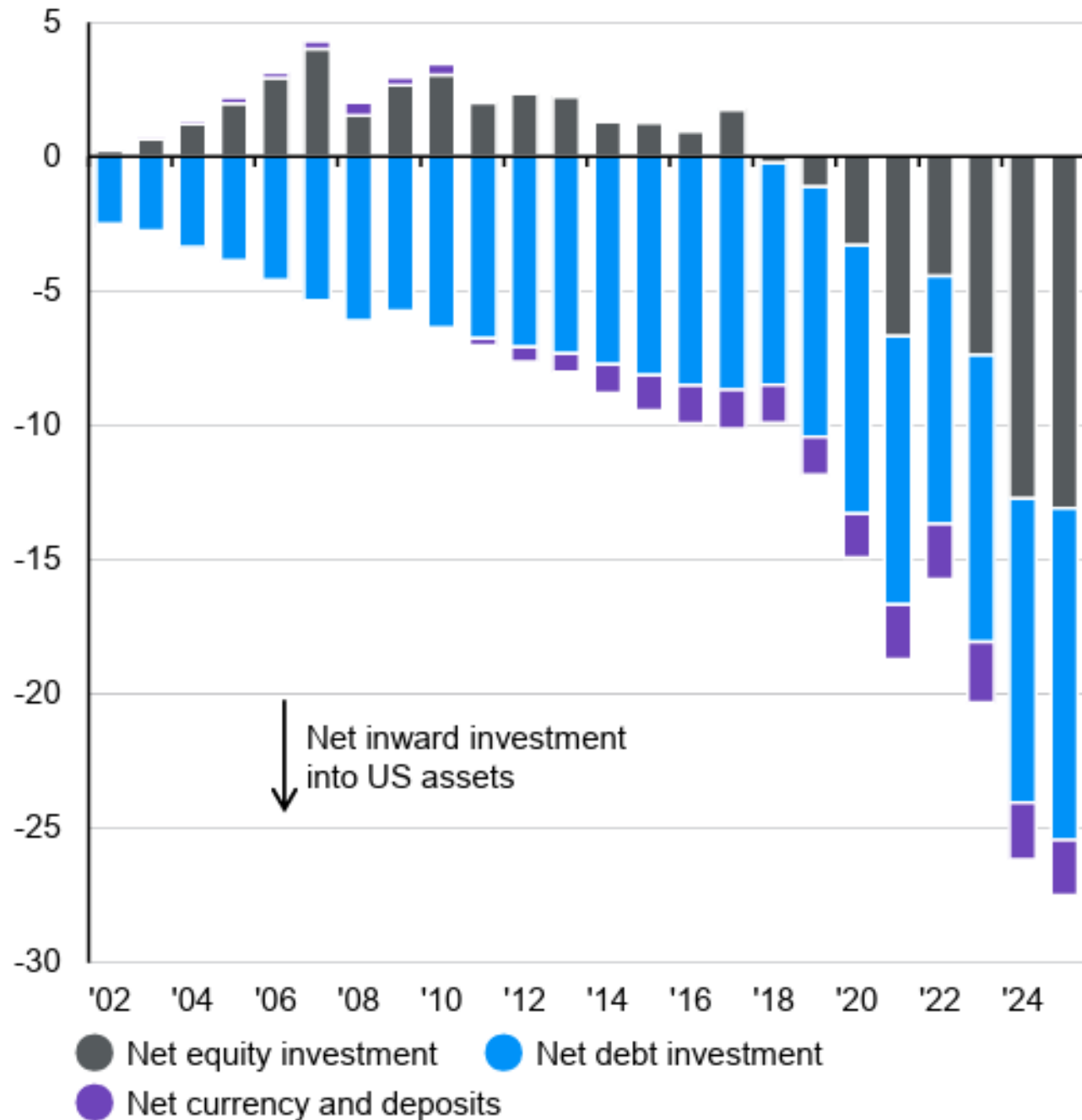
Rather, we believe 2026 may mark the next phase of gradual erosion in its dominance, as bilateral trade agreements, commodity settlements, and reserve diversification continue outside the dollar system. A weaker dollar would likely ease financial conditions globally, creating a tailwind for risk assets. Emerging market equities, local currency bonds, and real assets in particular.

In such an environment, assets such as gold, which carry no sovereign liability, may continue to benefit – not merely as an inflation hedge, but as an alternative store of trust. At the same time, we see emerging markets (EM) currencies and EM equities as the primary beneficiary as these economies benefit from improved liquidity and stronger funding tailwinds.

Exhibit 1: Asset flows into US Dollar denominated assets has been relentless. This has superficially lowered funding costs, all else equal, ensured persistent U.S. Dollar strength, which resulted in the U.S.-exceptionalism narrative. When this turns, things will get ugly.

US net international investment position

USD trillions



Source: BEA, LSEG Datastream, J.P. Morgan Asset Management. Equity and debt investments include funds. [JP Morgan Guide to the Markets – UK](#), 31/03/2026.

