DRUMOAK CAPITAL

January 2026 Overview

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Market Outlook

Drumoak Capital remains cautious but optimistic heading into early 2026. While equity markets have held up well, underlying signals remain mixed, hence why we are keeping capital available to enter when prices discount. Gold reaching all-time highs alongside a weaker U.S. dollar suggests risk-off investors continue to price in protection rather than fully embracing risk.

Gold vs TSX vs SPX vs FTSE 1-year [TradingView]

As a result, Drumoak is beginning to gradually reduce US exposure. This is not a sharp rotation but a measured shift toward evaluating UK and Canadian opportunities, where valuations and risk-reward profiles can be more attractive.

CAD vs USD vs GBP Futures 1-year [TradingView]

Portfolio Outlook

The portfolio remains anchored around durable compounders, businesses with clear pricing power, repeat demand, and the ability to execute through different market conditions. So far, strong consumer brands have generally been holding up well, helped by resilient demand and business models that can protect margin even when growth slows. Drumoak continues to favour this part of the market when the quality is clear and valuation is reasonable.

At the same time, service and software have been more difficult. Many high-quality franchises are being overshadowed by the AI narrative, and the market has been quick to compress multiples even when the underlying financials and fundamentals remain intact. Drumoak remain patient here, monitoring fundamentals very closely, looking to enter at discounts over the next few prints.

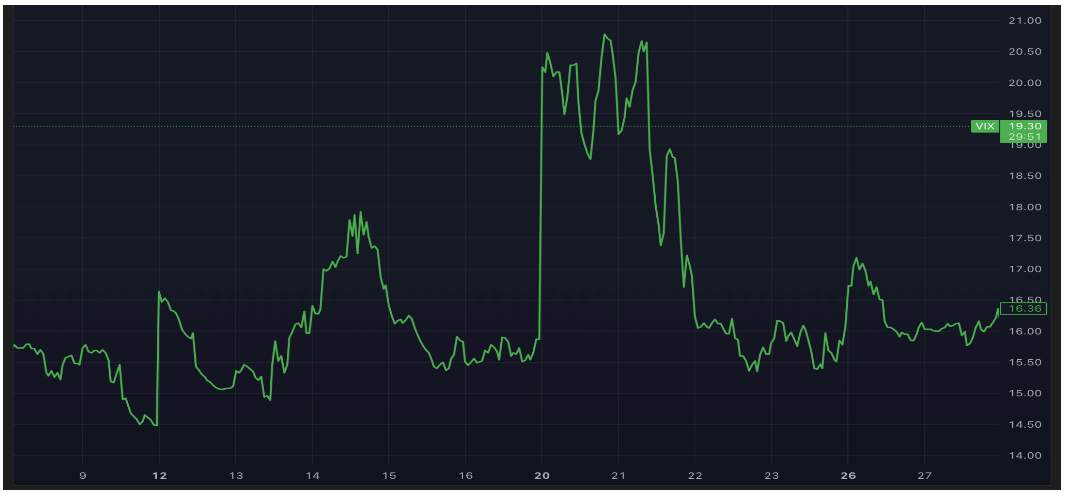
Finally, financials and fintech, remain an area where Drumoak is selective and risk-averse. Regulatory and policy uncertainty can change the shorter term setup very quickly which allows for discounted purchases but also hindrance in the long term, so position sizing and entry points matter more than usual. Even so, Drumoak remains positive over the sector, especially where business models are proven, profitability is improving, and valuations already reflect a cautious outlook.

XLP (Consumer ETF) vs IGV (Software ETF) vs XLF (Financials ETF) 1-year [TradingView]

Trade Highlight – VIX

One trade highlight from January 2026 was a volatility strategy tied to Trump-EU/Greenland tension headlines. Drumoak shorted long-dated VIX futures into the spike, viewing the move as headline-driven rather than structural.

As geopolitical concerns faded, volatility normalised, allowing the position to move approximately ~30% in the money. This continues to reflect a recurring theme: political headlines often create temporary volatility mispricing.



VIXX January 2026 showing Geopolitical Tension [TradingView]

Portfolio Additions

During January 2026, Drumoak made several additions to the portfolios, reflecting a continued focus on selective opportunities rather than broad exposure. The positions below represent two of eight additions made in the month, highlighted due to their position sizing and distinct setup.

