SANTIAGO CAPITAL RESEARCH

June 2026

research.santiagocapital.com

Conviction vs Confliction

My Core Tension

Conviction vs Confliction

My Core Tension

Trying to change the world and growing your portfolio are not the same thing.

They may actually require doing the exact **opposite** of each other.

WANT: No more fossil fuels	*WANT: Less defense spending*	*WANT: Global cooperation*
INVEST: Energy security premium is real	**INVEST: Defense is the growth sector of the decade**	**INVEST: Price in fragmentation, not convergence**

Conviction vs Confliction

Are you an Advocate or an Analyst...?

The hardest trade you'll ever make is the one that offends the way you want the world to be.

↔ *I hate government intervention*

Industrial policy is the dominant economic force of the 2020s. You can hate it and miss it, or profit from it.

↔ *I oppose military spending*

NATO re-armament is the largest defense build-up since the Cold War. The contracts are real.

↔ *I believe in free markets*

State capitalism is winning in the short-to-medium term. Ignoring it is expensive.

↔ *I want open immigration*

Nationalist political cycles are driving labor costs, reshoring premiums and supply chain pricing.

Conviction vs Confliction

Living inside the Confliction…

- You can Believe the World should be different AND understand why it's Not
- Idealism without Realism is Naïve…Realism without Idealism is Nihilism.
- The Goal is not to pick one…it is to use each as a Check on the Other.
- Realpolitik tells you what IS…Libertarian values remind you what Matters.
- The most honest Observers of Geopolitics are the ones who feel both the Intellectual Thrill and the Moral Weight.

To analyze the world clearly is to see both its terrible logic and its terrible cost, and to refuse to look away from either.

Conviction vs Confliction

Living inside the Confliction...

My libertarian leanings tell me one thing.

Realpolitik tells me another.

My portfolio has to listen to **only one of them.**

> *It's okay to be conflicted. It's human. But managing a portfolio demands you separate what you want the world to be from what the world actually is.*

Conviction vs Confliction

The World is Fracturing across every Dimension…

POLITICAL	ECONOMIC	CULTURAL	GEOPOLITICAL	COMMODITY
Democratic vs. authoritarian blocs hardening fast	Decoupling, reshoring, parallel supply chains	Values divergence accelerating within & between nations	Spheres of influence replacing the open international order	Law of one price is dead. Markets are now local.

I can see it very clearly…but that doesn't mean I like it.

SANTIAGO CAPITAL RESEARCH

Conviction vs Confliction

The Great Game of Geopolitics...

Why It's Fascinating

- History rhymes in visible, almost eerie ways
- The strategic logic is elegant — like chess at civilizational scale
- Every actor believes they are the hero of their own story
- Watching it unfold in real time is extraordinary

Why It's Tragic

- Real people pay the price of great power & ambition
- Wars that could have been avoided become inevitable once begun
- Ordinary lives disrupted by decisions made in distant capitals
- The 'Game' metaphor obscures the human cost

The World has Changed...

The world we grew up in

is gone.

And it ain't coming back.

The question is not whether to mourn it.
The question is whether to be positioned for what comes next.

The World has Changed...

You don't have to love the world to profit from it. You just have to see it clearly.

Being a clear-eyed investor ***is not the same as being heartless.***

It is the precondition for having the resources to make any difference at all.

The Split

Don't be Paralyzed by it…

1 STEP 1

Acknowledge the split inside you

Name your ideological priors. Write them down. Now set them aside. Your portfolio doesn't care about your priors.

2 STEP 2

Analyze the world as it is

Who has power? Who is accumulating it? What are they doing with it? Follow the incentives, not the rhetoric.

3 STEP 3

Invest in the world as it is

Then — separately, on your own time — fight like hell for the world you want. But don't confuse the two arenas.

SANTIAGO CAPITAL RESEARCH

The Split

What it means for how you Allocate a Portfolio...

01

Geography is back

Country and region selection matters more than it has in 30 years. Global diversification is no longer a free lunch.

02

Defense & hard power

Re-armament is structural, not cyclical. Europe, Asia, the Middle East — all spending. Find the compounders.

03

Energy security premium

Geopolitically stable supply commands a premium. LNG, nuclear, domestic production — the ideology doesn't matter.

04

Tail risk has changed shape

The old tails were recessions. The new tails are regime discontinuities. Size positions accordingly.

The Split

Is America Rising or Falling…?

Opinions are Split

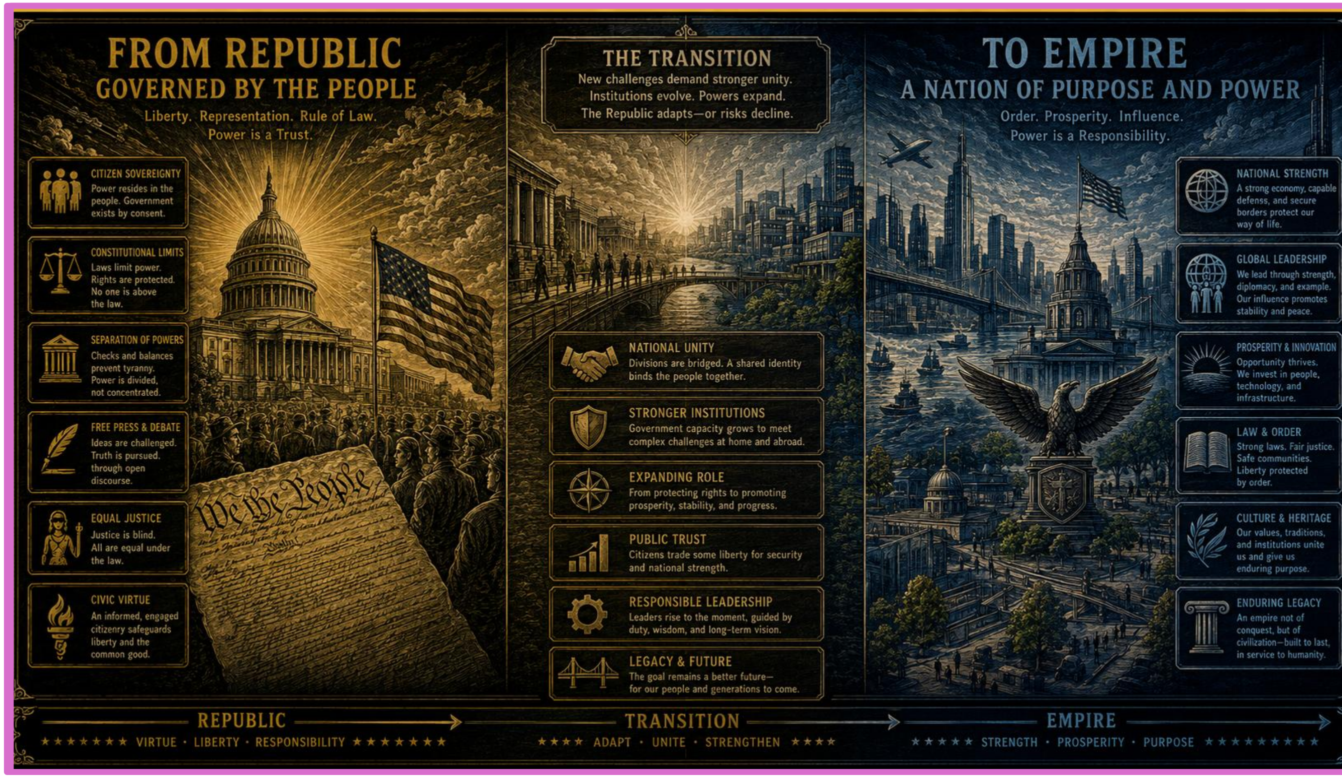
The Split

Transition from Rules Based Order…to America First

The U.S. has Split from its old way of interacting with the Rest of the World.

The Split

Transition from Republic to Empire



The "Spring" after the "Winter" may look different than many expect

Seven Separate Geopolitical Events

Seven moves in fifteen months.