MARKET REVIEW

Deflationary Boom

Risk assets rebounded sharply in April after the violent sell-off in late March, which had been triggered by the unexpected U.S.-Israeli escalation against Iran and fears of a broader regional conflict, disruption through the Strait of Hormuz, and a renewed energy-driven inflation shock. By April, markets began pricing a less severe outcome as ceasefire discussions emerged and oil supply fears partially eased. This, combined with continued optimism around hyperscaler AI infrastructure spending and resilient corporate earnings expectations, drove a powerful recovery in global equities. The S&P 500 rallied 10.5% (USD), while the “Magnificent 7” surged 15.7% (USD), highlighting the market’s continued dependence on AI-led growth narratives. International markets also participated strongly, with MSCI Emerging Markets Index up 14.7% (USD) and MSCI AC Asia ex Japan Index gaining 16.3% (USD), supported by a weaker U.S. dollar and improving global liquidity conditions. Credit markets recovered, with emerging market debt and European corporate bonds outperforming as spreads tightened and risk sentiment improved. However, U.S. equity valuations remain historically rich, leaving markets vulnerable should earnings or AI capex expectations disappoint.

Deflationary Bust

Government bonds delivered mixed returns. European sovereign debt recovered as inflation moderated and ECB easing expectations strengthened, while UK gilts also moved higher. U.S. Treasuries, however, were broadly unchanged (-0.1%), as longer-dated yields remained pressured by elevated issuance, persistent fiscal deficits, and rising term premia. This divergence continues to challenge the traditional safe-haven role of U.S. duration.

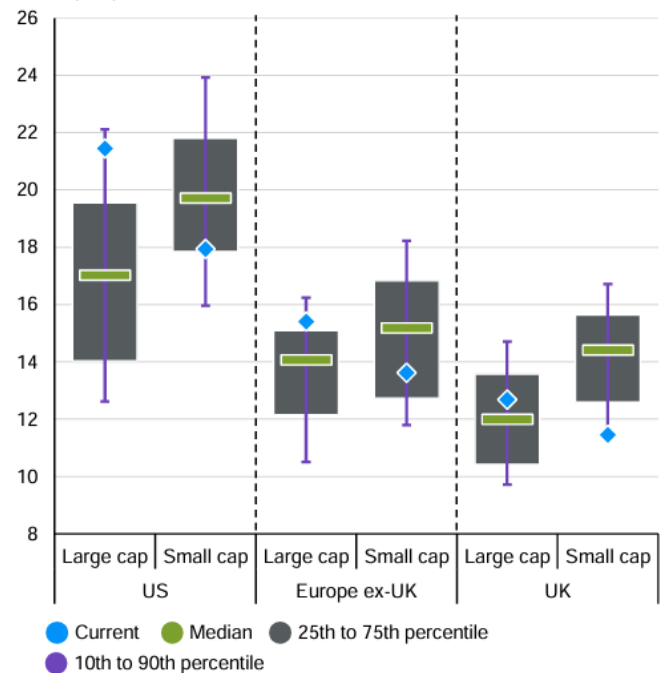
Inflationary Boom

Managed futures and commodities continued to perform strongly amid elevated macro volatility. The SG CTA Managed Futures Index returned 1.5%, while our composite gained 3.7%. Energy markets remained volatile, with WTI crude advancing 10.0% despite the de-escalation, reflecting persistent geopolitical risk premia. Copper gained 5.5%, supported by infrastructure and AI-related electricity demand, while natural gas fell 9.3% on softer seasonal demand.

Exhibit 2: The swift recovery and passive flows into US equity markets have pushed large cap valuations back to all-time high levels.

Regional large and small cap forward P/E ratios

x, multiple, percentiles and median since 2008



Source: JP Morgan Guide to the Markets - UK, 30/04/2026

Inflationary Bust

Precious metals consolidated after strong Q1 gains. Gold was broadly flat in April but remains up 5.6% YTD, reflecting continued central bank buying, reserve diversification, and geopolitical hedging. Inflation-linked bonds outperformed nominal bonds across Europe, the UK, and the U.S., suggesting inflation expectations remain sticky in the face of uncertainty in headline CPI.

ASSET ALLOCATION

The below tables set out our current tactical asset allocation views and the investment thesis behind these.

