

Amplia's monthly investor letter



The Two Towers

When Saruman the Wise of Isengard began to study the enemy's tools a little too closely, it was not in order to understand them — but in order to use them. In J. R. R. Tolkien's, *The Lord of the Rings*, his betrayal is not a sudden moral collapse, but a slow shift: from guardian of balance to an actor in the very same power game as Sauron himself. Gandalf was always the subtler force, the one who understood that real strength rarely resides in towers, armies or machines, but in the ability to bind together wills and alliances.

Our own time has found its Saruman. The United States, under Trump, has begun to play by the same raw transactional logic as its rivals: power against power, threat against threat, loyalty traded for immediate gain. This is not a break from its history — but it is a rupture with the order that carried the post-war world. When the strongest actor changes the rulebook, everyone else must reassess their relationships.

That is when the smaller realms are put to the test. In Tolkien's world it was Rohan and Gondor that had to decide whether old oaths still held. In ours, it is Europe. Alliances are never most valuable when the sun is shining, but when darkness falls and every actor must choose whether to stand alone — or together.

Performance: The Shire

January was positive for most equity markets. The United States finished close to flat, as the dollar — despite rebounding after the announcement of the new Fed chair — fell by 1% against the euro. South Korea's Kospi index returned 25%, but should be seen more as an equity basket than a true index, since Samsung alone accounts for more than 20%.

30.01.2026			Return mtd	Return ytd	Return 12m
Equities	Currency		(eur)	(eur)	(eur)
World	USD		1,3 %	1,3 %	18,8 %
Emerging Markets	USD		7,9 %	7,9 %	41,7 %
US	USD		0,5 %	0,5 %	14,9 %
EU	EUR		3,2 %	3,2 %	17,4 %
UK	GBP		3,6 %	3,6 %	24,5 %
Japan	JPY		6,3 %	6,3 %	37,8 %
South-Korea	KRW		25,2 %	25,2 %	129,4 %
China	USD		1,4 %	1,4 %	30,9 %
Finland	EUR		1,7 %	1,7 %	27,8 %
Sweden	SEK		7,4 %	7,4 %	16,6 %

			Return mtd	Return ytd	Return 12m
Bonds	Currency		(eur)	(eur)	(eur)
Euro Government	EUR		0,7 %	0,7 %	2,3 %
US government	USD		-1,0 %	-1,0 %	4,8 %
Europe IG	EUR		0,7 %	0,7 %	4,1 %
US IG	USD		-0,8 %	-0,8 %	6,7 %
EU HY	EUR		0,7 %	0,7 %	5,6 %
US HY	EUR		0,4 %	0,4 %	5,6 %
Emergin Markets HC	EUR		0,2 %	0,2 %	8,2 %
Emergin Markets LC	EUR		0,1 %	0,1 %	1,9 %

Source: Amplia, Bloomberg

Bonds also delivered a positive return on average, although both European and US government bonds were negative over the month.

Macro: Isengard

Although GDP growth, especially in the US, looks strong for the coming year and inflation appears contained, a great many stars must align for macro data in the near term to meet expectations. The problem, in other words, is not

that the environment looks relatively promising, but that most paths forward are likely to lead to some form of disappointment.

The central macro question going forward is whether the productivity gains from AI actually deliver. The first immediate indications will come through revenue and margin developments for companies in this sector during the coming earnings season. A positive trend in profitability and demand within AI would suggest that reality matches expectations. In the coming weeks we will know more — but the bar has been set high.

Even if growth and inflation are currently moving in investors' favour, a series of political and geopolitical events could alter how we view the prospects for the expected rosy economic outlook. And while US domestic politics has typically had little impact on markets beyond direct stimulus and fiscal policy, unusually strong winds are now blowing.

Trump is in practice conducting a hostile takeover of the Justice Department, the FBI, the Fed, the BLS and the BEA. If rules and statistics are politicised, no one knows any longer what is true. These are classic reasons why capital flees.

For example, after Trump fired its head, the Bureau of Labor Statistics (BLS) has reported massive downward revisions to employment figures for the Biden presidency. Revisions in themselves are not unusual, but what was done here followed Trump's playbook exactly. Not proof — but a signal.

