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INVESTMENT REPORT 2026

FLIGHT TO VALUE

January 2026

INTRODUCTION

Why this report exists

This is not a neutral investment note, nor is it an exercise in short-term market forecasting. It is a personal reflection, shaped by more than five decades spent living through successive waves of technological optimism, excess, disappointment, and renewal – from the early digital era of the seventies and eighties, through dot-com euphoria of the nineties, to today's AI-fuelled moment.

I write this as both an investor and a participant in the very forces now reshaping markets. I am deeply excited by the promise of artificial intelligence and what we are now calling 'The Intelligence' era. At the same time, I am increasingly uneasy about how confidently today's markets are pricing that promise as if its rewards were imminent, inevitable, and evenly distributed.

The core question for investors in 2026 is therefore stark:

> "Are we witnessing the early foundations of a genuine post-industrial era – or are we already in the late stages of another capital-intensive technology bubble?"

As a recent retiree, I need to position for market corrections that might occur in the next 12 to eighteen months. Recovery could be slow, especially in mega-cap stocks. My preferred approach is to structure a portfolio that preserves capital even if it misses out on some short-term gains.

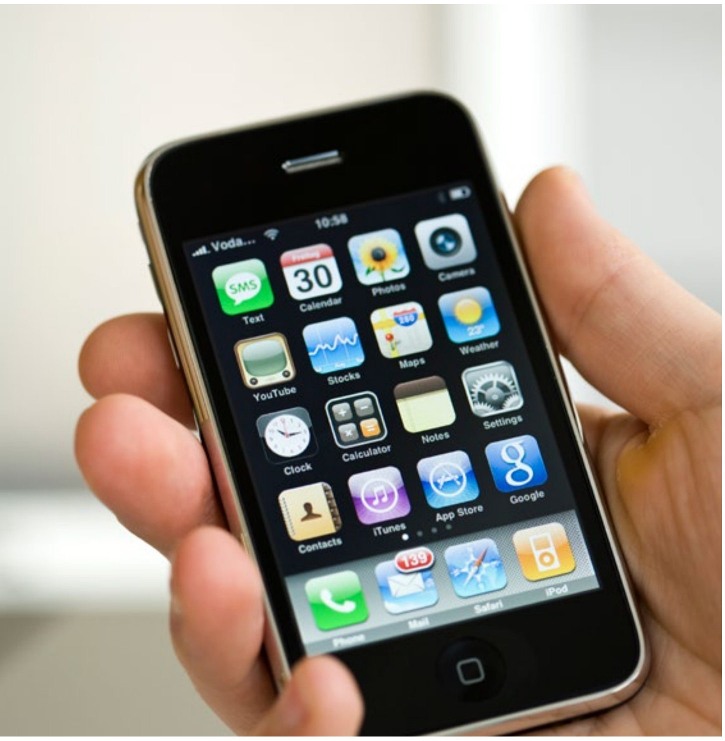
In this report, I explore the forces at work in today's global financial markets and weigh up the choices between heightened optimism and a harsh reality that might follow three extraordinary years of equity gains. Having been heavily focused on Tech (representing over 50% of my equity holdings in 2025), I am now rebalancing toward a fixed-income base, leaving room for flexibility in the event of a market correction.

> “If times are so good, why do we feel so bad?”

Never in my investing lifetime has there been such a powerful gap between narrative and lived experience. Markets are near all-time highs, technology leaders are announcing capital expenditure plans measured in trillions, and yet confidence—personal, corporate, and political—feels remarkably fragile. Table 1 lists three critical financial ratios that indicate potential market instability during the current trading period.

Table 1 – Financial Ratios: Red lights flashing

Financial Ratio	2026 level	Long-term average	Valuation status
Shiller PE Ratio (CAPE)	40.1-40.6	17.3 (all-time) 27.0 (post 1990)	Significantly overvalued
Buffett Indicator (Market Cap/GDP)	221.70%	75%-90%	Record High Excess
Equity Risk Premium (ERP)	+1.1% to 2.6%	+4% to 5%	Offering little cover against inflation



However, the dominant narrative is intoxicating; we are entering an ‘Intelligence Era’ in which AI will unlock productivity, economic growth, and prosperity on a scale not seen since electrification or mass industrialisation. Data centres, power grids, chips, networks, and models will form the backbone of a new economic order. This will complete the transition to a digital world that began in the nineties with the introduction of the World Wide Web.

I do not doubt the destination. What I suspect is the timetable.

