

BROCK MILTON CAPITAL

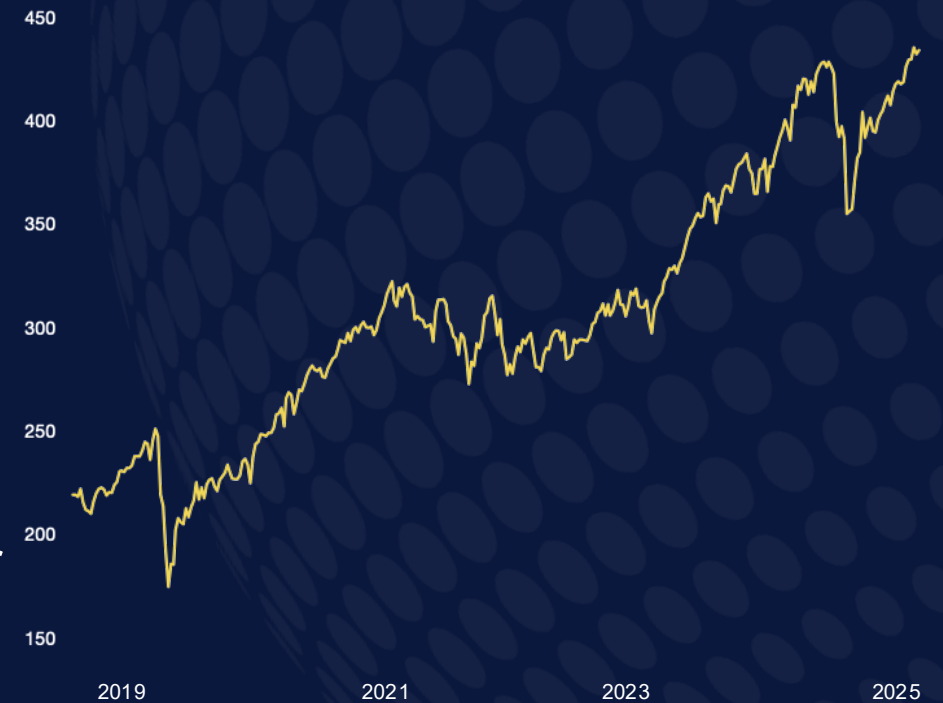
Roadmap 2026

AI-driven ripple effects to propel the bull market higher

By Ole S eberg, Equity Strategist

December 2025

MSCI World ACWI in EUR



Disclaimer



Risk information

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An investment decision should be based on the information in the fund's fact sheet, Key Investor Information Document ("KIID"), full prospectus, and the latest published annual and half-yearly reports. These documents are available at www.bmcapital.se/en and can also be acquired directly from Brock Milton Capital. Please contact your adviser for advice on placements tailored to your individual situation.

Other information

"The state of the origin of the fund is Luxembourg. In Switzerland, the representative is Acolin Fund Services AG, Thurgauerstrasse 36/38, CH-8050 Zurich, whilst the paying agent is Banque Cantonale Vaudoise, Place St-François 14, CH-1003 Lausanne. The prospectus, the key information documents, the articles of association as well as the annual and semi-annual reports may be obtained free of charge from the representative."

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Review of 2025 and main components of Roadmap 2026

Roadmaps serve as a compass, not a GPS. They provide direction but lack pinpoint accuracy and without a roadmap, navigating uncertain conditions becomes challenging.



Review 2025

2025 proved to be a volatile year that redefined the contours of the global order. The US political leadership initiated a deliberate pullback from international engagement, creating space for alternative worldviews to assert themselves. Europe received a long-overdue wake-up call — one that arguably should have come in 2014, or at the very latest in 2022 when Russia invaded its western neighbour, Ukraine.

Yet despite heightened geopolitical uncertainty, weak consumer sentiment, and several reasons to adopt a ‘risk-off’ stance, **equity markets held up well, delivering an 8% return in EUR.**

US central bank lowered rates, Europe held them steady into year end and some Asian central banks raised rates.

Key things for 2026

- **Key economic forecasts:** are for 2.9% global GDP growth and with 1.5% in developed markets
- **Monetary policy trends:** will be loose in USA, while Asia and Europe keep a tighter grip
- **The geopolitical and corporate dynamics:** will reflect the continued geopolitical tensions and a reshape of global supply chains, emphasizing localized production.
- **Market expectations:** Revenue growth of 6% and earnings growth of 10-14% and with the biggest components growing faster bodes for **10-15% return year**
- **Risks:** US valuations are in the upper end of historical ranges. Geopolitical turmoil and newsflow will unrattle investors from time to time. Check out the risk map for more details

