

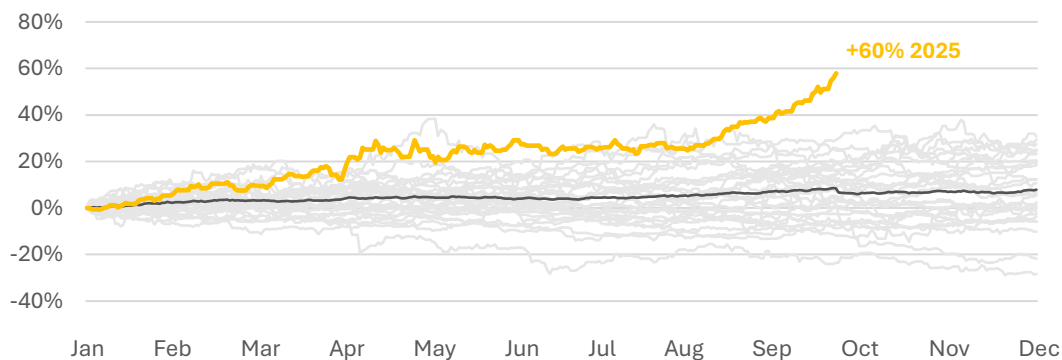
October 16th, 2025

Q3 2025

Dear Investors,

Hanway Capital Fund has returned **+4.1% this quarter**, reaching a share price to **€168.50** net of fees and commissions. This brings the **year-to-date return for 2025 to +12.9%**. From a broader perspective, this has been one of the calmest quarters in financial markets in recent years. The S&P 500 has only corrected by more than 1% in a single session. However, in one corner of the market, one asset is flashing clear warning signs: gold. The ultimate safe haven is on track for its strongest year since 1979, appreciating nearly 60% so far. In this letter, we aim to explain the forces driving this move and why Hanway Capital will continue to hold maximum exposure to the asset.

Gold is having its best year in three decades



The full faith and credit of the United States of America

Those who follow our letters regularly will already be familiar with our longstanding focus on the US central bank: the Federal Reserve (Fed). What sets it apart from other central banks — such as those in Europe, the United Kingdom, or Japan — is that its decisions extend far beyond the borders of its own monetary jurisdiction. It is not uncommon for governments on the other side of the world to feel the consequences of the Fed's moves. In 2022, for example, Sri Lanka's government collapsed amid the sharp appreciation of the US dollar that followed the restrictive monetary policy implemented in Washington.

This immense influence is, in fact, an unintended consequence of the global monetary system, which, since the Bretton Woods agreements of 1944, has placed the US dollar at the centre of it all. The Fed sets the price of money (interest rates) not for just any currency, but for the world's reserve currency, the US dollar. A currency which not only represents 88% of global foreign exchange transactions but also anchors the largest safe-haven asset on the planet: US Treasuries, the debt securities of the American government, which make up the most liquid and deepest market in the world.

US Treasuries are backed by the full faith and credit of the United States, meaning the federal government is legally bound to raise the funds necessary to honour its obligations. While the US

could, in theory, default without external legal consequences, its unblemished payment history and hegemonic global standing have made American bonds synonymous with one of the lowest-risk investments in the world.

This combination of minimal risk, scale, and liquidity gives US bonds a unique status in global finance. They are effectively treated as cash by institutions of all kinds. In other words, because Treasuries are considered the “risk-free” benchmark asset, the price of every other asset in the world is ultimately derived from the yield on US government debt. They are, quite literally, the backbone of the global financial system.

Ironically, however, what happens outside the United States is not part of the Fed’s mandate. According to its dual mandate, the Fed must maintain price stability (control inflation) and promote maximum employment (support economic activity). In practice, this means that when growth is strong, unemployment is low, and inflation begins to rise, the Fed should raise interest rates to cool the economy. Conversely, during a recession or periods of high unemployment, it should lower rates to stimulate activity.

The reason the Fed must remain strictly independent from the executive branch is straightforward: monetary policy can either accelerate or slow the economy. If a president could influence monetary decisions, the temptation to overheat the economy for short-term political gain would be irresistible — enjoying the benefits of lower unemployment in the near term while leaving the inflationary consequences to the next administration.

