NIC | Undergraduate Division Fund

Q1 2026 Shareholders Report

3rd July 2026



Results Summary

Share price performance and Total Equity cashflows

The fund achieved a total quarterly return of 3.11% during Q1

The fund achieved a **total quarterly return of 3.11% during Q1**, **outperforming the benchmark which fell -4.83%**, representing outperformance of 794 basis points. The **performance was broadly in line with the prior quarter's 3.17%.** While the headline figure was modest, **performance remained resilient.**

Iridium (IRDM) (+60%), A10 Networks (ATEN) (+31%), and Arrow Electronics (ARW) (+30%) were the best performers during the quarter.

Iridium surged 60% in under a month on a **sector-wide re-rating of satellite spectrum assets**, as markets repriced the strategic value of its scarce L-Band holdings. A10 Networks **outperformed on the back of AI infrastructure and cybersecurity demand**, delivering revenue of $75.0M (+13.4% YoY) at a 30% Adjusted EBITDA margin. **Arrow Electronics rose on a sharp earnings recovery**, reporting consolidated sales of $9.5bn (+39% YoY) and an **85% beat versus consensus**.

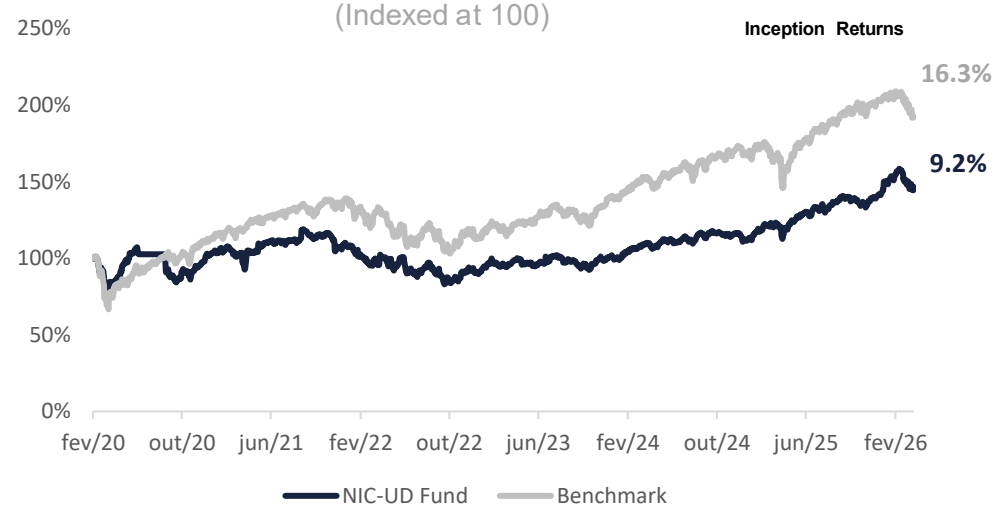
LVMH (MC.PA) (-31%), Novo Nordisk (NVO) (-28%), and Volkswagen (VOW3.DE) (-19%) were the worst performers in this quarter

LVMH declined as structural pressure across the luxury sector intensified, with the Chinese recovery that had supported Q4 2025 beginning to decelerate. **Novo Nordisk fell on weaker-than-expected 2026 guidance**, driven by **market-share pressure and U.S. pricing concerns**. **Volkswagen dropped as U.S. tariffs weighed on profitability**, with Q1 operating profit down 14.3% to €2.5bn.

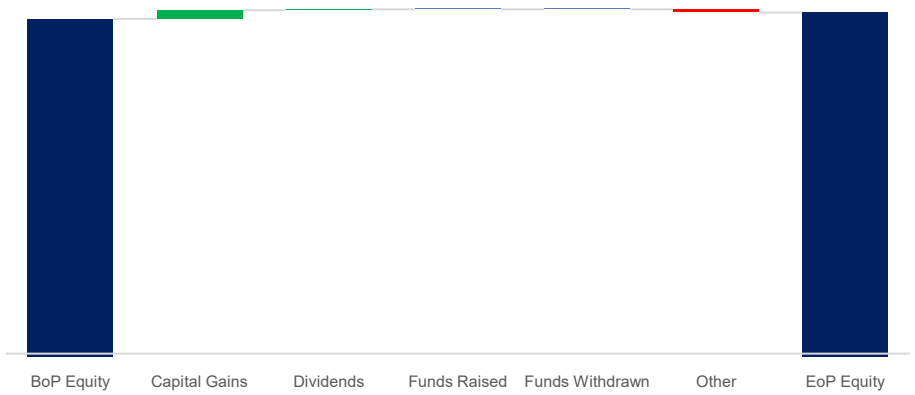
The fund saw total equity increase

The fund saw total equity increase during the quarter, mainly driven by **capital gains representing roughly 2%** of equity and **other adjustments providing a partial offset**.

Fund's performance against the benchmark (Inception)



Total Equity cash flows during the quarter



Results Summary

Fund's investment strategy

The objective of the fund is to create a diversified portfolio of securities (such as Equities, ETFs, bonds, …) and to teach **valuable Portfolio Management techniques** to our members, while aspiring to achieve the **maximum risk-adjusted returns** possible in the long-term and beating our benchmark.

- This is a **long-only portfolio** meaning that we will not actively search for short-selling opportunities due to brokerage constraints and the fact that stock markets have a long-term positive trend.

- We are **sector-agnostic**, meaning that we will not focus on any sector, neither will we stop investing in a certain sector unless macroeconomic factors come into play. What we may do is analyse the current and near-term macro environment to set **underweight/overweight sector targets** and mitigate any risks by rebalancing the portfolio.

- In what regards the equity/bond distribution, we are **equity overweight investors** due to the young age nature of our investors and the fact that it weighs a low percentage of our shareholders' total net worth, which conveys a higher appetite for risk.

- Finally, we keep searching for **value bets** (focused on solid financials, profitable business model, low growth, dividend plays, mature sectors, low innovation) and **growth bets** (focused on products and strategy, high innovation, high valuations, low earnings, capital gains play), so that the portfolio is a mix of both strategies and able to sustain its value during **recessions and bear markets**, but also to take the more historically long-lasting wave of **bull markets and economic booms**.



Positions

Positions performance

Fund's top 3 best-performing securities (quarterly)

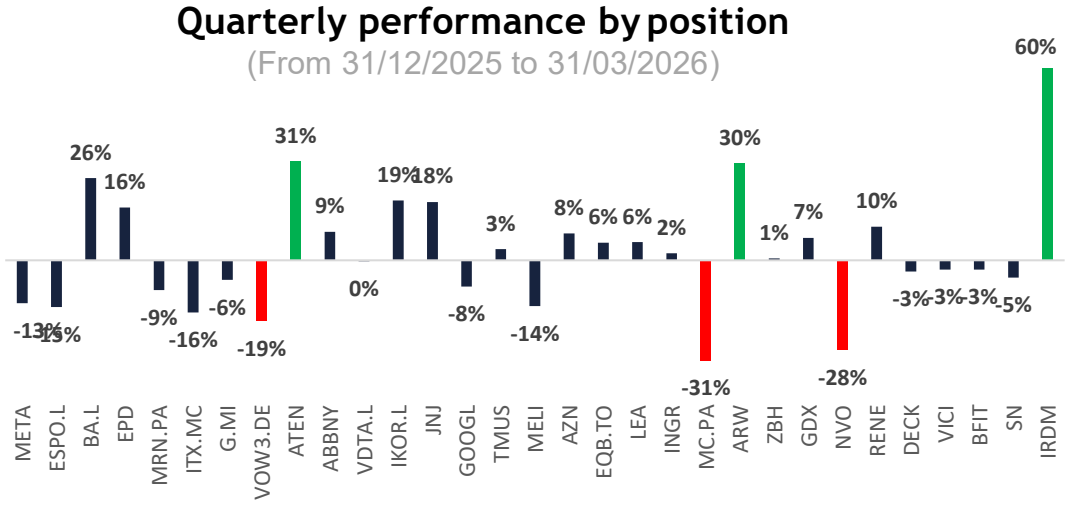
During Q1 2026, **Iridium, A10 Networks, and Arrow Electronics** were the top performers, returning **+59.8%**, **+30.7%** and **+30.2%**, respectively.

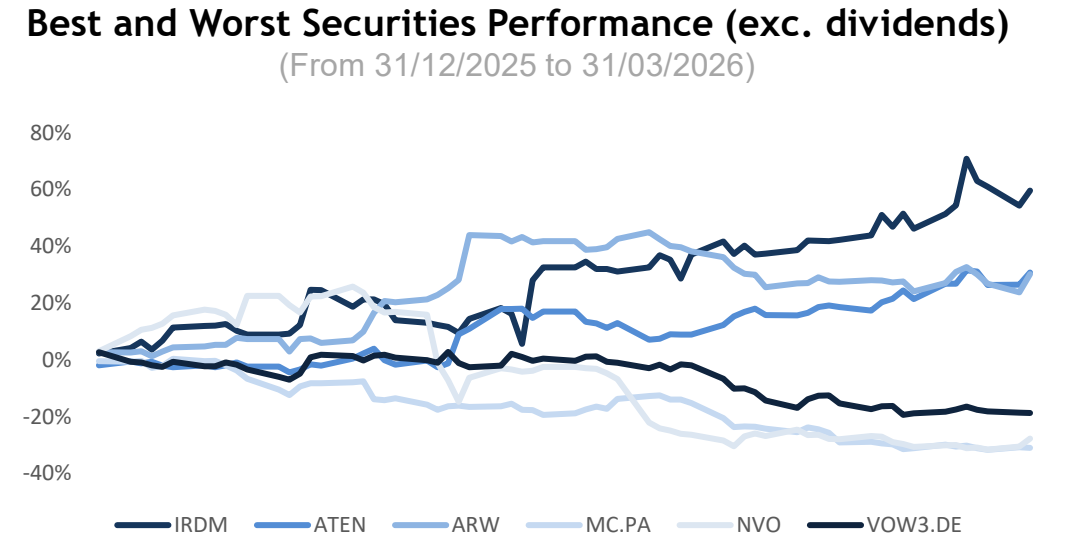
A10 Networks outperformed in Q1 2026, delivering revenue of $75.0M (+13.4% YoY), gross margin of 80.6%, and Adjusted EBITDA of $22.5M (30% margin), **driven by AI infrastructure and cybersecurity demand**, with management projecting full-year guidance of 10–12% revenue growth. **Arrow Electronics** reported consolidated sales of $9.5bn, up **39% YoY and EPS 190%,** an 85% beat versus consensus, reflecting accelerating recovery and margin expansion. **Iridium's** revenue 2% YoY to $219.1M and subscribers 5% to 2.555M, but the stock surged **60% in under a month as Amazon's $11bn acquisition of Globalstar** triggered a sector-wide re-rating of satellite spectrum assets, with markets repricing the strategic value of **IRDM's scarce L-Band holdings.**

Fund's top 3 worst-performing securities(quarterly)

The weakest performers were **LVMH**, **Novo-Nordisk**, and **Volkswagen**, falling **-31.1%**, **-27.8%,** and **-18.8%**, respectively.

LVMH declined as **the luxury sector faced of structural pressure**. The **Chinese recovery** that had supported Q4 2025 **began to decelerate**. Moreover, a weaker USD added a further layer of pressure on reported revenues. **Novo Nordisk´s** first 2026 results revealed **weaker-than-expected guidance**. Key challenges included **market share pressure** and pricing concerns over Trump administration. **Although FDA approval of oral Wegovy** provided some optimism, uncertainty surrounding the company's first non-Danish CEO kept investor sentiment negative. **Volkswagen´s Q1 operating profit dropped 14.3% to €2.5bn**. U.S. tariffs and **intensifying competition** were the primary headwinds, compounded by the discontinuation of ID.4 production and management's admission that existing cost-cutting was insufficient.





