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Quarterly Investment Report - Q1 2026

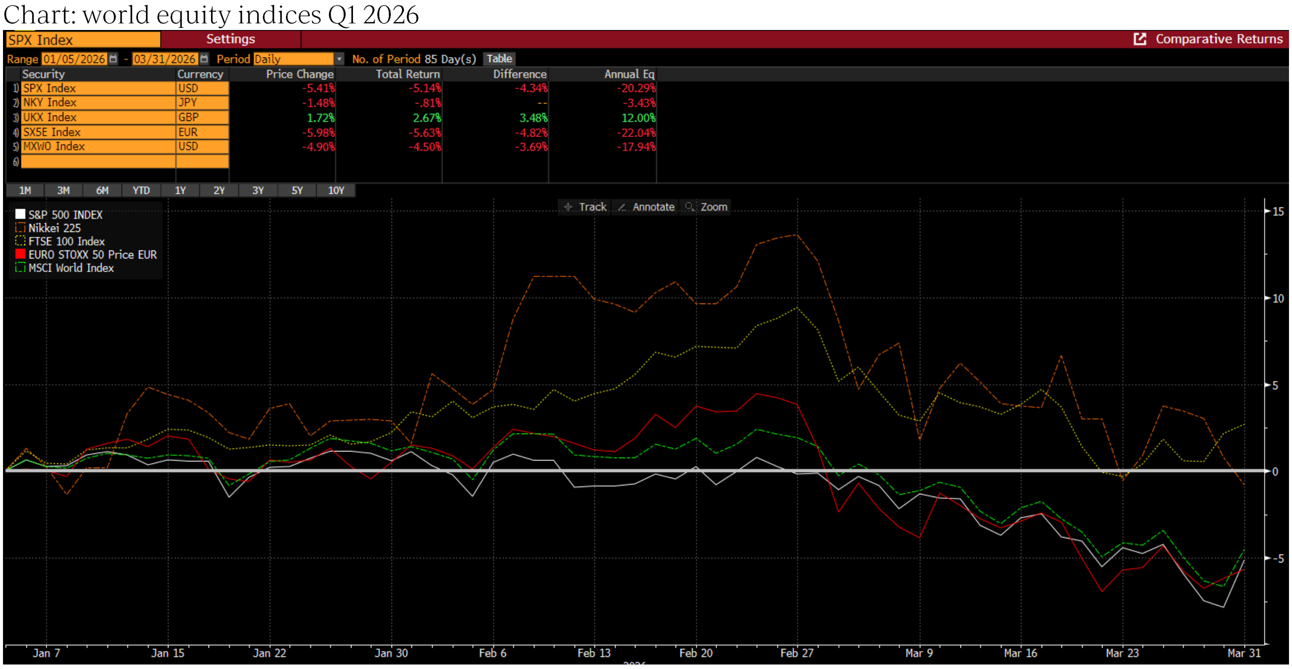
Mar 31st, 2026

The first quarter of 2026 began on a constructive note but ended in a markedly different macroeconomic and geopolitical environment.

The year 2026 started well for risky assets. January and February were a continuation of Q4 2025. Stock indices were up nicely – the Nikkei in Japan by nearly 14%, the FTSE 100 in the UK by nearly 10%, and the Euro Stoxx 50 by nearly 4%. The only exception was the S&P 500, which was flat over the first two months but still hovering around all-time highs. Credit spreads were trading at tight levels; precious metals were up over 20%, and crude oil was trading in the low to mid-60s per barrel. The USD continued its downward path.