Our boys are dying in Vietnam and Bill Martin doesn't care

Although it feels like a founding principle today, the Federal Reserve’s independence is a relatively recent development. The Fed was established in 1913, but it wasn’t until the “Treasury–Federal Reserve Accord” of 1951 that its independence from the executive branch was formally consolidated. Before that, it effectively operated as an arm of the Treasury Department. While it enjoyed some degree of autonomy, during Roosevelt’s New Deal and World War II it was, for all practical purposes, subordinate to the administration.

Since gaining independence in 1951, there has been a long history of attempts by the White House to influence or “tame” the Federal Reserve. One of the most notable episodes occurred under President Lyndon B. Johnson in 1965. Having assumed office after JFK’s assassination, Johnson launched a massive fiscal expansion program — cutting taxes and increasing military spending to finance the Vietnam War.



The Federal Reserve, led at the time by Chairman William McChesney Martin, clearly recognized that this double stimulus risked overheating the economy and fuelling inflation. In December 1965, the Fed decided to raise interest rates for the first time in years. Johnson interpreted this move as a personal and political affront, as it made financing his agenda more costly.

He summoned Martin to his ranch in Texas and, towering over him at six foot one, reportedly shoved him across the room while shouting, “*Our boys are dying in Vietnam, and Bill Martin doesn’t care.*” Martin calmly replied that his duty was “*to take the punch bowl away just as the party gets going.*”

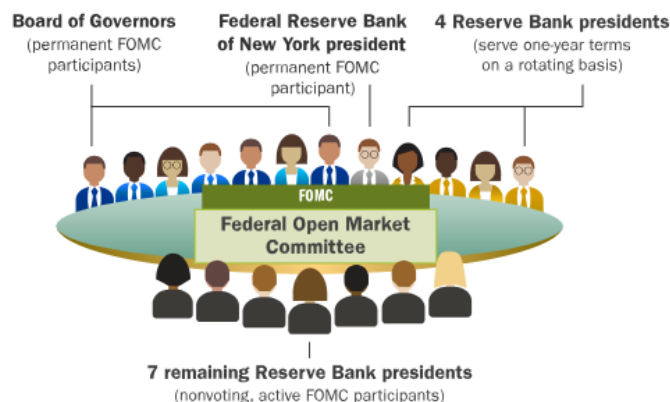
The Fed did not back down, and Martin stood firm — but the episode marked the beginning of a decade of tensions between the White House and the Federal Reserve. In the 1970s, history repeated itself with President Richard Nixon and Fed Chairman Arthur Burns. This time, however, Nixon was far more successful in applying political pressure. The result was a series of policy mistakes that helped set the stage for the runaway inflation of the 1970s. It would take more than a decade — and the resolve of Paul Volcker, who raised interest rates above 18% — to bring prices back under control and restore confidence in the institution.

Trump launches the artillery against the Fed

Back to 2025, President Donald Trump has made his objective clear: to bring the Federal Reserve under his control and force interest rate cuts that would overheat the economy ahead of the next election cycle — the midterms. These midterm elections will determine whether Republicans maintain their outright majorities in the House and Senate, or whether Democrats regain some leverage over the administration.

To understand how this assault on the Fed might unfold, it's important to first look at how the institution operates and how interest rates are set. The Federal Open Market Committee (FOMC) meets at least eight times a year and is composed of 12 voting members:

- The 7 members of the Board of Governors, including the Chair of the Fed.
- The president of the New York Federal Reserve Bank.
- 4 of the 11 remaining regional Fed presidents, who rotate annually.



The 7 members of the Board of Governors are appointed by the US president and confirmed by the Senate for fixed, non-renewable 14-year terms. These governors also have the authority to approve the presidents of the 12 regional Federal Reserve Banks (including New York). In practice, controlling 4 of the 7 governors effectively means controlling the Fed.

Of the 7 current members, Donald Trump directly influences the 2 he appointed during his first term. In addition, and somewhat mysteriously, last August one of the governors appointed by Joe Biden just two years earlier resigned for “personal reasons.” We are not particularly inclined toward conspiracy theories, but if the series *House of Cards* bears any resemblance to reality, it's not hard to picture Donald Trump impersonating Kevin Spacey.

This unexpected resignation allowed Trump to appoint his third governor, Stephen Miran — an outspoken advocate for lowering interest rates in line with Trump's agenda. That means he now

needs only one more ally to take control of the central bank. Initially, the president's strategy focused on removing Fed Chair Jerome Powell, citing alleged cost overruns in the renovation of the Federal Reserve's headquarters as "just cause." Trump's visit to the construction site — hard hat and all — left behind some memorable images.