Positions

Positions added

Booking Holdings
NASDAQ: BKNG
Travel Services
Implied Share Price: 5,560.9$

	Company	Peers's Median
Multiples		
P/E	**22.83x**	**16.74x**
EV/EBITDA	**16.43x**	**15.09x**
P/FCF	**15.65x**	**9.60x**
Margins and Ratios		
OP Margin	**32.79%**	**16.74%**
Quick Ratio	**1.26**	**1.01**
ROIC	**52.17%**	**12.06%**

Company Profile

Booking Holdings is the **world's leading provider of online travel and related services**, provided to consumers and local partners in more than **220 countries and territories** through five primary consumer-facing brands: Booking.com, Priceline, Agoda, KAYAK and OpenTable.

Booking is unmatched in its scale, loyalty or reach with: **+28M Listings; +1.1Bn Room Nights; 14.3% Take Rate; 3-tier loyalty program and AI integration**.

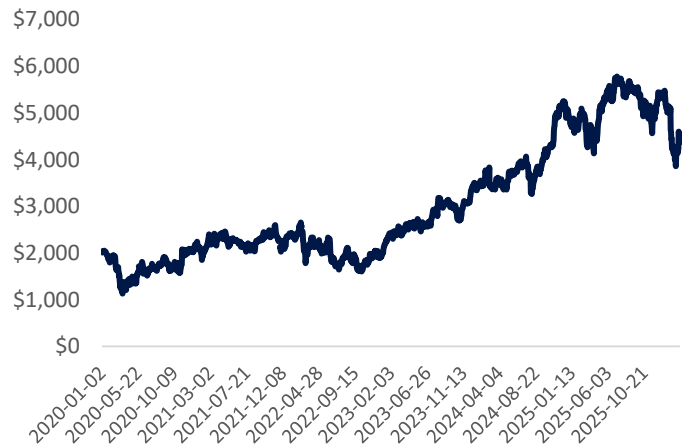
Its strategic plan is built around its **Genius Loyalty Program**, **AI integration** and the **Connected Trip Vision** to create a **full travel experience ecosystem** that made connected transactions **grow in the high-20s %** in 2025.

Investment Thesis

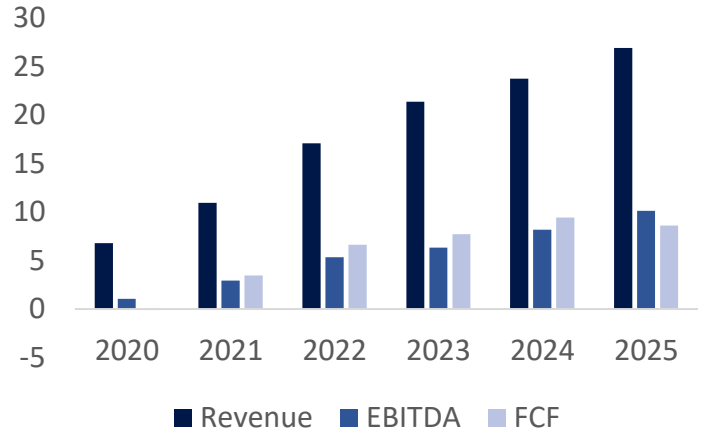
Booking is the unmatched player in the **secular-trend-driven tourism sector** that is set to grow, driven by **rising middle-class income, digital penetration and global economic expansion**, combined with Booking`s **strong strategic roadmap**, resulting in a **growing and loyal consumer base**.

Financially, Booking presents a **robust Financial Profile** as seen during the Pandemic years, with **diversified revenue sources**. Despite a slight premium when compared to its peers, it is more than justified with **unmatched margins and ratios**, proven by our DCF model that yields a **$5,561 price target** and a **28.95% base case upside**.

Share price performance (since 2020)



Financial Performance Overview (in billion $)



*Please note that all multiples and financial data reflect the figures available at the time of the original stock pitch, and may differ from the most up-to-date values. They are presented here solely to illustrate the original investment thesis

Positions

NIC Undergraduate Division Fund

Positions added

Basic-Fit
NYSE: CVSA
Healthcare University Education
Implied Share Price: 161.3€

	Company	Peers's Median
Multiples		
P/E	**15.5x**	**16.4x**
EV/EBITDA	**10.1x**	**10.4x**
EV/Sales	**2.4x**	**1.9x**
Profitability		
EBITDA Margin	**24.8%**	**20.1%**
FCF Margin	**9.1%**	**13.4%**
Gross Margin	**59.74%**	**56.95%**

Company Profile

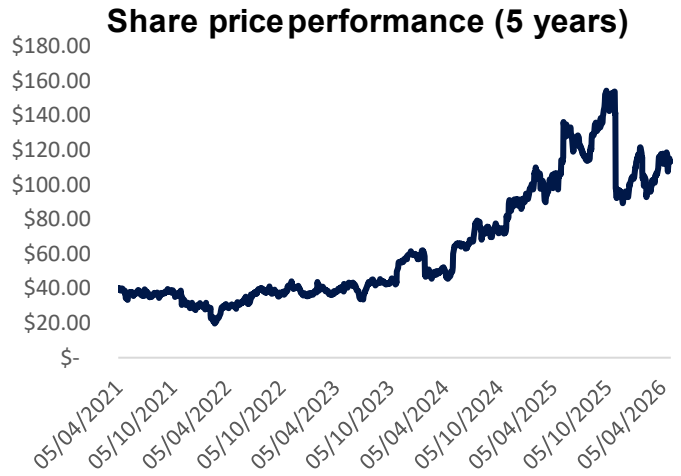
Covista is **America's largest healthcare educator**, offering accessible learning through **five accredited institutions**. Its **personalized, tech-enabled** model combines physical and digital training, attracting more than **100,000 students** and being responsible for **10% of all nurses in America,** driving consistent growth to address the U.S. healthcare workforce shortage, .

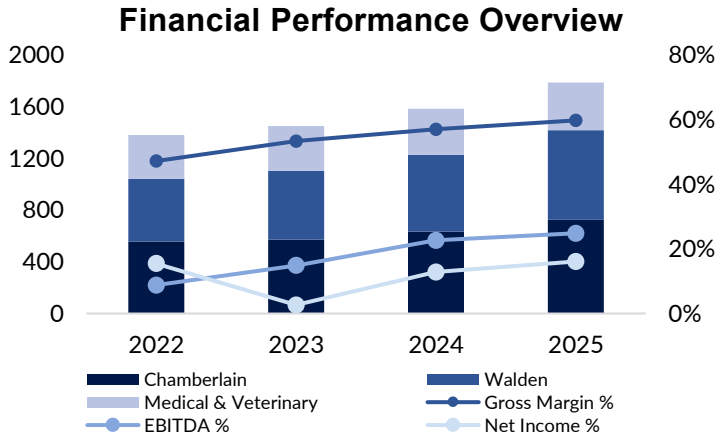
Through **strategic acquisitions** of key universities over the **past several years**, Covista has significantly expanded its footprint. This approach of **robust organic growth** and **targeted acquisitions** established it as the **leading pipeline for healthcare professionals**.

Investment Thesis

Amidst a U.S. healthcare labor crisis with **702,000 monthly vacancies** against **306,000 unemployed workers**, Covista's **"Purpose at Scale" strategy** targets **120,000+ students by FY2029** and a **7–10% revenue CAGR**. Additionally, an **AI credentialing partnership with GE Healthcare's HelloAI** boosts graduate utility, protects margins, and secures employer-funded student pipelines.

Covista's tuition model provides high **predictability and visibility**, yielding an implied **44% base-case DCF upside**. Organic growth stems from disciplined, low-CAPEX **hybrid community-embedded campus rollouts** targeting regional shortages. This robust cash generation funds a **$750M share repurchase program** through 2028, driving long-term EPS accretion.





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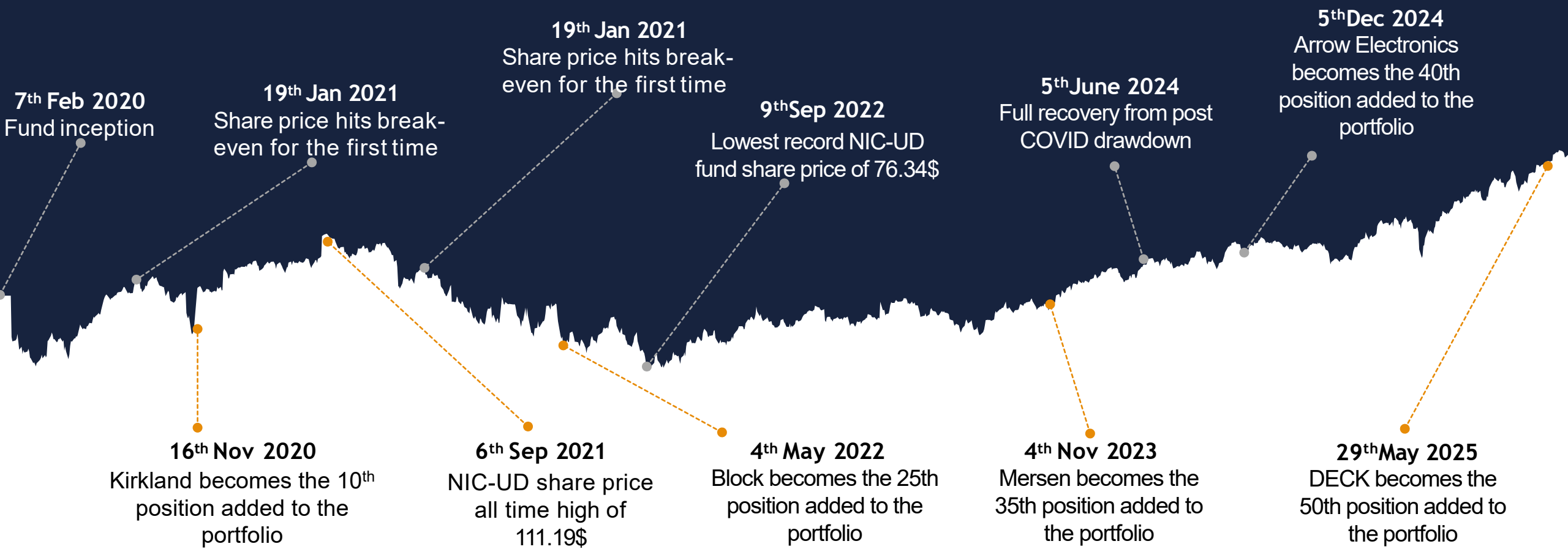
Portfolio

Portfolio roadmap

NIC Undergraduate Division Fund

Portfolio share price



Portfolio

Portfolio Vs Benchmarks

Fund Performance

In the first quarter of 2026, the **fund delivered a 2,27% weakly averaged return**, **outperforming the -4,82% achieved by the benchmark**. Moreover, the fund demonstrated **stronger risk management**, as evidenced by a **Sharpe Ratio of 0,18**, **outperforming** the **benchmark's -1,61**.

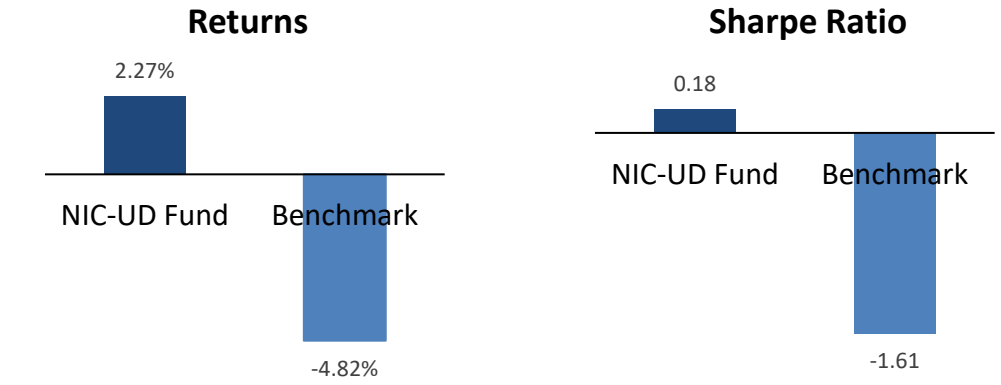
The **quarter** was marked by significant **volatility** across **global equity markets**, driven by a confluence of **macroeconomic and geopolitical headwinds**. The **Federal Reserve held rates steady at 3,5%–3,75%** at both **its January and March meetings**, pausing its 2025 rate-cutting cycle amid **persistent inflation and a softening labour market**, dampening hopes for further monetary easing. Simultaneously, **tariff-related uncertainty** and cooling sentiment around **artificial intelligence capital expenditures** weighed on growth-oriented equities, with the **MSCI ACWI Growth Index** falling **-7,7% over the period**. Geopolitical tensions further **pressured markets** as the **Middle East conflict** drove a sharp spike in **oil prices**, shifting the macro narrative toward **stagflation concerns**. A key positive catalyst mid-quarter was **Nvidia's exceptional earnings**, reported on **February 25th**, with record revenue of **$68,1 billion** — up **73% year-on-year** — which temporarily reignited confidence in the AI theme. Ultimately, the fund's ability to generate **positive returns against a deeply negative benchmark** reflects the effectiveness of its **countercyclical positioning** throughout this turbulent period.

