GRYPHON INVESTMENT ADVISORS BAHAMAS

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Thoughts for the Day

Monthly Overview

A Month Like No Other in Memory

Dear Fellow Investors,

April began with the distant drumbeat of a war most of the world hoped would be contained, and ended with Brent crude at $124 a barrel, the Federal Reserve delivering its most divided vote in decades, and a genuine question mark hanging over how the global economy absorbs an energy shock of this magnitude. It was, to put it plainly, the kind of month that reminds investors why they should never confuse a calm tape with a stable world.

What made April unusual was not simply the oil price. It was the collision of forces that arrived simultaneously: a hot war disrupting a fifth of global energy flows, equity markets still printing records on the strength of artificial intelligence earnings, a Federal Reserve unable to ease despite softening data, and central banks from Tokyo to Frankfurt being forced to treat geopolitics as their primary input variable. The month asked investors to hold two contradictory truths at once — the AI infrastructure cycle is real, durable, and accelerating, and the world's most important energy chokepoint was functionally closed for most of thirty days.

Whether markets were rational in navigating that tension is something we will debate for some time. What I can tell you with confidence is that the investors who fared best were those who had thought clearly in advance about where structural earning power sits, and where it only appears to sit.

THE DOMINANT STORY

Fire in the Gulf

The month's defining story was the U.S.-Iran conflict, and specifically what it did to the Strait of Hormuz. When April opened, a fragile two-week ceasefire was in place — the product of Pakistan's mediation and last-minute diplomacy that had briefly pushed crude prices sharply lower in the final days of March. Markets breathed. Oil fell sixteen percent in a day on the ceasefire news. The S&P 500 rallied. Investors began positioning for a return to something resembling the prior regime.

It did not last. By the second week of April, direct talks had collapsed. President Trump ordered a full naval blockade on Iranian ports, and Brent surged back above one hundred dollars on the announcement. The blockade was framed as impartially enforced — applying to vessels of all nations entering or departing Iranian waters — which immediately drew China's public opposition, a British refusal to participate, and a sullen silence from most of the G7. The United States was enforcing a maritime regime that its closest allies declined to join.

The weeks that followed were a study in the gap between diplomatic messaging and physical reality. Ceasefire extensions were announced — and markets briefly rallied on each one. But the Strait remained largely closed to commercial traffic through the month's end. Tanker operators, insurers, and charterers demand more than political declarations before they resume normal routing. They need confidence that rules, enforcement boundaries, and retaliation risks are settled enough to price a voyage. That confidence did not arrive in April. By month-end, daily transits through Hormuz remained far below pre-war norms, and global shipping was operating under conditions last seen in the immediate aftermath of the 2019 Abqaiq attacks — but far more severe and far more sustained.

The human mathematics of the shock are worth stating plainly. The Strait of Hormuz carries approximately one-fifth of global oil and gas flows. OPEC output fell by a historic twenty-five percent in March — the steepest decline in at least four decades. Iran seized commercial vessels attempting to depart the Gulf. The U.S. intercepted Iranian tankers in Asian waters. Saudi Arabia's East-West Pipeline was disrupted by Iranian missile strikes, though subsequently restored. And through all of this, the futures market was pricing oil more optimistically than the physical market justified — a gap that Diamondback Energy's CEO highlighted publicly, arguing crude futures were materially understating the severity of the disruption.

Markets oscillated between the headline and the underlying. Every diplomatic overture sent oil lower and equities higher. Every failed meeting, seized vessel, or military incident reversed the move. By April's close, Brent had settled above $120, Citi had raised its forecast to $110 as a base case with substantial upside risk, and Goldman Sachs had revised its fourth-quarter forecasts higher on the grounds that supply impairment was becoming structural rather than episodic. Shell's chief executive issued a warning that shortages could persist into 2027. These are not temporary disruption calls. They are assessments of how long it takes to rebuild shipping confidence, re-establish insurance frameworks, and restore refinery feed after weeks of logistics dislocation.

The geopolitical architecture around the conflict is worth noting separately from the energy market mechanics. The U.S. operated effectively without its traditional coalition. Britain declined the blockade. NATO allies publicly condemned the conflict. China criticised Washington's approach and signalled diplomatic solidarity with Tehran while protecting Gulf commercial relationships it could not afford to jeopardise. Russia coordinated with China on crisis management framing. Pakistan served as mediator, elevating its diplomatic standing at some political cost. Hungary's surprise election result, which removed Viktor Orban after sixteen years, opened a narrow window for better EU coherence on Ukraine-related financing — a second-order geopolitical event that received far less attention than it deserved.

The lesson April taught about the Iran file is one I want to carry forward into May with some precision: ceasefire headlines and physical-market normalization are not the same thing. The logistics of restoring Hormuz confidence will lag political announcements by months, not days. Investors who treat diplomatic rhetoric as equivalent to operational de-escalation will continue to be wrong-footed by the commodity and shipping signals that have consistently told a more honest story.