Macro economic factors

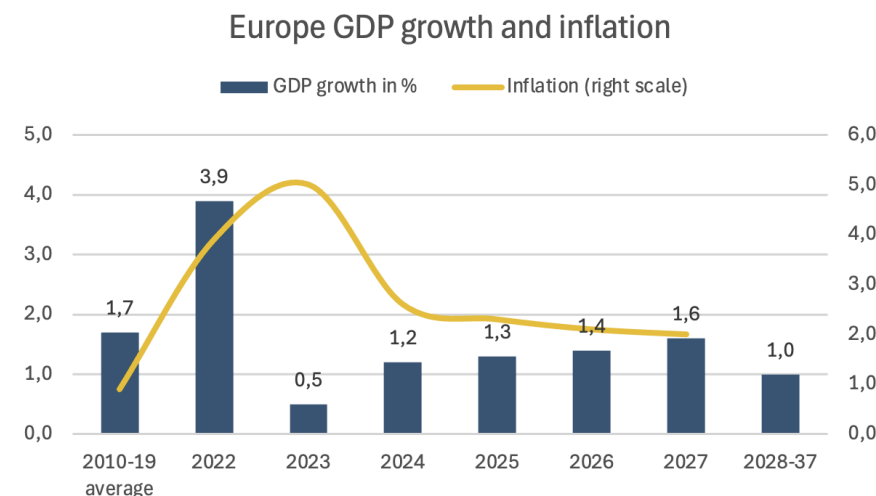
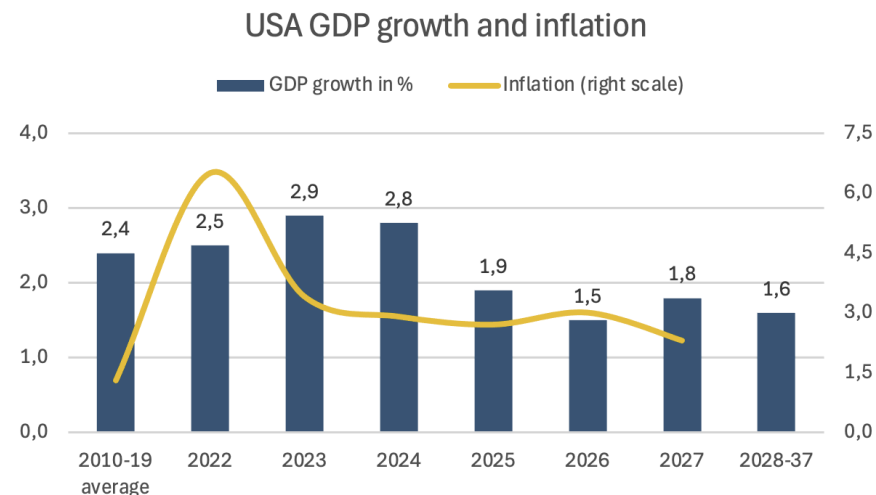
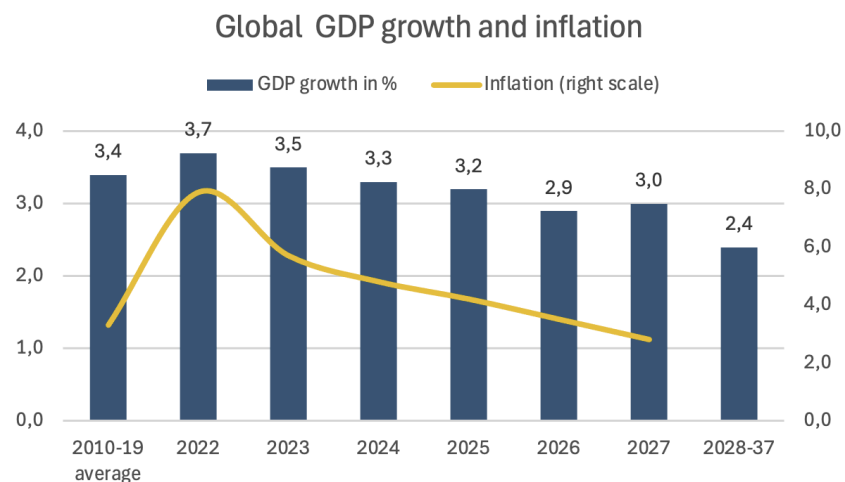


Fiscal and monetary policies are set to underpin **global GDP growth of around 3%** in 2026. Productivity growth can propel it higher.

Europe is experiencing an acceleration, driven primarily by higher defence spending and renewed investment in critical infrastructure.

In the **United States**, growth is slowing as labour-market conditions soften and inflation remains sticky. This deceleration is partly cushioned by 4.5% monetary growth and continued robust investment in AI-related infrastructure.

Across both regions, **consumer sentiment remains cautious**. Even so, strong equity markets continue to support retail spending — much as in 2025, when actual consumption outperformed what sentiment indicators suggested.



Source: OECD and Conference Board

Earnings factors



Earnings remain the single most important long-term driver of stock markets

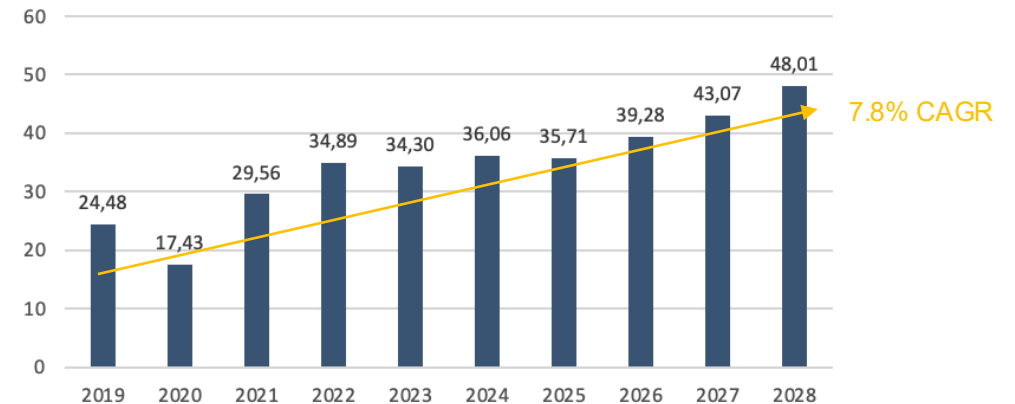
Since the 2008 financial crisis, Europe and the United States have followed markedly different policy paths; **Europe prioritised fiscal consolidation** and imposed stringent regulations on the financial sector. The **United States**, by contrast, **relied on aggressive monetary and fiscal expansion**, which helped the US economy grow faster than most other developed markets — albeit at the cost of significantly higher public debt levels.

US earnings growth has outpaced both Asia and Europe over the past decade, fuelled by the rapid expansion of digital leaders such as Apple, Alphabet, Microsoft and Meta. This momentum is not expected to fade in 2026.

Looking ahead to 2026 and beyond, however, **Europe is beginning to narrow the growth gap**. Increased defence spending and large-scale infrastructure investment are supporting a more robust earnings outlook. Combined with still-modest valuations, the long-standing perception of Europe as a structurally dysfunctional economic region may be due for an upward reassessment.