History is unforgiving to investors who confuse technological inevitability with commercial immediacy. I was reminded of this in the late 1990s when I helped build the business case for 3G mobile networks that would support voice and data for the first time. We correctly anticipated mobile apps, streaming, social media, and the always-on workplace. What we underestimated was timing. The existing devices were wrong. The user experience was immature. The returns arrived – but a decade later, after the iPhone rewrote the rules.

AI feels uncomfortably similar. Extraordinary infrastructure is being built ahead of proven mass-scale demand. Enterprises talk enthusiastically about transformation yet struggle to move beyond pilots. According to MIT Sloan research, most early AI initiatives still fail to scale, not because the models are weak, but because organisations are not ready. In my professional experience, gained over fifty years in corporate transformation, the likely barriers to change include inflexible cultures, a lack of leadership, and legacy systems and processes. Only an existential crisis brings about immediate change.

Meanwhile, investors are behaving as if another 'iPhone moment' is imminent. It may come through ambient devices, intelligent agents, or immersive interfaces – but it has not arrived yet.

This mismatch between narrative speed and adoption speed is where risk accumulates.

3G capabilities arrived

10yrs

too early"

Market Euphoria crowns the start of 2026

Despite all misgivings, institutional and retail investors remain in a state of euphoria, fuelled by speculation rather than logic. Over the last three years, equity markets have achieved record highs that cannot be sustained indefinitely. As Warren Buffett has said innumerable times, Greed has overtaken Fear. Now is the time for a correction.

Tech fuelled

75%

of S&P 500 growth in 2025

Table 2 – Market Euphoria: movements between 2023 and 2025

Equity Markets	Delta 2023	Delta 2024	Delta 2025	Net Gain Over 3 Years
S&P 500	+25%	27%	16.4%	**+67.4%**
NASDAQ	+39%	36%	20.5%	**+95.5%**
FTSE 100	0.0%	7%	21.5%	**+28.5%**
DAX	+15%	12%	23%	**+50%**
CAC 40	+16%	0	10.4%	**+26.4%**
China SSE	-5%	10%	18.4%	**+23.4%**
Japan Nikkei	+30%	20%	26%	**+76%**

Outside equities, Bitcoin has been the big winner over the last three years, rising 214%. Gold and silver have also increased rapidly, with 2025 gains of 65% and 145% respectively. We might expect tangible assets to continue their gains during periods of high market volatility, but we have to be cautious of cryptocurrencies that are already on the downward path.

Sizing Up the Risk – When Optimism Becomes Complacency

S&P forecast predicted to reach

8,000

in 2026

Markets have a habit of rewarding conviction long after it becomes irrational. Following the COVID collapse of 2020, we moved rapidly from despair to hope and then into a powerful growth phase. By 2025, optimism was no longer tentative – it was embedded.

Three consecutive years of double-digit returns have conditioned investors to expect rescue rallies, benign outcomes, and ever-rising multiples. Leading banks such as JP Morgan, Deutsche Bank and Morgan Stanley forecast gains of 15-20% for the S&P 500 (reaching 7,500 to 8,000 by year's end). Yet beneath the surface, warning lights are flashing. A handful of technology stocks increasingly drives index performance. Capital is being recycled within a closed ecosystem of chips, models, cloud credits, and private funding. Valuations assume flawless execution.

One example of eye-watering financial ambitions is OpenAI, formed in 2015. Although its 2025 revenues were $15 billion, it has a $200 billion revenue target for 2030, with positive cash flows a year earlier. Annual investments (upwards of $45 billion per annum) will continue to exceed revenues during the interim period. The plan assumes unprecedented take-up of AI services by enterprises and individuals. OpenAI is prepping for a trillion-dollar IPO in 2026/7 to fund its infrastructure push and keep pace with rivals such as Google's Gemini.

CISCO reached

$555bn

valuation in 2000 and a PE of 200

Some of the most experienced investors of our time, such as Berkshire Hathaway and Michael Burry, who was famously associated with the 'Big Short' in 2009, are stepping back. For them, cash balances are not a sign of fear – they are a sign of patience. Berkshire has accumulated a war chest of $300 billion to 'buy on the dip'. They reflect an understanding that late-cycle markets often feel safest just before they break.

Table 3 – Market Euphoria: movements between 2023 and 2025

Magnificent Seven stocks	Growth in 2023	Growth in 2024	Growth in 2025*	Net advance over 3 years
Meta	+181%	79%	13%	**+273%**
Alphabet	+55%	45%	8.5%	**+108.5%**
Amazon	+76%	56%	5.2%	**+137.2%**
Apple	+48%	35%	8.5%	**+91.5%**
Microsoft	+54%	16%	14.7%	**+84.7%**
NVIDIA	+230%	204%	39%	**+473%**
Tesla	+100%	73%	11%	**+184%**

**2025 shows a cooling off that may extend into 2026*

> The uncomfortable truth is this: we may not be pricing growth anymore – we may be pricing belief.