THE SECOND LAYER

The AI Infrastructure Cycle Refuses to Yield

Running directly underneath the geopolitical headline — and in some respects in flat contradiction to it — was the most consequential earnings season for artificial intelligence since the technology emerged as a market force. April was the month the AI capex cycle stopped being a thesis and became a reported fact.

The numbers are worth revisiting because they matter for how we think about portfolio positioning. TSMC reported a fifty-eight percent rise in quarterly profit and raised its 2026 revenue growth forecast to above thirty percent. ASML lifted its 2026 sales guidance above $42 billion. Samsung's semiconductor arm posted first-quarter operating income of 53.7 trillion won against analyst expectations of 35.3 trillion won — a beat of remarkable magnitude. SK Hynix delivered a five-fold jump in quarterly profit. And then, in the final days of April, the hyperscalers reported: Alphabet posted $94.7 billion in revenue with cloud accelerating to twenty billion dollars; Amazon's AWS grew twenty-eight percent, its fastest pace in fifteen quarters; Microsoft Azure grew thirty-nine percent with its AI business crossing a $37 billion annualized run rate.

This cycle is not confined to software. It is a physical infrastructure buildout of extraordinary scale. Amazon's capital expenditure surged toward AI data centres in a way that collapsed near-term free cash flow while signalling the company's conviction about long-term demand. Meta guided full-year capital expenditure to between $125 billion and $145 billion — a number that caused the stock to fall despite the strongest advertising result in years, because investors were recalibrating the return timeline on infrastructure of that intensity. OpenAI secured ten gigawatts of computing capacity ahead of its original 2029 target, having contracted three gigawatts in the prior ninety days alone. The U.S. Energy Regulatory Commission's Texas grid operator published a scenario implying peak electricity demand could reach 368,000 megawatts by 2032, with data centres accounting for over sixty percent of the increase.

The AI cycle and the energy shock are not separate stories. They are converging on the same bottleneck: power. The AI infrastructure buildout is electricity-hungry to a degree that is not yet fully priced into utilities, grid equipment, nuclear developers, or the industrial firms that build and cool data centres. GE Vernova raised its revenue and profit forecasts explicitly on this demand. X-Energy's small modular reactor IPO surged on its market debut, raising $1.02 billion at the top of its range. Oracle's agreement to purchase up to 2.8 gigawatts of fuel-cell power from Bloom Energy for AI data centres represents the hyperscaler community explicitly acknowledging that the grid cannot be relied upon as the sole source of reliable baseload. These are not niche developments. They are the early indicators of a capital cycle that will run for the better part of the next decade.

The secondary dimension of the AI story in April was governance and security. Anthropic's Mythos model dominated regulatory conversation throughout the month. The Bank of England convened discussions with financial institutions about the model's cyber risk implications. Treasury Secretary Bessent and Federal Reserve Chair Powell convened Wall Street banks to discuss its destructive potential. The White House simultaneously sought broader access to Mythos for federal agencies while opposing its wider commercial release. There is something genuinely new here: a piece of technology that is simultaneously classified as a national-security risk and a national-security asset. Markets are still finding the vocabulary for this. I suspect we will be navigating it for years.

RATES, CURRENCIES & MARKET DIRECTION

What the Markets Are Telling Us

THE RATE NARRATIVE

April began with the market still pricing rate cuts. It ended with the Fed delivering its most divided vote under Jerome Powell, four dissenters representing the widest internal split in many years, and a growing minority of economists expecting no Federal Reserve move in 2026 at all. The mechanism driving that shift was not weaker growth — it was the oil shock. Energy-led headline inflation climbing towards and potentially above three percent has made it extremely difficult for any serious central banker to validate easing expectations in the near term. The first expected cut has now been pushed at least fifteen months forward from where markets were pricing in early spring.

The Fed's dilemma was articulated clearly by multiple officials throughout the month. Chicago Fed President Goolsbee called the Iran shock stagflationary. Fed Vice Chair Jefferson described policy as well-positioned. New York Fed President Williams expected oil shock effects to be material but temporary — a framing that looks increasingly optimistic given what we know about how slowly Hormuz logistics normalise. The Warsh confirmation hearings added an additional layer of complexity, signalling a Fed that under new leadership might emphasise inflation credibility, balance-sheet reduction, and narrower forward guidance — a communication shift that markets are still processing.

