

CAP Focus

Allocation in Equities

27 January 2026

Market Theme (p.3) : Stock Market Theme in 2026: A New Geopolitical World Order?"

- CAP is this time sharply focusing on the new world order that the Trump administration evidently aims to establish during its tenure. The USA has three key strengths, where Europe and Denmark need to find new solutions. These three are Defence, Digital Economy, and Finance. While the build-up of Defence in Europe is well underway, it currently seems challenging to find stock alternatives in the Digital Economy. Regarding Finance, there are strong indications that we have entered a period where financial decoupling is on the agenda. CAP points out that decoupling can occur through, among other factors, a weaker US Dollar and the devaluation of the AI theme.
- **Equity Market Themes, Performance & CAP Weightings (p.4)**
 - The themes that have performed best in the past month are four of CAP's overweight (OW) themes: Security, Defensive, and Quality Energy Infrastructure. Other OW themes that have performed better than the global stock market in the last month are Value and Quality Pharma. Among the underweight (UW) themes, Cyclical are among the best performers, while the UW themes performing poorly are Luxury Goods, AI, MEG7, and LT Growth. This time, CAP has adjusted its current stock market themes and is closing one of 2025's high flyers, the Financial Industry: 'High for Longer,' in favour of opening the OW theme: Inflation.
- **Return Charts 12 mth: Equity Investment Styles & Themes (pp.5-7)**

CAP

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Market Theme. In Brief

Stock Market Theme in 2026: A New Geopolitical World Order?"

Managing Stock Rotations in 2025 and Beyond

2025 presented us with a series of remarkable stock market rotations that many investors overlooked. This includes the rotation from US to Non-US equities, from Growth to Value, from Cyclical to Defensive stocks, and from Conventional Energy to Alternative Energy (see pp. 5-6). Many of these rotations occurred relatively unnoticed, as global stock markets in 2025 solidly rose across most GICS sectors (excluding Consumer Cyclical). Nevertheless, investors who rotated out of overbought and expensive US growth stocks into cheaper regions and factors have pursued an investment strategy that has indeed delivered results.

Dominance of the MEG 7 Continues

Whether the global stock market rises or falls in 2026 will largely depend on the performance of the US MEG 7 stocks. This week, for instance, we await the fourth-quarter results from Microsoft, Meta, and Apple (Wednesday-Thursday), which will undoubtedly set the tone in the short term.

Trump on the Warpath: New Non-US Alliance Partners Needed

As we all know, the Trump administration has been quite aggressive this January. Notably, the World Economic Forum in Davos has evidently created a consensus among global leaders that new non-US alliance partners must be sought. These partners should share the desire for rule-based economic cooperation and trading, in contrast to the subservience that the Trump administration seems to demand from Europe, Canada, and Latin America. The latest example indicating a significant structural shift in the world order, which has been the profitable framework for our equity investments for decades, is **a**) the trade agreement between China and Canada regarding electric vehicles, and **b**) the major trade agreement in progress between the EU and India.

A New World Order: What Should We Expect?

What should we anticipate from a new world order? Regardless of whether we ultimately end up with a new geopolitical framework where major nations dictate reality for smaller and medium-sized countries, we must contend with the Trump administration for the next three years. Who knows if the USA—post-Trump—will reconsider its dominant positions? Canadian Prime Minister Carney mentioned in a widely publicised speech at Davos that the USA has strengths in three areas that are currently irreplaceable: Defence, Digital Economy, and Finance. For CAP, Carney's three areas are part of our thematic roadmap for 2026.

Defence Theme Remains Dominant

When we discuss Defence, the theme has started strong in 2026, with EU defence companies dominating both our Security Theme (see p. 4) and our two focus portfolios (see some of our stock picks p. 4). A peace settlement between Russia and Ukraine could potentially deflate the theme in the short term, but the likelihood of that remains low as of now. Simultaneously, the Greenland crisis has undoubtedly taught Denmark and Europe that regional defence is ultimately our own responsibility, at least while Trump is president.

Digital Economy: Are There Non-US Alternatives?

In the realm of the Digital Economy, CAP is still on the lookout for non-US companies capable of liberating the world from dependence on firms like Nvidia, Apple, Meta, and Alphabet. Asian companies such as Samsung and DeepSeek may provide some solutions; however, CAP primarily seeks companies from the EU, UK, and Canada to find digital alternatives to the American giants. We have quite a way to go toward independence from US firms. Our global portfolio (see current stock picks p. 4) will likely continue to hold one or more of the MEG 7 companies we find most attractive... even in 2026.

