

Q1 2026

Dear Investors,

Hanway Capital Fund has **returned +3.3% this quarter**, reaching a share price of **€174.6** net of fees and commissions. In this challenging quarter, marked by a sharp sell-off in global equities following the Iran War, Hanway has delivered its eighth consecutive quarter in positive territory. During the early months of the year, the US built up a significant military presence in the Persian Gulf, leading us to anticipate preparations for an attack on the Ayatollah regime. To protect the fund against this risk, we increased our exposure to oil futures in the weeks leading up to the attack. This decision proved timely, as these hedges have more than offset the sharp corrections in equities, fixed income, and even gold since the conflict began. In this letter, we aim to set out in detail the underlying causes of this conflict, its most immediate triggers, and why we believe it is unlikely to persist for much longer.

Evolution of oil prices since the invasion of Ukraine



Lessons from the Iraq War

Following the 9/11 terrorist attacks carried out by Al-Qaeda in 2001, the Bush administration sought a party to hold accountable for the deadliest attack on American soil since Pearl Harbor. Although there was no conclusive evidence linking Osama bin Laden’s organization to Iraq, the US chose it as a convenient target; it also provided an opportunity to settle scores with a longstanding adversary that had humiliated the country with the invasion of Kuwait in 1990.

While the Iraq war is now widely viewed through the lens of America’s costly misadventures in the Middle East, the initial military campaign was, in fact, highly successful. The invasion began on March 20th, 2003, and just 20 days later, on April 9th, Saddam Hussein’s statue was toppled in Firdos Square in central Baghdad. The Iraqi government collapsed, with its leaders fleeing and attempting to evade capture by coalition forces. On May 1st, George W. Bush delivered his ill-fated “mission accomplished” speech, and on December 13th, Saddam Hussein was captured in a bunker, later tried and executed. With the regime’s leadership removed, a power vacuum emerged that plunged the country into a prolonged civil war, with multiple factions vying for

control. When the US withdrew in 2011, nearly a decade later, Iraq remained deeply unstable, only beginning to show signs of recovery in more recent years.



While these events were unfolding, Mohammad Ali Jafari, an influential Iranian military officer, observed the vulnerability of his neighbor's highly centralized system in the face of a potentially overwhelming military force. He drew two key conclusions: (i) given the impossibility of prevailing in a direct confrontation with the US, Iran should develop an asymmetric defensive strategy, enabling its forces to strike the enemy in a cost-effective, efficient, and rapid manner; and (ii) it needed to build a military structure capable of sustaining operations even in the absence of a functioning chain of command.

Jafari subsequently spent several years at the Islamic Revolutionary Guard Corps' Center for Strategic Studies, designing a military architecture intended to be resilient to disruption. Upon his appointment as commander-in-chief of the Revolutionary Guard in 2007, he implemented a far-reaching restructuring, establishing 31 largely autonomous commands with extensive authority, alongside a separate missile command for each province. Each command was equipped with its own headquarters and an arsenal including missiles, drones, and flotillas of fast-attack crafts. In effect, Iran had been preparing for the prospect of a US military confrontation for nearly two decades.

Operation Epic Fail

After several weeks of a sustained US military build-up in the Middle East, in the early hours of February 28, Donald Trump, notably wearing a white cap and without his characteristic red tie, announced the launch of a military operation in Iran aimed at “defending the American people by eliminating the imminent threats posed by the Iranian regime.” The operation was designated *Operation Epic Fury*.

The initial objectives set out by the US president included dismantling Iran's missile capabilities, neutralizing its navy, targeting key strategic installations, preventing the country from acquiring nuclear weapons, and ultimately forcing regime change. This final objective was both the most significant and the most difficult to achieve; however, in recent statements, the Trump administration has been deliberately ambiguous about how success on this front would be measured. The president appears to be leaving the door open to an early withdrawal while still declaring the operation a success and framing any unfinished objectives as consistent with the original plan.