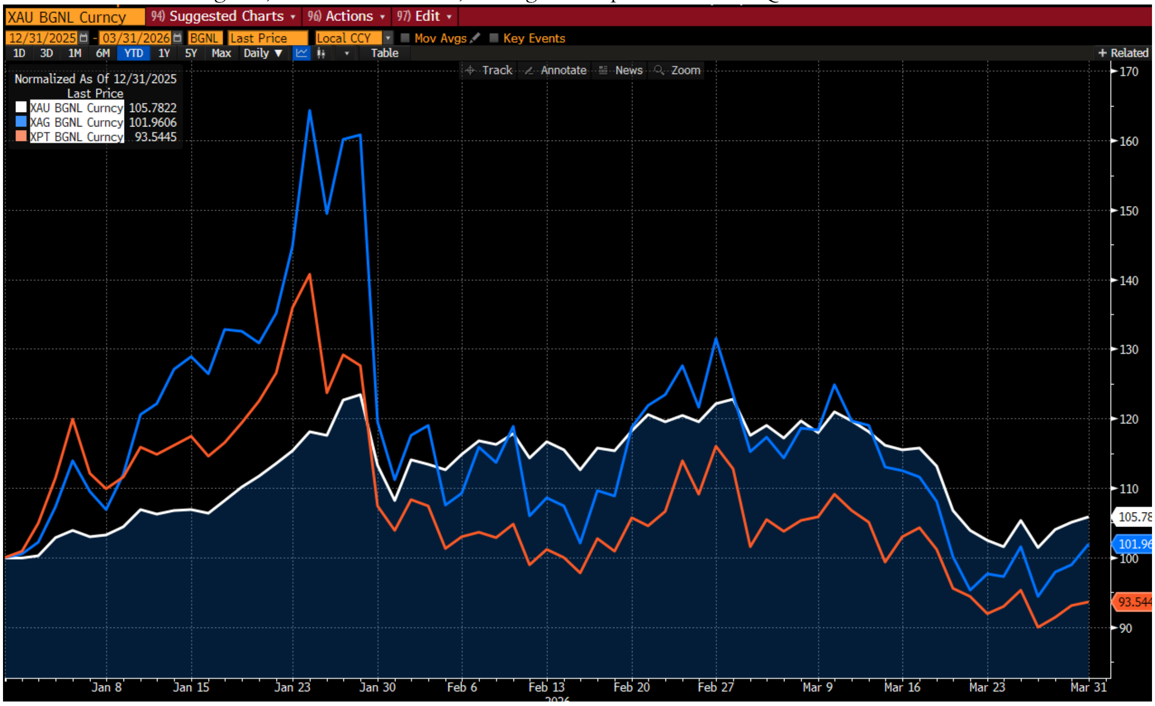
The Japanese equity markets posted significant gains following the clear victory of the new Prime Minister, Sanae Takaichi. This outcome not only ensured political stability but also raised expectations of a comprehensive stimulus program, including substantial investments in infrastructure and technology, as well as tax reforms.

Chart: world equity indices Q1 2026



Source: Bloomberg

Chart: white XAU gold, blue XAG silver, orange XPT platinum in Q1 2026



Source: Bloomberg

The sunny weather ended abruptly when the U.S. and Israel started the war in Iran on February 28. The geopolitical escalation has dominated financial markets ever since. Rising oil prices, a reassessment of interest rates, risk premia, inflation expectations, and the expected duration of the conflict led to a sell-off in risky assets.

The persistent volatility in oil prices shaped the month of March, and the risk of impending stagflation moved into focus. Equity markets in Asia and Europe came under more pressure, predominantly due to their higher dependence on energy imports. The U.S. dollar found strong support in this risk-off environment. What surprised us most was the resilience of Bitcoin, which outperformed gold and equities in the month of March.

When these kinds of events occur, it is easy to focus all too quickly on economic and market consequences. However, we believe it is more important to consider the human impact. In light of these events, our thoughts are with the families across the region who have lost loved ones and continue to suffer from the consequences of the ongoing conflict.