Financial Decoupling Has Yet to Begin, but the US Dollar is Central

Investors have not yet seriously engaged with a theme like "Financial Decoupling from the USA." For instance, Danish pension funds are currently reducing their exposure to the USA via US Treasuries. The significant shift will occur when investors substantially reduce their holdings of US stocks. CAP identifies two main drivers behind such a reduction. **The first** is a weakening of the US Dollar. **The second** is a devaluation of the AI stock theme. Regarding the US Dollar, CAP anticipates further declines. The US Dollar faces challenges due to Trump's threats regarding the Federal Reserve's independence—primarily an attempt to lower US interest rates. Additionally, rising US inflation and trade conflicts are negative factors for the Dollar. For investor returns in Europe and Denmark, Trump's policies did not go unnoticed in 2025, as many suffered losses from unhedged US dollar positions in US equity holdings. CAP's recommendations for 2026 are: **A.** Hedge at least half of the US dollar exposure in American stocks. **B.** Without hedging options, reduce US equity holdings and purchase EU/DK stocks instead. Given that US stocks constitute +70% (!) of benchmarks like the MSCI World, both A and B would reflect sound risk management.

Decoupling Through Underweighting AI Theme, MEG7, and Growth Stocks

Regarding a potential devaluation of the AI theme, CAP has already issued underweight recommendations on AI, MEG7, and LT Growth (the growth factor) (see p.4). We are convinced that when the theme shifts from positive to negative, it will most adversely affect the already inflated AI stocks. The question for us is whether the theme underperforms in a bullish market (as seen in 2025) or a bearish market due to, for example, disappointed expectations regarding AI stocks' earnings growth.

New Geopolitics Trigger Theme Shift at CAP

Regardless, CAP expects that global equity investors in 2026 will continue to invest in a new world order, where exposure to non-US stocks becomes a central theme. As a new sub-theme, we are now overweighting **Inflation** (see p. 4) while simultaneously closing our overweight theme on the **Financial Industry: High for Longer**. A new geopolitical world order is not without cost for Western economies, which CAP expects will lead to higher inflation for industrial commodities and elevated inflation in the USA. □