Benchmark Composition

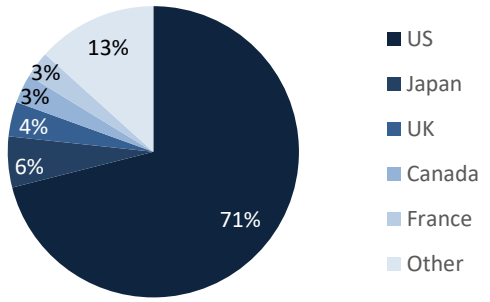
During this quarter, we opted to **maintain the benchmark utilized in our portfolio** in the previous period, aiming to establish a benchmark with **risk metrics** and exposure **similar** to our **portfolio**. Consequently, this benchmark incorporates a **diversified exposure** across developed markets, with a **focus towards growth-oriented sectors** such as **technology** and **healthcare**, while still maintaining exposure to **cyclical industries** to reflect our portfolio's balanced positioning. With this approach, we aim to achieve a **meaningful comparison** between the fund and its benchmark.

Quarterly gross returns and Sharpe Ratio vs Benchmark

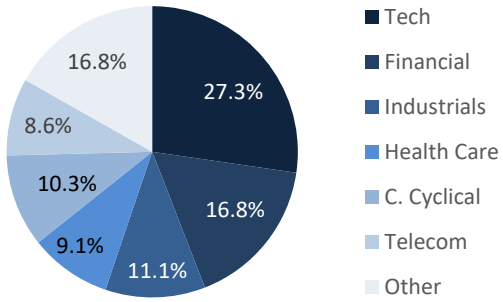
(From 31/12/2025 to 31/03/2026)



MSCI World Index Geographical Allocation



MSCI World Index Allocation by Industry



Portfolio

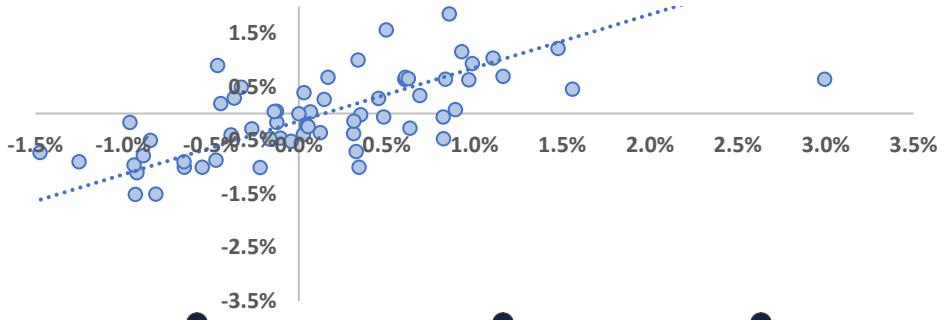
NIC Undergraduate Division Fund

Risk measures

Risk-adjusted performance measures*

Annualized	6M	1Y	2Y	Inception
Gross Returns	*10.64%*	*22.14%*	*15.79%*	**6.43%**
Risk Free Rate	*3.78%*	*3.98%*	*4.40%*	*2.85%*
Variance	*2.18%*	*1.72%*	*1.20%*	*2.57%*
Std. Deviation	14.76%	13.10%	10.96%	16.04%
Sharpe Ratio	**0.46**	**1.38**	**1.03**	**0.23**
Semivariance	*0.494%*	*0.470%*	*0.358%*	1.295%
Semi-Std. Deviation	*7.03%*	*6.86%*	*5.98%*	*11.38%*
Sortino Ratio	**0.98**	**2.64**	**1.89**	**0.32**
Jensen's Alpha	*0.37%*	*0.24%*	*0.17%*	*0.00%*
Beta	*1.0059*	*0.7097*	*0.6721*	*0.6838*
Treynor's Ratio	**0.07**	**0.25**	**0.17**	**0.05**
Gross Benchmark Return	*-2.15%*	*18.59%*	*12.88%*	**11.25%**
Tracking Error	*12.39%*	*10.40%*	*8.72%*	*13.36%*
Information Ratio	**1.03**	**0.34**	**0.33**	**-0.36**

Portfolio vs. Benchmark: Alpha and Beta Regression 6M



Analysis of performance measures

In the last six months, the **fund** has achieved an **annualised return of 10.64%**, **underperforming** the **1-year return of 22.14%** but **outperforming the inception return** of **6.43%**.

The **Sharpe Ratio**, which **measures risk-adjusted returns**, allows for comparison between returns and the level of risk (as measured by volatility). Looking at the **previous 24 months**, the fund experienced a **Sharpe Ratio of 1.03**, a notable improvement **well above the inception level of 0.23**, signalling **solid risk-adjusted performance** during this period.

The **Sortino Ratio**, which focuses on **downside risk**, reflects how the **portfolio's returns compare to the risk of negative performance**. In the **last six months**, the **Sortino Ratio stood at 0.98**, remaining **above the inception level of 0.32**, suggesting that **recent gains** have been achieved with **limited downside volatility**.

The **Treynor Ratio**, which **measures returns** in **relation to systematic risk** (measured by the portfolio's beta), was **0.07** in the last semester.

The **Information Ratio** measures how closely the **portfolio tracks its benchmark**. Over the last **annualised six months**, the fund has **outperformed the benchmark**, standing at a ratio of **1.03**.

** Returns and standard deviations were all expressed in annual terms. The MSCI World Index is considered a market portfolio for Beta and Alpha*

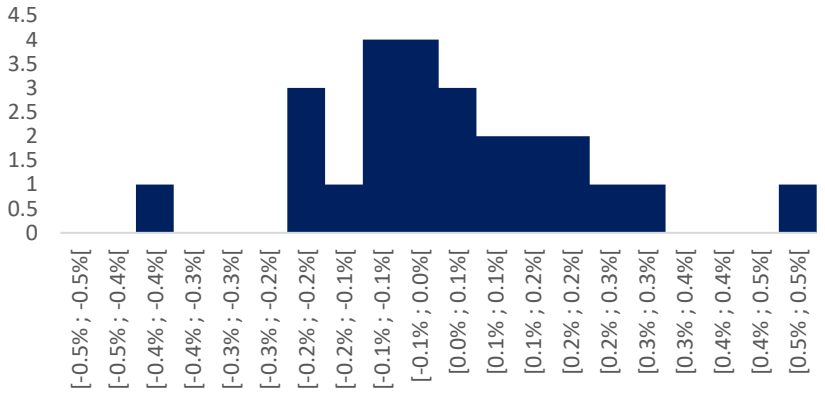
Portfolio

Value at Risk

VaR calculations

Histogram of portfolio weekly returns

From 31/12/2025 to 31/03/2026



Sample Statistics

Sample Statistics	Weekly	Annual
1 year	-	-
Mean	0.54%	32.22%
Std Dev	1.57%	11.33%
Pearson's Skewness Coef.	92.52%	

Weekly returns are approximately normally distributed, so the normality assumption in the following derivations will **asymptotically hold**. (n=52)

1. Parameter approach (Variance-covariance method)

Brief explanation: *The variance-covariance method is based on the assumption that stock and, consequently, portfolio returns are normally distributed around its mean. Due to this, the VaR value will simply be the lower-end of the confidence interval of the chosen confidence level (90%, 95% or 99%).*

$VaR(\alpha\,\%) = E(r_p) - z_{(1-\alpha)\%} * \sigma_p$, *where* r_p *is the average portfolio return and* σ_p *is the portfolio's standard deviation.*

	Value at Risk (%)		
% / Time Period	6M	1Y	Inception
90%	4%	10%	-12%
95%	-2%	6%	-18%
99%	-12%	-3%	-28%

2. Historical simulation approach (Daily VaR)

Brief explanation: *The historical simulation approach computes the value of first* $1-\alpha$ *th percentile returns of a certain time frame.*

	Value at Risk (%)		
% / Time Period	6M	1Y	Inception
90%	-8%	-12%	-2%
95%	-9%	-15%	-17%
99%	-16%	-25%	-58%

3. Monte-Carlo simulation approach

Brief explanation: *The Monte-Carlo simulation is the most advanced approach to VaR out of the three methods. It creates an* x *"number" of iterations by supposing that stock prices (and, conversely, the portfolio itself) follow a strongly dependent stochastic process known as a random walk. To predict the future portfolio value, it is used a derivation of the Black-Scholes formula. Normal returns are assumed.*

$\frac{P_t}{P_0} = \exp\left[(r_f - \frac{1}{2} * \sigma_p^2) * \frac{t}{n} + \sigma_p\sqrt{\frac{t}{n}} * W_t\right]$, *where* t/n *is the fraction of a given year (n=252, trading days),* P *the portfolio value and* W_t *is random normally distributed process.*

% / Time Period	6M	1Y	Inception
90%	-12%	-13%	-34%
95%	-15%	-17%	-43%
99%	-21%	-24%	-56%

Portfolio

NIC Undergraduate Division Fund

Summary Statistics

Correlation matrix between securities

(From 31/12/2025 to 31/03/2026)