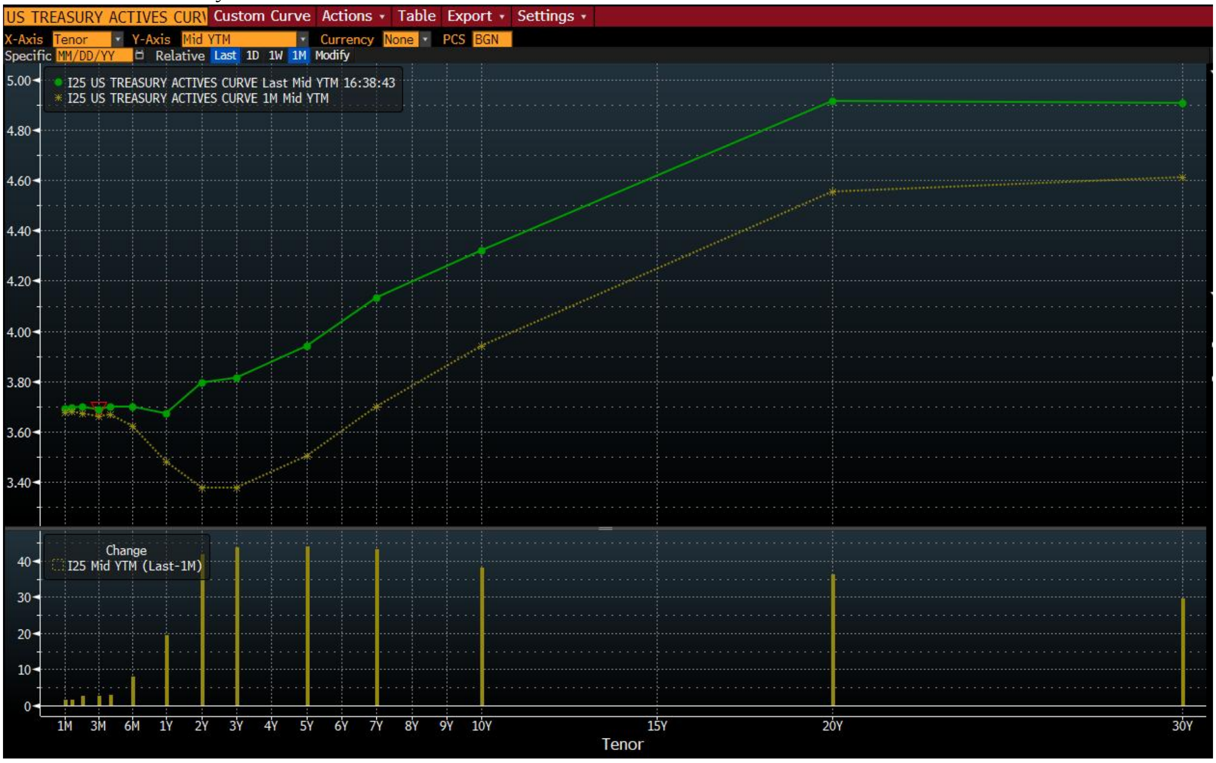
We remain puzzled as to why this war has started in the first place, given prior communication. What was the underlying cause, the rationale, the objectives? Notably, as recently as June 25 of last year, the White House stated "Iran's Nuclear Facilities Have Been Obliterated – and Suggestions Otherwise are Fake News". Source: White House Statement: https://www.whitehouse.gov/releases/2025/06/irans-nuclear-facilities-have-been-obliterated-and-suggestions-otherwise-are-fake-news/

This raises important questions around the current escalation and the information available to markets. It also highlights how quickly geopolitical narratives can shift, increasing uncertainty for investors. In such an environment, assessing second-order effects becomes critical, particularly with regard to energy markets, inflation dynamics, and central bank reactions. We therefore remain cautious and focused on risk management, while closely monitoring developments and potential policy responses.

At the start of the conflict, we have trimmed our risk positions in our Equity Blue Chip Quant Fund as well as in our Strategy Fund, while building a cash position above 10%. We have lowered net equity exposure to as low as 20% and are actively hedging through equity index futures to preserve capital in a more uncertain environment.

The shift in the yield curve indicates rising inflation expectations. The 2 – 30 year segment of the U.S. yield curve has experienced a parallel shift of more than 40bps!