The Fed's independence has been debated for some time, and the appointment of Kevin Warsh as chair has eased some market fears, but the day the market believes Fed decisions are coming from the White House, both US Treasuries and the dollar will be punished hard.

Geopolitics today is a potential cluster bomb. The situation around Greenland appears to have calmed, but an attack in Iran by either side is entirely plausible. From a game-theory perspective, a pre-emptive strike could be optimal for both the US/Israel and Iran — with far-reaching consequences for oil prices (and thus global growth) if Iran were to close the Strait of Hormuz.

The situations in Venezuela and Taiwan could also generate political tensions, even if the probability of military conflict remains relatively low. The claim that the White House is playing three-dimensional chess looks increasingly absurd as geopolitical tectonic plates shift against the United States. A more accurate analogy would be one-dimensional Candy Crush.

Valuation: Helm's Deep

Markets already price in a rather ambitious script for 2026: consensus expects over 14% earnings growth in the S&P 500 and continued high single-digit revenue growth, which in practice requires EBIT margins to hold up or even drift higher rather than erode.

In Europe the story is more one of "normalisation": 10–11% earnings growth driven by 3–4% revenue growth and a recovery in margins from weaker comparison years. This earnings season therefore becomes a test of two things: guidance (not history) and cost discipline, especially in light of AI-related investment spending that may pressure free cash flows. At the index level, a large share of US earnings growth is still expected to come from AI-exposed megacaps — in some strategists' analyses close to "half" of total growth.

If Ukraine reaches peace, European multiples could receive a more poetic re-rating: lower geopolitical risk premia, a softer energy drag, and expectations of reconstruction — a small discount that could unwind even without positive earnings surprises.

Sentiment: Lothlórien

The most striking feature of today's market is not what is happening — but what is not happening. Geopolitics is stretched to breaking point, interest rates are tight and US politics increasingly erratic, yet equity indices hover near their historical highs and implied volatility lies flat like a mirror-smooth lake. This is a classic sign of a market in which risk is no longer priced — but neglected.

When the VIX and credit spreads signal calm while volatility in gold and silver surges, we get exactly the sort of divergence that often precedes a regime shift: cautious money is scrambling for protection, while index money continues to chase momentum.

Beneath the surface, the cracks are clearer. Market breadth has weakened, small caps and cyclical sectors are lagging, and the rally is increasingly carried by a narrow group of megacaps — essentially the same stocks carrying the AI narrative. This creates a psychological asymmetry: as long as these few stocks rise, the whole market feels safe, but when they falter, there is very little underlying support. Positioning reflects this. Portfolios are full of risk, but short of real insurance. Options are cheap, but few own them.

At the same time the dollar is sliding, acting both as a quiet stimulus for the US and a warning sign for the rest of the world. For foreign investors, a falling dollar is already a hidden cost, and if the move accelerates it may begin to function as a kind of financial tariff wall. In such conditions, sentiment often turns quickly — from complacent calm to sudden nervousness.

In short, we are in a state of comfortable imbalance. The market looks calm, but it rests on fragile expectations, thin breadth and a narrative that can no longer tolerate many cracks. It is rarely at such moments that one should stop being vigilant.

Allocation

Despite the war horns of geopolitics and the striking calm of the market, we maintain our equity overweight with an even tighter grip on the shield than before. After a high-pressure day, the most likely weather, as we know, is another high-pressure day. The challenge of staying calm and retaining the ability to contemplate transactions grows with every day the high-pressure system persists — but each day also rewards the investor with slightly higher average returns.

We have defined a psychological line at which the market's stoic calm may break. If the VIX (the index of how much investors are willing to pay not to carry downside) closes above 24, that is a threshold comparable, in sentiment terms, to Caesar crossing the Rubicon. The longer the high-pressure lasts, the more sensitive the market becomes to such tactical lines — and the more violent the reaction when the weather turns.

For now, we hold on to the overweight, corresponding to about 40 - 50% of the maximum possible overweight, but we stand ready to act if sentiment — or a clear catalyst — demands it.

Until then, we hold our breath and enjoy the ride.

3 February 2026

Kind regards,

Mikael Simonsen