CURRENCIES

The dollar's behaviour in April was instructive. It was not a clean safe-haven rally — it was a terms-of-trade story. The United States, approaching net crude exporter status for the first time since the Second World War, was on the right side of the energy shock in a way that Europe and most of Asia emphatically were not. The EUR/USD eased through the month, finishing near 1.17. Sterling held at around 1.35 but faced persistent pressure from what the IMF identified as the largest growth downgrade in the G7 — cutting the UK's 2026 forecast to 0.8 percent. The yen was the most important single currency story, trading through 160 against the dollar by month-end despite a hawkishly worded BOJ hold, with Japan caught in the most uncomfortable position in the G10: importing inflation through oil, constrained from tightening sharply by fragile domestic demand, and watching a decade of low-yield assumptions unwind in the long end of the JGB market.

The dollar's dominance is worth flagging as both near-term reality and longer-run question. SWIFT data showed dollar payment share rising to 51.1 percent of international transactions in March — a record on the current methodology. And yet the structural forces gathering against that dominance are accumulating: widening fiscal deficits, political pressure on Fed independence, and the willingness of reserve managers — who in central-bank surveys now rank geopolitics as their primary risk — to look for alternatives at the margin. The dollar's reserve role will not be displaced in our investment horizon. But we are watching the early innings of a longer-term fragmentation that our critical minerals thesis, our gold position, and our precious metals allocation are all calibrated to benefit from.

EQUITIES

Global equities ended April higher than they began — a fact that, in the context of everything else I have described, deserves some interrogation. The S&P 500 printed multiple record closes. The Nasdaq extended a powerful winning run. But the architecture of that performance was extremely narrow. The Magnificent Seven added roughly four trillion dollars in value from the March trough. AI-linked semiconductor names — TSMC, Micron, SK Hynix, AMD, ASML — dominated sector leadership. Everything else was considerably less convincing. European equities consistently underperformed, weighed by energy imports, manufacturing vulnerability, and consumer confidence that collapsed in April to levels seen only during acute crisis periods. Airlines cut capacity, lowered guidance, or both. Luxury names felt demand weakness. European industrials were squeezed on both the cost and the confidence side.

The honest assessment of equity markets in April is that they were held aloft by a narrow earnings pillar while everything beneath it — rates, energy costs, consumer real incomes, European growth — was pointing downward. That is a structure I find uncomfortable, not because it cannot persist, but because the margin for error is thin. A guidance disappointment from any of the handful of companies carrying the index would transmit disproportionately through crowded positioning.

GEOPOLITICS & THE INVESTMENT CYCLE

The World Beyond the Markets

April's geopolitical register was unusually dense, and I want to identify the signals that carry investment implications beyond the obvious oil story.

The first is the fracture in Western coalition discipline. The United States operated the Hormuz blockade essentially alone. Britain declined to participate. NATO allies condemned the conflict. Germany's Chancellor Merz publicly described Iran as 'humiliating' Washington, a remarkable statement from a sitting G7 leader. This is not an abstract diplomatic development. Coalition cohesion determines sanctions enforcement, maritime security arrangements, and the credibility of any eventual ceasefire architecture. A fractured coalition means slower stabilisation, more ambiguous enforcement, and a higher residual risk premium in energy markets even after a formal agreement is reached.

The second signal is China's positioning. Beijing opposed the blockade publicly but stopped short of overt support for Tehran — constrained, as I expected, by the $270 billion or more of commercial exposure it has across the Gulf. That is not solidarity; it is calculation. But China did use the month to deepen its supply-chain pressure toolkit, expand export-control architecture, and signal that rare earths would be central to the Trump-Xi summit scheduled for mid-May. Rare earth supply dominance — covering roughly ninety percent of global processing and ninety-five percent of permanent magnet manufacturing — represents Beijing's most powerful and most underappreciated negotiating leverage. The U.S. and EU moved in April toward a coordinated critical minerals accord. It is a genuine policy step. It is also years away from changing the physical supply reality. Our portfolio's exposure to upstream strategic materials is, in my view, among the most defensible long-term positions we hold.

The third signal I want to flag is Japan's structural security shift. Tokyo removed most restrictions on defence exports in April — its largest military-industrial policy change in decades. Japan's defence budget for this fiscal year totals ¥10.6 trillion, equivalent to 1.9 percent of GDP. This is not rhetoric; it is a generational reconfiguration of Japan's industrial and security posture. Combined with South Korea's first-quarter GDP surprise — 1.7 percent quarter-on-quarter growth driven by AI-linked semiconductor exports — and the deepening Seoul-Warsaw strategic partnership, Asia's security architecture is being redrawn in ways that will create durable investment themes in defence, dual-use technology, and supply-chain localisation for the remainder of this decade.

Finally, Ukraine. The European Union, energised by Hungary's political transformation, approved a €90 billion loan package for Kyiv. This is consequential. It signals that the EU's capacity to sustain Ukraine support is now materially less constrained by internal vetoes. The Orthodox Easter ceasefire collapsed almost immediately amid mutual accusations of violation. Russia continued drone strikes on civilian and industrial infrastructure. The war is in its attritional phase, consuming resources on both sides and keeping European defence spending elevated.