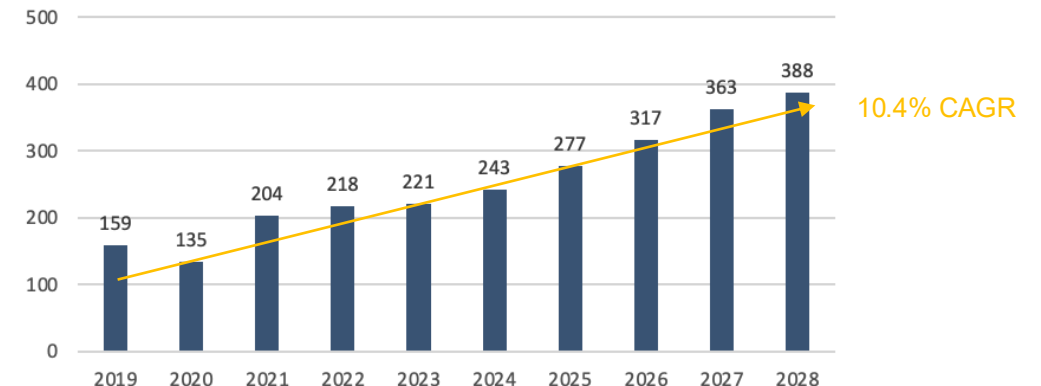
Stoxx 600 EPS
EPS CAGR 2012-25: 5.0%



Source: Own data base with updates from Bloomberg, NYSE, Refinitiv and Stoxx



S&P 500 EPS
EPS CAGR 2012-25: 7.9%



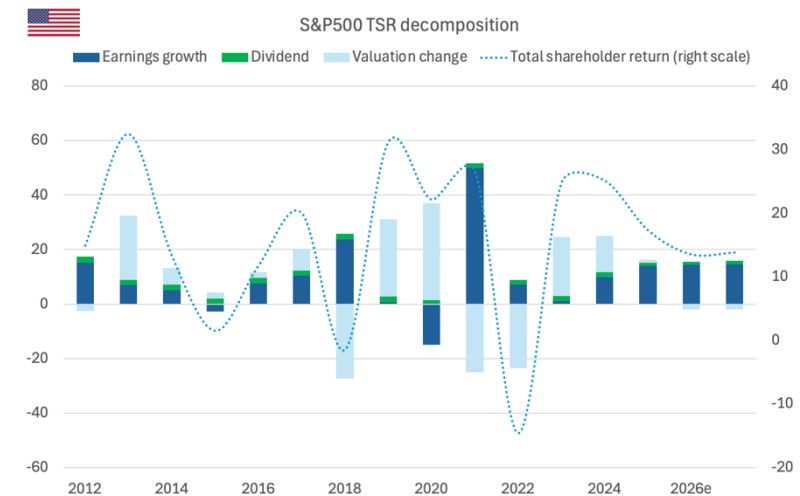
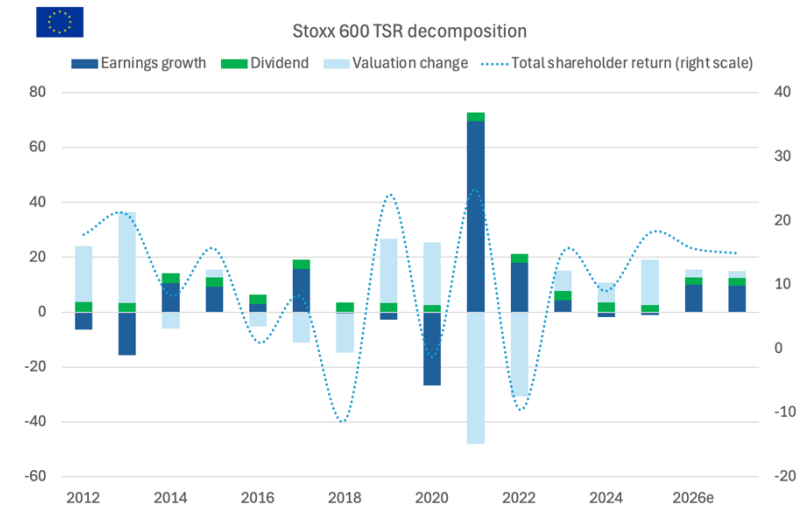
Valuation and performance components



Stock prices are primarily driven by two forces: earnings growth and changes in valuation, the latter closely linked to interest rates. Capital flows, however, also play a meaningful role. In the short term, inflows and outflows can push valuations away from fundamentals — forced selling depresses prices until buyers' step in, while excessive optimism lifts prices until investors find more attractive return prospects elsewhere.

This **price-discovery mechanism has functioned for decades, but the rise of passive investing is reshaping market dynamics.** Passive equity funds now exceed active funds (USD 20tn vs. 15tn) and allocate capital mechanically to index constituents, directing the largest inflows to the largest weights regardless of fundamentals.

In 2026, this dynamic could continue to propel the biggest index components simply because capital keeps moving into passive vehicles. Based on current earnings estimates and assuming a modest valuation expansion in Europe and a modest contraction in the US, **expected equity returns for 2026 land in the 10–15% range.** That would be a strong year.



Source: Own data base with updates from Bloomberg, NYSE, Refinitiv and Stoxx

Stock market pattern

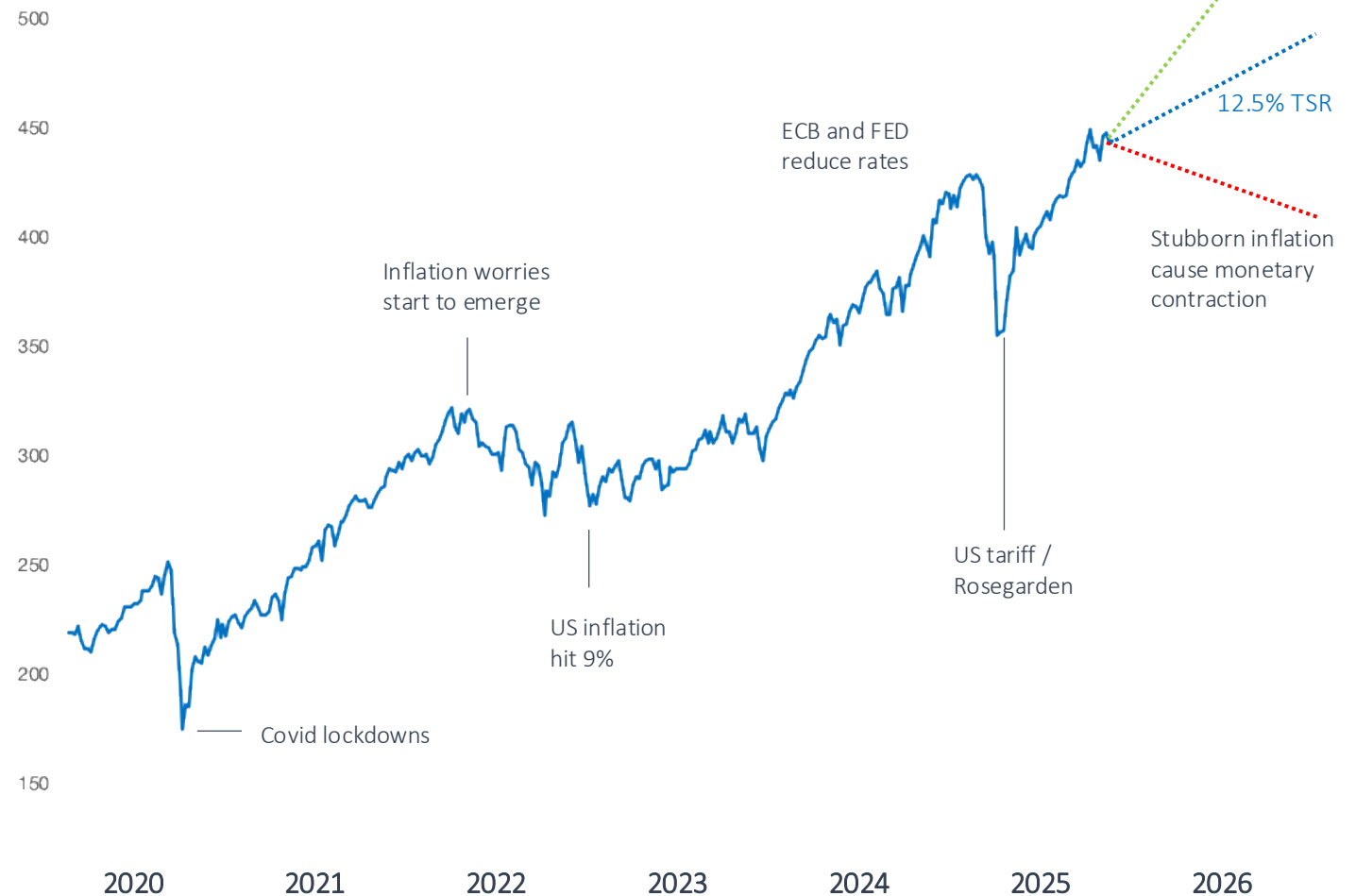
The projection in Roadmap 2026 is for 10-15% total shareholder return. Its primarily driven by earnings growth with growth acceleration in Europe and amazing 27% growth in US tech sector.