One month into the conflict, and despite the difficulty of distinguishing reliable information from the wide range of media coverage, two conclusions can be drawn with some confidence:

On the one hand, Israeli American military superiority is unquestionable. If assessed as a conventional conflict, the outcome is overwhelming: with minimal casualties, the alliance has eliminated the senior leadership of the ayatollahs' regime, effectively destroyed its naval capacity, and established air supremacy, allowing it to strike virtually any target within Iran without meaningful resistance. Iran's use of drones and ballistic missiles has reportedly fallen by around 90%, suggesting a significant degradation of its military capabilities.

On the other hand, the Jafari doctrine operated precisely as intended. The decentralized structure was specifically designed for the scenario that unfolded in the early phase of the conflict: the assassination of Supreme Leader Ali Khamenei. Within hours, the Ayatollah's final instructions were transmitted to the various autonomous units of the Iranian military: to continue fighting independently, using whatever resources were available, for as long as necessary, and without awaiting further orders that might never arrive. This helps explain how the Revolutionary Guard has managed to prevent the regime's collapse despite the elimination of much of its leadership.

The second pillar of Jafari's strategy, asymmetric warfare, has also been implemented with discipline since the outset of the conflict. Lacking the capacity to confront US forces in direct engagement, Iran has focused on exploiting its adversary's key vulnerability: the price of oil.

Crossfire in the Gulf Monarchies

Many analysts were surprised that, in response to the initial American and Israeli strikes, Iran did not retaliate by targeting US aircraft carriers, but instead, launched attacks on neighboring countries with no direct involvement in the conflict. Images of missiles hitting expensive resorts in Dubai, as well as energy infrastructure in Qatar and Bahrain, were striking. Why was Iran targeting its Muslim neighbors?

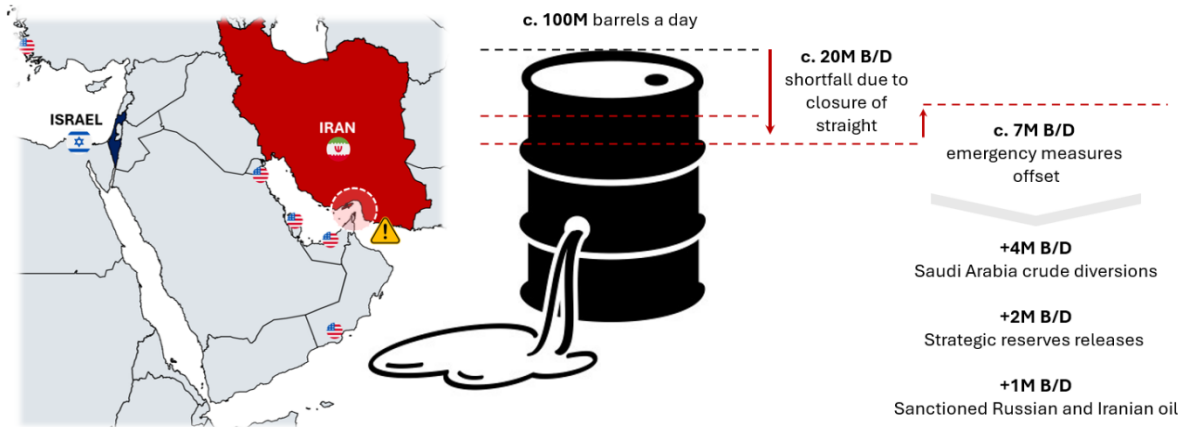
The answer is relatively straightforward: to push oil prices higher. Iran is well aware that American voters, particularly in an election year, have little appetite for another Middle Eastern conflict. However, opposition is unlikely to intensify unless the war begins to result in American casualties or has a direct economic impact. In practice, it is far more feasible for Iran to influence the price Americans pay at the pump than to cause material casualties.

To achieve this, the Islamic regime has two main channels, both grounded in a factor that the US-Israeli alliance appears to have underestimated: geography. First, a significant share of the world's largest oil and gas fields lies within range of Iranian missiles and drones. Disruptions to production in Saudi Arabia, the UAE, Kuwait, and Qatar would reduce global supply and, by basic supply-demand dynamics, put upward pressure on prices.