	META	ESPO.L	BN.PA	BA.L	EPD	MRN.PA	ITX.MC	G.MI	VOW3.DE	ATEN	ABBNY	VDTA.L	IKOR.L	JNJ	GOOGL	TMUS	MELI	AZN	EQB.TO	LEA	INGR	MC.PA	ARW	ZBH	GDX	NVO	RENE	DECK	VICI	BFIT	SN	IRDM
META	1																															
ESPO.L	0.50	1																														
BN.PA	0.02	-0.20	1																													
BA.L	0.03	0.14	-0.03	1																												
EPD	0.07	0.18	-0.01	0.11	1																											
MRN.PA	0.13	0.10	0.03	0.08	0.09	1																										
ITX.MC	0.23	0.23	-0.13	0.07	0.11	-0.02	1																									
G.MI	0.02	0.20	0.01	0.30	0.06	-0.09	-0.11	1																								
VOW3.DE	0.40	0.38	0.06	-0.01	0.16	-0.05	0.47	0.12	1																							
ATEN	0.19	0.31	-0.11	0.16	0.16	0.12	0.22	0.25	0.26	1																						
ABBNY	0.31	0.50	-0.23	0.07	0.16	0.12	0.20	0.09	0.27	0.27	1																					
VDTA.L	0.15	-0.01	0.14	-0.18	-0.14	0.00	0.09	-0.02	-0.17	-0.23	-0.12	1																				
IKOR.L	0.21	0.46	-0.12	0.23	-0.09	0.14	0.10	0.05	0.26	0.03	0.35	-0.17	1																			
JNJ	-0.23	-0.11	0.14	-0.25	0.11	0.18	-0.06	-0.13	-0.02	-0.19	0.04	0.05	-0.01	1																		
GOOGL	0.18	0.32	-0.30	-0.31	0.07	-0.10	0.11	-0.04	0.23	0.12	0.40	-0.13	0.35	0.10	1																	
TMUS	0.17	-0.04	0.29	0.04	0.02	0.07	0.07	0.06	0.08	-0.22	-0.07	0.34	-0.13	0.06	-0.31	1																
MELI	0.24	0.21	0.14	0.08	0.15	0.12	0.05	0.16	0.22	0.19	0.20	-0.18	0.19	-0.11	0.26	0.03	1															
AZN	0.04	0.19	0.03	-0.19	0.20	-0.11	-0.02	-0.03	0.06	-0.13	0.15	0.14	-0.09	0.40	0.29	0.07	-0.18	1														
EQB.TO	0.18	0.13	-0.13	0.29	0.10	0.04	0.18	0.10	0.24	0.12	0.26	-0.08	-0.04	-0.24	0.05	-0.09	0.20	-0.11	1													
LEA	0.08	0.23	0.03	-0.09	0.12	0.01	0.17	0.08	0.28	0.34	0.17	0.12	-0.08	0.00	0.19	-0.23	0.14	0.05	0.17	1												
INGR	0.03	-0.10	0.02	-0.04	0.16	0.17	0.24	-0.05	0.13	0.18	0.23	0.04	-0.11	0.30	-0.04	0.17	-0.12	0.10	-0.01	0.37	1											
MC.PA	0.19	0.30	-0.01	-0.07	0.07	0.26	0.17	-0.29	0.14	-0.02	0.29	0.13	0.28	0.03	0.02	0.04	-0.13	-0.07	-0.02	0.09	0.10	1										
ARW	0.33	0.50	-0.02	0.07	0.13	0.19	0.23	0.09	0.35	0.43	0.35	0.01	0.09	-0.11	0.21	-0.11	0.21	0.09	0.20	0.50	0.12	0.14	1									
ZBH	-0.01	0.13	0.10	-0.14	-0.04	0.00	-0.07	-0.05	-0.07	-0.22	0.03	0.35	0.01	0.25	-0.03	0.17	-0.01	0.34	0.04	0.04	-0.05	0.07	0.12	1								
GDX	0.01	0.19	-0.26	0.00	0.12	0.20	0.10	0.09	0.05	0.05	0.42	-0.20	0.06	0.12	0.34	-0.24	0.01	-0.05	0.14	0.24	0.24	0.18	0.23	-0.12	1							
NVO	0.15	0.26	-0.03	0.03	0.10	0.17	0.29	0.07	0.24	0.10	0.46	-0.01	0.13	0.33	0.13	0.06	0.13	0.14	0.16	0.30	0.37	0.18	0.27	0.04	0.27	1						
RENE	-0.22	-0.03	0.02	0.12	-0.05	-0.12	-0.22	0.03	-0.03	-0.16	-0.15	-0.15	0.21	-0.03	0.02	-0.14	-0.23	-0.04	-0.19	-0.25	-0.28	-0.08	-0.23	-0.22	-0.07	-0.22	1					
DECK	0.17	0.20	0.14	0.07	0.13	0.60	0.14	-0.02	0.15	0.26	0.07	-0.06	0.00	0.07	-0.13	0.13	0.17	0.02	0.09	0.30	0.33	0.06	0.44	0.00	0.07	0.22	-0.24	1				
VICI	-0.04	0.13	0.08	0.00	0.02	0.16	0.10	-0.08	0.23	0.00	0.09	0.03	-0.04	0.23	-0.20	0.28	0.03	0.13	-0.03	0.13	0.23	0.16	0.16	0.18	0.00	0.15	-0.12	0.17	1			
BFIT	0.33	0.32	0.01	-0.17	-0.02	0.04	0.42	0.05	0.35	0.17	0.22	0.24	-0.09	-0.13	0.11	-0.20	-0.07	0.14	0.03	0.42	0.12	0.14	0.52	0.06	0.20	0.13	-0.19	0.32	0.07	1		
SN	0.14	0.01	0.17	-0.16	0.10	0.12	0.08	-0.12	0.05	0.07	0.14	0.17	0.03	0.38	0.14	0.24	-0.01	0.09	-0.12	-0.02	0.22	-0.02	0.13	0.24	0.07	-0.07	-0.02	0.02	0.20	0	1.00	
IRDM	0.01	0.05	-0.16	0.06	0.07	0.12	0.17	-0.03	0.07	0.36	0.22	-0.27	0.10	0.18	0.22	-0.16	0.19	-0.02	0.22	0.22	0.19	0.07	0.25	0.07	0.15	0.19	-0.37	0.19	0.13	0	0.10	1.00

The portfolio delivered an **average daily return of 0,06%** during the **quarter**, reflecting **steady performance** amid a more volatile market backdrop.

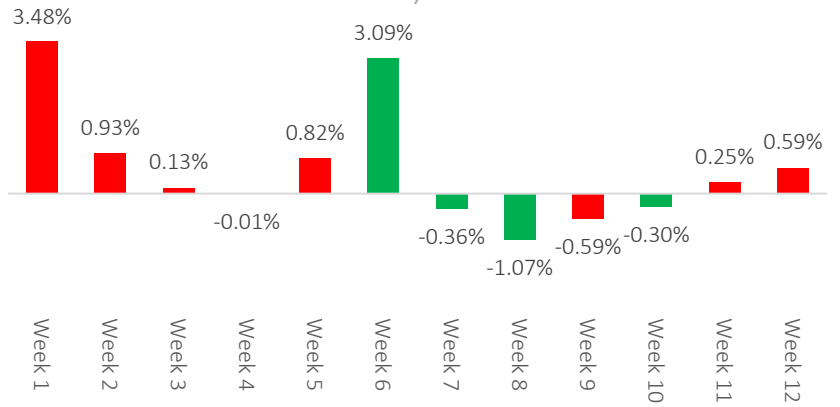
The fund **exceeded the benchmark in 4 of the 12 weeks**, as **relative performance** versus the benchmark was **more dispersed across the quarter**.

Valuation multiples were slightly higher, with **LTM P/E at 22,34** and **LTM EV/EBITDA at 12,15,** suggesting **mild multiples expansion**, while the **portfolio** still delivered **returns above the benchmark**.

Risk metrics showed **increased exposure**, with **maximum weekly drawdown at -3,44%** and an **Annual VaR** (95%) of **6%**, indicating **contained downside risk despite macroeconomic uncertainty**.

Weekly excess return over the benchmark

(From 31/12/2025 to 31/03/2026)



Basic Info		Performance	Inception
Total Equity	———	Sharpe Ratio	0.22
N of Shares	———	Sortino Ratio	0.31
Share Price	$133.08	Information Ratio	-0.36
Capital Invested (%)	81%	Jensen´s Alpha (α)	0.0001%
Beta (β)	0.7097	Gross Returns per year	6.43%
Risk		**Valuation**	
Negative Weeks	5	Fund´s LTM P/E	22,34
Maximum Weekly Drawdown	-3.44%	Fund´s LTM P/S	3.22
Annual VaR (α=95%)	6%	Fund's LTM EV/EBITDA	12.15

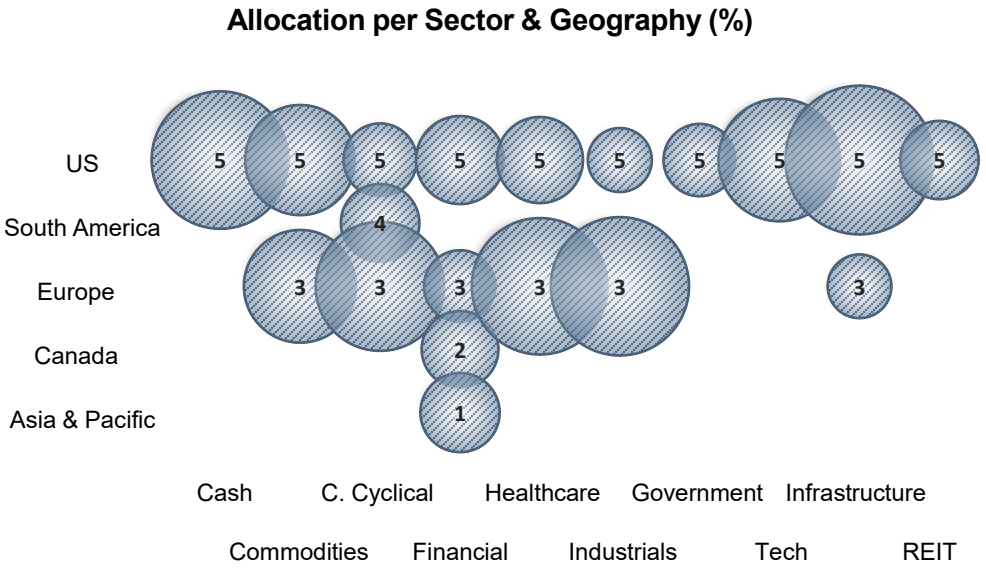
Allocation

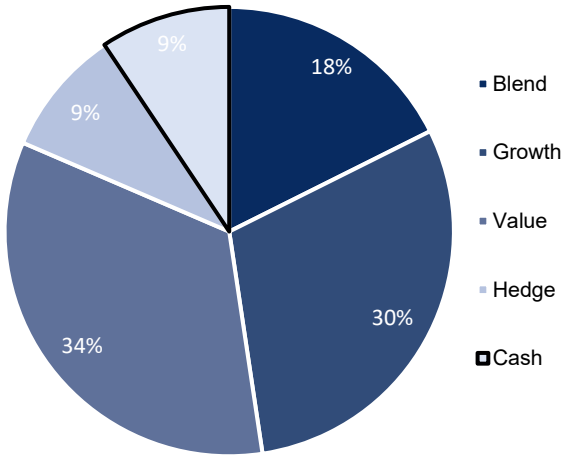
Current Allocation

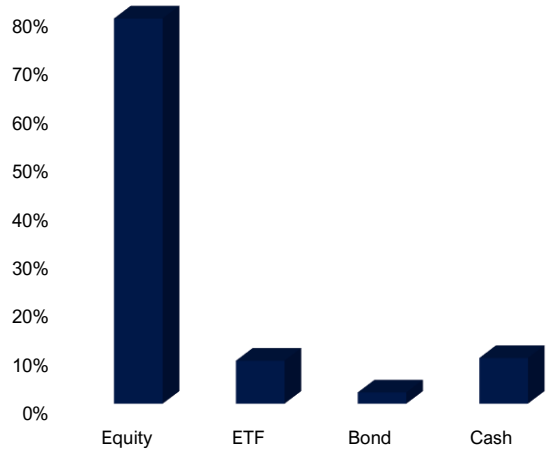
Rebalancing the Portfolio

The **first quarter of 2026** was **marked by a shift in the monetary policy outlook**, as both the **Federal Reserve held rates steady at 3.50%–3.75%** across its **January and March meetings**, pausing the **rate-cutting cycle initiated in 2025** amid **persistent inflation** and a **softening labour market**. Meanwhile, **geopolitical tensions** escalated with the **Middle East conflict driving a sharp spike in oil prices**, raising **stagflation** concerns across **developed markets**. The **US equity market** came under **significant pressure**, with **growth-oriented sectors** particularly affected by **cooling AI sentiment** and **tariff-related uncertainty**.

The **fund's solid performance** relative to the benchmark is directly **related to its defensive positioning** and exposure to **infrastructure**, **healthcare**, and **value-oriented equities**, which **proved resilient** in this environment. The sharp rotation away from **growth into value benefited the portfolio's balanced** stance. In general, the **NIC fund's diversification across defensive and cyclical positions** allowed it to navigate a **turbulent quarter**, **delivering positive returns** against a **deeply negative benchmark**.







Tactical Asset Allocation

Quarterly Macro Research

NIC Undergraduate Division Fund



Economic Cycles

Different asset classes perform heterogeneously given the economic environment at hand. By studying the world economic cycles, we try to be ahead of the curve through pre-emptive portfolio allocation adjustments.



Oil & Gas

Oil and gas span upstream exploration, midstream infrastructure, integrated majors, and specialized services, generating among the highest capital returns in commodity markets. Persistent demand from emerging economies offsets pressure from the energy transition, while the shift toward LNG and lower-carbon operations is reshaping the sector.



Tobacco Products

Tobacco products span combustibles, heated tobacco units, e-vapor, and modern oral nicotine pouches, generating among the highest free cash flow margins in consumer staples. Persistent pricing power offsets structural volume declines, while the shift toward reduced-risk products reshapes the category's long-term growth profile.