Overall earnings are expected to increase 10-14% and driven by AI infrastructure buildout, increased application and productivity gains from the use of AI as well as defense and infrastructure buildouts in Europe

Factors such as US leadership communication and actions on the geopolitical scene as well as the usual pricing volatility around quarterly corporate updates will contribute to the usual market jitters.

A year rarely goes by without a 10-20% correction, so have that on the radar.

MSCI World in EUR incl dividends



Source: price data from MSCI

Risk radar

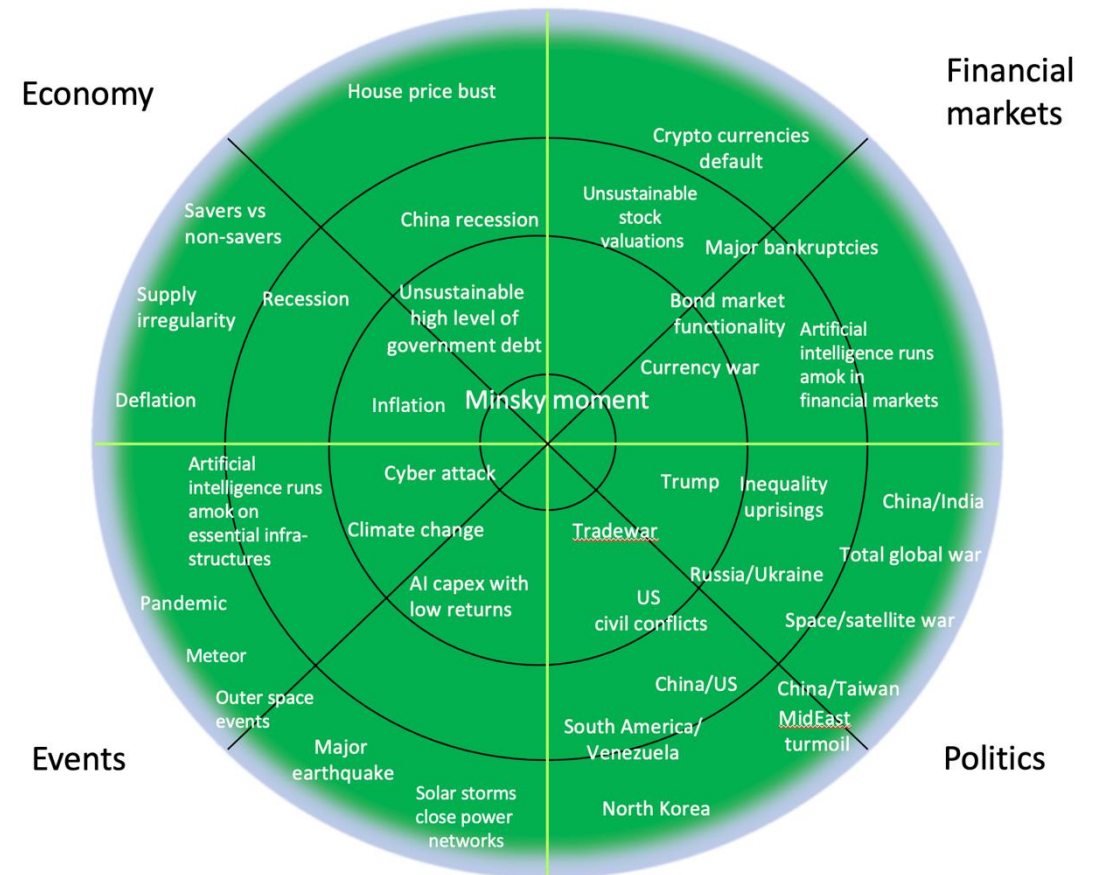


Volatility is often used as a proxy for risk, but true risk is the permanent loss of capital. The main factors that drive markets meaningfully lower include:

- **Recessions** in the economy or in corporate earnings — often following periods of excessively loose bank lending.
- **Valuations that detach from fundamentals** and subsequently revert, as seen after the TMT bubble in 2000.
- **Systemic shocks** such as war, terrorism, or a breakdown in trust in the financial system. You can run, but you can't hide.

For 2026, the most visible risks include geopolitical turbulence, unsustainable government deficits, and the possibility of low returns on large-scale AI infrastructure investments.

The radar screen to the right highlights several risk factors worth monitoring. Stay open to new information — market narratives can shift quickly, and prices can move sharply in either direction.