The second channel is even more consequential: Iran has effectively halted maritime traffic through the Strait of Hormuz, a chokepoint through which approximately 20 million barrels of oil from Gulf countries transit each day, out of an estimated 100 million barrels consumed globally. Crucially, this has not required a large-scale naval deployment by Iran. Limited drone attacks on a handful of commercial vessels have been sufficient to deter others from attempting the passage. Despite efforts by the international community to reroute shipments via the Red Sea or to cushion the impact through the use of strategic reserves, the underlying reality remains: Iran

has been able to exert significant pressure on the global economy using relatively low-cost means, illustrating a textbook case of asymmetric warfare.

Disruption of c.13% of global oil supply following the closure of the Strait of Hormuz



The central issue is not whether there is a *willingness* to halt this premeditated strategy, but whether anyone within the Islamic Republic retains the *capacity* to do stop it. Article 110 of Iran’s 1979 Constitution vests exclusive command authority over all armed forces in the Supreme Leader. He alone has the power to appoint and dismiss the military leadership. No other institution, neither the president, nor parliament, nor the Guardian Council, nor the judiciary, holds the constitutional authority to issue military orders or override the Supreme Leader’s directives.

Supreme Leader Ali Khamenei has been dead since February 28th. Mojtaba Khamenei, his son, was designated as successor on March 8, but has since been unable to speak or appear publicly. He is reported to have been wounded in an airstrike and has yet to address the nation, further deepening uncertainty over who is effectively in command. The only constitutional authority capable of restraining 31 autonomous military commands rests with an individual who may be unable to exercise it. The directives issued by the former leader remain legally binding until they are explicitly rescinded by a successor, and to date, no such action has been taken. Jafari’s doctrine was not intended to secure victory, but to ensure the system’s survival even under the most adverse conditions.

From our perspective, regardless of the messaging from the US president, the United States can only be said to have prevailed if it achieves a genuine regime change that ensures stability in the Middle East for decades to come. Any intermediate outcome would constitute a clear victory for the Islamic Republic of Iran. Replacing one Khamenei (Ali), with another Khamenei (Mojtaba), would amount to a total failure.

How did we get here?

Donald Trump is often portrayed, particularly in the European press, as an erratic figure making impulsive and irrational decisions. While it is true that the US president displays traits commonly associated with a narcissistic, egocentric and confrontational personality, the policy decisions

of this administration are far from arbitrary. Moving beyond the simplistic narrative that “no one is in control” is essential to anticipating his next steps.

As we have highlighted in previous letters, current geopolitical tensions should be understood within the broader context of the strategic rivalry between the Western bloc and the China-Russia-Iran axis. In this framework, targeting the weakest link within this autocratic alignment was, under the circumstances, a largely predictable move. Since the 1979 Islamic Revolution, which overthrew the Shah, a key US ally, and established an Islamic dictatorship in Iran, conditions have arguably never been more favorable to a direct confrontation with Tehran.

For years, the ayatollahs have led what they perceive as a broader struggle against a fundamental grievance in the Muslim world: the existence of the State of Israel. Through a network of allied forces spanning the Shiite axis, from Tehran to Lebanon, and including Sunni groups such as Hamas, Iran had effectively maintained a persistent strategic threat over Israel, limiting the scope for direct confrontation. This dynamic shifted following the attacks carried out by Hamas on October 7th, 2023, which provided Israel with a clear pretext to dismantle Iran’s regional proxies.

Subsequent developments have reinforced this trend. Following the brutal war in Gaza, Hamas has been significantly degraded. In Lebanon, Hezbollah’s operational capabilities have been curtailed, notably after an intelligence operation that eliminated key commanders through coordinated device explosions. At the same time, the regime of Bashar al-Assad, a longstanding Iranian ally, collapsed in December 2024, while a US-led operation in early 2025 weakened the Houthi movement in Yemen.

With the Shiite axis increasingly fragmented and the Iranian regime under pressure, widespread protests erupted in Iran earlier this year. Tens of thousands of citizens took to the streets in response to deteriorating economic conditions and growing dissatisfaction with the regime. Demonstrations spread to more than 200 cities, marking the most significant unrest since the 1979 revolution.

The repression was swift. Acting under the alleged orders of Supreme Leader Ali Khamenei, security forces opened fire to civilians. According to various sources, the Revolutionary Guard carried out one of the largest massacres in the country’s modern history, with estimates suggesting that more than 30,000 people were killed in just a few days.