	Positioning	Investment Thesis
FIXED INCOME		
DM - Government Bonds	NEUTRAL	<p>Whilst inflation risks resulting from strong liquidity, M2 growth, and interest rate risks from a supply-demand mismatch and term-premia for longer duration U.S. Treasuries remain, we note the disinflationary trend and downside risks to economic growth. We recommend an overweight position in government bonds, both nominal and inflation linked.</p> <p>We still find short-dated US TIPS attractive with high real rates relative to history. Duration in the U.K. Gilt market looks more attractive as we believe long-term growth expectations remain too high.</p>
DM - Corporate Bonds	UNDERWEIGHT	The risk-reward profile remains unattractive given tight credit spreads and macroeconomic risks.
EMD - Government Bonds	OVERWEIGHT	A weaker US Dollar and attractive yields have boosted EM Govt bonds, especially local currency bonds over the past 12 months. Whilst we remain broadly positive on the sector, near term uncertainty and geopolitical factors will drive volatility and active allocation will become increasingly important.
EMD - Corporate Bonds	NEUTRAL	<p>Risks include negative economic shock, FX-mismatch.</p> <p>Attractive security specific / RV opportunities, where we prefer high quality, short-duration and hard-currency credit, which offers attractive yields with lower relative risk.</p>
ALTERNATIVES		
Property & Infrastructure	NEUTRAL	<p>We retain conviction behind infrastructure, especially in digital infrastructure and electrification where attractive and sustainable tailwinds persist. We believe infrastructure that provides long-term CF's and inflation protection offer attractive opportunities at current levels.</p> <p>Property markets remain uncertain and less attractive. Whilst there are perhaps niche / specific property assets with attractive characteristics, cap rates and valuations broadly do not reflect a higher interest rate regime we entered post-pandemic.</p>
Commodities	OVERWEIGHT	<p>We remain positive on precious metals, in particular gold, as geopolitical and economic uncertainty remains high, with optionality driven by policy missteps.</p> <p>Uncertain near-term supply chains, energy security, climate change, Asian growth, and AI-driven long-term demand characteristics, all provide tailwinds to energy prices and despite the recent rally, opportunities to increase exposure to the energy complex remain in place.</p>
Private Equity	UNDERWEIGHT	<p>Listed PE is always vulnerable to liquidity risks during periods of increased market dislocations. Furthermore, the risks of a high cost-of-capital and difficulties in refinancing we believe are not fully reflected in private markets.</p> <p>We remain Underweight.</p>
Alternative Strategies	OVERWEIGHT	<p>Uncertainty behind inflation and economic growth drive the opportunity for uncorrelated investment propositions, e.g. Hedge Funds. However, investors should consider the absolute opportunity relative to T-Bills.</p> <p>Attractive strategy specific opportunities exist with i) lower volatility, ii) uncorrelated profiles, iii) attractive risk-adjusted return expectations, and iv) long-volatility pay-off profile.</p> <p>We are especially bullish on CTA's and trend-following Managed Futures.</p>

	Positioning	Investment Thesis
DEVELOPED MARKET EQUITY		
North America	UNDERWEIGHT	<p>US equity market outperformance over the last 15 years has been significantly supported by multiple expansion, and valuations remain elevated on both absolute and relative levels. Despite the longer-term benefits from the AI revolution, we believe risks to profit margins remain significant.</p> <p>Whilst valuations in small and midcaps looks marginally more attractive, policy uncertainty and sentiment we believe are major headwinds to U.S. small and midcaps.</p>
UK	NEUTRAL	<p>Whilst equity valuations, especially in the small and midcap market are attractive, political uncertainty, deteriorating economic outlook and inflation risks remain material. We retain a preference for high quality and stability and note the opportunity in small and midcap companies.</p>
Europe ex-UK	NEUTRAL	<p>Whilst FX and Stagflation risks remain material, we believe the changing European fiscal regime represents a major macroeconomic and policy shift in European policy. Valuations remain relatively attractive; however, we note a preference for quality and pricing power.</p>
Japan	OVERWEIGHT	<p>Attractive valuation, macroeconomic tailwinds and ongoing market reform all underpin the opportunity in Japan. Corporate Japan's strong balance sheet and low valuations make for attractive risk-reward profile.</p> <p>We believe the Japanese Yen is significantly undervalued, and any exposure to Japan should remain unhedged.</p>
EMERGING MARKET EQUITY		
Asia ex-Japan & China	OVERWEIGHT	<p>We retain a preference for Asian emerging economies over non-Asian EM, driven by better fundamentals and lower reliance on externalities. However, we note the risks of contagion as China embark on a local deleveraging cycle and economic growth slows.</p> <p>India remains one of our highest conviction opportunities in the region, but valuations are stretched.</p>
China	OVERWEIGHT	<p>Overly pessimistic outlook and sentiment towards China are reflected in valuations. Whilst question marks with regards to demographics, real estate, debt, policy and alignment remain, sentiment is showing signs of turning less negative. The risk-reward remain very attractive, and selectively attractive long-term opportunities have emerged.</p>
Latin America	OVERWEIGHT	<p>The changing political and macroeconomic environment, specifically the benefits from the 'near-shoring' of supply chains and the consequences of deteriorating China-US relations, creates attractive opportunities in Central and South America.</p> <p>Some uncertainty remains in the near term from US-policy and the outlook for global growth.</p>
EMEA	UNDERWEIGHT	Preference for Asia & Latin America.

“Qui Curat Vincit”

CONTACT US

For further information on any of our services, or if you would like to arrange a meeting with an investment manager to see how we can work with you, please get in touch.

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