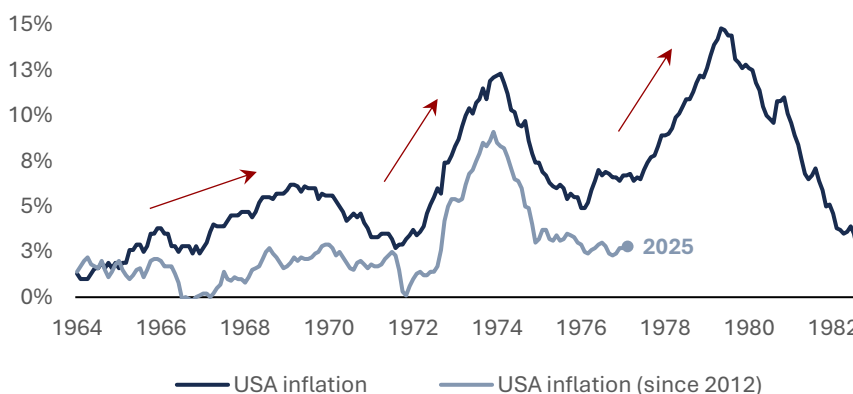
When it became evident that Powell would not resign, Trump shifted his focus to Lisa Cook, a Biden appointee whose term runs until 2038. In what can only be described as a case of lawfare, the Trump-aligned Department of Justice opened a mortgage fraud investigation against her in August. The accusation claimed that Cook had declared a second property as her primary residence to obtain better mortgage terms — a "federal crime" that, under a European legal framework, would likely be treated as a minor administrative infraction.

With this accusation, Trump has launched an aggressive campaign to pressure Cook into stepping down so he can appoint the fourth governor needed to secure a majority on the Board. By late August, political and media pressure for her resignation was mounting, and on August 26th, Trump sent her a formal presidential dismissal order, claiming sufficient grounds for removal. The issue, however, is that no one really knows under what circumstances a president can dismiss a Fed governor — there is simply no precedent. For now, the case remains before the Supreme Court, which has rejected Trump's request for Cook's provisional removal. The court has allowed her to remain in her post until a final ruling is issued. But Trump may not be willing to wait: he is under pressure to act quickly.

March 1st, 2026, is circled in red on the president's calendar. That is the date when the 12 regional Fed presidents are reappointed for new five-year terms. As noted earlier, these appointments must be approved by the 7 members of the Board of Governors. That is why Trump is determined to remove Cook before March — to ensure control of 4 of the 7 votes, which in turn would approve or veto candidates from the 12 regional banks who align with his monetary stance. If he fails to achieve this by that date, he will still be able to exert political pressure on the Fed, but he will fall short of outright control.

This is the narrow and complex path through which Donald Trump hopes to seize control over the Federal Reserve — and, by extension, dictate US monetary policy to aggressively lower interest rates. His goal is to inject stimulus into the economy and head into the midterm elections with strong momentum. But the risk is considerable: inflation could flare up again, and US credit risk could surge. It is no coincidence that gold is having one of its best years in decades, while the dollar continues to weaken against other major currencies.

If we compare current inflation with the 1970s, it bears disturbing similarities.



A risk that could prove very costly

Gambling with investors' confidence in the Federal Reserve — the institution underpinning the world's most important currency — is an extremely dangerous game. Roosevelt did it to finance the New Deal, Truman to fund the war machine, Johnson to pay for Vietnam, and Nixon to secure re-election. In every case, the story ended the same way: with runaway inflation and a loss of institutional credibility.

The difference this time is that Donald Trump is applying far more overt pressure on the Fed than any of his predecessors. His constant social-media taunts aimed at the Chair, coupled with open talk about achieving a "majority" on the Board once Governor Cook is removed, have unsettled markets. Gold prices have soared to record highs, while the dollar is suffering one of its weakest years in decades — eroding returns for international investors. Even long-term US Treasury yields remain elevated despite a slowing economy and successive rate cuts.

A complete loss of confidence in the Federal Reserve would trigger serious instability in the bond market. The United States is currently running a public deficit equivalent to 7% of GDP — roughly three times higher than during the Nixon era — while net public debt hovers around 100%. Convincing investors to overlook such levels of indebtedness is challenging enough; if they also begin to doubt the Fed's commitment to controlling inflation, that challenge becomes nearly impossible.