PANAMA	PORTS HANDED OVER	*March 4, 2025*	**$22.8B**	**BlackRock-led consortium acquires CK Hutchison's 43-port portfolio, including the Balboa and Cristóbal canal terminals.**
IRAN 1&2	TWO STRIKES	*June 22, 2025* *February 28, 2026*	**NO VETO**	**Midnight Hammer hits Fordow, Natanz, Isfahan. Epic Fury kills the Supreme Leader. Neither operation was stopped.**
ARGENTINA	TREASURY SWAP	*October 9, 2025*	**$20B ESF**	**Exchange Stabilization Fund swap to Buenos Aires. Argentina's drawing on China's yuan facility cut to roughly a third.**
VENEZUELA	MADURO IN US CUSTODY	*January 3, 2026*	**RAID**	**US Special Operations capture Maduro in Caracas. PDVSA and CITGO boards reset under US recognition by March 2026.**
GREENLAND	TANBREEZ APPROVED	*May 2026 approval, Government of Greenland*	**SECURED**	**Critical Metals Corp stake at Tanbreez heavy rare earth deposit confirmed. US Ex-Im letter and REalloys offtake in place.**
CHAGOS	HANDOVER PAUSED	*April 11, 2026*	**REVERSED**	**Starmer paused the Mauritius handover after Trump pressure. Diego Garcia stays under US-UK control.**

Who Stopped the U.S. from doing any of these…?

SANTIAGO CAPITAL RESEARCH

Source: BlackRock and CK Hutchison transaction documents, March 2025; US Department of the Treasury, October 2025; US Department of Defense Operation Midnight Hammer briefing, June 2025; White House statements on Operation Epic Fury, February 2026; US Southern Command and OFAC, January and March 2026; Critical Metals Corp filings and US Export-Import Bank letter, 2025 to 2026.

Case Study - Iran

Santiago Capital
@SantiagoAuFund

The reason many are having trouble coming to grips with the fact that there actually IS an overarching plan/strategy is because most people are not psychopaths and as such have a hard time thinking like them...

8:24 AM · Mar 12, 2026 · **117.2K** Views

There is a plan.

You just might not like it.

Don’t let Feelings influence Analysis.

THE MORAL SPLIT

You can oppose U.S. foreign policy AND recognize the Iranian regime as a genuine threat.

These are not mutually exclusive.

THE ANALYTICAL SPLIT

Taking America's sins and declaring Iran the saints is not analysis. It's reaction.

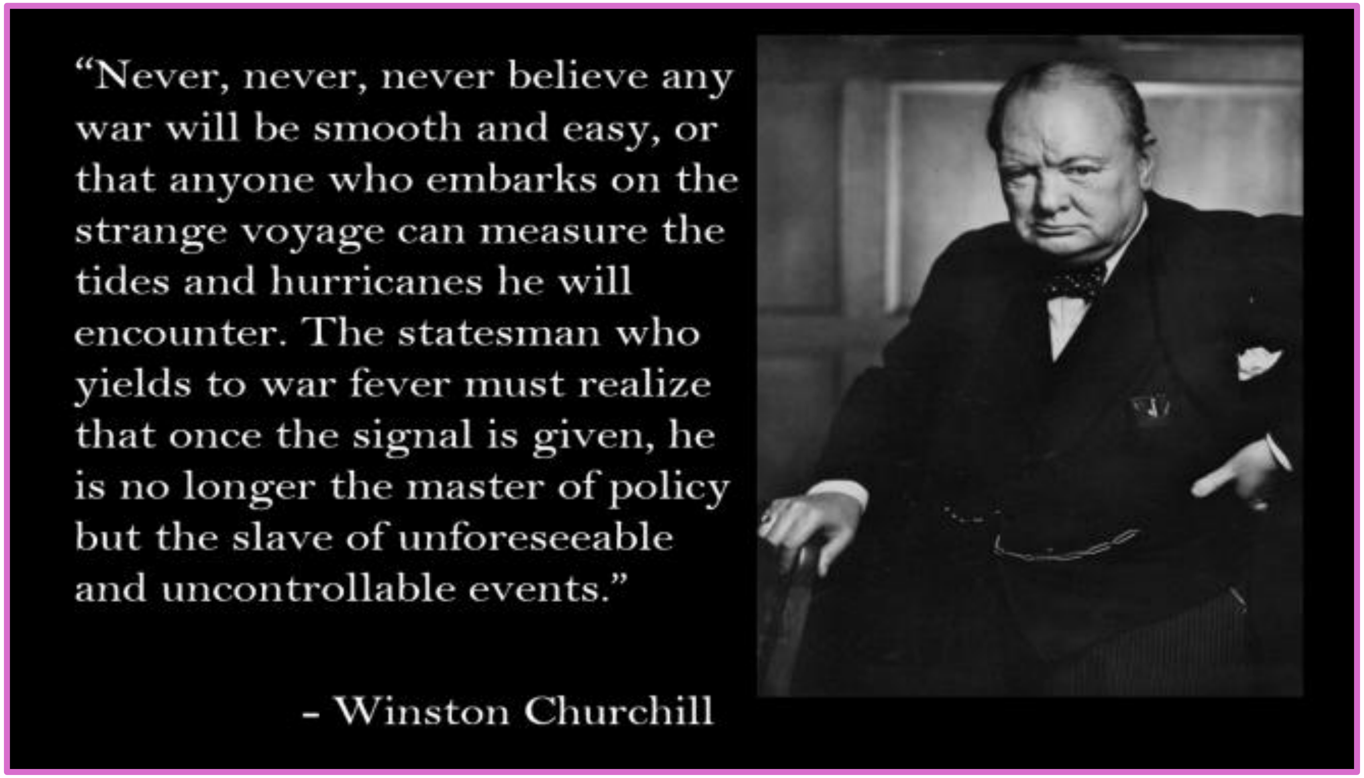
Markets don't reward reaction.

THE STRATEGIC SPLIT

There is a plan. You may not like it. It may fail.

But denying its existence is itself an analytical error with portfolio consequences.

Winston Churchill



No Plan Survives First Contact

Opportunities as a Result

Four structural dislocations from the Split.

What is broken, When it plays out, How to position.

LAST SHIPS

The Energy and Food Cascade

The Strait moves 25 percent of traded energy.

A closure shuts 21 percent of oil, 20 percent of LNG, and 15 percent of fertilizer feedstock at once.

The food cascade follows 6 to 12 months later.

Express through energy futures, fertilizer, wheat, corn.

MRO

The Airworthiness Backlog

The Gulf is the world's wide-body MRO hub. Hormuz idled the workforce, inbound aircraft, and parts supply at once.

C and D checks do not pause.

The backlog rolls 6 to 18 months past resolution.

Express through AAR, HEICO, AerCap, TransDigm, JETS puts.

DEFENSE

The Structural Rebuild

US Department of War spending is 2.9 percent of GDP versus a 50-year average of 4.1 percent.

The Big Beautiful Bill of July 4, 2025 routed $200 billion through the Office of Strategic Capital

Express through funds associated with the OSC

USD STABLECOINS

The Digital Dollar Empire

USD stablecoins create dollar liabilities outside Washington's reach.

The GENIUS Act requires full cash U.S. Treasury backing.

Supply grew from $50B to $225B between 2021 and 2024. 99 percent dollar denominated.

Express through Circle and the captured Treasury yield.

Source: aggregate of the underlying Last Ships briefing (EIA, IEA), the Gulf MRO briefing (Mordor Intelligence GCC MRO Market 2025; FAA AC 120-16D), the OSC briefing (One Big Beautiful Bill Act, July 4, 2025), and the USD Stablecoins briefing (GENIUS Act 2023; DeFiLlama; JPMorgan, BIS, Federal Reserve, IMF, SWIFT). Full citations on each thesis slide.

Opportunity One

FOOD

Hormuz Closure Cascade

25% of traded energy is only part of the problem

Tanker lag plus food lag.

1

THE DISLOCATION

A Hormuz closure shuts 21 percent of global oil, 20 percent of LNG, and 15 percent of fertilizer feedstock at the same time.

The 2007 to 2008 and 2010 to 2011 food crises were triggered by energy and fertilizer disruptions smaller than this.

The closure runs the same playbook on a larger base.

2

THE WINDOW

Even if the Strait reopens tomorrow, transit lag holds the energy impact for 4 to 6 weeks.

Roughly 50 percent of global food production depends on synthetic nitrogen fertilizer from natural gas.

The food price reset runs 6 to 12 months past resolution.

3

THE EXPRESSION

Long energy futures: European Natural Gas.

Long ag commodities (wheat, corn), Long fertilizer producers exposed to nitrogen feedstock, Long tanker rates on the reroute.

These are not expected to pay out until later this year or early next

Source: US Energy Information Administration on Hormuz energy throughput; International Energy Agency LNG and oil flow data; FAO Food Price Index history; International Plant Nutrition Institute on synthetic nitrogen fertilizer; USDA Economic Research Service; JP Morgan regional exposure analysis, April 2026; Drewry Shipping tanker transit references.

Opportunity Two

MRO

Maintenance, Repair, & Overhaul

ABU DHABI HUB

Feb 28, 2026 onward

C checks. D checks. Time runs.