While some may question whether the promotion of human rights genuinely underpins Donald Trump’s stance on regime change in Iran, the record shows that on January 13th he posted a message on social media urging “Iranian Patriots to keep protesting and take over your institutions: help is on its way.” The president never misses an opportunity to further his bid for his long-standing aspiration to secure a Nobel Peace Prize.



Donald J. Trump  
@realDonaldTrump

Iranian Patriots, KEEP PROTESTING - TAKE OVER YOUR INSTITUTIONS!!! Save the names of the killers and abusers. They will pay a big price. I have cancelled all meetings with Iranian Officials until the senseless killing of protesters STOPS. HELP IS ON ITS WAY. MIGA!!! PRESIDENT DONALD J. TRUMP

26.8k ReTruths 82.6k Likes

Jan 13, 2026, 11:43 AM

Benjamin Netanyahu, who has built much of his political career around the Iranian threat, finally found himself in a position of strength to secure the backing of the US administration. For the first time in decades, the Shiite axis surrounding Israel had been significantly weakened, much of the Iranian population appeared fed-up with the ayatollahs' regime, and the Trump administration was the most pro-Israeli in recent memory. In this context, a strike on Iran seemed only a matter of time.

What scenarios are now emerging?

Although the backdrop appeared highly favorable from an Israeli and US perspective, this does not mean the operation was without flaws: in our view, the Trump administration miscalculated. Following its undeniable success in Venezuela, they tried to bite off more than they could chew. It is difficult to believe that the Pentagon failed to consider the possibility of closure of the Strait of Hormuz, through which roughly 20% of global oil and gas flows, but it is clear that the risk was underestimated.

The economic consequences of a prolonged disruption are highly uncertain, but if the situation persists, we are likely to see a slowdown in economic activity and a sharp rise in inflation within weeks. Despite Trump's repeated assertions that this primarily affects Asia and Europe, given that the US imports little oil from the Persian Gulf, the reality is that oil is a global and fungible market. In other words, if 20% of global supply is removed, prices rise for everyone, regardless of the ultimate destination of those barrels that would normally transit the Strait of Hormuz.

Donald Trump is unlikely to underestimate the political implications of a sharp increase in gasoline prices just months ahead of the midterm elections. In November, voters will determine whether Republicans retain control of Congress or lose it, potentially leaving the president with limited room to maneuver. This is, in essence, Iran's strategic leverage: to trigger an economic slowdown, fuel inflation, and make Trump lose the election.

Against this backdrop, we see three potential scenarios for the coming weeks:

1. **Trump declares his military objectives achieved and withdraws unilaterally from the Middle East (60%).** As noted earlier, in the absence of clearly defined objectives, it is always possible to claim success and exit. We view this as the most likely outcome, given the economic damage caused by the disruption of the Strait of Hormuz. In this scenario, the Ayatollahs' regime would secure a relative victory: despite being significantly weakened, it would have managed to survive and remain in power. Diplomatic pressure would likely lead to a reopening of the Strait within days, followed by gradual normalization. Equity markets would surge, oil prices would decline, and the inflationary impact would be limited, reducing the likelihood of further monetary tightening.
2. **A negotiated agreement is reached between the US and the Iranian regime (20%).** This scenario is very similar to the previous one in terms of market outcomes, but perhaps more stable and secure for the region. In this case, the US could impose harsh measures on what remains of the regime to prevent rearmament in the short term. It could be a Venezuelan-style outcome, where the US seeks an Iranian "Delcy Rodríguez" who follows its directives. However, long-term instability in the region would persist: Iran has already

set a precedent of using the Strait of Hormuz as an economic weapon and has demonstrated its effectiveness. It could repeat this any time if it feels threatened.

3. **The war becomes entrenched and drags on for months (20%).** While recent developments seem to point us straight to this situation, we assign it a low probability. In this scenario, Trump would assume his defeat in the *midterms* and pursue a more ambitious objective of regime change, seeking to be remembered as the president who brought an end to the ayatollahs' rule. This would represent a sharp departure from his historically isolationist stance and would likely require the deployment of ground forces, potentially beginning with a strategic operation targeting Kharg Island.