Chart: U.S. treasury curve at the start of the Iran war and end of March.

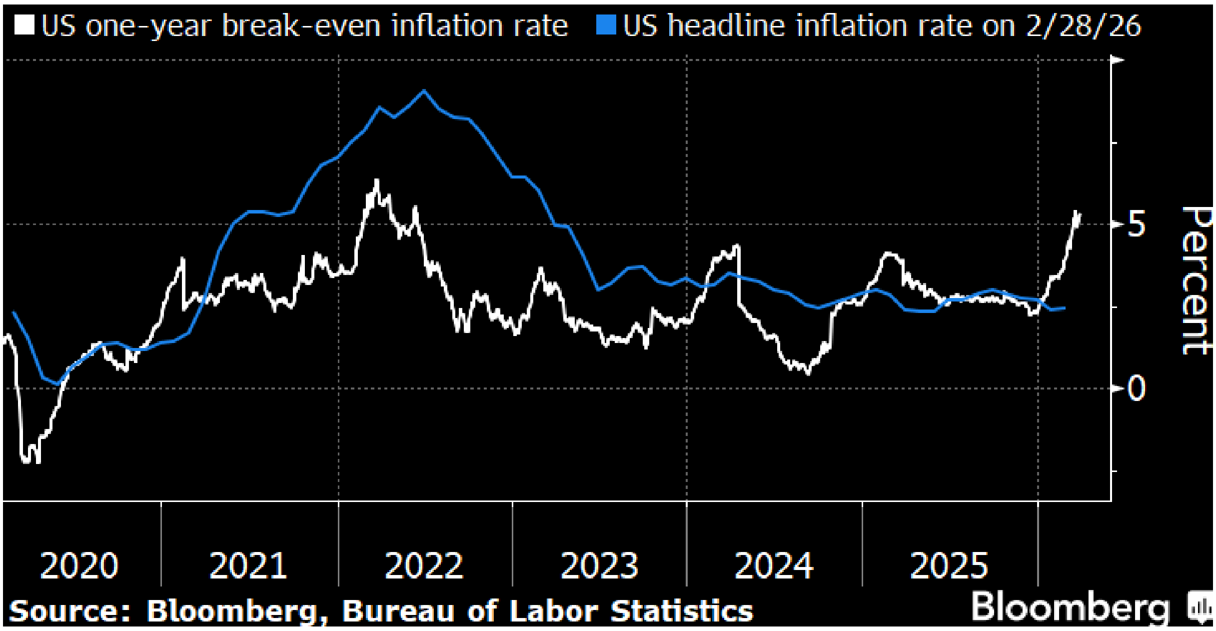


Source: Bloomberg

This points to a broad-based repricing of inflation expectations and term premia. Markets are demanding higher compensation for holding duration, reflecting concerns that inflation will prove more persistent and that policy rates may need to remain elevated for longer.

This environment tightens financial conditions considerably. Discount rates rise, equity valuations come under pressure, credit spreads widen, and refinancing costs increase for governments and corporations alike.

The U.S. one-year break even inflation rate has hit the highest level since 2022 and is currently above 5% (see chart below).



We believe that the full impact of higher oil prices, and commodities more broadly, is unlikely to be felt immediately. It may take several weeks or even months before these pressures meaningfully disrupt the global economy. However, the situation should not be extrapolated too far, as substantial inventories are currently being drawn down, which may help cushion the near-term effects.

The focal point of this geopolitical tug of war, which has now spread to all neighbouring Gulf states and Lebanon, is unquestionably the Strait of Hormuz. A worst-case scenario would involve a prolonged disruption of the Strait of Hormuz, triggering a sharp spike in energy prices and a broad-based tightening of financial conditions. Our current positioning reflects this risk scenario.