UnitedHealth Group (UNH)

Drumoak added exposure to UNH following earnings, where the share price reacted sharply to weaker 2026 revenue guidance. Importantly, the move was not driven by a deterioration in the company's core business, but near-term uncertainty around growth expectations. At current levels, UNH trades at a meaningful discount to its recent history, offering an improved entry point into a business with strong cash generation, scale advantage, and a defensible competitive position. The position was sized aggressive but conservatively, with flexibility to add as visibility improves.

UNH 5-year [TradingView]	UNH 3-month [TradingView]
	

Amazon Inc (AMZN)
Drumoak added additional exposure to AMZN ahead of February earnings. So far, some Mega-caps have performed well this earnings season (META) and some have not (MSFT, NFLX). Amazon has lagged several peers despite continued strength across its core platforms. Following recent earnings indicators of slower Azure growth at Microsoft, attention has turned to the possibility of enterprise demand shifting towards AWS, which remains a long-term growth driver. Relative performance versus peers combined with durable fundamentals, created a setup where risk-reward appeared increasingly favourable.

AMZN vs MAG 7 Pricing 1-year [TradingView]

What Drumoak is Watching

Drumoak is watching enterprise software and services closely because the market has been treating the group as "guilty until proven otherwise" in the AI cycle. Recent results from major software companies have added to concerns that spending is becoming more selective and that buyers have clearer proof of near-term AI value. That has pushed many software stocks lower, even when the underlying businesses remain profitable and sticky.

At the same time, there are still strong real-world demand signals. A good example is Salesforce (CRM) winning a US Army IDIQ contract with a building of up to $5.6B, which reinforced that these platforms remain deeply embedded in large, mission-critical organisations. The contract ceiling is not guaranteed spend, but its meaningful indicator of relevance and positioning.

What this means for Drumoak: the opportunity in this area comes if pricing keeps falling while fundamentals hold up. The risk is that pressure persists if budgets tighten further or if AI changes purchasing behaviour faster than vendors can monetize it. Drumoak is watching for stabilising guidance and more evidence that AI is showing up in revenues compared to just headlines.

ABDE vs CRM vs IGV (Software Index) vs SPY 1-year [TradingView]

Earnings Season Snapshot (Late January)

Early earnings releases toward the end of January reinforced the theme of selective strength rather than broad-based momentum.

Several CapEx- and AI-exposed names saw pressure following results or guidance, including MSFT, TSLA, and NFLX, as large corporate spending remained measured and market reacted quickly to any signs of deceleration. At the same time, cyclical and demand-sensitive companies such as WYNN and Whirlpool also sold off, pointing to continued softness in discretionary spending and limited demand for new housing-related activity. If this pattern with housing continues, it could present a buying opportunity if the Fed continues their controlled doving policy. Airline stocks followed a similar pattern, with earnings highlighting cost pressure and uneven demand.

January 2026 META / NFLX / MSFT / WHR Earnings [TradingView]

In contrast, a number of high-quality components delivered solid results like IBM, Intel, and ASML. However, META stood out, reinforcing the view that scale, pricing power, and execution continue to matter more than broad sector exposure.

Overall, earnings season has highlighted winners and losers more clearly, supporting Drumoak's focus on selectivity, positioning, sizing, and patience.

Fund Positioning and Outlook

Drumoak Capital remains constructive on the year ahead, but positioning reflects a preference for flexibility over full deployment. Cash levels are higher than usual, allowing the fund to respond to market pullbacks and earnings-driven dislocations as they arise. With many companies now reporting their first earnings prints of the year, Drumoak expects greater dispersion and more frequent opportunities to buy quality business at discounted prices.

Deployment is being handled deliberately. In several cases, Drumoak is initiating smaller positions to test the waters, using early entries to assess price action, market reaction, and updated fundamentals, where conviction increases and risk-reward improves, especially leaning out of US equities, positions can then be expanded over time rather than built all at once. This approach prioritises discipline, patience ,and capital preservation.

Overall, the focus is on steady portfolio growth, selective scaling, short-term trading with conversion, and maintaining the ability to act decisively during periods of volatility, while continuing to build Drumoak Capital with a long-term mindset.

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