1

THE DISLOCATION

The Gulf is the world's wide-body MRO hub. The Hormuz closure affected the workforce, inbound aircraft access, and certified parts flow at once.

War-risk aircraft premiums rose 50 to 500 percent above pre-conflict levels.

2

THE WINDOW

6 to 18 months past resolution.

Mandatory C checks every 20 to 24 months and D checks every 6 to 10 years do not pause for geopolitics. European and Asian heavy MRO slots were already running near capacity before the Strait closed.

Backlog surfaces inside Q4 2026 and Q1 2027 earnings.

3

THE EXPRESSION

Long independent MROs: AAR Corp, HEICO, StandardAero.

Long wide-body lessors: AerCap, Air Lease. Long TransDigm sole-source pricing. Short long-haul carriers via JETS puts. Long AAR Trax software.

12 to 24 months duration.

Source: Mordor Intelligence GCC Aircraft MRO Market Report (2025); Future Market Insights Commercial Aircraft MRO (2025); Etihad Engineering and Emirates Engineering disclosures (2024); FAA AC 120-16D maintenance check standards; EASA CZIB 2026-03 conflict-zone information bulletin; Aviation Week (February 2025); company filings for AAR Corp, HEICO, StandardAero, AerCap, TransDigm.

Opportunity Three

OSC

Office of Strategic Capital

U.S. STRUCTURAL REBUILD

July 4, 2025

2.9% of GDP to 4.1% of GDP and then higher.

1

THE DISLOCATION

US Department of War spending sits at 2.9 percent of GDP, near post-WWII lows, against a 50-year average of 4.1 percent.

Industrial inputs for defense have been offshored for two generations.

The Pentagon discovered during Covid that it no longer controls the supply chain it depends on.

2

THE WINDOW

Multi-year.

The Big Beautiful Bill of July 4, 2025, routed $200 billion through the Office of Strategic Capital.

OSC sits in the Pentagon and is tasked with leveraging all different aspects of the U.S. Government to accomplish its mission.

3

THE EXPRESSION

Defense primes positioned for the spending step-up.

Critical technology categories under the SBICCT mandate.

Microelectronics, Hyper-sonics, Directed energy, Quantum, Advanced Materials, Autonomous Systems.
Domestic Rare Earths and Critical Minerals.

Source: US Department of War budget filings; Our World in Data based on COW and SIPRI (2018) defense spending series; One Big Beautiful Bill Act, signed July 4, 2025, Office of Strategic Capital allocation; OSC organizational placement under Under Secretary of Defense for Research and Engineering, alongside DARPA and the Missile Defense Agency; SBICCT and CTLP critical-technology category lists, Congress.gov.

Opportunity Four

GENIUS

The Digital Dollar Empire

WASHINGTON

GENIUS Act, 2023

Code, collateral, capture.

1

THE DISLOCATION

USD stablecoins create dollar liabilities outside Washington's reach, the way the Eurodollar market did from the 1960s.

The GENIUS Act of 2023 pulls them back inside US jurisdiction, requiring full backing in cash and short-term Treasury securities.

The offshore tier is now legally American.

2

THE WINDOW

Multi-year and structural.

Stablecoin supply grew from $50 billion in March 2021 to more than $225 billion by late 2024.

Roughly 99 percent of activity is dollar denominated but Adoption is fastest where local currencies are weak.

3

THE EXPRESSION

Long stablecoin issuers: Circle (USDC) and exchange equity with Tether (USDT) exposure.

Long the Treasury yield captured by stablecoin reserves, since issuers must hold short-term US debt at scale.

Long tokenization custodians & payments rails. Watch for issuer IPOs.

Source: Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act), 118th Congress; DeFiLlama Total Supply of Stablecoin by Assets, 2021 to 2024; JPMorgan, BIS, Federal Reserve, IMF, Atlantic Council, and SWIFT cross-category dollar-share analysis.