THE INVESTMENT CYCLE

Where Capital Is Moving — and Why

CAPITAL SPENDING & THE AI BUILD-OUT

The AI capital expenditure cycle accelerated in April in a manner that will reshape our understanding of what constitutes defensive, structural earnings for the next several years. This is not a software story anymore. The combined capital expenditure of the five largest hyperscalers is now running above $500 billion annually and likely to double by 2027. Semiconductor equipment, power generation, copper, cooling systems, specialised real estate, and grid infrastructure are all direct beneficiaries — and many are still priced as cyclical assets rather than structural growth stories.

The data-centre bottleneck crystallised sharply in April: nearly forty percent of U.S. data-centre projects due for completion in 2026 are at risk of missing deadlines by more than three months. The constraints are physical — labour shortages, transformer scarcity, gas-turbine lead times, permitting delays. This is important for portfolio construction because it means the revenue timeline for AI monetisation is more extended than equity markets are pricing, but it also means the capital cycle feeding suppliers of power, copper, and infrastructure equipment is more durable and less vulnerable to a single demand inflection than the markets assume.

CREDIT & PRIVATE MARKETS

Private credit showed its first signs of genuine stress in April. Moody's revised the outlook on Blue Owl Credit Income Corp to negative after first-quarter redemption requests far exceeded the amount the fund was prepared to honour, and took the broader U.S. business development company sector to negative on grounds of redemption pressure, higher leverage, and weakening funding access. UBS structured eight private credit fund stakes into insurance-backed debt — a creative piece of capital relief engineering that, if it proliferates, tells you something important about how institutions are managing illiquid private-asset exposure under stress. The public credit markets themselves held reasonably well, buoyed by hyperscaler credit quality and strong bank earnings. But the private credit architecture is showing the strain that we have been monitoring for several quarters.

DEAL ACTIVITY & CAPITAL MARKETS

Equity issuance held up better than the macro backdrop might have implied. Arxis's $1.13 billion upsized defence IPO priced at the top of its range. Lumina Metals raised C$406 million in Canada for copper and silver assets. CATL raised $5 billion in a Hong Kong placement. X-Energy's nuclear IPO drew strong demand. The message is that thematic conviction — defence, critical materials, nuclear, AI infrastructure — is still commanding capital market access even when the broader macro environment is unsettled. Pershing Square's $5 billion IPO raised at the low end of its target range, suggesting investor discipline in the alternatives space — not panic, but selectivity.

> ***"The AI cycle and the energy shock are converging on the same bottleneck: power. Investors who have not yet thought carefully about electricity as a strategic asset class are behind the curve."*** — Leonard Watson, Thoughts of the day, April 2026

CLOSING THOUGHTS

Where We Stand

April confirmed several things I believed coming into the month and complicated one or two others.

What it confirmed: geopolitical supply shocks do not normalise as fast as relief rallies suggest. The AI infrastructure cycle is real, capital-intensive, multi-year, and spreading into adjacent sectors — power, copper, cooling, grid equipment — that have not yet re-rated to reflect that reality. Gold's resilience throughout the month, even in sessions where crude was falling and equities were rallying, signals that central-bank reserve diversification and geopolitical insurance demand have created a structural floor that is independent of the immediate crisis premium. And the divergence between U.S. energy-exporter advantage and European and Asian import vulnerability is a terms-of-trade story that has further to run in FX, rates, and equity sector leadership.

What it complicated: the earnings durability of the narrow AI leadership cohort is genuinely impressive, but the gap between index performance and underlying macro reality widened to a point in April that I find uncomfortable. This is not a call to exit technology positions. It is a reminder that the margin of safety in concentration is thinner than headline records suggest.

Guidance from AI-exposed companies was strong enough in April to hold the tape. It will need to remain strong through the spring and summer if this structure is to continue.

What I am watching specifically in May: the outcome of the Trump-Xi summit, where rare earth supply and semiconductor export controls will be the real negotiating currency behind whatever trade language emerges publicly. The Federal Reserve's July meeting, which will be the first real test of whether the Warsh-influenced Fed is willing to signal a more inflation-focused reaction function even as labour data softens. And the trajectory of Brent crude — not the daily move, but whether physical Hormuz flows show any genuine evidence of normalisation, because that is the single variable with the most power to either validate or collapse the current cross-asset narrative.

On the personal front: it was a demanding month. Markets that move this quickly and this non-linearly require constant discipline around what you are reacting to and why. I remain convinced that our portfolio's construction — anchored in hard assets, critical minerals, precious metals, uranium, and a measured allocation to AI infrastructure— positions us well for the world as it is rather than the world as a cleaner macro model might prefer it to be. That conviction is not complacency. It is a settled view, held firmly, and reviewed honestly each month against what the data actually says.

Thank you, as always, for your trust and your engagement.

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