Mitigating Factors

Several factors could soften or delay a significant market correction:

Balance sheet strength

Unlike many dotcom-era firms, today's technology leaders generate substantial cash flows and maintain strong balance sheets. This provides resilience, even if valuations compress.

Broader earnings growth

Outside the technology sector, corporate earnings growth has been more balanced, particularly in parts of Europe and Asia, potentially cushioning a rotation away from US tech.

Monetary conditions

A gradual easing of interest rates and stabilising inflation could support smaller businesses and value-oriented stocks, though central bank credibility remains a key variable.

Despite these offsets, a 30–45% correction in US equities over the next 12–18 months cannot be ruled out, especially if AI adoption disappoints relative to expectations.

Table 4 – Comparison of Major Tech Bubbles

Era	Key Technology	Iconic Stock	Peak to Trough Decline
1920s	Radio / Auto	RCA	~98%
1960s	Transistors	Texas Instruments	~40-60% (sector-wide)
1990s	Internet	Cisco	~78% (NASDAQ)
2021	Crypto / Web3	Bitcoin / Coinbase	~70-80%

Taking a Balanced Approach – Courage Without Hubris

One of the great investing clichés is that 'bull markets climb a wall of worry'. The danger today is that worry is being dismissed as ignorance, and caution is mistaken for a lack of imagination.

Investors genuinely believe that 'this time is different'.

For most private investors, the past five years have been extraordinarily kind. Many portfolios are now heavily skewed towards US technology (the Magnificent Seven: Amazon, Alphabet, Google, Meta, Microsoft, Nvidia, and Tesla), often without conscious intent. Doing nothing is, in itself, an active decision – and increasingly a risky one.

A balanced approach to 2026 does not mean abandoning belief in AI. It means refusing to mortgage capital on a timetable that history warns us to distrust.

Rebalancing away from concentrated growth as exhibited by the Magnificent Seven, towards income, resilience, and optionality, is not defensive pessimism. It is strategic humility – an acknowledgement that markets move faster than societies, and that infrastructure booms rarely deliver smooth returns. The collapse of infrastructure shares such as CISCO in 2002 is a perfect example.

Cash (or fixed interest), unfashionable as it may seem, is not a failure of nerve. It is the ability to act when others cannot.