SANTIAGO CAPITAL
RESEARCH

The Band

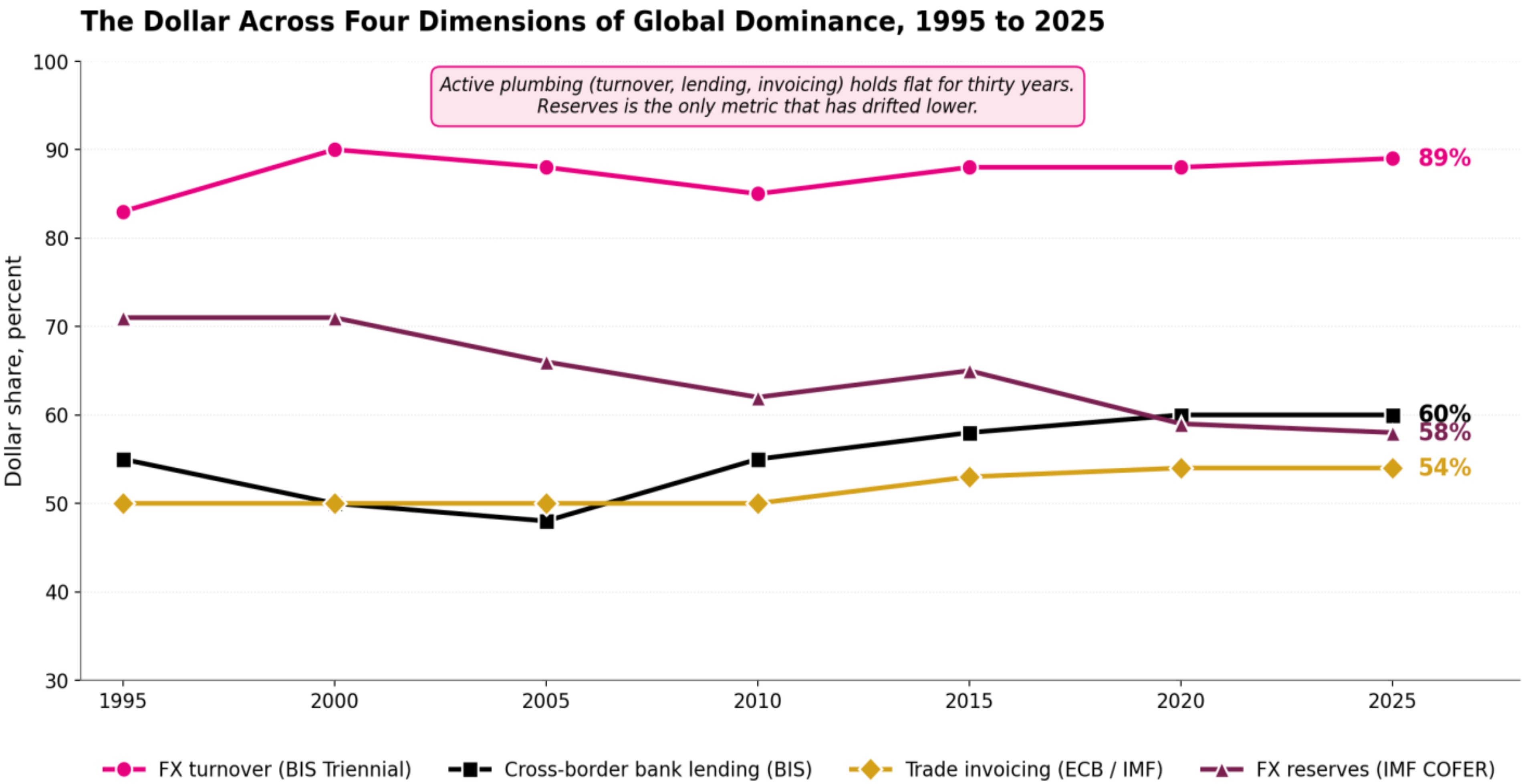
Strength, Death, & Reserve Regimes

June 17, 2026

Produced by:
Santiago Capital

Authored by:
Brent Johnson
Michael Peregrine

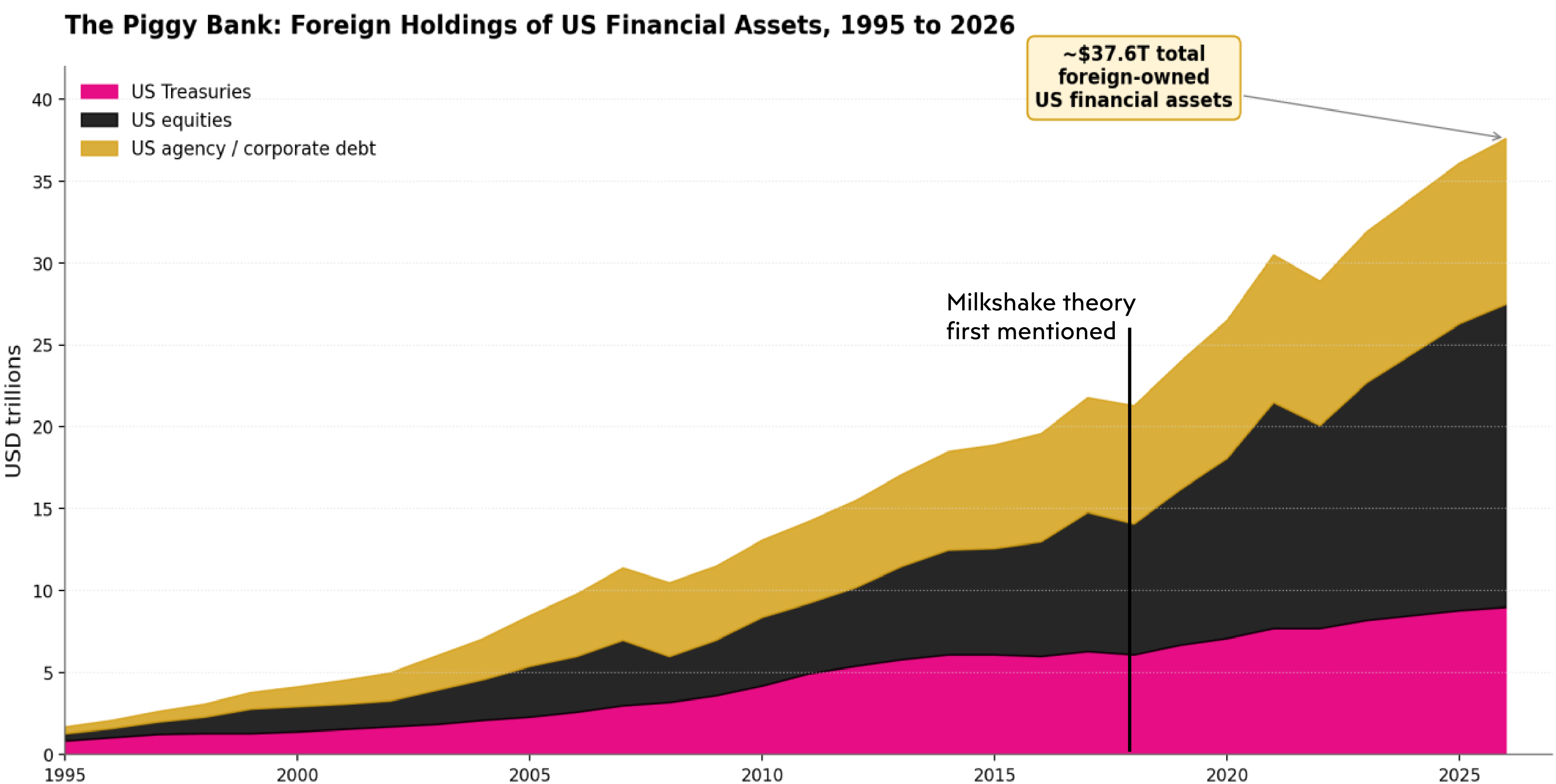
De-Dollarization is a Myth



Source: BIS Triennial Central Bank Survey (FX turnover); BIS Locational Banking Statistics (cross-border lending); ECB / IMF (Boz, Casas, Georgiadis, Gopinath, Le Mezo, Mehl, Nguyen) for trade invoicing; IMF COFER (reserves).

The Band

The U.S. Continues to Suck Up the World's capital...



To Paraphrase Tommy Norris from Landman…

The same logic governs the dollar.

If we put Tommy in front of a chart of the DXY instead of a chart of WTI, the script writes itself:

The dollar cannot trade too high.

When the dollar runs hot, every country outside the United States that owes dollars sees its debt get heavier overnight. They earn in pesos, in reals, in lira, in rupiah, and they owe in greenbacks. A ten percent move in the index is a ten percent tax on every dollar liability on every foreign balance sheet in the world. The banks that lent the dollars take losses. The corporates that borrowed them cannot service them. The sovereigns that backstopped both get pulled into the wreckage. Capital flees the locals, runs back to the dollar that just got more expensive, and the move compounds. That is what happened to Latin America in the early 1980s, to Southeast Asia in 1997, to Argentina in 2001, to the EM complex in 2014 and again in 2022. The dollar got too strong, and somebody else paid for it.

The dollar cannot trade too low either.

When the dollar gets soft, every country outside the United States sees its local currency get stronger against the buck, and the export economy that was built on a weaker local currency stops working. Korean ships, German cars, Brazilian iron ore, Japanese electronics, Mexican manufactured goods, all of them price out of their own markets. Margins collapse. Tradable-sector employment weakens. The local economy gets squeezed on the income side at the same time that cheap dollar funding is flooding in and the dollar liability stack is growing on the other side of the balance sheet. The carry feels good for a few years. It always does. Then the dollar turns, and the snap-back lands on an economy whose exports have already been damaged by years of an overvalued local currency.

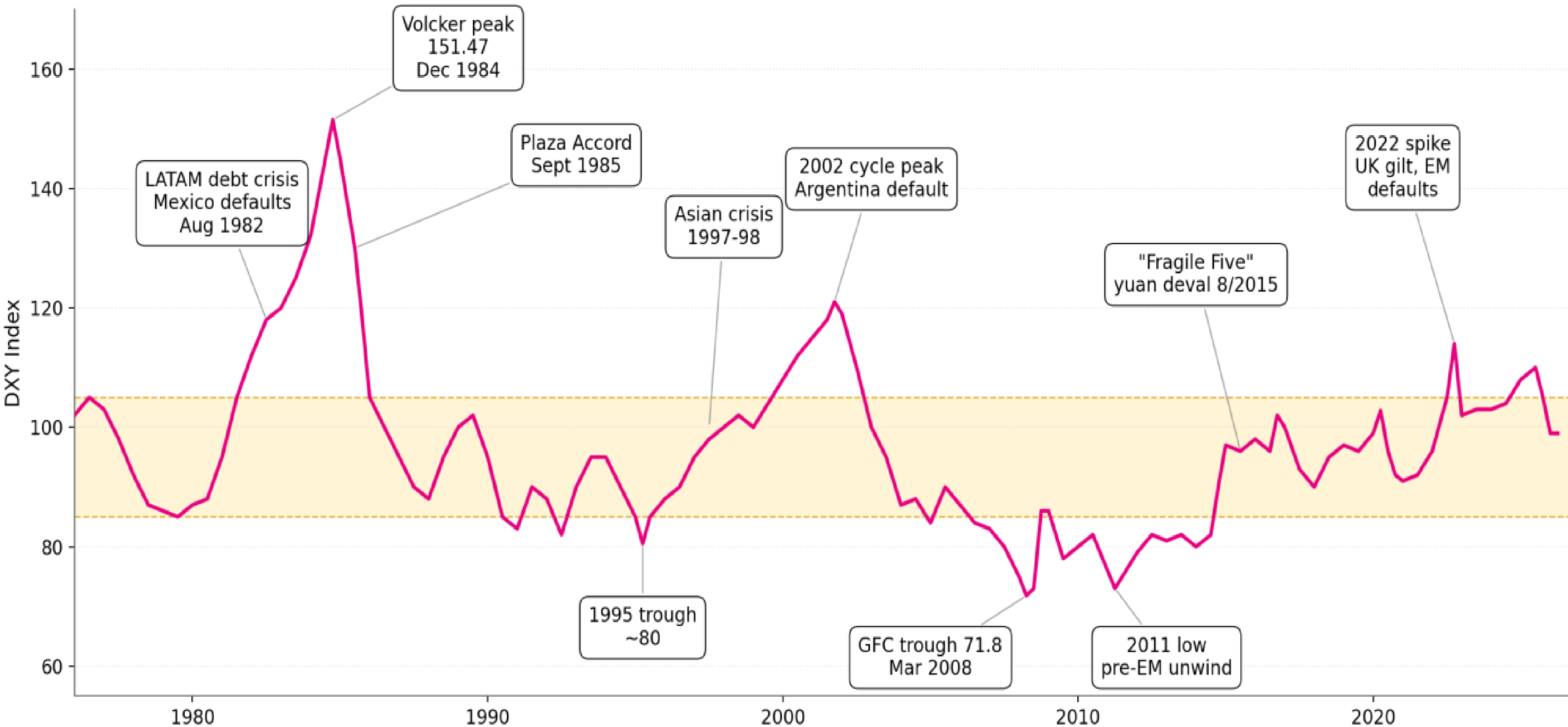
The empirical record sits underneath every line of that hypothetical monologue.