Private Credit

Private credit spans direct lending, mezzanine financing, distressed debt, and asset-backed strategies, generating attractive risk-adjusted yields with low correlation to public markets. Persistent demand from mid-market borrowers underserved by traditional banks offsets cyclical credit tightening.

Tactical Asset Allocation

NIC Undergraduate Division Fund

Economic Cycles

Phases	Recovery	Expansion	Slowdown	Contraction
Economic Growth	China	Eurozone, Japan	US, India, Brazil	
Description	▪ Rebound of economic activity (GDP, Investment, Employment, …) ▪ Credit begins to grow ▪ Profits grow rapidly ▪ Expansionary policies ▪ Low Inventories, sales improve	▪ High growth phase ▪ Output above L.R. GDP (inflationary pressures build up) ▪ Low interest rates ▪ Shift in monetary policies ▪ Tightening of labour market	▪ Overheated economy (inflation picks up) ▪ Real GDP growth declines ▪ Interest rate increases (contractionary policies) ▪ Earnings under pressure ▪ Unemployment starts to rise	▪ Economic correction (GDP below Potential output) ▪ Scarce credit ▪ Expansionary policies ▪ Profits decline ▪ Inventories and sales fall
Asset Class Performance	1. Risk Credit (High-Yield) 2. Stocks (Cyclical) 3. Stocks (Defensive) 4. Quality Credit (Govt + Inv. Grade)	1. Stocks (Cyclical) 2. Stocks (Defensive) 3. Risk Credit 4. Quality Credit	1. Stocks (Defensive) 2. Quality Credit 3. Stocks (Cyclical) 4. Risk Credit	1. Quality Credit 2. Stocks (Defensive) 3. Stocks (Cyclical) 4. Risk Credit
Sectors	**Overweight** 1. Real Estate 2. Cyclical Cons. 3. Industrials 4. Tech 5. Financials **Underweight** 1. Health Care 2. Energy 3. Utilities	**Overweight** 1. Tech 2. Communication **Underweight** 1. Materials 2. Defensive Cons. 3. Real Estate 4. Utilities	**Overweight** 1. Energy 2. Real Estate 3. Defensive Cons. 4. Utilities **Underweight** 1. Cyclical Cons. 2. Tech	**Overweight** 1. Defensive Cons. 2. Health Care 3. Utilities 4. Cyclical Cons. **Underweight** 1. Financials 2. Real Estate 3. Tech 4. Industrials 5. Communic.

Sources:

-Fidelity Institutional

-Invesco Ltd.

-S&P Global Ratings

Articles:

- "Where Are We in the Current Business Cycle?" – The Balance

- "Portfolio Management: Sector Rotation" – Investopedia

Tactical Asset Allocation

Quarterly Macro Research

NIC Undergraduate Division Fund



Oil & Gas



Tobacco Products



Private Credit

Tactical Asset Allocation

Oil & Gas (1/5)

Industry Description

The oil and gas industry accounts for approximately **8% of global GDP**, with **global oil demand near 102 million barrels per day**. The sector is dominated by **National Oil Companies (NOCs) controlling 70%** of proven reserves, and **International Oil Companies (IOCs**) operating under commercial discipline with a focus on dividends and buybacks. The **OPEC+ alliance of 23 nations controls 40% of global production**, acting as the market's swing mechanism. Its coordinated production decisions, often driven by strategic and geopolitical considerations, directly influence global price formation and embed a structural geopolitical risk premium into all valuations.

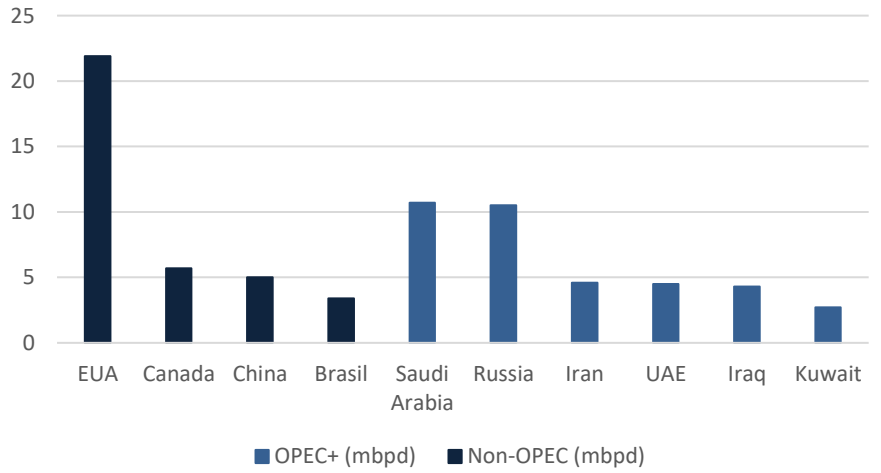
Industry Segmentation

The sector operates across **three structurally distinct segments** with fundamentally different risk-return profiles. Upstream encompasses exploration and production (E&P), where **profitability is directly tied to commodity prices and geological risk**, with lifting costs ranging from below $3/bbl in the Gulf to above $40/bbl in deepwater and oil sands making it the highest-beta segment to crude price movements. **Midstream covers transportation, storage, and processing** through pipelines and LNG terminals operating under a toll-road model that generates stable, volume-based cash flows, characterized by long term contracts with high barriers to entry as well as predictable distributions**. Downstream refines crude into products**, where margins are driven by the crack spread (the differential between crude input cost and refined product prices) and macroeconomic demand cycles.

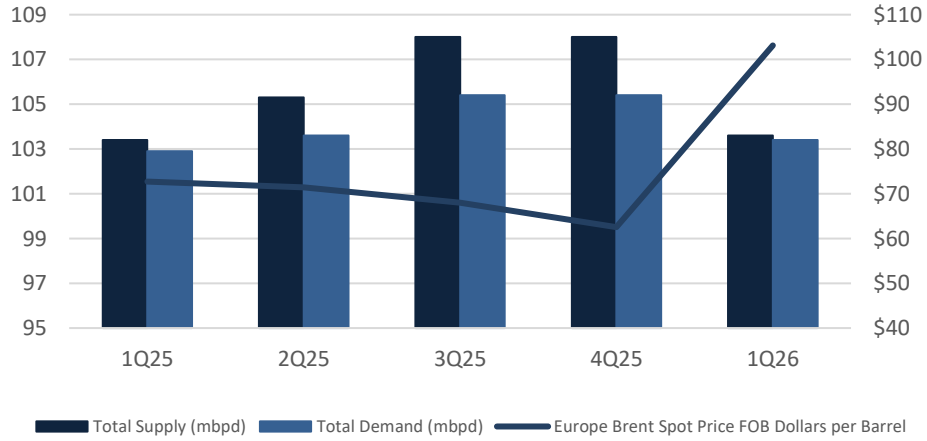
Geopolitical Impact: The Iran Conflict

The escalating US-Iran conflict is the most consequential near-term geopolitical risk for global energy markets in 2026. **The Strait of Hormuz through which 20% of global oil supply and 30% of seaborne LNG flows** daily has faced partial restrictions, forcing costly rerouting adding 10–15 days and significant cost to delivery schedules. Brent has traded **above $100/bbl since the escalation**, re-accelerating inflation and narrowing the Federal Reserve's room to cut rates. Tightened sanctions have removed **an estimated 2-3 million barrels per day of Iranian output** from accessible markets, while Saudi and UAE spare capacity of 3-4 mbpd remains insufficient to fully offset a prolonged disruption. The episode underscores that the geopolitical risk premium in oil is permanent, not cyclical, a structural input to any energy valuation framework.

Top Producers by Country (mbpd, 2025)



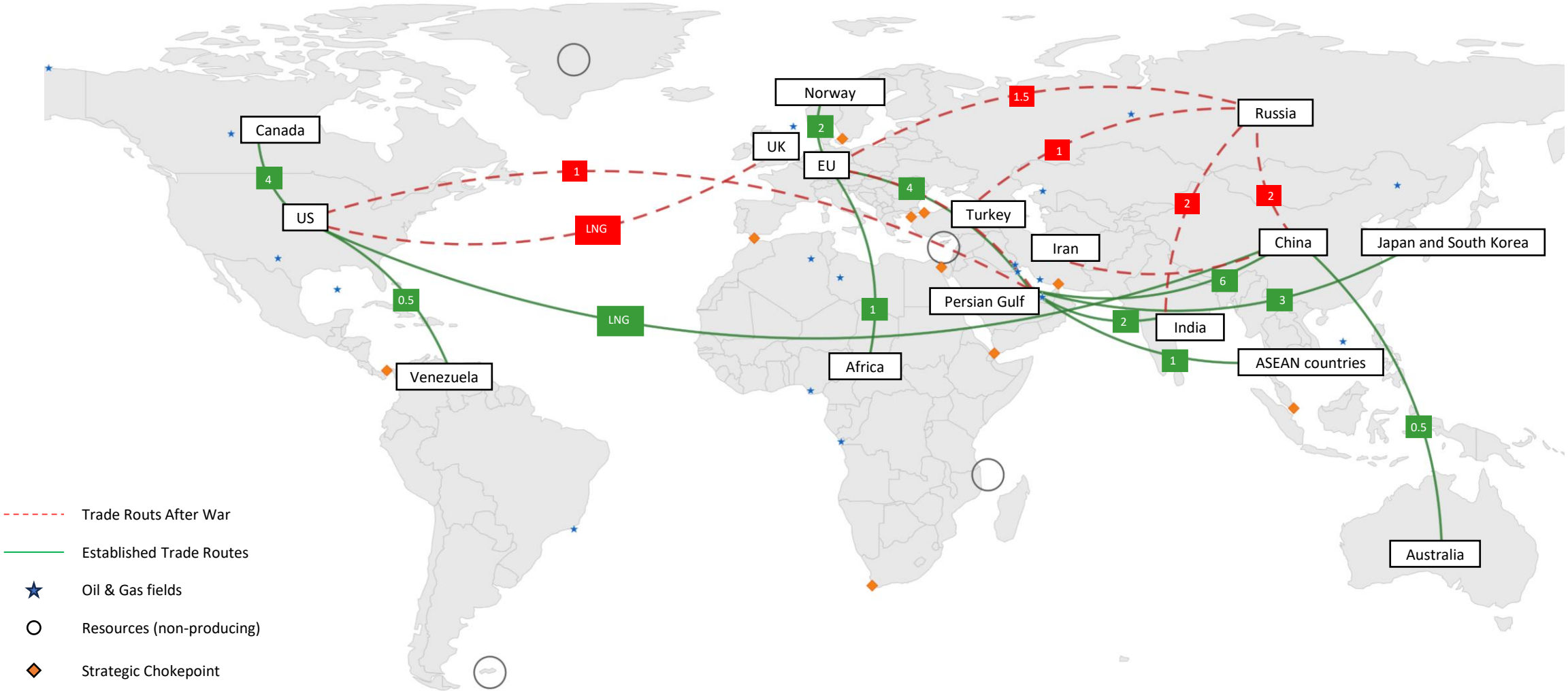
Global Oil Supply-Demand Balance and Brent Crude Price



Tactical Asset Allocation

Oil & Gas (2/5)

Oil & Gas: Major global trade flows (mb/d) and field locations



Sources: EIA, IEA, OPEC ASB 2025

- *All flow values are approximate.*

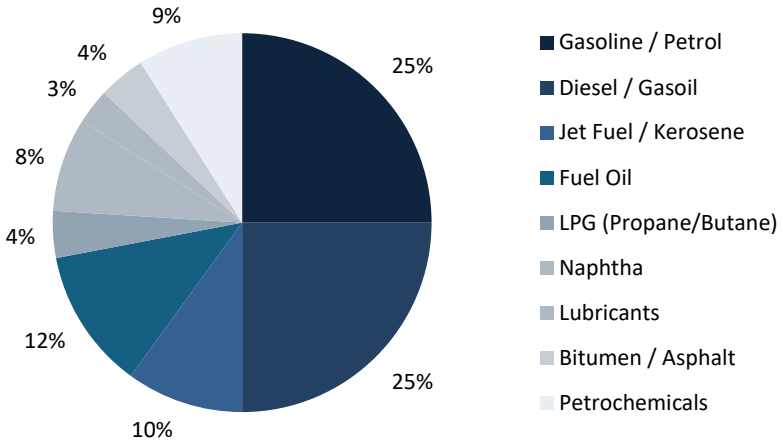
Tactical Asset Allocation

Oil & Gas (3/5)