Equity Market Themes, Performance & CAP weightings

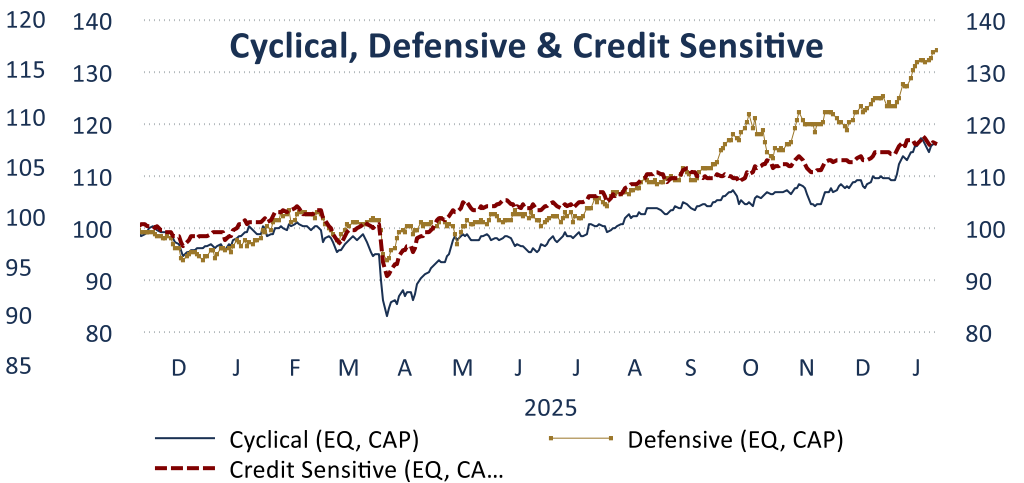
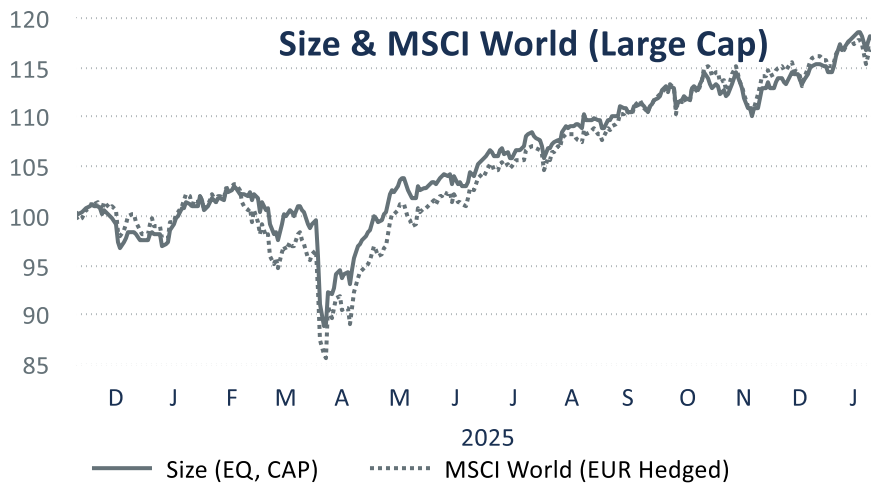
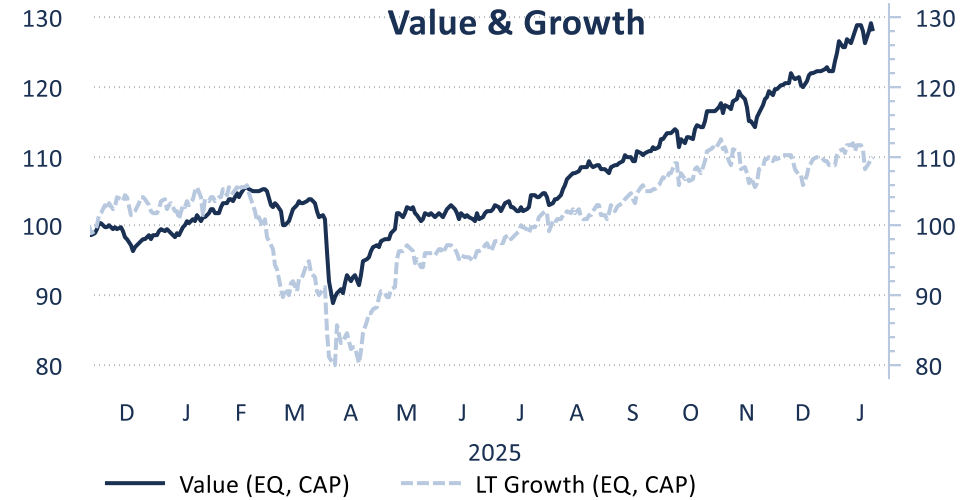
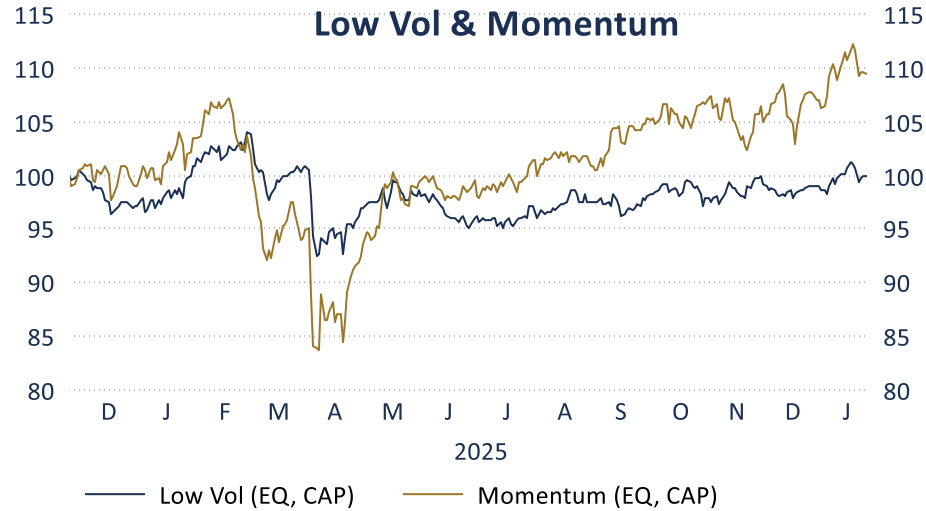
Investment Styles & Themes	CAP position	-1w	-1m	-3m	-12m	YTD	CAP Stock Picks
Security (EQ, CAP)	Overweight	-1.6%	11.2%	6.1%	38.6%	50.3%	Kongsberg/Leonardo/Dassault Aviation
Inflation (EQ, CAP)	Overweight (New)	2.2%	9.1%	12.7%	13.9%	19.8%	Norsk Hydro (New)
Defensive (EQ, CAP)	Overweight	1.9%	7.1%	15.2%	38.4%	42.3%	Carlsberg/Essity
Quality Energy Infrastructure	Overweight	1.6%	6.3%	9.8%	31.4%	39.3%	Endesa/Gaztrans. et Tech/Siemens Energy
Cyclical (EQ, CAP)	Underweight	-0.2%	5.9%	9.0%	16.6%	20.4%	Mercedes-Benz/Yara
Value (EQ, CAP)	Overweight	0.0%	4.8%	11.3%	27.3%	29.8%	Deutsche Post (New) /ISS
Quality Pharma (EQ, CAP)	Overweight	1.7%	3.8%	17.5%	15.6%	21.5%	Merck/Roche/NovoN
Size (EQ, CAP)	Underweight	-0.3%	2.2%	3.6%	16.4%	20.9%	Per Aarsleff/Lundbeck
Momentum (EQ, CAP)	Underweight	-2.0%	1.8%	3.6%	6.4%	10.5%	
Credit Sensitive (EQ, CAP)	Neutral	-1.1%	1.3%	3.3%	15.0%	18.2%	JP Morgan/Storebrand
Low Vol (EQ, CAP)	Overweight	-0.6%	1.0%	1.3%	2.1%	2.9%	Orange/Ahold Delhaize/Telenor
iShares MSCI World ESG Enhanced UCITS		-0.6%	0.6%	1.4%	3.7%	6.7%	
LT Growth (EQ, CAP)	Underweight	-1.2%	0.0%	0.5%	5.4%	7.9%	NRG Energy/TE Connectivity
Financial Industry - High for Longer	Neutral (New) ¹	-2.1%	-1.6%	8.6%	41.0%	49.0%	Nordea/SEB/Jyske Bank (New)
The Magnificent Seven Stocks (EQ)	Underweight	1.1%	-2.0%	-1.1%	18.5%	22.5%	Meta
A.I. (EQ, CAP)	Underweight	-0.4%	-4.4%	-6.5%	23.6%	28.1%	Alphabet
Value in Tech (EQ, CAP)	Overweight	-1.3%	-6.2%	-2.8%	15.9%	24.5%	Cisco/ LM Ericsson
Luxury Goods (EQ, CAP)	Underweight	-0.4%	-6.8%	-8.9%	-11.4%	0.5%	Ralph Lauren/