The 2002 to 2008 dollar slide built the carry that the GFC then liquidated. The dollar that hit 71.8 in March of 2008 was the most seductive print the index has ever made, and it set up the most violent dollar squeeze the offshore system has ever absorbed.

The dollar needs to live in the middle.

The Band

DXY: 50 yrs Inside & Outside the Band



DXY index, 1976-2026, with the 85-105 working band shaded in gold and major regime moments annotate.
Source: ICE / Bloomberg (DXY Currency).

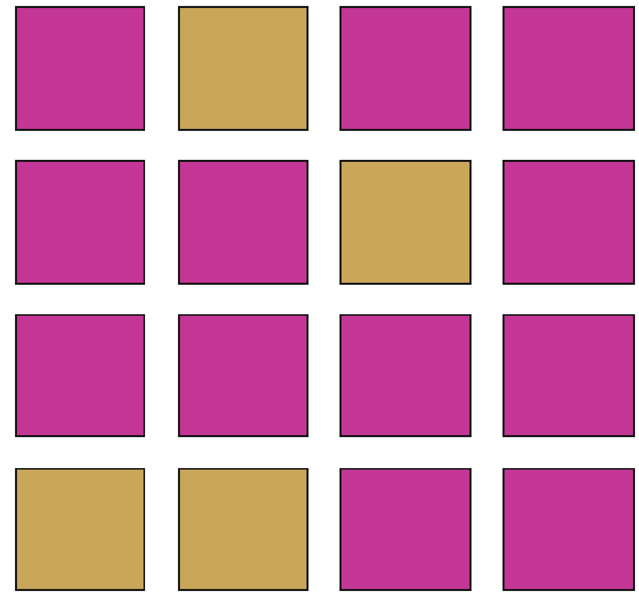
The Band

40 Years, 16 Emerging Markets, 1 pattern

12

of 16

have suffered a dollar funding crisis.



$ funding crisis   Inside the band

A 75% base rate for sovereign distress when the dollar steps outside the band.

Source: BIS Global Liquidity Indicators; IMF Article IV reports; Reinhart and Rogoff, This Time Is Different (2009); World Bank International Debt Statistics

The Dual Carry

GLOBAL CARRY

External, in dollars

$

Borrow dollars in the eurodollar market.

Earn dollar revenue from exports, trade finance, and offshore operations against that funding.

Carries the embedded FX risk of cross-currency leg.

VS

LOCAL CARRY

Internal, in local currency

₽

Domestic banks loan the local currency into existence against real assets.

Spread between local funding and local returns.

No direct rate mismatch across currencies.

Currencies trade relative to each other.

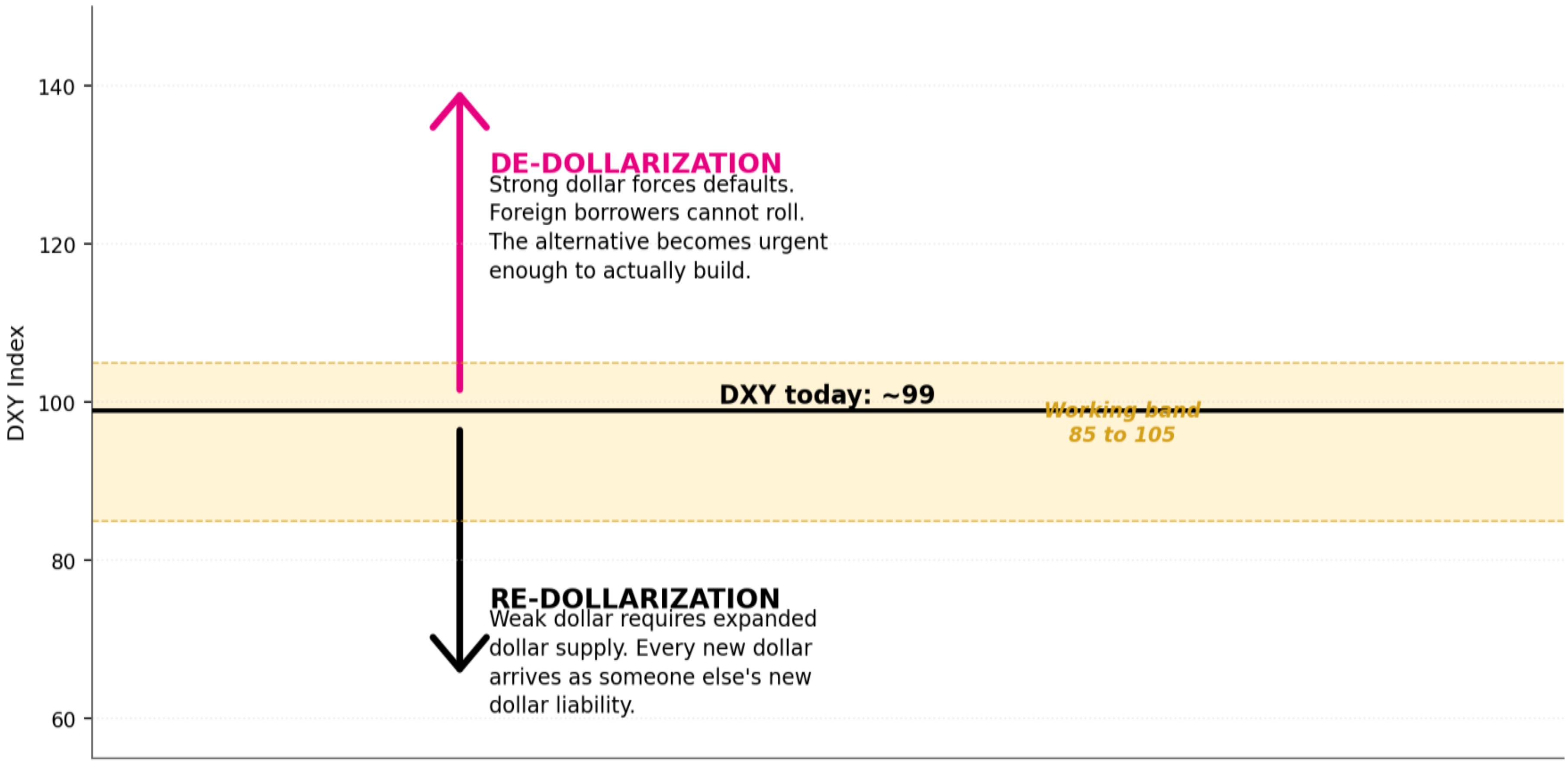
One of the two carries is always going against them.

The cycle decides which one.

Source: BIS Locational Banking Statistics, 1977 to present; Borio, McCauley, and McGuire, FX swaps and forwards estimate (BISWorking Paper No. 1064, December 2022).

The Band

The Paradox



Source: Santiago Capital (Conceptual)

The Band

The Paradox

DOLLAR RISES

De-dollarization, by default

Dollar credit becomes scarcer and more expensive.

Foreign borrowers struggle to roll.

Capital flees the locals. A borrower fails.

Only then does search for alternatives become urgent.

VS

DOLLAR FALLS

Re-dollarization, by accumulation

The only way the index falls is to expand USD supply.

Every new dollar arrives as a new dollar liability.

A weaker index is the trace of a larger dollar debt stack on someone else's balance sheet.

Both arrows feed the USD.

One through scarcity & crisis. The other through abundance & accumulation.

Neither weakens the dollar system.

Source: Federal Reserve H.4.1 (balance sheet); ICE Bloomberg DXY series; Aldasoro, Mehrling, Neilson (2023) on the offshore dollar system.

The Band

Paint it Black

2022 - Russian central bank reserves immobilized - Coordinated G7 action

2026 - Dollar shortage in Iran – Unilateral U.S. action

THE INFLECTION

Between late February and early March 2022, the US, EU, UK, Canada, Japan, and Switzerland coordinated to immobilize approximately $300 billion of Russian central bank reserves.

No due process. The largest reserve holders in the world watched it happen.

THE LESSON RECEIVED

Holding dollars and euros in custody at Western institutions is no longer the unconditional sovereign right it had been treated as for seventy years.