Quality and characteristics

The **quality of a barrel determines the price of crude oil.** The two key measures are: API Gravity tells us if the oil is **light or heavy** while sulfur content tells us the **cleanliness of the oil or how hard it would be to refine.** Crude with 31° API or above is light; 22° API or below is heavy. Any crude that is less than 0.5% sulfur is sweet. US light-sweet crude and Canadian heavy-sour crude. North Sea Brent or WTI, is a more precious crude oil since it has a higher gasoline, diesel, and jet fuel yield at cheaper processing costs, which is the reason why **Brent is usually priced at a premium to heavier Middle Eastern grades**. Heavy-sour crude, like Venezuelan or Canadian oil sands barrels, are still usable albeit they require more complex refining units such as cokers and hydrocrackers, need more energy, and need higher investment before they can become finished products. **Light-sweet grades often get a premium over heavier grades** for this reason. The industry's problem is that the easiest light-sweet reserves have already been heavily developed while future supply is increasingly coming from deep offshore, oil sands, shale or higher-sulfur sources. **The expenses incurred in producing usable crude oil will become higher than required even before high-cost price spikes and geopolitical risk.**

Breakdown of an oil barrel

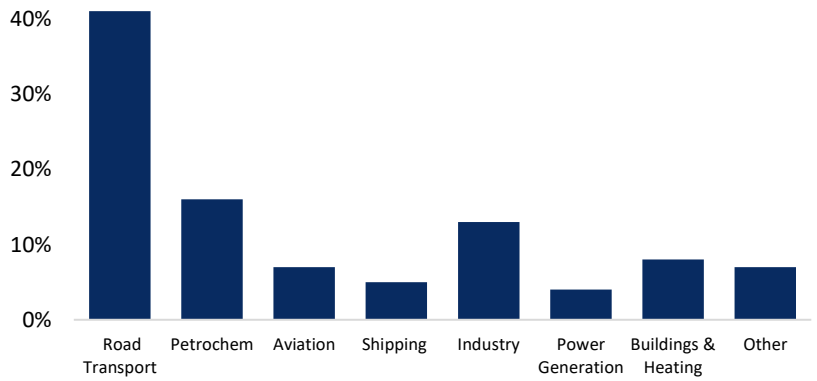


Final products using Oil

The common narrative is that oil is a transport fuel. This certainly does not cover its importance. **Almost half of every barrel is gasoline and about a quarter is diesel and heating oil.** Further, around **10% is jet fuel.** Subsequently, the last bit is used in products that are harder to replace. **Petrochemicals are used as inputs in a variety of industries like plastics, fertilizers, synthetic rubber, detergents etc.** The petrochemical sector plays an important role in **lubricants and technical fluids.** Even today oil is crucial for **aviation, shipping, asphalt and industrial lubricants**, where there is still no global scale substitute. As a result, electric vehicles can help reduce demand for transport on the road but do not resolve issues related to petrochemicals, aviation, construction materials or heavy transport. As a consequence, the **demand for oil will not vanish overnight but will rather be diminished on the basis of sectors**, with road transport likely to move first in adopting electrification while petrochemicals, aviation, shipping, and industrial uses remaining dependent on hydrocarbons for much longer. **Most industry forecasts indicate that oil consumption globally will be supported in the 2040s by petrochemical demand.**

Sources: IEA, EIA, EIA

Oil demand by segment



Tactical Asset Allocation

Oil & Gas (4/5)

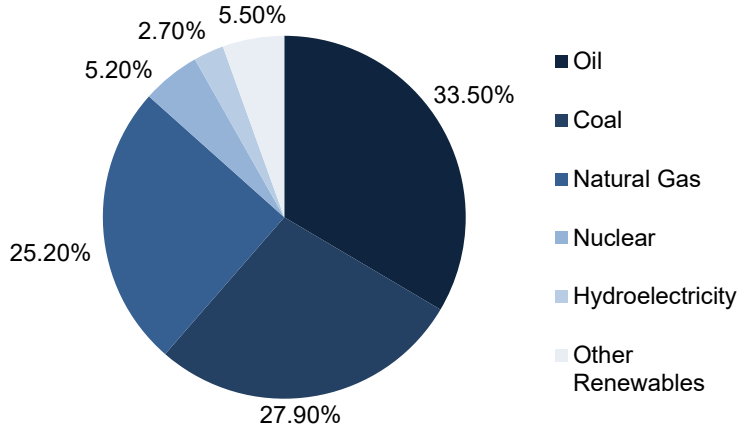
Why the Current Model is Unsustainable

The core problem is simple: **oil and gas are finite**. They formed over millions of years and we are using them in a few generations. At current consumption rates, proven **oil reserves cover roughly 50 more years and gas around 50 to 55**, and the easy, cheap barrels are already gone. New production increasingly comes from deep water, shale, or arctic fields, which are more expensive and more polluting to extract. On top of that, burning these fuels is the main driver of climate change, **responsible for over 75% of global greenhouse gas emissions**, which is pushing governments to tax carbon, tighten regulations, and subsidize cleaner options. There is also the geopolitical side, since most reserves sit in a small group of countries, every conflict in those regions sends prices and inflation through the rest of the world, as we saw with Russia in 2022 and the recent tensions with Iran. The change is not only about ideology or environment, it is about **supply running thinner, getting more expensive to reach, and carrying risks that the global economy can no longer absorb quietly**. The transition is less a choice and more a slow necessity, and that is why even oil majors like Shell, BP, and TotalEnergies are already redirecting part of their capital toward renewables and gas.

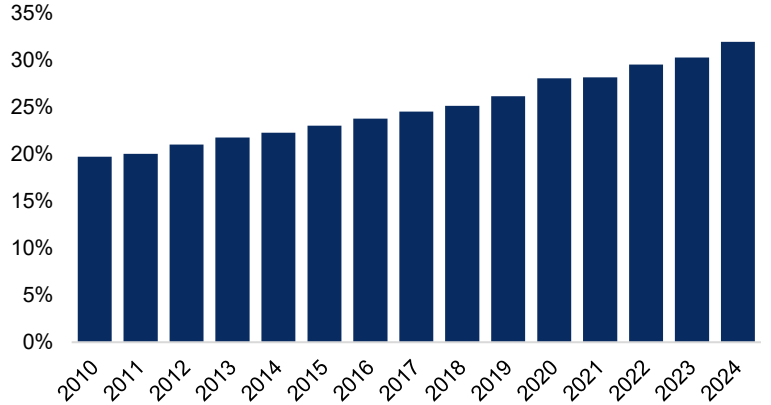
Alternatives Solutions

Solar and wind are already the cheapest new electricity in most of the world, but **the real bottleneck is the grid, not the panels**, since storage and transmission have not scaled at the same speed and countries like Germany and Spain regularly produce more renewable power than they can use. **Nuclear** is the only proven **low-carbon source running all time**, and small modular reactors (SMRs) are making new plants cheaper and faster to build, but the **risk asymmetry is huge**, since a single accident like Chernobyl in 1986 or Fukushima in 2011 can set the industry back decades, as Germany showed when it shut down all its reactors and fell back on coal and Russian gas. **Hydrogen** is overhyped short term and underrated long term, because **around 95% of it is still made from natural gas** and green hydrogen costs three to six times more, but it remains the only realistic path for **steel, fertilizers, and long-haul shipping**, which together account for nearly **20% of global emissions. Biofuels** can fill specific gaps like **aviation**, where batteries are too heavy, but they **cannot scale meaningfully,** since replacing global jet fuel with biofuels would require farmland larger than India**. Electric vehicles** are already **eating into oil demand in real time**, with each **1% gain in EV share removing roughly 250,000 barrels per day** from global consumption, though over **60% of lithium refining and 75% of battery production sit in China**, which turns the energy transition into a new geopolitical dependency.

Global Energy Consumption by Source (2024)



Share of renewable energy in electricity generation globally



Sources: IEA, WOS, EISR

Tactical Asset Allocation

Oil & Gas (5/5)

Possible Investments

ConocoPhillips (NYSE: COP)

- **EV/EBITDA: 6.88x**
- **Dividend Yield: 3.1%**
- **Market Cap: $149B**
- **P/E ratio: 21.17x**
- **Segment: Upstream**

Oneok Inc. (NYSE: OKE)

- **EV/EBITDA: 11.44x**
- **Dividend Yield: 4.63%**
- **Market Cap: $56B**
- **P/E ratio: 16.16x**
- **Segment: Midstream**

Valero Energy (NYSE: VLO)

- **EV/EBITDA: 8.46x**
- **Dividend Yield: 1.81%**
- **Market Cap: $75B**
- **P/E ratio: 18.38x**
- **Segment: Downstream**

Occidental Petroleum. (NYSE: OXY)*

- **EV/EBITDA: 7.67x**
- **Dividend Yield: 1.85%**
- **Market Cap: $59B**
- **P/E ratio: 44,64x**
- **Segment: Upstream**

Kinder Morgan Inc. (NYSE: KMI)

- **EV/EBITDA: 13.04x**
- **Dividend Yield: 3.62%**
- **Market Cap: $72B**
- **P/E ratio: 21.79x**
- **Segment: Midstream**

Phillips 66. (NYSE: PSX)

- **EV/EBITDA: 10.17x**
- **Dividend Yield: 2.70%**
- **Market Cap: $72B**
- **P/E ratio: 17.64x**
- **Segment: Downstream**

- *All financial metrics are disclaimed in US dollars.*

Tactical Asset Allocation

Quarterly Macro Research

NIC Undergraduate Division Fund



Oil & Gas



Tobacco Products



Private Credit

Tactical Asset Allocation

Tobacco Products (1/4)

Industry Overview

The global tobacco and nicotine products industry generates approximately **$900 billion in annual retail value**, comprising **combustible cigarettes** (75% of value), **heated tobacco units (HTU)**, **e-vapor systems**, and **modern oral nicotine pouches**. The industry is dominated by **five Western multinationals,** Philip Morris International, Altria, British American Tobacco, Imperial Brands, and Japan Tobacco alongside **China National Tobacco Corporation**, the world's largest producer by volume but a state-owned entity not accessible to public market investors. The investable universe is therefore concentrated in fewer than ten meaningful names, contributing to an unusually consolidated competitive landscape with high barriers to entry rooted in regulatory complexity, brand equity, and distribution scale.

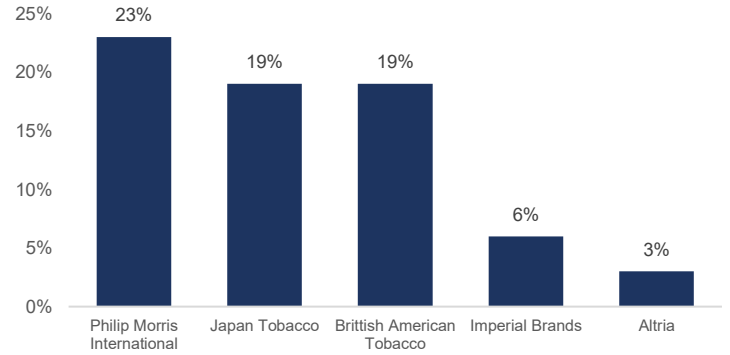
Industry Economics

Tobacco operators exhibit one of the most **cash-efficient profiles** within consumer staples. The model is structurally **capital-light** at **2-3% capex intensity**, while **adjusted operating margins of 40-50%** at the Western majors sit well above the **sector average**. This combination supports **FCF conversion above 85%**, the substantial majority of which is returned to shareholders. **Altria has raised its dividend for 60 consecutive years**, Philip Morris International has done so every year since its 2008 spin-off, and current sector **dividend yields of 5-8%** remain materially above staples averages.