We do not rule out a combination of scenarios 3 and 1, an “escalate to de-escalate” approach, as often referenced by the US administration. This would involve a limited ground operation to deliver a decisive blow, followed by a unilateral withdrawal. In any case, the key variable for markets is that the conflict does not extend beyond April and that oil prices stabilize before materially impacting the global economy.

Regardless of the scenario that ultimately unfolds, we are confident that geopolitical and macroeconomic dynamics will continue to play a central role in shaping financial markets in the months ahead. **Hanway Capital's investment strategy is specifically designed to protect our investors from a wide range of potential outcomes.**

Management report

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

- 1. Equities position:** After three years of uninterrupted gains, global equity markets have recorded their weakest start to the year since 2020. On February 25, just days before the onset of the attacks on Iran, major indices reached fresh all-time highs. From that point onwards, as the US administration lost control of the narrative, a correction set in that is now approaching 10%. Our equity exposure has tracked the broader market, reducing the funds' return by **-2.7%** over the quarter.
- 2. Volatility position:** Although volatility is typically our preferred defensive asset, it was already trading at elevated levels before the war began. Since Trump took office, volatility has struggled to return to more attractive levels amid the constant flow of statements from the US president, making it more difficult to hedge the fund effectively. These positions contributed **+1.0%** to the final result.
- 3. Gold position:** At times, financial markets diverge from established patterns and behave in ways that run counter to expectations. This has been the case with gold this quarter: after a strong start to the year, the traditional safe-haven asset has declined by more than 20% since the onset of the Middle East conflict. In the weeks leading to the attacks, gold had been exhibiting an increasing correlation with equities, prompting us to reduce our position by nearly half, as it was no longer serving its intended hedging role. As a result, the precious metal contributed **+0.4%** to overall performance.
- 4. Fixed Income futures position:** The performance of sovereign bonds in the context of an energy crisis such as the one currently unfolding depends on which factor markets choose to prioritize: inflationary pressures or the resulting economic slowdown. Our view is that central banks will respond differently from 2022 and, rather than tightening policy, will move to cut interest rates to support economic activity. For now, markets do not appear to share this assessment, and as a result our fixed income exposure has detracted **-0.6%** from performance this quarter.
- 5. Commodities position:** During the month of February, we began to fear that the buildup of American military personnel in the Middle East could lead to an attack on the Iranian regime. In that context, we concluded that oil futures options would offer more effective protection to the fund than volatility. Initially, oil prices reacted only modestly, but as the market came to recognize that Iran would use the Strait of Hormuz as a strategic lever, our hedging positions began to perform as intended. Overall, our commodity exposure has contributed significantly, adding **+5.2%** to the fund's performance.

*“An investor’s job is not so much about predicting the future
as it is about having a good contingency plan”*

- Lloyd Blankfein

Kind regards and Happy Easter,
Hanway Capital

Appendix: Historical Net Returns of Hanway Capital Fund

	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%	0.8%	0.4%	-0.9%	+13.3%
2026	3.2%	-0.4%	0.5%										+3.3%

These materials have been provided to you by Hanway Capital S.L. (Hanway Capital) and do not constitute under any circumstance investment advice nor commercialization and marketing of any fund. The purpose of these materials is solely to provide a general macroeconomic view and update of the financial markets. In addition, these materials may not be disclosed, in whole or in part, or summarized or otherwise referred to except as agreed in writing by Hanway Capital. No part of these materials may be used or reproduced or quoted in any manner whatsoever by the press. The information used in preparing these materials was obtained from public sources. Hanway Capital assumes no responsibility for independent verification of such information being complete and accurate in all material respects. To the extent such information includes estimates and forecasts of future financial performance, we have assumed those represent reasonable estimates. Nothing contained herein should be construed as tax, accounting or legal advice.

Readers of these materials are advised that any discussion, recommendation or other mention of any security is not a solicitation or offer to transact such securities. This document provides general information only, and neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g. options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed in this document and should understand that statements regarding future prospects may not be realized. Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance.

This information may contain references or links to third-party websites. Hanway Capital is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by Hanway Capital. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. Hanway Capital is not responsible for such terms and privacy policies and expressly disclaims any liability for them.



Carrer Balmes 188
08006 Barcelona
+34 93 152 10 28