If Trump ultimately succeeds in seizing control of the Fed and this breach of trust becomes reality, long-term Treasury yields would likely surge. The next step would be easy to predict: yield-curve control — the Fed setting an artificially low ceiling on bond yields and maintaining it through large-scale asset purchases, effectively monetizing part of the debt. In practice, this would expand the money supply and erode the real value of the currency in circulation.

It may sound like a distant or exaggerated scenario, but history is full of examples of currency debasement — the deliberate devaluation of money to reduce or erase a government's debt burden. The last time this occurred in the United States was after World War II. With public debt levels comparable to today's and the Fed under government influence, interest rates were kept artificially low while inflation soared. Within a decade, public debt was cut in half — as was the purchasing power of savers. It was, in essence, a full system reset.

This is the underlying reason behind gold's spectacular rally in recent months: the potential risk of an assault on the Federal Reserve's independence. Until now, US Treasuries and the dollar have maintained their appeal as safe-haven assets, largely because most Western economies are also heavily indebted. **But if that trust were to erode, we will always have alternatives. At Hanway Capital, we continue to hold gold as one of our core assets, with the same conviction as always — to protect and preserve your wealth over the long term.**

Management report

Let us now analyze the fund's individual holdings for the quarter:

1. **Equities position:** As mentioned at the beginning of this report, equities experienced a relatively uneventful quarter. While no immediate catalyst appears on the horizon to trigger a market correction, we are once again observing signs of excessive optimism among investors — particularly in the AI sector. Sam Altman, founder of OpenAI, seems to have become the new King Midas of technology: a single deal with Oracle added \$250 billion to the company's market capitalization, and a similar agreement with AMD just days later created nearly half that amount. This position contributed **+2.1%** to the fund's performance.
2. **Volatility position:** An interesting phenomenon unfolded in the volatility markets this quarter: the cost of downside protection was disproportionately high relative to the actual market movements. In other words, while the market moved an average of 0.4% per day, volatility was priced as if it were moving 0.8%. As a result, we maintained smaller positions than usual in this asset class, which helped limit our losses to just **-0.5%**.
3. **Precious metals:** The standout performer of the quarter, gold, has recorded nine consecutive weeks of gains — its best streak since 2020. We have already discussed the reasons behind this rally earlier in this letter, but we reiterate our conviction in the asset, maintaining an allocation of just over 10% of the fund. This position contributed **+1.4%** for the quarter.
4. **Fixed Income futures:** While long-term Treasury yields declined modestly, they have so far resisted falling below 4%, despite a slight uptick in unemployment. The good news is that no further disappointing economic data will be released in the coming weeks; the bad news is that this is not due to an improvement in the economy, but rather to the ongoing US government shutdown — which is now on track to become the longest in history. The fund's fixed-income position contributed **+0.3%** this quarter.
5. **Commodities:** Uranium continued its recovery, though it remains well below the highs reached in early 2024. Other commodities also performed positively, allowing the asset class to add **+0.8%** to the fund's overall results.

"The time to repair the roof is when the sun is shining."

- John F. Kennedy

Warm regards,
Hanway Capital

Appendix: Hanway Capital Fund historical net returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-	-	-	-	-	-	-	-	-	-	-0.4%	1.2%	+0.8%
2020	-2.9%	-3.0%	18.3%	4.6%	-0.4%	3.2%	-23%	0.5%	-2.7%	-1.9%	9.1%	3.8%	+27.0%
2021	-1.9%	2.8%	3.0%	1.2%	0.6%	0.9%	-0.8%	1.5%	-1.1%	2.4%	1.3%	3.1%	+13.7%
2022	-1.7%	0.0%	2.1%	1.8%	0.8%	-6.1%	3.0%	2.6%	2.1%	1.9%	-2.2%	-1.7%	+2.0%
2023	1.1%	0.5%	-3.1%	-1.0%	-1.2%	-3.7%	-0.1%	1.2%	1.6%	0.2%	-1.0%	0.2%	-5.4%
2024	-2.5%	0.2%	-1.5%	-3.8%	4.3%	1.3%	2.2%	-5.2%	4.0%	-0.4%	9.3%	-1.1%	+6.2%
2025	3.6%	3.4%	-0.9%	-2.1%	3.1%	1.2%	-0.2%	2.2%	2.1%				+12.9%

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