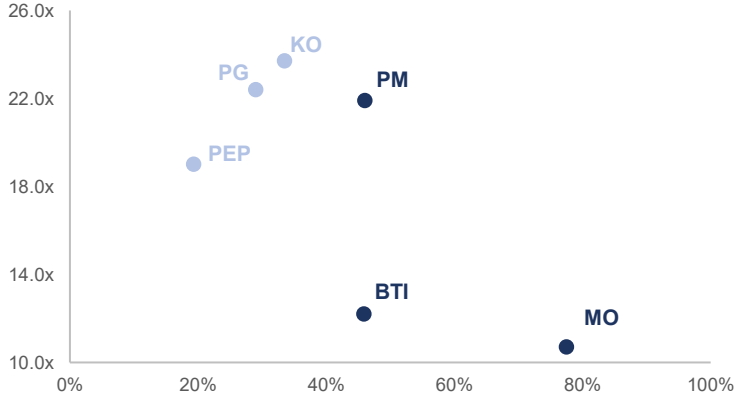
Structural Moat & Valuation Context

Regulation paradoxically protects incumbents: the **1998 Master Settlement Agreement** consolidated the US industry and capped marketing, while decades of advertising restrictions have foreclosed new combustible brand creation at scale. These advantages would normally command a premium, yet the sector trades at a **persistent discount;** Altria and BAT at **~11x forward P/E vs staples at 20–22x**. The gap reflects **ESG-driven institutional underownership** rather than fundamentals, creating the **principal source of relative value** vs the broader staples complex.

Cigarette Retail Volume Share Outside China
Top Investable Players (2024)



Forward P/E vs EBITDA Margin - Tobacco and Consumer Staples (FY25)



Sources: Euromonitor, Company Fillings, University of Bath, Koyfin

Tactical Asset Allocation

Tobacco Products (2/4)

NIC Undergraduate Division Fund

Market Size & Segment Breakdown

The **global tobacco and nicotine products** market generates approximately **$900 billion in annual retail sales**, with manufacturer-level revenues concentrated among **five Western multinationals** at roughly **$130–150 billion combined**. The market is projected to grow at a **2–3% value CAGR through 2030**, supported almost entirely by **pricing power** rather than **volume expansion**, as **global combustible cigarette volumes decline** at approximately **2–3% annually**. By product category, **combustible cigarettes remain dominant** at roughly **75% of value**, while **next-generation products** — comprising **heated tobacco units**, **e-vapor systems**, and **modern oral nicotine pouches** — now account for **15–20% of combined revenues** at the most **advanced operators**. Private label penetration remains structurally limited given the role of **brand equity** and **consumer loyalty**, **reinforcing the pricing architecture** of incumbent operators.

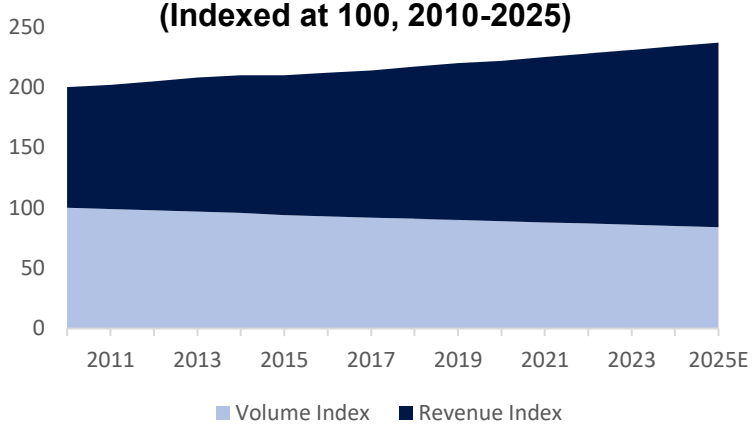
Revenue & Volume - Pricing Divergence

The defining **financial characteristic** of the tobacco industry is its demonstrated ability to **sustain and grow revenues in the face of structural volume decline**. Global **cigarette volumes have fallen** consistently since the **mid-2000s**, yet aggregate industry **revenues have continued to grow**, reflecting **exceptional pricing power** rooted in **brand loyalty**, addiction economics, and **deeply inelastic demand**. In **mature markets** such as **Western Europe** and **North America**, **price increases of 4–7% annually** have more than offset **volume declines of 2–3%,** delivering consistent **low-to-mid single-digit revenue growth**. This divergence between **volume** and **value** is **structurally durable**, as tobacco remains **one of the few consumer categories** where consumers demonstrably **absorb successive price increases** without meaningful **demand destruction**.

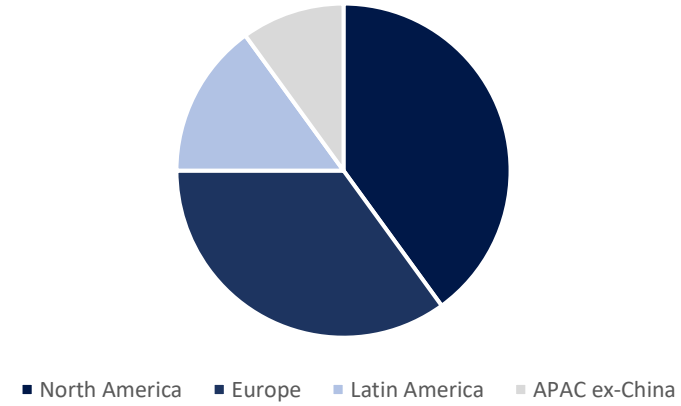
Geographic Distribution

Excluding China (**~40% of global volume**), the investable market is concentrated in **North America (~40%)**, **Europe (~35%)**, **Latin America (~15%)**, and **APAC ex-China (~10%)**. **North America and Western Europe are mature, high-margin markets**, while **Southeast Asia, the Middle East, and Sub-Saharan Africa** offer modest volume growth through demographic expansion.

Global Tobacco Revenue vs. Volume (Indexed at 100, 2010-2025)



Investable Tobacco Market by Geography



Sources: Grand View Research, Global Market Insights, Statista

Tactical Asset Allocation

Tobacco Products (3/4)

Regulatory Risks

The tobacco industry faces **tightening regulation** globally, but its **response is more sophisticated** than most observers recognise. **Plain packaging** has expanded from Australia in 2012 to **over twenty jurisdictions** by 2025, **WHO** called for an **urgent global flavour ban** in May 2025 and the **UK banned disposable vapes** in June 2025. The direction is unambiguous.

Yet operators are not passive. The WHO FCTC Secretariat documented in October 2025 that the **industry is actively infiltrating COP negotiations** through political capture, industry-funded front groups and co-opted science. EU trade officials met with Philip Morris International at least six times between 2022 and 2024, subsequently using trade policy to pressure third countries against restricting IQOS, which is a direct violation of FCTC obligations. Simultaneously, **tobacco companies are deliberately blurring the regulatory boundary between heated tobacco products and e-cigarettes** to exploit lighter frameworks applied to the latter.

Jurisdictional divergence remains the **industry's greatest structural shield**. The Trump Administration withdrew proposed FDA menthol rules in January 2025 (months after Reynolds American became the largest corporate donor to a pro-Trump super PAC), neutralising the most material US regulatory threat.

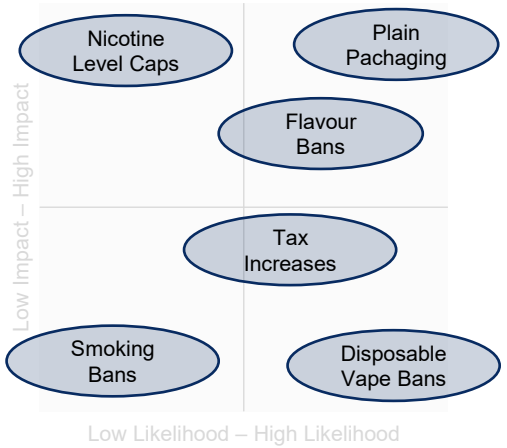
Future Outlook

The structural trajectory of the global tobacco and nicotine industry is one of deliberate portfolio transformation rather than terminal decline. **Global combustible cigarette users** contracted from approximately **1.38Bn in 2000 to 1.2Bn in 2024**, yet **tobacco firms are actively diversifying into next-generation products** to **retain customers and capture new segments**.

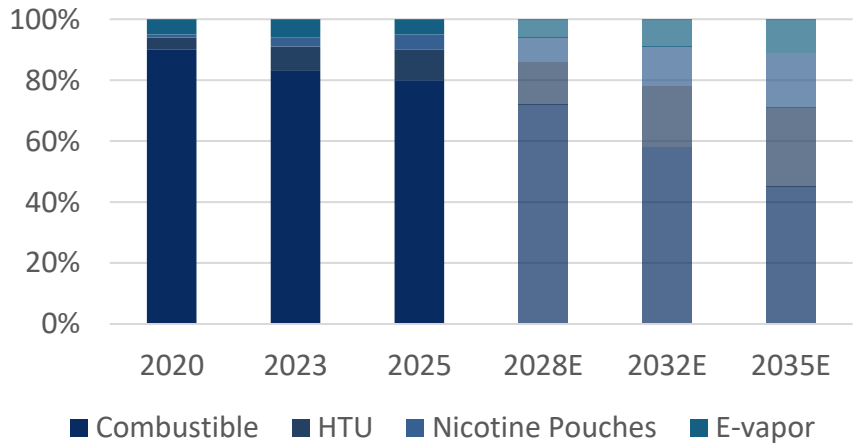
Heated tobacco units are projected to **grow at a 1.76% CAGR** through 2031 and the December 2025 FDA authorisation of six **nicotine pouch products** through the PMTA pathway strengthened the category's **regulatory legitimacy**. **HTUs and nicotine pouches** already account for **15-20% of revenues** at the most advanced operators, a share **expected to grow materially** through the decade.

Geographically, the opportunity is bifurcated: high-income regions see continued combustible decline offset by NGP expansion, while Asia-Pacific, Latin America and Sub-Saharan Africa offer volume growth through demographic expansion. **Sector returns will ultimately depend on operators sustaining pricing power in legacy markets while executing credible transitions to higher-margin next-generation formats.**

Likelihood-Impact Risks Matrix



Tobacco Revenue Mix Shift (2020-2035E)



Sources: WHO FCTC Secretariat, Network for Public Health Law, POLITICO, Grand View Research

Tactical Asset Allocation

Tobacco Products (4/4)

Possible Investments

Philip Morris International (NYSE: PM)

- **Market Cap: 264.11 Bn**
- **FCF Yield (Mkt Cap, LTM): 4.04 %**
- **Dividend Yield (Est.): 3.56 %**
- **P/E (Fwd): 18.46**
- **ROIC: 27.25 %**

Altria Group, Inc. (NYSE: MO)

- **Market Cap: 121.55 Bn**
- **FCF Yield (Mkt Cap, LTM): 7.09 %**
- **Dividend Yield (Est.): 5.93 %**
- **P/E (Fwd): 12.43**
- **ROIC: 38.10%**

British American Tobacco plc (LSE: BATS)

- **Market Cap: 129.54 Bn**
- **FCF Yield (Mkt Cap, LTM): 4.59 %**
- **Dividend Yield (Est.): 5.73 %**
- **P/E (FWD): 11.26**
- **ROIC: 8.04%**

Imperial Brands plc (LSE: IMB)

- **Market Cap: 30.02 Bn**
- **FCF Yield (Mkt Cap, LTM): 13.81 %**
- **Dividend Yield: 5.93 %**
- **P/E (FWD): 7.78**
- **ROIC: 11.08 %**

Japan Tobacco Inc. (TYO: 2914)

- **Market Cap: 75.36 Bn**
- **FCF Yield (Mkt Cap, LTM): 3.15 %**
- **Dividend Yield: 4.23 %**
- **P/E (FWD): 15.50**
- **ROIC: 8.86 %**

KT&G Corporation (KRX: 033780)

- **Market Cap: 13.97 Bn**
- **FCF Yield (Mkt Cap, LTM): -0.08 %**
- **Dividend Yield: 3.65 %**
- **P/E (FWD): 14.22**
- **ROIC: 8.97 %**

