

# Amplia's monthly investor letter

## The Narrative

In the film *Wag the Dog* (1997), a sitting U.S. president becomes embroiled in a scandal just before the election. To divert attention, a fictitious war is staged – complete with fabricated news coverage and a rapidly mobilised narrative.

The film is a satire on how stories can overtake reality. For financial markets, this remains a timely reminder: it is often the narrative – not the objective event – that drives price formation.

## Performance

Equity markets were broadly positive in February. The United States was the exception, primarily due to the heavy weighting toward the technology sector, which had a weak month. Capital instead flowed toward emerging markets, Japan and the Nordic region.

27.02.2026			Return mtd	Return ytd	Return 12m
Equities	Currency		(eur)	(eur)	(eur)
World	USD		1,1 %	2,4 %	7,9 %
Emerging Markets	USD		5,8 %	14,2 %	28,9 %
US	USD		-0,5 %	0,1 %	4,2 %
EU	EUR		3,9 %	7,2 %	16,8 %
UK	GBP		5,8 %	9,6 %	21,3 %
Japan	JPY		9,9 %	16,7 %	32,0 %
South-Korea	KRW		22,7 %	53,7 %	142,3 %
China	USD		1,9 %	3,3 %	13,5 %
Finland	EUR		5,9 %	7,8 %	29,4 %
Sweden	SEK		5,5 %	13,4 %	23,2 %

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

Source: Amplia, Bloomberg

Fixed income markets developed steadily. Longer government bond yields declined during the month and contributed broadly to positive returns.

## Macro

The U.S. and Israeli strike on Iran was not unexpected in itself, but the scale – both of the attack and the response – exceeded what markets had initially discounted. The truly sensitive point, however, is the Strait of Hormuz. Iran has threatened to disrupt traffic through drone or missile threats as well as minelaying. Formally, it has stated that the strait will not be closed, but several shipping companies have paused traffic pending greater clarity. Even without an official blockade, practical disruptions may occur.

Crude oil is currently trading around USD 73 per barrel, approximately USD 15–20 higher than before the conflict came to be seen as unavoidable. As long as prices remain within the USD 70–90 range, the effects are primarily psychological and sentiment-driven. If disruptions persist and Hormuz becomes an actual bottleneck, higher oil prices could gradually affect inflation and thereby growth conditions.

During the 2000s, Goldman Sachs estimated that a sustained USD 10 increase in oil prices reduced global GDP growth by approximately 0.1 percentage points per year. At that time, economies were more oil-intensive than today. A reasonable assessment is that current sensitivity is roughly half of that. If oil

stabilises in the USD 75–85 range, the lasting impact on global GDP growth would likely be limited to around 0.1 percentage points.

If we further assume that energy prices indirectly influence core inflation by 0.1–0.2 percentage points – despite being formally excluded – central banks' room for maneuver would shrink accordingly. The larger risk lies in this transmission channel.

The optimistic view of the economy, particularly in the U.S., has to a large extent rested on the assumption that “AI will improve everything.” At the start of the year, we have seen the technology-heavy Nasdaq index decline while several non-U.S. markets have advanced. Is this a sign that the AI hype has reached its peak?

From a macroeconomic perspective, three elements must be kept separate:

1. Direct impact on GDP growth
2. Valuation levels
3. Long-term productivity gains

In the short term, AI investments function as demand support. The largest technology companies are expected to invest around USD 600 billion in 2026, corresponding to just under 2 percent of U.S. GDP. As long as these investment plans remain intact, they represent a tangible growth impulse – independent of daily share price movements.

A decline in valuations affects financing costs, but a correction of a few percent does not fundamentally alter investment willingness. Real capital will still be deployed.

Over the longer term, the question becomes structural. If today's investments lead to lasting productivity improvements, potential GDP growth could strengthen. Labour-intensive sectors – particularly administrative and knowledge-based services – may produce more with the same input. This effect is largely independent of the P/E multiple at which technology companies happen to trade.

It is therefore possible that a lower valuation level in the sector represents a healthy normalisation rather than a signal of declining real economic potential.

Over the very long term, however, a more philosophical question arises: if productivity gains are realised primarily through reduced labour rather than increased output, we may face a cyclical environment characterised by strong growth but weaker labour markets. That is a discussion about distribution, taxation and ownership – not yet about the market's immediate dynamics.

## Valuation

Approximately 96 percent of S&P 500 companies have reported Q4 2025 results. Around 73 percent have beaten expectations on both EPS and revenue – slightly below historical averages but still robust. Weighted earnings growth is estimated at approximately 14.2 percent year-on-year, marking the fifth consecutive quarter of double-digit growth. Revenue growth of 9–9.4 percent is the highest since Q3 2022.

Net profit margins stand around 13.3 percent – the highest since records began in 2009. Guidance for Q1 2026 has been mixed, but the share of negative guidance is below average, which can be interpreted constructively.

In Europe, the earnings season has been weaker. Consensus points to a decline of approximately 0.6 percent year-on-year in Q4 2025 – better than earlier fears, but clearly below the U.S.

The heavy weighting toward technology and growth companies in the S&P 500 means that a significant portion of the index's value is derived from cash flows far into the future. The longer the earnings duration, the greater the sensitivity to changes in discount rates and growth assumptions.

P/E	Change in riskfree rate	Change in growth	Change in risk premium	Return
30	0,20 %	-0,10 %	0,50 %	-24,0 %
25	0,20 %	-0,10 %	0,50 %	-20,0 %
20	0,20 %	-0,10 %	0,50 %	-16,0 %
15	0,20 %	-0,10 %	0,50 %	-12,0 %

Source: Amplia Wealth

The table above illustrates this schematically: the same change in rates, equity risk premium or growth generates larger index movements at higher P/E levels. The U.S. market performs better – but it is also more expensive and therefore more sensitive.

The conclusion is clear: the need for diversification increases, both geographically and across sectors.

## Sentiment

Sentiment has softened since the turn of the year, and volatility temporarily moved above 24 on the VIX index in connection with the Iran events. For a structural signal to be generated in our process, however, the index would need to establish itself above that level.

A break below the 100-day moving average in the S&P 500 would open the way toward the 200-day level, approximately 4 percent lower.

The dominant narrative prior to Iran was the relative weakness of the technology sector. The question is whether sentiment can hold if AI optimism cracks. Analytically, the answer is yes – real investments and valuation adjustments are distinct phenomena. Markets, however, do not always move in line with analysis. If the discounted Goldilocks scenario fails to materialise, even a minor crack may quickly be interpreted as a structural flaw.

A genuine regime shift would most likely be triggered only if oil prices exceed USD 100 per barrel. At that point, the narrative would shift from a geopolitical episode to an oil crisis and imported inflation.

## Allocation

Our base case remains intact: at present, we see no lasting structural damage to financial markets as a result of the events in Iran, provided the conflict does not broaden.

A VIX level above 24 and oil prices above USD 100 per barrel function as our central risk markers. A temporary breach in a news-driven environment would not in itself prompt immediate action.

We currently assess the situation primarily as a volatility event rather than a regime shift.

Portfolio diversification has functioned as intended. Year-to-date returns confirm this. Through the scenario analyses embedded in our roadmap, we have avoided tactical reallocations that, in hindsight, would have proven unnecessary. Our discipline consists in acting when our defined parameters change – not when headlines do.

Process before forecast.

2 March 2026

Kind regards,

Mikael Simonsen