

## Global Reverse Diversification

*What we know, what we do not,  
and how IRON Incertus is well positioned for both*



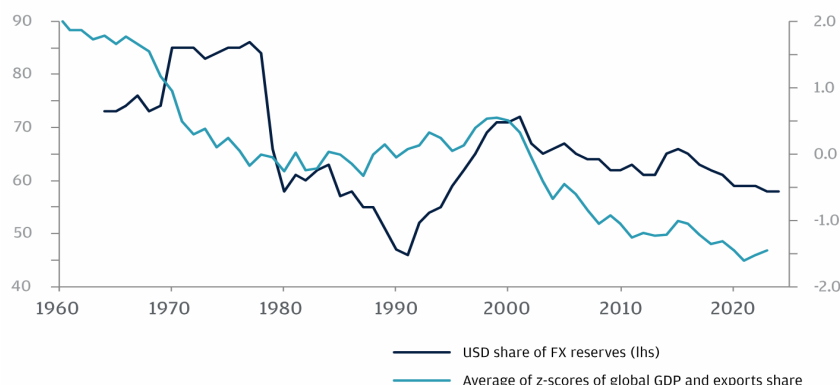
**May 2026**

## I. What's Actually Happening?

*The global monetary order is shifting — not through a single regime break, but through measurable rebalancing visible in central bank holdings, sovereign debt markets, and trade settlement flows. The trends are real. Their endpoint is genuinely uncertain. That uncertainty is the rationale for how IRON Incertus is constructed.*

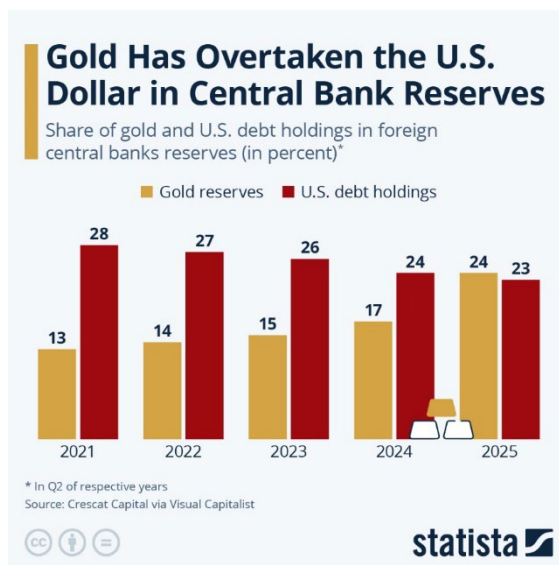
The dollar's role in the global financial system is multidimensional and the dimensions are moving in different directions. The dollar remains dominant in trade settlement, foreign-currency corporate debt issuance, and as the vehicle currency for most FX trading. Its role as a reserve asset, however, has been quietly eroding for two decades.

Reserve share data from the IMF's Currency Composition of Official Foreign Exchange Reserves shows the dollar moving from above 70% in 2001 to approximately 57% in late 2025 — a decline of roughly 13% over more than two decades. This is meaningful erosion, but it is also slow. At the recent pace, displacement would take additional decades, and the trend could stabilize or accelerate from here.



Source: J.P. Morgan, IMF COFER

As of right now, central banks are choosing gold as the main alternative. Central bank gold purchases have run at multi-decade highs since 2022, with World Gold Council data reflecting net buying of 244 tons in Q1 2026 alone. China alone has added over 300 tons since 2022. These purchases represent active diversification by central bank reserve managers — not passive holding. The question is, “what does this mean for portfolio positioning?”.



\* In Q2 of respective years  
Source: Crescat Capital via Visual Capitalist

## II. What We Do Not Know

*Honest assessment requires distinguishing between what the data shows and what it does not show. Most macro commentary blurs this distinction; we think it is exactly where investment value lives.*

**U.S. Dollar Performance**



IRON Financial | Data: Board of Governors of the Federal Reserve System (US) via FRED® | March 31, 2026

We do not know whether the dollar's reserve share decline will continue at its current pace, accelerate, or stabilize. Sterling lost reserve status to the dollar over more than fifty years, and the actual transition was less linear than economists at the time expected. The dollar's share could drift to 50% over the next decade (meaningful erosion), stabilize there for another decade (no further deterioration), or continue declining at variable pace. Each of these scenarios implies different optimal portfolio positioning.

We do not know whether alternative payment systems scale to compete with US-based SWIFT or remain marginal. China's CIPS processed approximately \$24.5T in transactions in 2024, a 43% year-over-year increase, but this still represents only a fraction of SWIFT's volumes. Although the trajectory is meaningful, the endpoint is not predetermined.

We do not know whether U.S. fiscal pressures will resolve through inflation, productivity, reform, or some combination. The CBO projects U.S. debt rising substantially under current law, but multiple paths remain plausible. Canada, Sweden, and Ireland completed fiscal consolidations in recent decades; Japan has sustained debt above 250% of GDP for thirty years through suppressed real rates. Both outcomes are historically real, and the U.S. could follow either path or something between them.