Source: own model

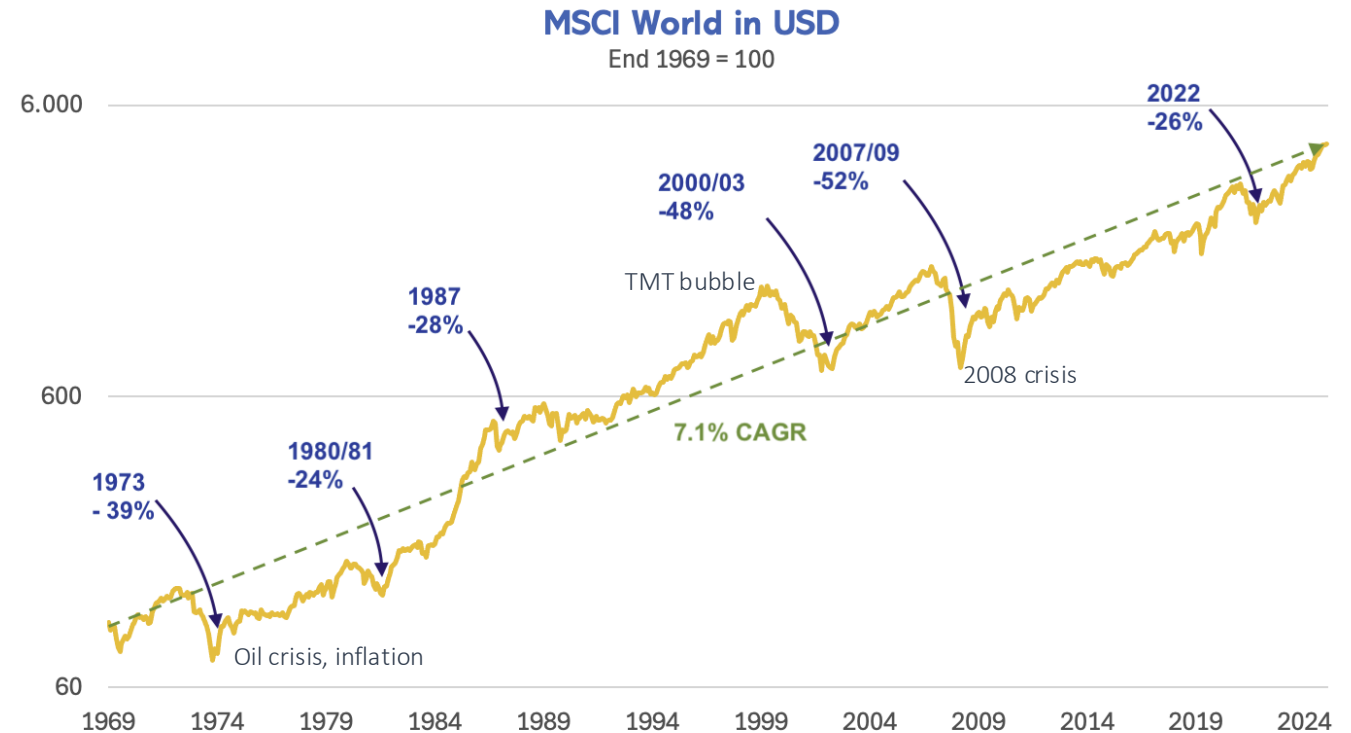


Risk and volatility in the longer perspective

Large market drawdowns do occur. Since 1970, there have been four declines of more than 40% and nine declines of more than 25%. Some of the major episodes are shown in the chart to the right. Investors should expect negative returns roughly one out of every four years.

The key lesson from those who stay invested over multiple decades is simple: **compounding is extraordinarily powerful.**

From the high-inflation 1970s through the TMT bubble of the late 1990s and into the **current cycle, the equity market has broadly tracked its long-term return profile** of around 7% CAGR. That's a reassuring backdrop, despite the media noise and commentary about an 'AI bubble' in 2025.



Source: monthly price data from MSCI

Navigating positive surprises to the Roadmap 2026



Event	How it unfolds	Action plan
Global stocks rise more than 15%	The AI technology lift productivity faster than anticipated in traditional sectors such as finance, marketing and travel services. Therefore, earnings estimates are lifted 5-10% and stocks rise	This will happen slowly, and it will be easy to see in the quarterly updates as first movers start to see better earnings, higher customer loyalty etc. Enjoy the ride
Global stocks rise 25-40%	Due to integration of AI in many processes' inflation drops to below 2% while economic pace accelerate. Passive equity funds sees massive inflows from cash/bond funds and fuel a stock market bull run not seen since 1920s and 1990s	Same monitor as above, but faster. There's stampede to get positioned in the only asset providing long term real returns; profitable growth companies. Valuations gets stretched in this scenario, but it's not a sell signal in itself
Asia and Europe takes the lead with 25-30% jump	Asia and Europe are at attractive valuations, but after a decade of US outperformance investors are not willing to pull the triggers fast. However, as stock prices continue to go 'fear of missing out' spreads and before you know it the markets are up 30%	US passive equity funds sense opportunity and capital rush to non-US equities. Be ready as this can happen rather quickly as global investors are underweight Asia, China and Europe
AI implemented improves productivity to a much broader group of companies	Companies that was otherwise doomed and are not part of an index suddenly emerge as fast earnings growth companies and with low valuations 100% stock price increases become the new hunting ground of active investors	The passive flows have left thousand of companies unnoticed and undervalued. Go hunting of these hidden gems before the passive funds discover them as they get so big in market cap that they get promoted
Quantum computer and fusion energy emerge	These new computer and energy technologies are seen as a 2040s event. Breakthru science in 2026 accelerates investor interest	Unlimited energy and computing power set in motion a massive decarbonation and cybersecurity rush . Lots of current assets become worthless
Autonomous driving release a rush for new EV's	The long-awaited self-driving cars starts rolling out on the streets and hit 1 million units forecast by mid-2027	This will change transportation services overnight as unmanned vehicles deliver people and goods a substantially lower costs than today.

Navigating negative surprises to the Roadmap 2026



Event	How it unfolds	Action plan
Stocks decline 10-15%	Inflation is sticky and starts rising in 2026. Central banks reverse monetary policies and popular high valuation stocks get hit	10-15% correction occur almost every year. Do some due diligence on the factors causing the correction and if it's nothing more than a short-term issue then use the weakness increase stocks exposure
Stocks decline 20-50%	Inflation and short-term rates exceed 4%. Central bank action cause a 4-6 quarters recession. Government debts are already high and fears of a debt collapse (Minsky moment) ripple through markets	Hard to say if this will happen in 2026. This will happen sooner or later as government debt levels are already unhealthy in some major economies. Once stock markets are down 40% its time to reshuffle into beaten up quality companies
Cyberattack(s) from Earth or Space	Unfortunately, this should not be a surprise. Major cyberattack happen quickly and can cause communication, power networks and other important infrastructure to malfunction	This risk can bring societies to a standstill. Organizations that have tried it knows is very disruptive, expensive and time consuming. You can't really prepare for this apart from prepping. And then wait until things get/if switched on again
AI runs amok in financial markets	Algorithms and AI perform more and more functions in financial markets. A software glitch (fat finger?) cause a major outflow driven sell off	Exchange authorities get caught off guard and markets plummet 20-30% very fast. Best solution is to pull the power plug. Restoring confidence will take time.
Climate change accelerates	Hottest period modern history with more violent weather episodes is already being reported by media	Unfortunately, this should not be a surprise. Things like this move like glaciers and when they crack you should not be in their way ie. avoid direct exposures such as reinsurance contracts
Oil price collapse	This is widely expected to happen as supply exceed demand, but the side effects are devastating for countries and companies in the fossil fuel industry	This could bring a recession in many countries from Brazil, to Norway, Russia and USA, so need to be monitored if it spreads to credit markets