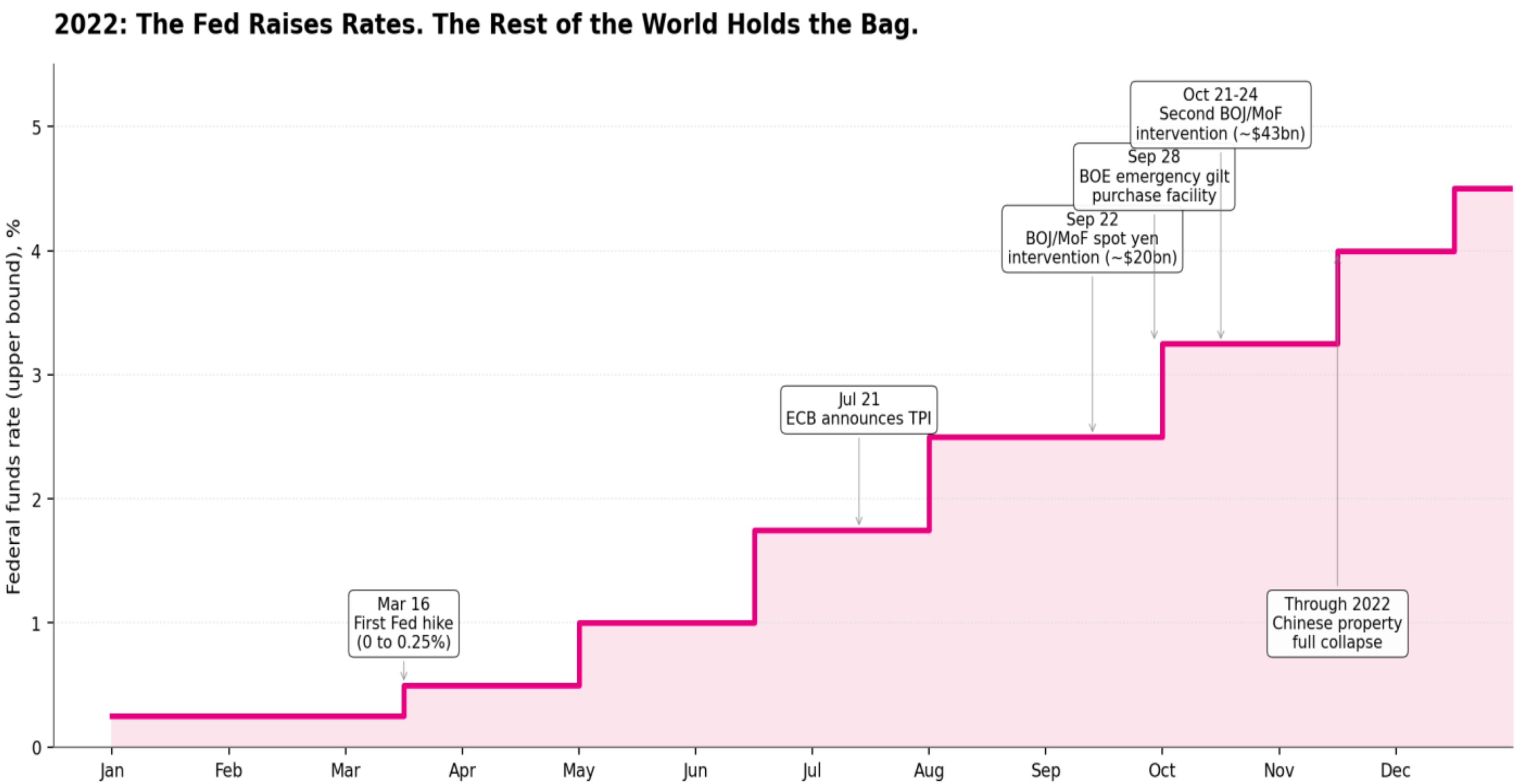
Every other reserve holder on earth quietly reviewed the asymmetry between custody risk and counterparty trust.

> *What we have done is create a dollar shortage in the country.*
>
> *— Scott Bessent, US Treasury Secretary, on Iran policy, 2026*

Source: US Treasury press release Feb 28, 2022; EU Council Decision 2022/335; UK HM Treasury sanctions notices; Bank of Russia disclosures.

The Band

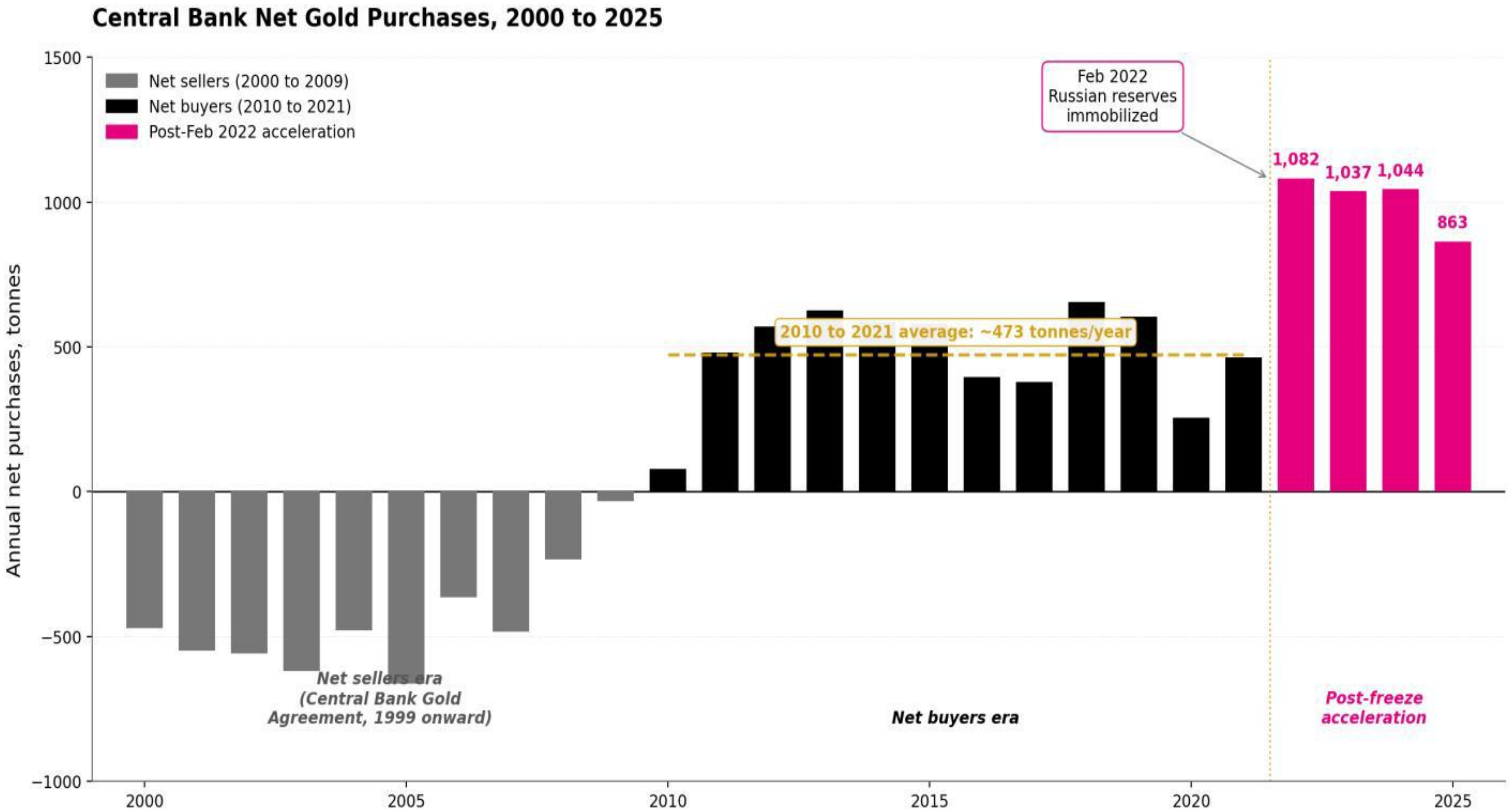
Paint it Black



Source: Federal Reserve FOMC; BoJ/MoF, BoE, ECB press releases

The Band

Paint it Black



Source: World Gold Council, Gold Demand Trends (Full Year Reports). Net official-sector activity.