We do not know whether the dollar's institutional foundations — Federal Reserve independence, predictable trade policy, deep and trusted capital markets — strengthen or continue to show stress over the next decade. These are the underlying conditions that ultimately support or undermine a reserve currency's status, and they are inherently unstable.

We do not know whether the alternatives to the dollar can absorb the diversification flows. The euro carries its own structural problems: pension obligations larger than U.S. equivalents and more time-concentrated, tax-to-GDP ratios already near political ceilings, demographic decline of approximately 50 million working-age people by 2050, and a single-currency arrangement that constrains how individual member states can respond. China faces a different but equally real set of constraints: opaque debt

through local government financing vehicles, near-term property sector deleveraging, persistent deflationary pressures that grow real obligations rather than eroding them, and capital controls that prevent the renminbi from becoming a true reserve currency. Reserve diversification is not the same as reserve displacement. The dollar's relative position is eroding, but no single alternative is gaining sufficient scale to replace it — diversification is fragmenting across gold, euros, renminbi, and other assets.

Strategies that depend on confident answers to these questions are exposed to being wrong in expensive ways. Strategies built to perform reasonably across the range of plausible answers are exposed to being suboptimal in any single scenario but robust across the regime range.

### III. **How IRON Incertus (Latin for “uncertain”) is Constructed**

*The strategy is regime-aware rather than regime-confident. It is designed to perform across multiple macro environments, not to bet on a specific outcome.*

IRON Incertus is a multi-asset strategy that allocates across global equities, long-duration Treasuries, inflation-protected bonds, commodities, precious metals, and digital assets. Weights adjust based on observed regime conditions — current inflation trajectory, monetary policy stance, growth momentum, credit conditions — rather than being calibrated to a fixed allocation that assumes any specific future.

The five regimes the strategy is designed to navigate:

- growth (rising real activity, contained inflation, accommodative policy);
- inflation (rising prices, real assets favored);
- stagflation (slowing growth alongside persistent inflation, the historically hardest environment for traditional portfolios);
- disinflation (falling inflation) and;
- deflation (falling prices, often favorable for long-duration fixed income).

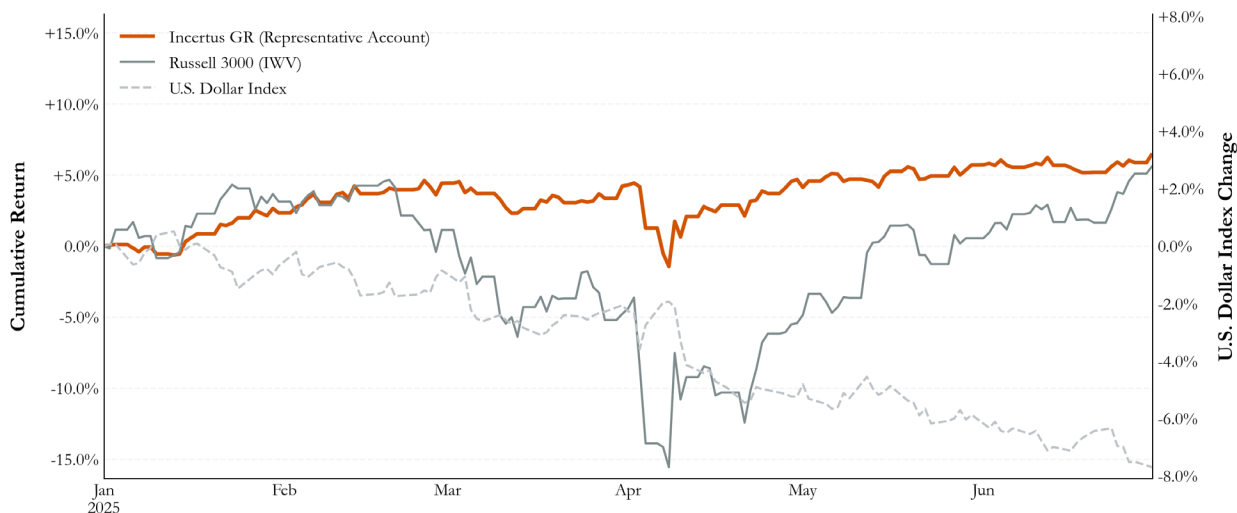
Each regime calls for different asset weights. The strategy is not trying to predict which regime is coming next — it is designed to recognize regime characteristics as they manifest and adjust accordingly. This means accepting that the strategy will sometimes underperform a portfolio optimized for the actual regime in hindsight. The trade-off is intentional: robustness across regimes is purchased by accepting that you will not be optimally positioned for any single one.

The construction is grounded in a specific observation about how reserve diversification and fiscal pressure interact. As reserve managers diversify and as sovereign borrowers face higher real financing costs, the historical relationships that made 60/40 portfolios resilient — bonds rallying when equities sell off, inflation staying anchored, currency dominance providing a free hedge — become less reliable. Strategies that survive across the regime range need exposure to assets that perform when those relationships break down, including hard assets and selectively positioned international and digital exposures.

### IV. Performance in Context

During the U.S. dollar weakness and tariff-related shock of early 2025, a representative live account in the IRON Incertus composite produced robust results while broad U.S. equity tanked. We believe this was a microsimulation of what losing currency reserve status would mean for the U.S. – declining demand for dollars and the sale of dollar-dominated assets.