Note (1): From Overweight to Neutral 26/1/26

Source: C.A.P

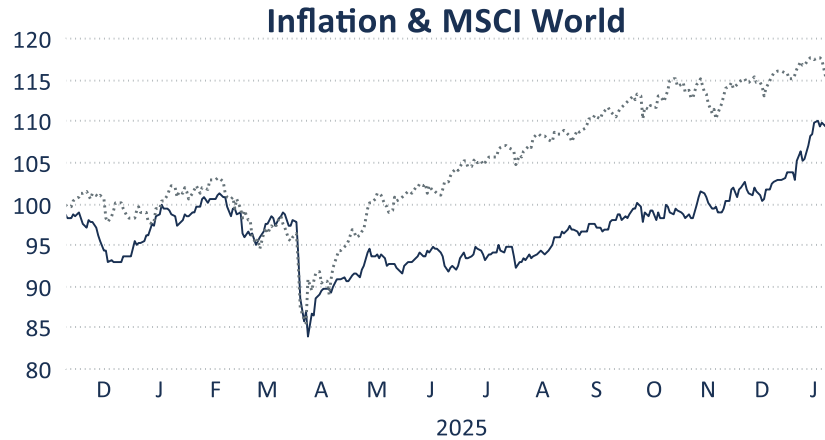
Equity Investment Styles – 12 months return

