



In early April, developments in the Middle East showed signs of stabilisation, prompting a partial recovery and renewed risk-taking in equity markets. However, beyond ongoing geopolitical risks, other factors—including potential private credit contagion across banks and broader financials—continue to pose downside risks.

Despite these uncertainties, we believe an income-centric approach, combined with global diversification across growth, value and income equities, has provided both downside resilience and upside participation for the Global Equities Diversified Income (GEDI) strategy.

Global Equity Diversified Income (GEDI) strategy update: Risks and opportunities

Over the course of April 2026, markets have meaningfully re-risked, largely looking through the prevailing geopolitical stalemate in the Middle East. Investor confidence has, up until now, been supported by the absence of a direct supply shock and continued diplomatic engagement to contain escalation.

Nonetheless, the strategic backdrop remains fragile. Any material disruption to the Strait of Hormuz would have outsized global consequences, given that around 20% of the world's oil and a substantial share of global petrochemical flows transit this chokepoint. In our view, markets are currently underpricing the tail risk associated with this concentration.

What are the key risks going forward?

We continue to monitor four primary risks that could disrupt market complacency:

1. **Energy and Oil Supply Shock Risk**

The energy and oil conundrum remains the most immediate macro risk. A failure to reach a resolution

around flows through the Strait of Hormuz could result in a sudden tightening of physical oil and petrochemical supply, particularly as floating inventories begin to decline. In such a scenario, oil prices would likely experience sharp upside pressure, feeding directly into headline inflation and transportation costs.

Near term, this dynamic could evolve along two possible paths:

- Stagflationary pressure, where higher input costs weigh on margins and consumer purchasing power, or
- Demand destruction, where elevated prices ultimately suppress growth and consumption.

Either outcome would challenge the assumption of a smooth global growth re-acceleration and potentially force a reassessment by central banks, particularly the US Federal Reserve (Fed).

2. **Private Credit Stress and Financials Transmission**

A second risk lies in private credit, where refinancing pressure, covenant stress and opaque valuations pose rising vulnerabilities. While public spreads remain contained, stress could transmit unevenly to listed financials—particularly those with private-lending exposure.

We view the risk as selective rather than systemic, favouring well-capitalised institutions with conservative underwriting. Any dislocations may offer entry points in financials with stable dividends and low balance-sheet leverage.

3. Structural Artificial Intelligence (AI)-Driven Labour Disruption

Over the longer term, the structural impact of AI on labour markets remains a slow-burn risk. While productivity gains are supportive for margins, the displacement of certain job categories risks exacerbating inequality, political pressure, and consumption volatility. For income-focused portfolios, this places a premium on business models with pricing power, recurring cash flows, and defensible market positions.

4. Inflation Resurgence Risk

Finally, inflation remains an under-appreciated variable. Energy-driven price shocks, should they materialise, could complicate the Fed's easing trajectory and delay the rate-cut cycle that markets have largely priced in. This reinforces the value of equity income streams as a real-return anchor, particularly relative to duration-sensitive assets.

Taken together, we feel these risks are not fully reflected in current asset prices, with both global equities and credit once again approaching all-time highs.

GEDI strategy updates

In response to these dynamics, relative valuation has become increasingly relevant to our strategy in recent weeks. Areas that delivered stronger performance than the broader market, including energy and utilities, have become less compelling from a valuation standpoint, while discounted areas within income-oriented equities have appeared more attractive.

Across GEDI, there remains a reasonable pipeline of quality assets trading at discounted valuations, with selective opportunities also emerging in Growth and Value Equity sleeves.

Growth Equities

In April, we saw opportunities in communications services and metals and mining, while becoming less optimistic toward software-related sectors.

Value Equities

During the month, consumer staples became an area of increased focus in our assessment.

Income Equities

Income equities extended the momentum seen in March, with banks and electric utilities remaining notable areas within the income equity segment. The "quality on sale" theme continued, as valuation discounts persisted across parts of the universe, supporting a more constructive backdrop over the medium term.

Options Writing and Volatility Harvesting

Options opportunities continue to be observed in the US and Europe, Australasia, and the Far East (EAFE) index-level. The team continues to write out-of-the-money (OTM) calls and at-the-money (ATM) puts, persistently harvesting volatility to generate premium income and enhance the strategy's overall yield.

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