Berkshire Hathaway has a war chest of

+$300bn

Hedging bets for 2026 – a diversified portfolio

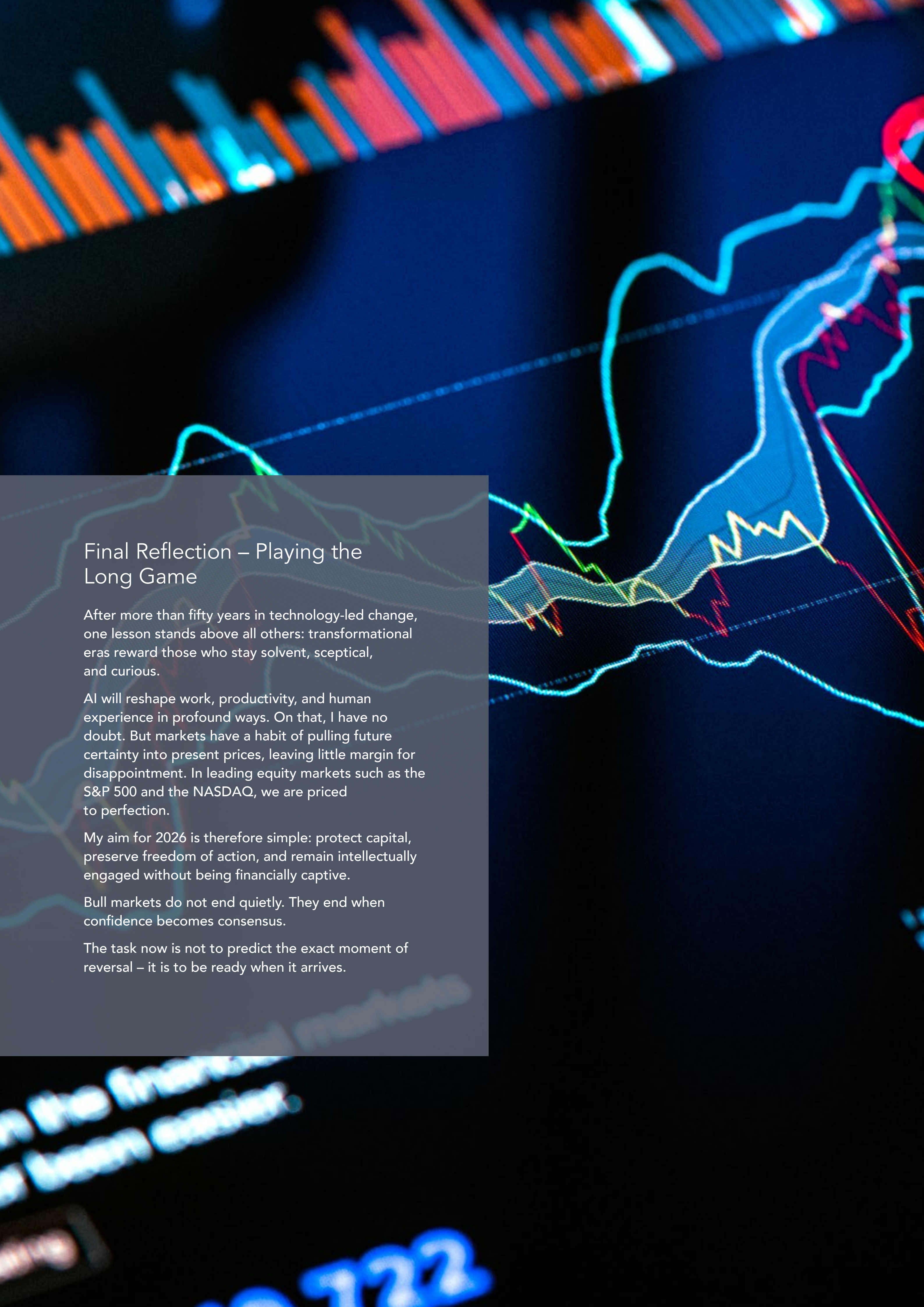
With the prospect of a significant market correction, the prudent approach is to reduce reliance on a small number of mega-cap technology stocks that have dominated index returns for the last three years. Selecting value stocks from the UK, Europe and Global sources will provide income resilience through dividends and tangible assets. Holding a third of the portfolio in short-dated bonds will maintain flexibility to deploy capital after a correction (buy on the dip). Overall, the goal of this year's portfolio is to balance AI long-term conviction with near-term risk mitigation.

493

of the S&P 500 could become the engines of stock market growth in 2026

Table 5 – Constructing a balanced portfolio for 2026

Asset Class	Allocation 2025	Suggested allocation for 2026	Strategic Rationale
Equities – US (reduced tech bias)	20%	15%	Lower exposure to concentrated risk
Equities – UK & Europe	20%	20%	Defensive sectors, attractive dividends and lower P/E ratios
Equities – Asia and Emerging Markets	10%	15%	Favourable demographics, weaker dollar tailwind
Fixed Income (short duration)	35%	35%	Dry powder for market dislocation opportunities
Global Value Equities	15%	15%	Geopolitical hedge, diversity strategy



Final Reflection – Playing the Long Game

After more than fifty years in technology-led change, one lesson stands above all others: transformational eras reward those who stay solvent, sceptical, and curious.

AI will reshape work, productivity, and human experience in profound ways. On that, I have no doubt. But markets have a habit of pulling future certainty into present prices, leaving little margin for disappointment. In leading equity markets such as the S&P 500 and the NASDAQ, we are priced to perfection.

My aim for 2026 is therefore simple: protect capital, preserve freedom of action, and remain intellectually engaged without being financially captive.

Bull markets do not end quietly. They end when confidence becomes consensus.

The task now is not to predict the exact moment of reversal – it is to be ready when it arrives.

Roger Camrass
Researcher Director

As a pioneer of today's Internet at MIT in the seventies, Roger has spent over half a century advising Fortune 1000 companies and national governments on the strategic impact of technology. During the nineties, he led a global study to evaluate the impact of digital technology on corporate structures and performance called 'Business in the Third Millennium'. In 2025, he launched a new programme on 'How AI might enhance the Human Experience'.
In parallel with his commercial career, Roger has held visiting professorships at several universities, including Bristol, Cambridge, and Surrey in the UK, and ESADE in Spain. Currently, he is a visiting professor of the Hebrew University in Jerusalem, where he is overseeing a change programme in Digital Humanities. Roger lives in Highgate, North London, with his wife, Susan, and their Labrador, Rocco.

See rogercamrass.com

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