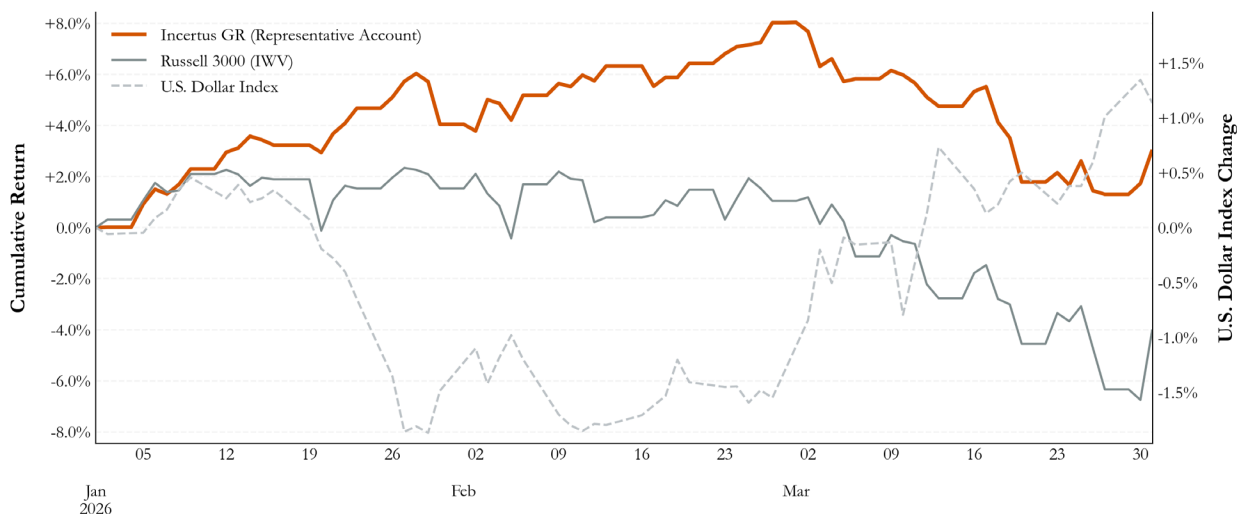
US Dollar Decline + Tariff Shock: Incertus vs. Russell 3000



IRON Financial | Data: Iron Financial, FRED

Further, when the Iran-related risk-off event in late February drove the Russell 3000 down, along with a smaller-scale U.S. dollar sell-off, the representative account finished the quarter up 3%.

US-Iran Conflict: Incertus vs. Russell 3000



IRON Financial | Data: Iron Financial, FRED

The same strategy has experienced periods of underperformance when the dollar has strengthened sharply, when gold has corrected, or when traditional 60/40 positioning has rallied in benign growth-with-disinflation conditions. However, we believe the strategy improved expected outcomes across the regime range relative to a static allocation by accepting that it will sometimes underperform in any single regime for which a more concentrated portfolio is optimized. The strategy is not designed to maximize

return in any particular environment. It is designed to preserve capital across the environments that follow from current macro uncertainty.

## V. Sources and Disclosures

### Sources

1. Dollar reserve share data: International Monetary Fund, Currency Composition of Official Foreign Exchange Reserves (COFER) database, Q3 2025.
2. Central bank gold purchases: World Gold Council, Quarterly Gold Demand Trends, Q1 2026.
3. U.S. dollar role analysis: Federal Reserve, "The International Role of the U.S. Dollar — 2025 Edition," FEDS Notes, July 2025.
4. Cross-border payment infrastructure: People's Bank of China, CIPS Annual Report 2024 (approximately \$24.5 trillion processed, up 43% from 2023).
5. U.S. fiscal projections: Congressional Budget Office, "The Long-Term Budget Outlook: 2025 to 2055," March 2025, Publication 61187.

### Performance Disclosures

*Performance figures reflect a representative live account drawn from the IRON Incertus composite, shown for illustrative purposes. Individual account results may differ materially due to timing, cash flows, fees, account-specific constraints, and other factors. The selected windows discussed (early 2026 dollar weakness and tariff volatility; late February 2026 Iran-related risk-off) were favorable for the strategy's positioning. Performance in other periods has been less favored. Longer-period composite performance, regime attribution, drawdown statistics, and benchmark comparisons are available on request and should be reviewed before any investment decision.*

*Past performance is not indicative of future results. The strategy can and will experience drawdowns. No representation is made that the strategy will perform as it has in the past, or that it will outperform any benchmark or alternative strategy.*

### Other Disclosures

*This material is for informational purposes only and does not constitute investment advice, an offer to buy or sell any security, or a solicitation of any kind. The macro-observations and framework discussion reflect the views of the authors as of the date of publication and may change without notice. References to specific data points, market participants, and third-party estimates are sourced from publicly available materials as cited above.*

*Prospective investors should consult their own financial, tax, and legal advisors before making any investment decision. The strategy may not be appropriate for all investors. Investment in any strategy involves risk of loss, including potential loss of principal.*