Themes for 2026

AI-driven ripple effects propel the bull market higher

Growth pockets of the future



The global economy is currently 115 trillion USD with the biggest components being North America 31 trl USD, Europe 24 trl USD and East Asia 20 trl USD. In 2005 the global smartphone eco-system was close to zero. In 2025 it's a more than 3 trillion USD industry for hardware, apps and services with 5 billion phones in operation. Over the next 20 years lots of new eco systems will emerge and adding to global wealth and increased prosperity..

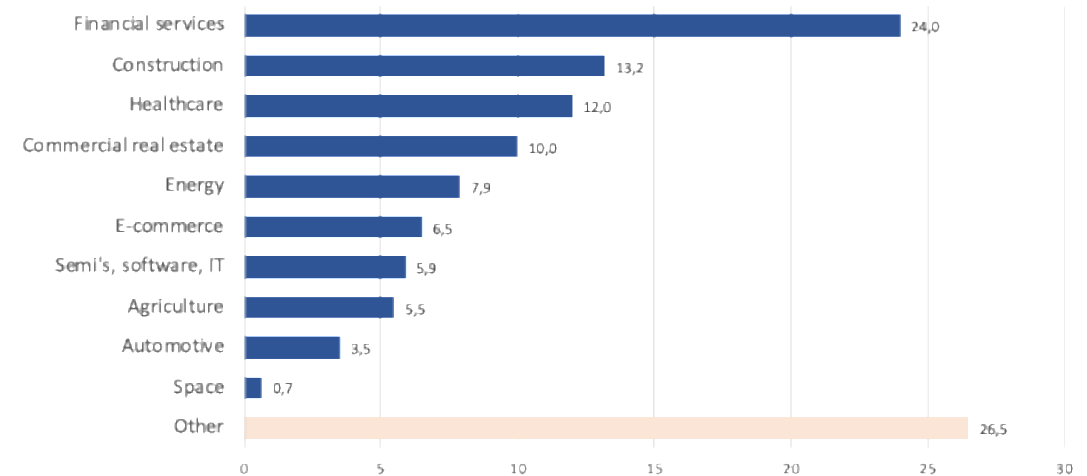
Based on OECD long term forecast the global nominal GDP in 2045 will be about 275 trl USD (185 trl USD in real terms). Most of this growth will be driven by emerging economies, particularly in Africa and Asia, where rising affluence will contribute significantly. Much of this added economic activity will fall into traditional sectors such as construction, energy and healthcare.

By 2045, an estimated \$75 trillion of the new nominal GDP will come from new industries and business models

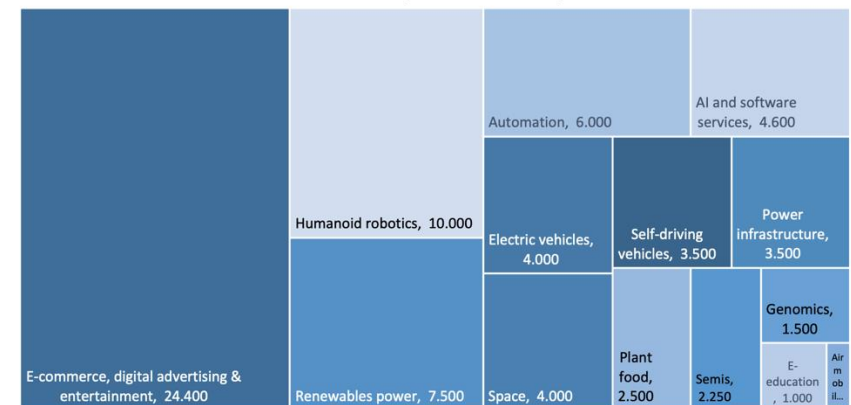
In recent years, the AI sector has seen rapid expansion. However, AI is often integrated into other segments such as automation, the passenger economy, or enabled via semiconductors, rather than existing as a standalone industry.

While the exact trajectory of these changes remains uncertain, investors need to be alert and be curious to identify emerging trends early. And new business models and products will emerge, so the matrix is by far exhaustive.

Estimated largest global industries
In trillion USD



Additional GDP contribution in 2045 vs 2025
Size increase in billion \$ - total is 75 trillion \$ nominal



Sources: own design and estimates. Based on many sources such as Allied Research, BNEF, IMF, BCG, McKinsey, OCED and company presentations

