



OFFSHORE INVESTMENT OUTLOOK: BALANCE VERSUS BRAVADO

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2026 First quarter recap: volatility without capitulation

The first quarter of 2026 was shaped by heightened geopolitical risk, most notably the Middle East conflict and its impact on energy markets. Offshore assets experienced higher volatility, but market moves were notably uneven. Valuation compression occurred in parts of global equities, while credit and long-duration bonds failed to provide the diversification investors had grown accustomed to in prior cycles. Importantly, risk assets did not experience indiscriminate selling. Instead, dispersion increased by region, sector and across asset classes.

This pattern is consistent with what we view as a structural shift in the investment regime, rather than a cyclical scare.

From a macro perspective, global growth remains resilient but uneven

The world economy is no longer driven primarily by the business cycle, it is increasingly shaped by geopolitics, energy insecurity, fiscal dominance and uneven technological diffusion.

- **United States:**

The US economy continues to stand out for its relative resilience. Growth is being driven less by leverage and more by income and cash-flow dynamics, particularly fiscal channels. Despite higher gasoline prices and rising inflation fatigue, consumer spending through March remained firm. Control retail sales held up and credit-card spending into April stayed constructive. Crucially, this strength is not inflation-distorted: core goods prices were broadly flat, indicating real volume growth. Elevated tax refunds, up roughly \$40bn year-on-year, have acted as a short-term shock absorber. These refunds have reinforced the US consumer's ability to sustain spending.

- **Europe:**

Europe's challenge is different. While activity has stabilised, the region remains far more exposed to energy price shocks, with inflation pass-through risks higher and growth less buffered by household income dynamics. Strategic autonomy, defence spending and industrial renewal offer medium-term support, but near-term growth remains fragile especially if energy prices stay elevated.

- **Japan and Asia:**

Japan appears more insulated from near-term energy disruptions than other Asian economies and benefits from a combination of governance reform, capital discipline and exposure to the global capex cycle. Emerging Asia is more mixed. Countries reliant on energy imports face pressure, while export-oriented economies linked to technology and industrial upgrading remain better positioned.

- **Emerging Markets (EM):**

EM growth remains structurally stronger but increasingly differentiated. Commodity exporters and economies aligned with supply-chain re-routing are coping better, while energy importers face tighter trade-offs between growth, inflation and fiscal support.



INVESTMENT AND MARKET INSIGHTS

Asset class views: Balance is now conviction

We believe this is not an environment for single-asset dominance. Across the next five to ten years, returns remain available but they will be earned through balance and selectivity, not broad beta exposure.

- **Fixed Income: Bonds are back but differently**

Government bonds have regained relevance as income generators and stabilisers, thanks to materially higher starting yields. However, this is not a return to the pre-pandemic bond regime. Returns are now driven primarily by carry and curve dynamics, not by falling real yields. Long-duration bonds remain sensitive to inflation and fiscal uncertainty, while the intermediate part of yield curves offers a better balance between income and resilience. Investment-grade credit still plays a role, but tighter spreads mean returns will rely more on carry and issuer selection than on further valuation support.

- **Equities: Attractive, but far more uneven**

Equities continue to offer compelling long-term return potential, but dispersion is rising structurally. The US benefits from strong earnings and AI-driven investment, yet concentration and valuation remain constraints. Outside the US, Europe, Japan and selected emerging markets offer increasingly differentiated opportunities driven by reform momentum, industrial policy, capex and domestic demand. Our view is that equity returns will depend less on index-level exposure and more on regional, sectoral and company-level selection.

- **Private and alternative assets: Discipline over scale**

Private equity, infrastructure and private credit remain important return enhancers in offshore portfolios, but the return architecture has changed. Higher discount rates cap the upside from multiple expansion, shifting the focus towards income, operational value creation and asset quality. Infrastructure stands out due to AI-related digital build-out, energy security and strategic autonomy spending. Private credit offers attractive carry but requires selectivity, particularly in sectors exposed to technological disruption.

- **Gold and real assets: Strategic, not tactical**

Gold has evolved from a cyclical hedge into a strategic allocation tool, reflecting reserve diversification, geopolitical fragmentation and less reliable cross-asset correlations. In offshore portfolios, gold increasingly complements bonds rather than replacing them, enhancing resilience without sacrificing long-term returns.

In closing

This is a market environment defined by adaptation, not normalisation. Growth is resilient but constrained, inflation is stickier and policy is more politically bounded. Offshore multi asset portfolios should therefore be constructed around balance rather than bravado: bonds as anchors, equities as selective growth engines, real and alternative assets as resilience enhancers.

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