The Iranian regime has effectively realized that control over the Strait constitutes a form of "nuclear weapon," as roughly 20% of global oil and gas consumption passes through this route. Global oil consumption is estimated at around 100–105 million barrels per day. However, it is not only oil that is transported through the Strait, but also other critical commodities such as fertilizers and helium.

Helium is extremely effective for cooling, as it becomes liquid only at −269°C. It is used in medicine for MRI scanners; in the space industry for cooling sensors and rocket fuel systems; in the high-tech industry for semiconductor manufacturing; and in scientific research, including quantum computing and particle physics.

Helium is a byproduct of natural gas production, and Qatar's gas fields contain very high concentrations of it. Qatar is one of the world's largest exporters of natural gas. Located on a peninsula, all of its helium exports are shipped by sea, making the country heavily dependent on the Strait of Hormuz.

In addition, fertilizers are critical and must be applied to the soil in time for crops to grow before planting windows close. These windows are subject to strict seasonal cutoffs. Missing them not only reduces yields but can result in no harvest at all for that season.
The U.S. administration appears to lack a coherent plan, and time is working against it. If the Strait of Hormuz remains largely closed, a global crisis could emerge relatively quickly. The damage to risky assets has been contained so far, but the situation could escalate, given elevated equity valuations in the U.S., combined with high debt levels in Europe and across the Atlantic.

A further rise in yields could trigger a domino effect: higher inflation leads to higher interest rates and slower economic growth, wider credit spreads, more expensive refinancing of existing debt for governments and corporations, and a contraction in credit availability—in other words, a toxic cocktail.

For the U.S. administration, the most straightforward option would be to bring this conflict to an end by withdrawing U.S. involvement, before it is ultimately forced to cry uncle and reframe the outcome as a victory. Iran is already demonstrating its leverage by selectively allowing ships to pass through the Strait of Hormuz.

As recently as March 27, U.S. Secretary of State Marco Rubio stated that the U.S. could achieve its objectives in Iran without deploying ground troops. Yet U.S. Marines and soldiers are now being deployed to the region, underscoring the growing gap between rhetoric and reality.

The best-case scenario would be for President Donald Trump to declare victory, negotiate an arrangement to keep the Strait of Hormuz open and de-escalate tensions. However, such an outcome carries its own risks: Iran could emerge claiming a clear victory, while Gulf states remain exposed, given Iran's ongoing capacity to disrupt or intimidate the region. The U.S.'s Gulf allies have committed trillions of USD to the buildout of U.S. infrastructure and data centers. Part of this commitment is now at risk, as these states may need to redirect investment toward rebuilding their own infrastructure, which has been damaged by Iran's retaliation.

For the U.S., the priority would then shift to restoring trust among its allies and reinforcing the perception that the balance of power remains firmly in its favor. Only once that credibility is re-established can meaningful negotiations take place. This may, in fact, be an underlying reason for the deployment of troops in the region.

Even if the U.S. and Israel were to end this conflict with Iran, we do not expect oil prices to retreat to levels seen prior to the start of the conflict. The damage has been done, and critical oil infrastructure in the Gulf region has been impaired. It will take months, if not years, to rebuild. Hence, we expect energy prices, as well as prices for helium and fertilizers, to remain elevated, and the full impact on asset prices remains to be seen. Not all sectors will be affected equally, and opportunities will arise in this environment. We have increased our low net equity exposure during the month of March but remain extremely cautious. Our equity allocation for both funds is north of 10% and will be deployed if we see opportunities. Our primary objective in this environment remains capital preservation, with a focus on liquidity, downside protection, and optionality.

We strongly believe that, once this conflict draws to an end, the USD will continue to weaken due to fiscal dominance caused by the enormous debt pile. We favour precious metals and commodities in general and remain constructive on Bitcoin. Once the bottom-finding phase is complete and global liquidity increases, we see potential for further upside. We are not yet sure the bottom is in. Technically, we could see a drop to $60,000 or even a touch lower before a rebound occurs.

We remain focused on capital preservation and disciplined risk management while selectively positioning for opportunities as they arise.

Kind regards,

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