The Band

The Result of Gold becoming a Reserve Asset

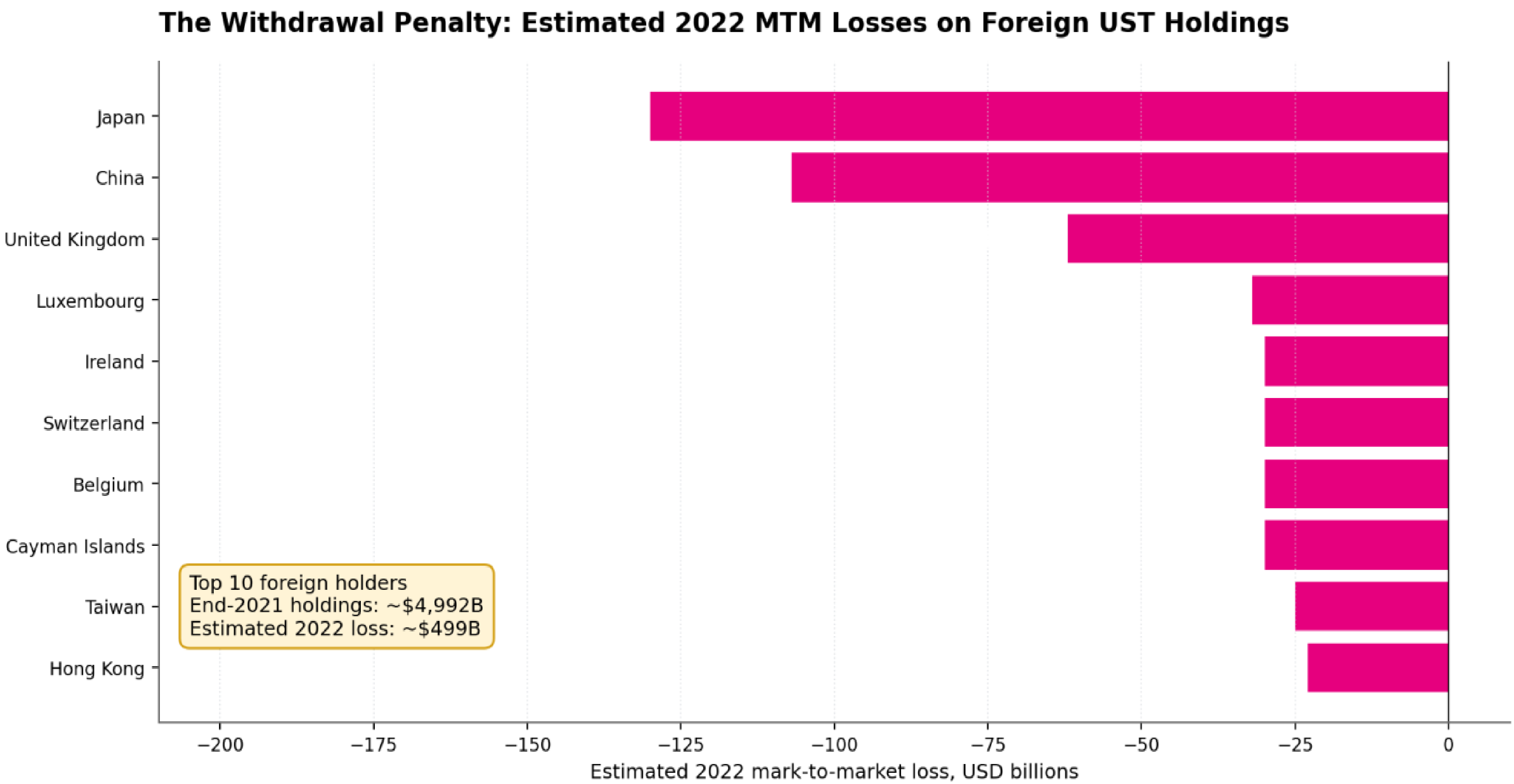
Santiago Capital @SantiagoAuFund

Boost

Thank God the War is over.
Now Gold can go back to being a Safe Haven asset.

8:02 AM · Jun 15, 2026 · **92.2K** Views

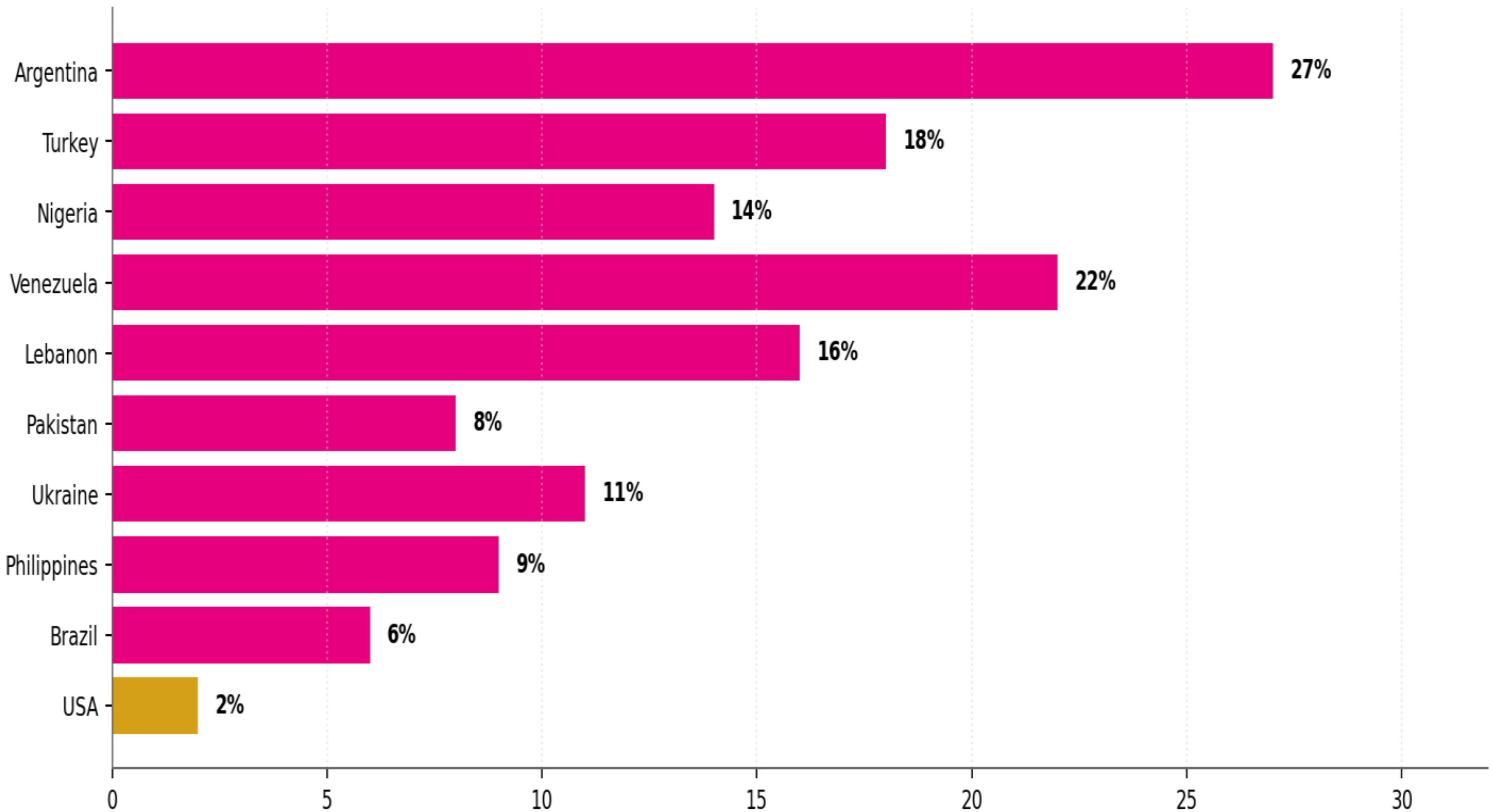
Hotel California



Source: US Treasury TIC; Bloomberg US Treasury Total Return Index .