From AI infrastructure to use of AI



Generated by Copilot in December 2025

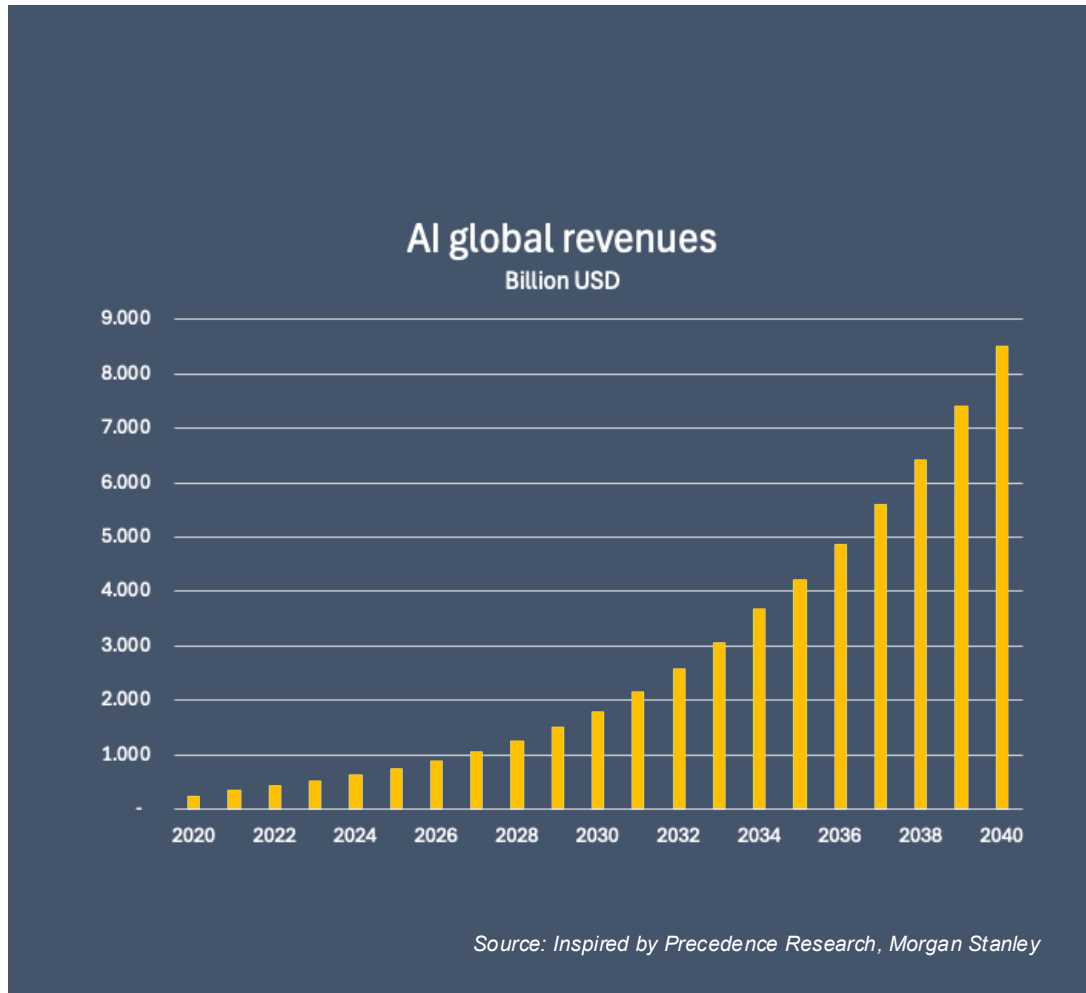
You need to build the road before you can drive on it.

Since the launch of ChatGPT in November 2022, the economic and societal impact of AI has been substantial. We are still early in the journey, and the first phase has been dominated by massive AI-infrastructure build-out — from Nvidia’s H200 and Blackwell chips to new data-centre capacity and the significant electricity required to power these power-hungry facilities.

This build-out will continue, and even larger data centres are already on the horizon. But the infrastructure itself has limited value unless its AI capabilities are put to use.

We have seen the first wave of AI adoption since late 2022, and 2026 will mark a shift toward far more user-driven experiences. Prompting will remain widespread, but we will also see the rise of physical AI — including humanoid robots and self-driving vehicles.

AI becomes physical – the rise of the robots and of other things



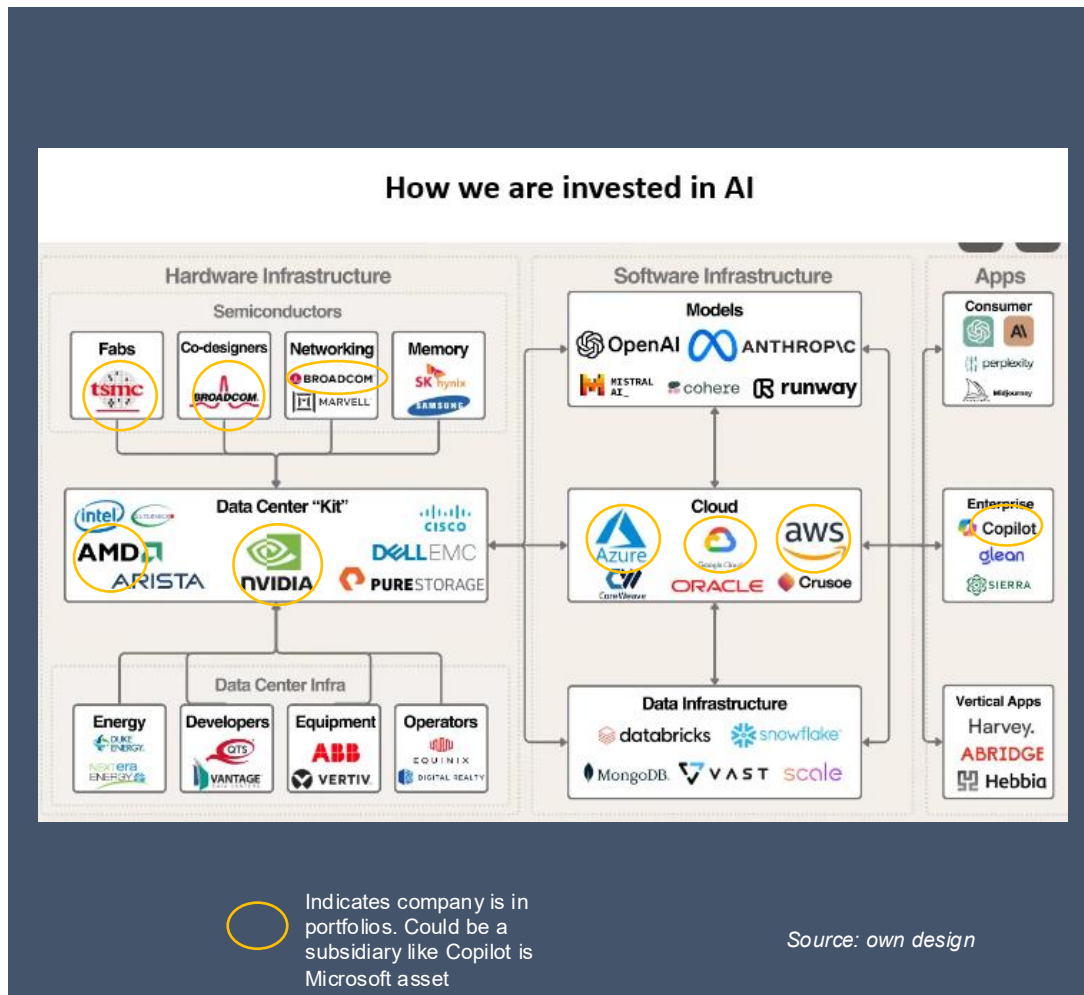
Once the road is built, the traffic follows.

When the car was invented, it initially ran on roads designed for horses and carriages. The first motorways didn't appear until 38 years later, when congestion and higher speeds made the old infrastructure obsolete.