Equities. Style & Macro Factors

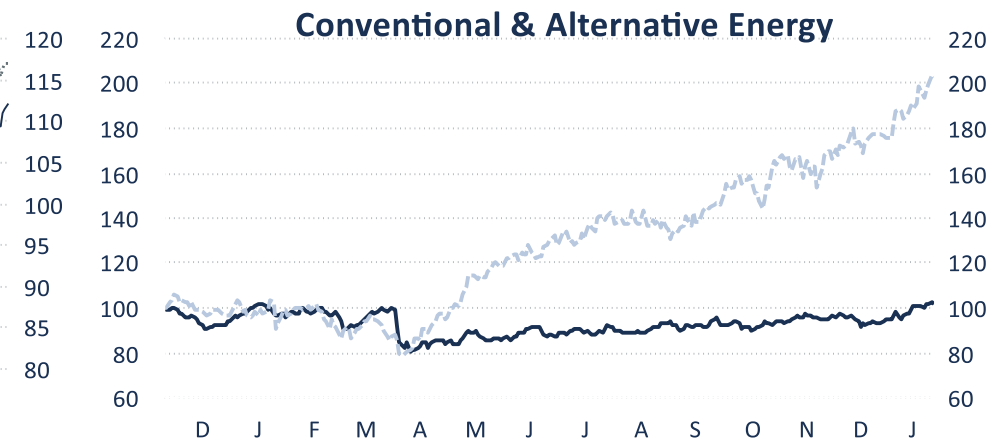


Equity Investment Themes I – 12 months return

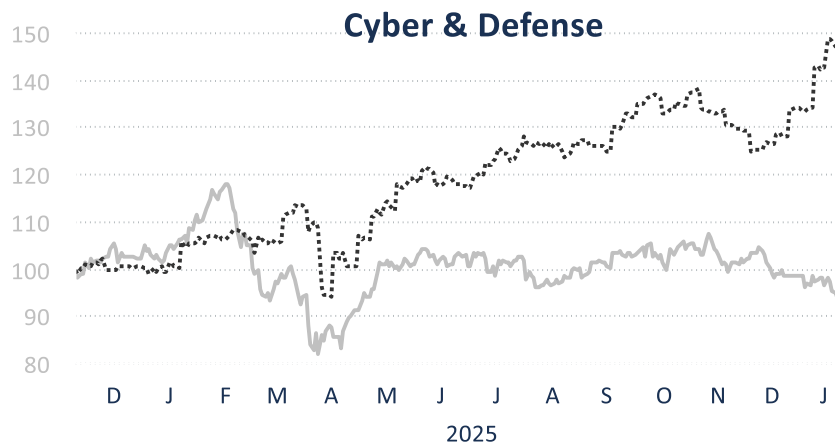
Equities. Thematic Segments



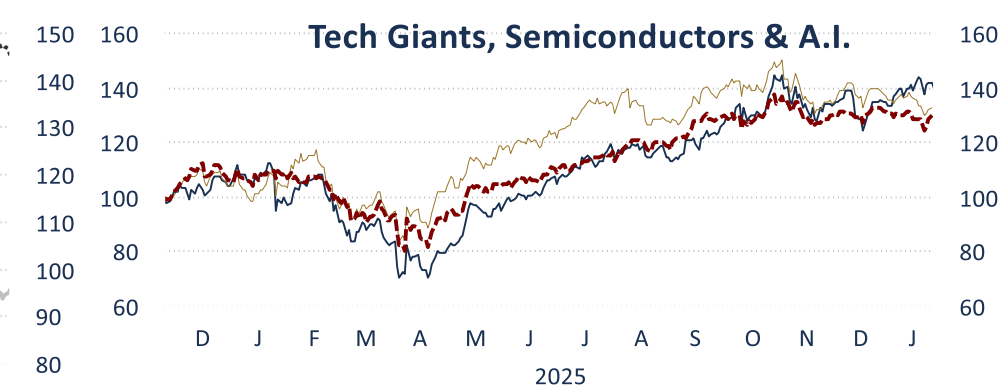
— Inflation (EQ, CAP)
 MSCI World (EUR Hedged)



— Global Energy (fossil) - - - GI. Energy(Alternativ)