The Band

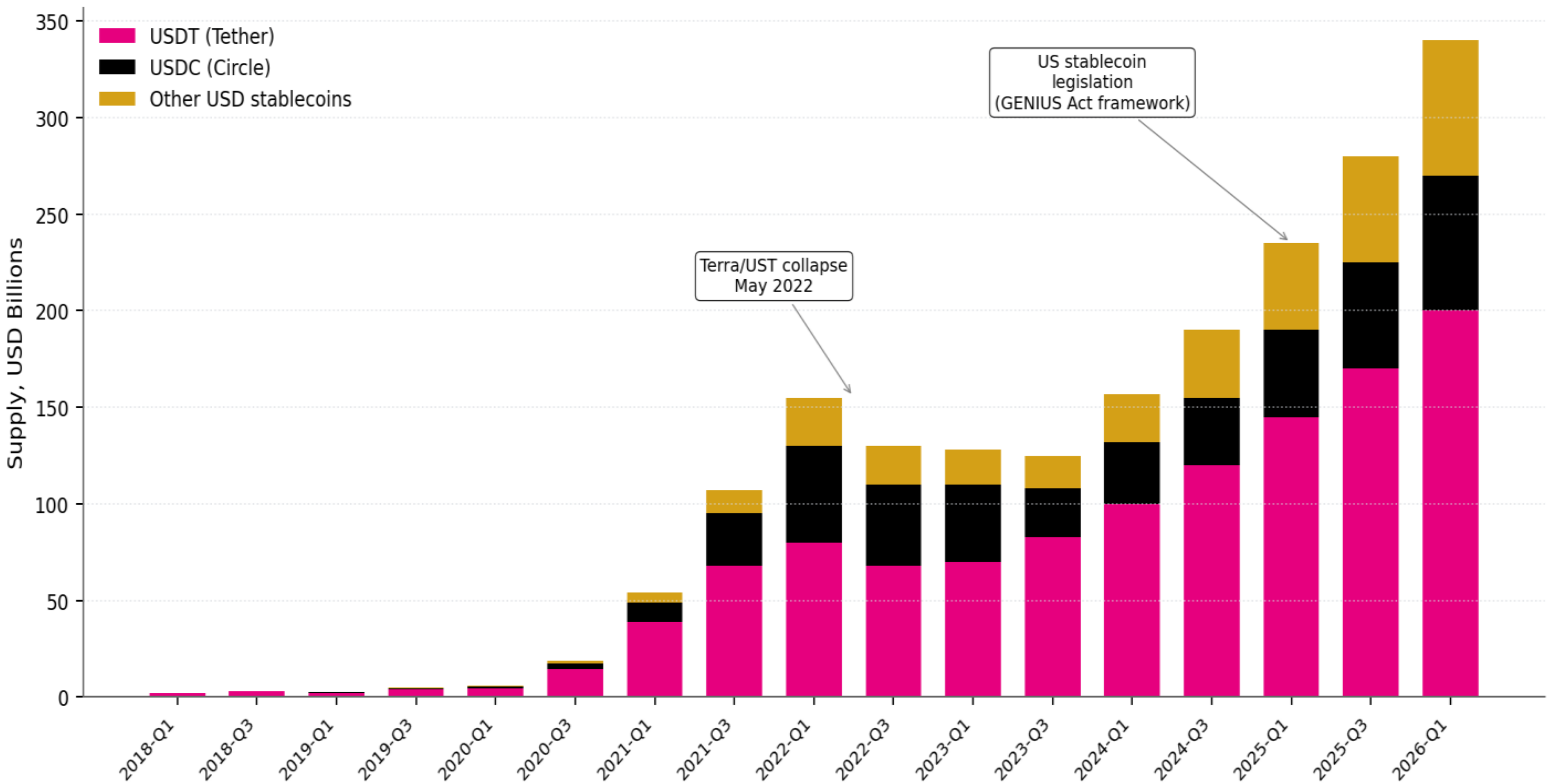
The Kids: USD Stablecoin Volume as % of GDP



Source: Chainalysis Geography of Cryptocurrency

The Band

The Kids: USD Stablecoin Supply

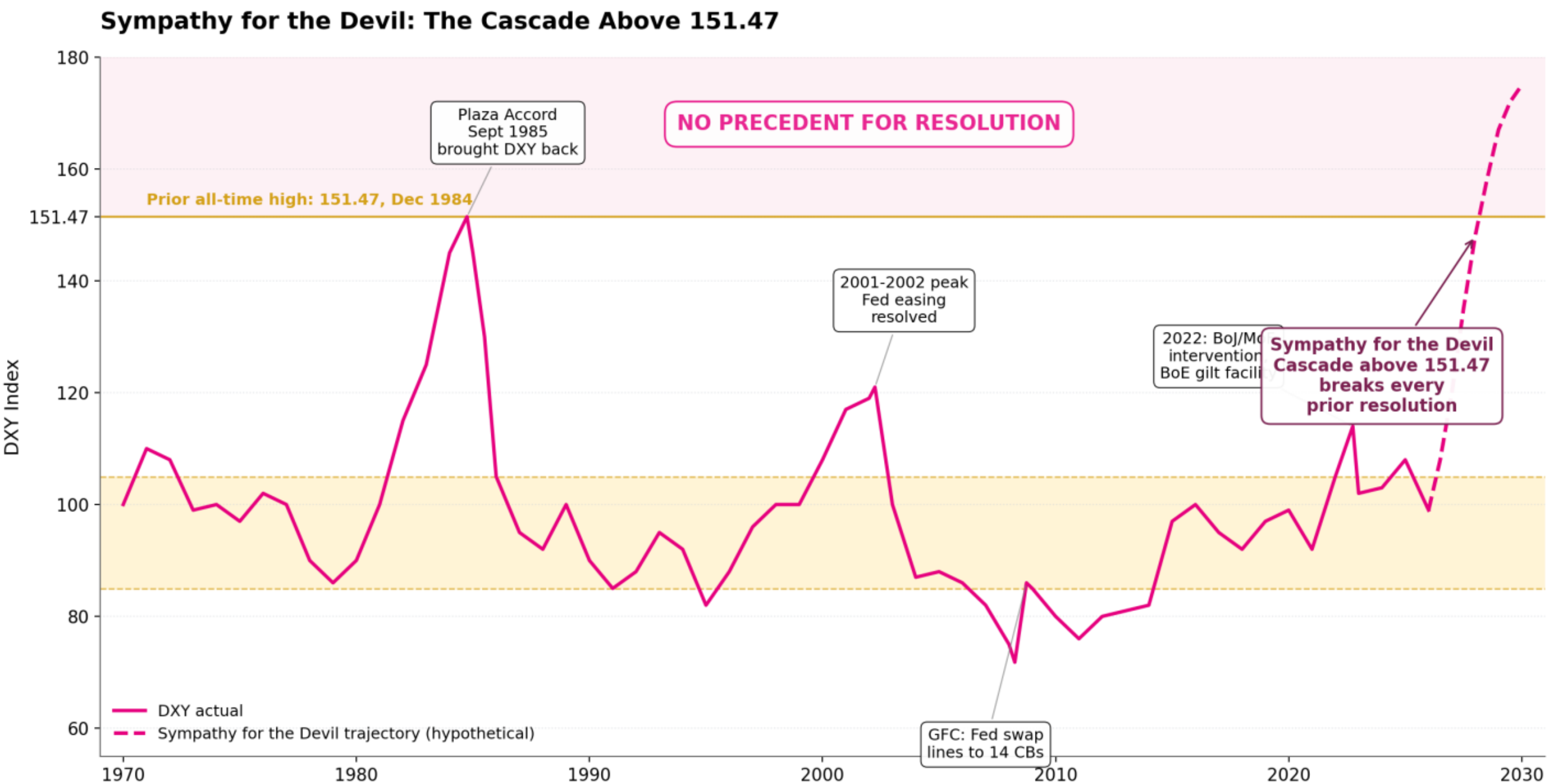


SANTIAGO CAPITAL RESEARCH

Source: DefiLlama, CoinGecko aggregates.

The Band

When the Rockstar can no longer be reasoned with...



Source: ICE / Bloomberg (DXY Currency), Santiago Capital

Contact Info

Brent Johnson
CEO
Santiago Capital
1483 Ashford Avenue, #301
San Juan, Puerto Rico 00907
(415) 699-8972 | brent@santiagocapital.com | @SantiagoAuFund

The content of this publication is provided for informational and educational purposes only. It does not constitute investment advice, financial advice, trading advice, or a recommendation to buy, sell, or hold any security, asset, or financial instrument. Nothing herein should be construed as a solicitation, offer, or endorsement of any investment strategy or transaction.

The views and opinions expressed are solely those of the author as of the date of publication. They are subject to change at any time, without notice, and the author is under no obligation to update, revise, or correct any statement, opinion, or projection after it has been published. Any forward-looking views reflect the author's judgment at a single moment and may be rendered inaccurate by subsequent events.

Readers are strongly encouraged to conduct their own research and due diligence before making any financial decision. Each reader is responsible for evaluating the merits and risks of any course of action and should consult a licensed financial advisor, broker, attorney, or tax professional who can account for their individual circumstances. Reliance on any information in this publication is undertaken solely at the reader's own risk.

No representation or warranty, express or implied, is made as to the accuracy, completeness, or timeliness of the information provided. The information may be drawn from sources believed to be reliable, but its accuracy cannot be guaranteed. The author and publisher accept no liability for any loss or damage arising directly or indirectly from the use of, or reliance on, this material.
All investments carry risk, including the possible loss of principal. Past performance is not indicative of future results, and projections or estimates are inherently uncertain and may not be realized.

The author may hold positions in the securities or assets discussed and may buy or sell them at any time without notice.