AI is following a similar pattern. The infrastructure build-out is paving the way for entirely new products and services, and the revenue pool is set to expand dramatically over the coming decades. Robotics in manufacturing, humanoid robots in service industries, AI-enhanced sensors and vision systems for autonomous driving, advanced document-handling tools, new entertainment formats, and far more capable LLMs will all begin scaling meaningfully as early as 2026.

This emerging landscape offers a vast range of investment opportunities. Beyond the obvious infrastructure winners that have dominated since 2022, the key question becomes: how do you identify and invest in the next clusters of growth?

Brock Milton Capital exposures in the AI ecosystem



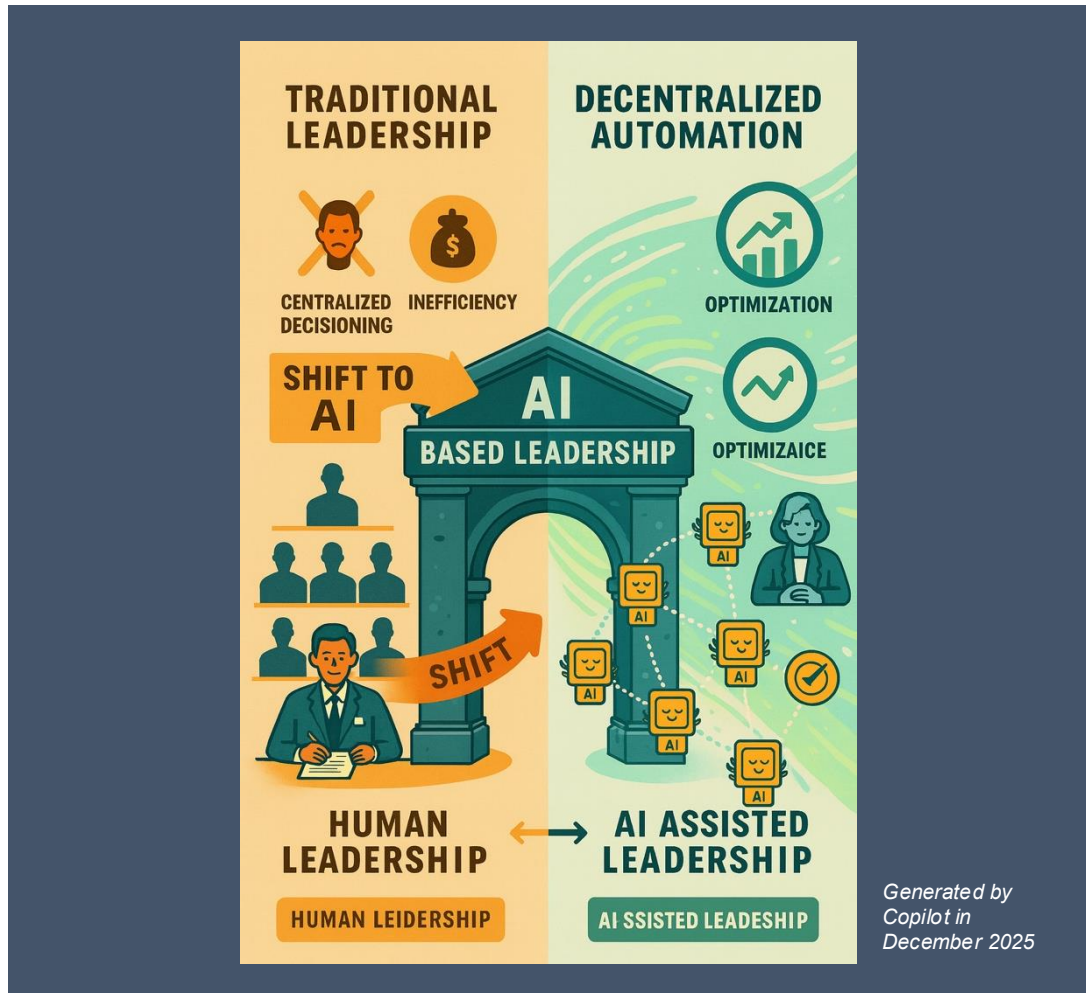
Infrastructure exposures dominate

BMC has been overweight AI infrastructure from an early stage, primarily through semiconductors. Long-term followers will recall that Nvidia and AMD were among the key performance drivers in 2023.

Today, Alphabet is one of our largest positions. With its TPU architecture—designed for AI workloads at materially lower power consumption—the company is well positioned in the infrastructure build-out. Nevertheless, throughout 2023–24 Alphabet faced considerable market scepticism, largely because investors felt the company failed to articulate a clear AI strategy. That perception has now shifted. Alphabet has joined the 4 trillion USD market-cap club as the market finally recognises the substance behind its AI efforts.

This dynamic is a useful illustration of how companies initially viewed as “behind the curve” in AI can undergo sharp perception reversals. Many firms will experience similar re-ratings in the coming years as Mr Market wakes up to new realities. These moments of recognition can be powerful value drivers.

Leadership in an AI world



AI can deliver a major profitability boost to companies not traditionally viewed as AI enablers.

Most organisations still operate with hierarchical, command-and-control structures rooted in traditional military design. Napoleon’s principle of ‘march divided, fight united’ introduced flexibility — and AI brings a similar shift to modern business.

AI-assisted leadership enables automation, real-time frontline data and faster decision-making. Cost structures across procurement, production, R&D, logistics, customer service, IT and finance will be reshaped, driving meaningful productivity gains — and higher profitability for early adopters.

In 2026, investors will start to notice traditional companies accelerating earnings through AI. How to spot them: fewer layers of middle management, rising operating margins, faster sales growth — and, importantly, management commentary that clearly reflects AI-driven execution.

That’s where active managers like Brock Milton comes in as passive funds will only discover this after it’s a fact



Welcome to Brock Milton Capital

About Brock Milton Capital

BROCK MILTON
CAPITAL

BMC manage four funds



Global Stock Market

BMC philosophy, investment process and ESG analysis

Shared idea generation

30-40 holdings

BMC Global Technology

An Investment in the future

15-20% targeted return

Launching 2025

25-35 holdings

BMC Global Select

World's Finest Companies

15% targeted return

Started 2014

30-40 holdings

BMC International

World's Finest companies Ex-USA

15% targeted return

Launching 2025

30-50 holdings

BMC Global Small Cap

World' Finest Entrepreneurs

15-20% targeted return

Started 2022

With a strong track record and a proven investment philosophy, we are now launching two new funds in 2025

The Brock Milton Capital team



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Henrik Milton
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