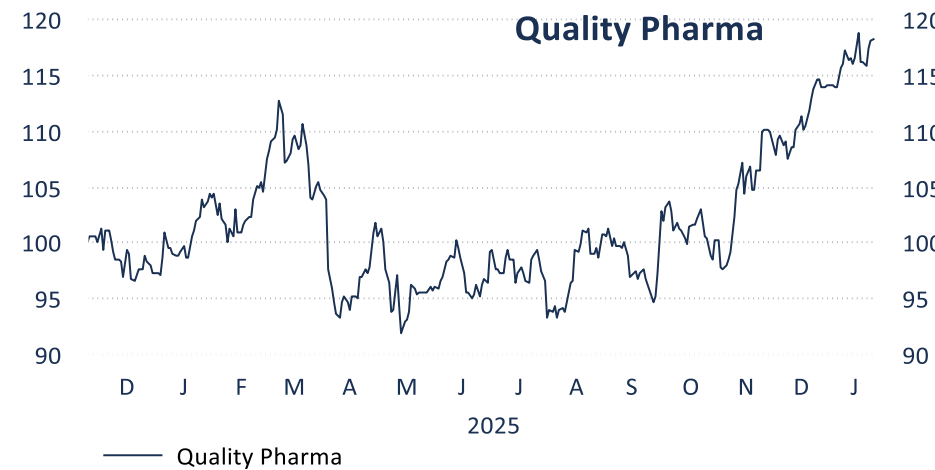
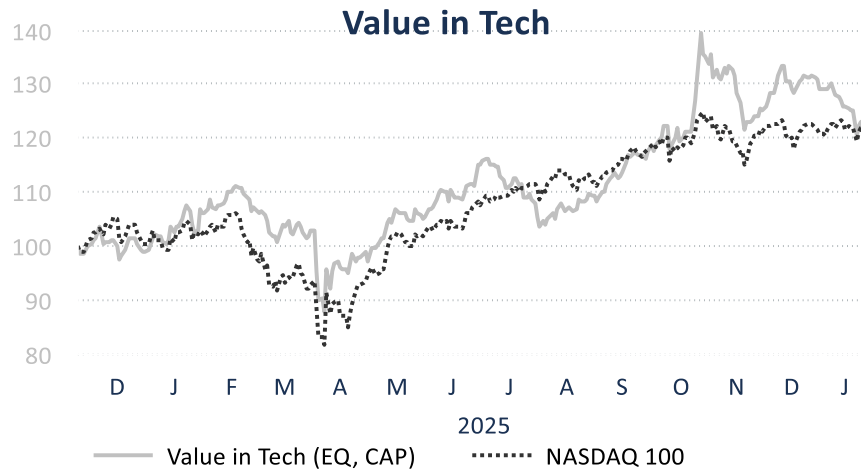
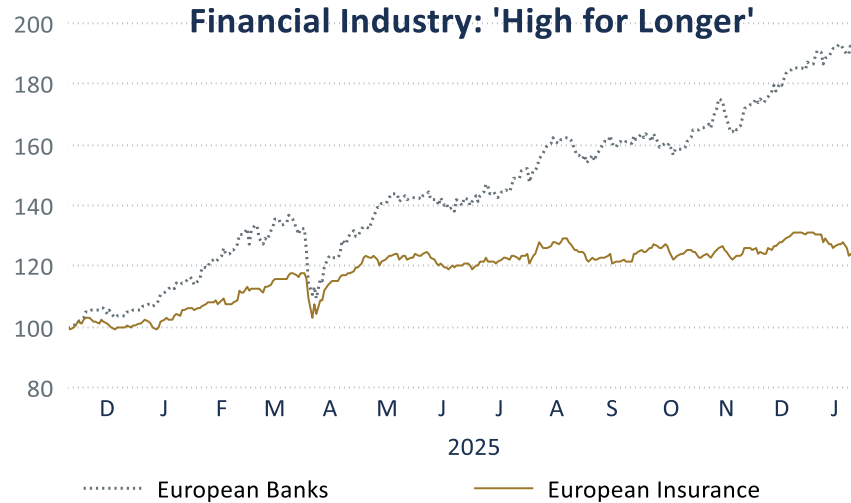
— Cyber Security (ETF) Aerospace&Defense (ETF)



— Semiconductors(ETF)
 — A.I. (CAP)
 - - - The Magnificent Seven Stocks (EQ)

Equity Investment Themes II – 12 months return

Equities. Thematic Segments



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