- *All financial metrics are disclaimed in US dollars.*

Tactical Asset Allocation

Quarterly Macro Research

NIC Undergraduate Division Fund



Oil & Gas



Tobacco Products



Private Credit

Tactical Asset Allocation

NIC Undergraduate Division Fund

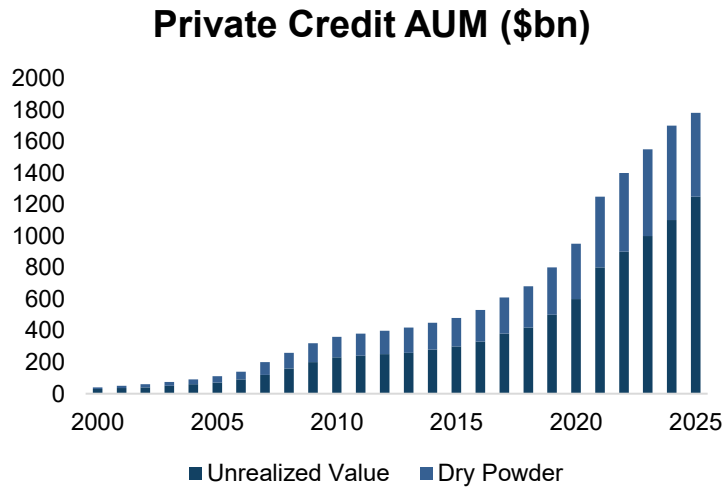
Private Credit (1/4)

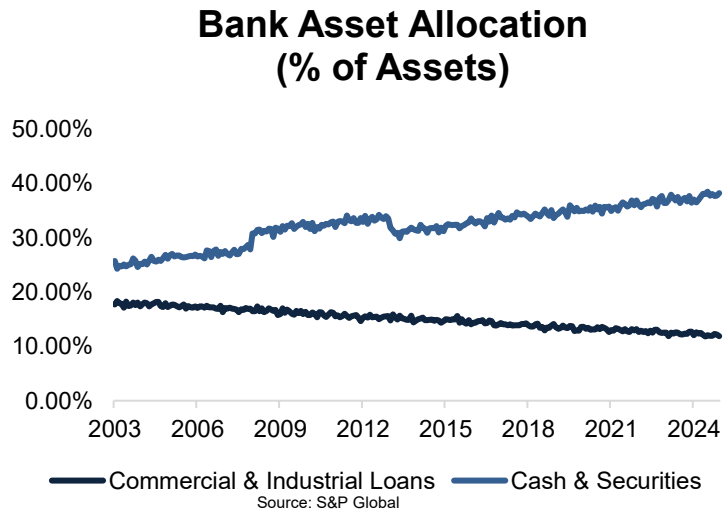
Historical Evolution

The private credit market has evolved from a relatively small segment in the early 2000s, when it was estimated at c. **$200 billion**, into a major source of corporate financing today. Its expansion is closely tied to the **aftermath of the 2008 financial crisis**, which led to regulatory reforms such as the **Dodd-Frank Act** and **Basel III**. These measures **increased capital and liquidity requirements for banks**, resulting in a significant **pullback in lending to riskier borrowers**, particularly mid-sized and leveraged companies. Evidence from central bank surveys shows that the net percentage of banks tightening lending standards rose sharply during the crisis and remained elevated in subsequent years, reflecting stricter credit conditions. At the same time, bank balance sheet constraints and reduced risk appetite contributed to slower growth in corporate lending relative to pre crisis levels. This created a persistent financing gap that was **increasingly filled by private credit funds**, which expanded rapidly over the following decade as institutional investors **sought higher yields and borrowers valued more flexible, relationship driven financing solutions.**

Current Outlook

Today, the private credit market is estimated at **c. $2 to $3 trillion** and is projected to exceed **c. $4 to $5 trillion** in the coming years, supported by continued demand from **private equity backed firms** and institutional investors. The asset class remains attractive due to its ability to offer **flexible, tailored financing** to companies, as well as **floating rate returns** that adjust with **rising interest rates**, providing **enhanced yields** in the current environment. In addition, the development of **semi liquid fund structures** allowing periodic investor redemptions has broadened access to a wider investor base. While traditional bank lending continues to play a central role, its growth has been more moderate compared to the **rapid expansion of private credit**, reinforcing the latter's position as a complementary source of capital. Looking ahead, sustained demand for direct lending, ongoing regulatory constraints on banks, and the ability of private credit to **efficiently deploy capital in less liquid segments** are expected to support **continued market expansion**.





Sources: *The Guardian; CNBC*

Tactical Asset Allocation

NIC Undergraduate Division Fund

Private Credit (2/4)

How a Private Credit Fund Works?

Fund formation & fundraising

- A fund is launched and its characteristics decided.
- Capital is raised from passive investors (ex: Pension funds, sovereign wealth funds).

Deal Sourcing

- Financing deals originate from:
  - bank referrals;
  - private equity funds;
  - management seeking growth capital;

Underwriting & documentation

- Intensive due diligence is realized to make sure the fund will recover their money back plus interest. and the type of loan is decided.

Deployment & Portfolio Management

- The credit team keeps tracks of the borrower's financials to assess credit healthiness and assess problems if they arise.

Realisation & Returns

- Fund receives quarterly or monthly cash interest.
- At maturity the investors receive their money back plus interest

- Private Credit serves as the middle-man between borrowers and lenders.
- After 2008, due to more demand than supply funds started offering better, more flexible conditions to investors to capture investment, making so private credit funds which have illiquid assets allowing investors to withdraw at any time any amount with the expectation that it would never happen.
- Funds have been under scrutiny recently due to investors believing that the funds aren't being well managed, since the deals are private and funds are having higher than expected default rates while loans are increasingly less backed by assets.
- It is also important to note that private credit is na income asset and not a capital gains asset.

Tactical Asset Allocation

Private Credit (3/4)

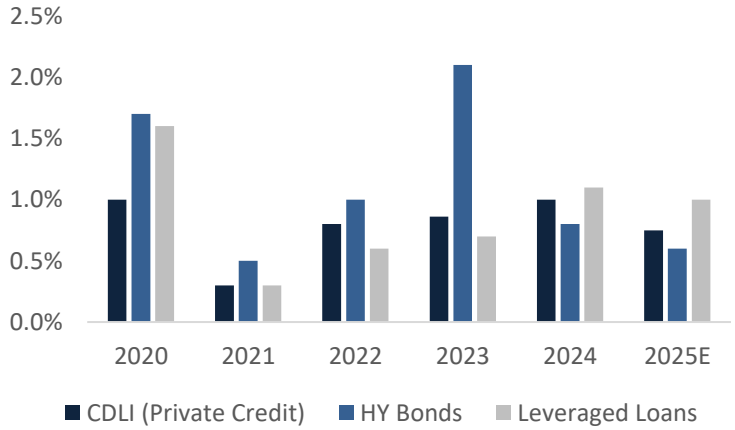
Catalysts

Persistent bank retrenchment and tighter lending standards continue to **structurally shift deal flow toward private credit**, as borrowers increasingly turn to funds rather than traditional lenders for financing. Higher-for-longer rates keep yields in the **8–12% range**, sustaining strong investor demand despite recent outflows. A large **refinancing wall through 2026–2028**, combined with rising market stress, is expected to deepen borrower reliance on flexible private solutions, particularly among those facing maturity pressure with limited access to public markets. At the same time, ongoing volatility and selective investor pullback may create **dislocation-driven opportunities** for well-capitalized managers to deploy dry powder at **more attractive terms**, with better spreads and stronger structural protections than the market offered in more benign conditions.

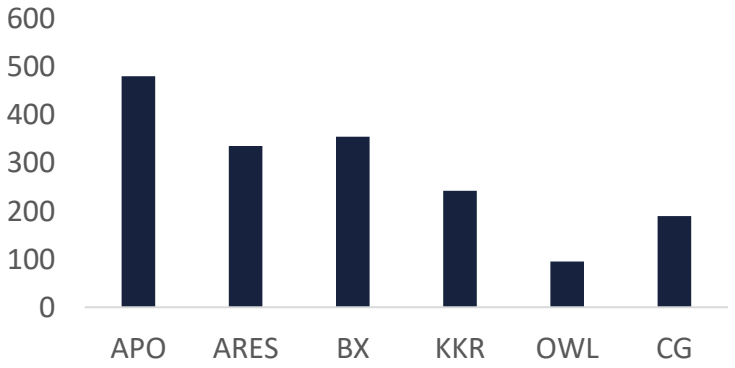
Risks

Risks in the private credit market have moved to the forefront of financial debate, with **JPMorgan CEO Jamie Dimon** drawing explicit **parallels** to the **2008 subprime crisis** following the **collapse** of **two major American businesses**. The **biggest risk** is **illiquidity** as Private credit loans typically **lock** investors' **capital** for **five** to **seven years**, with **no straightforward route out** if conditions deteriorate. That risk is no longer theoretical; in early 2026, **Blue Owl** and **Blackstone** were **forced** to **cap redemptions** after receiving **record withdrawal requests**. Layered on top is **economic exposure**: **rising interest rates increase** the **debt burden** on **already highly leveraged borrowers**, while an **economic downturn** can trigger **defaults**. Unlike banks, private credit firms are **not required** to **hold capital against potential losses** or **disclose** the **risk** on their books and **answer** to far **fewer regulators**. The industry's recent **concentration** in **AI** and **software** companies, particularly those financing data centre infrastructure, adds further concern, with valuations dependent on assumptions about **demand**, **energy costs**, and **interest rates** that are all now **under pressure** from **elevated rates** and **geopolitical instability** in the **Middle East**. The biggest risk, however, may lie at the industry's edges. **Commercial banks** retain **significant exposure** to private credit funds through credit lines and co-investments. Should private credit experience a severe credit event, those connections could pull stress back into the regulated banking system, and from there, into the **broader economy**.

Realized Credit Losses: Private vs Public Credit, 2020–2025



Private Credit AuM ($B)



Source: S&P Global

Sources: The Guardian; CNBC

Tactical Asset Allocation

NIC Undergraduate Division Fund

Private Credit (4/4)

Possible Investments

Apollo Global Management (NYSE: APO)

- **Market Cap: 75.21 Bn**
- **P/E Ratio (FWD): 12.28**
- **Debt/Equity: 0.57**
- **Private Credit % AUM: 80%**

Ares Management (NYSE: ARES)

- **Market Cap: 39.34 Bn**
- **P/E Ratio (FWD): 16.07**
- **Debt/Equity: 3.35**
- **Private Credit % AUM: 65%**

Blackstone (NYSE: BX)

- **Market Cap: 154.25 Bn**
- **P/E Ratio (FWD): 16.72**
- **Debt/Equity: 1.69**
- **Private Credit % AUM: 36%**

KKR & Co. (NYSE: KKR)

- **Market Cap: 92.44 Bn**
- **P/E Ratio (FWD): 13.69**
- **Debt/Equity: 1.77**
- **Private Credit % AUM: 43%**

Blue Owl Capital (NYSE: OWL)

- **Market Cap: 15.56 Bn**
- **P/E Ratio (FWD): 10.01**
- **Debt/Equity: 2.07**
- **Private Credit % AUM: 51%**

The Carlyle Group (NASDAQ: CG)

- **Market Cap: 17.86 Bn**
- **P/E Ratio (FWD): 9.28**
- **Debt/Equity: 2.41**
- **Private Credit % AUM: 44%**

- *All financial metrics are disclaimed in US dollars.*

Position Revaluation

Motivation

The **Position Revaluation** is the section where some of our positions will be critically evaluated regarding the relevance of the proposed investment thesis in the current environment, business risk analysis, Intrinsic and Comps Valuation, etc. The positions being revaluated this quarter are:

Zimmer Biomet Holdings
(ZBH)
Healthcare

Proposed Decision:
Reinforcement

Redes Energéticas Nacionais
(RENE)
Energy

Proposed Decision:
Hold

Iridium Communications
(IRDM)
Telecommunications and Aerospace

Proposed Decision:
Sell

Position Revaluation

Zimmer Biomet Holdings (ZBH)



Position Revaluation

Zimmer Biomet Holdings (ZBH)

Business Description

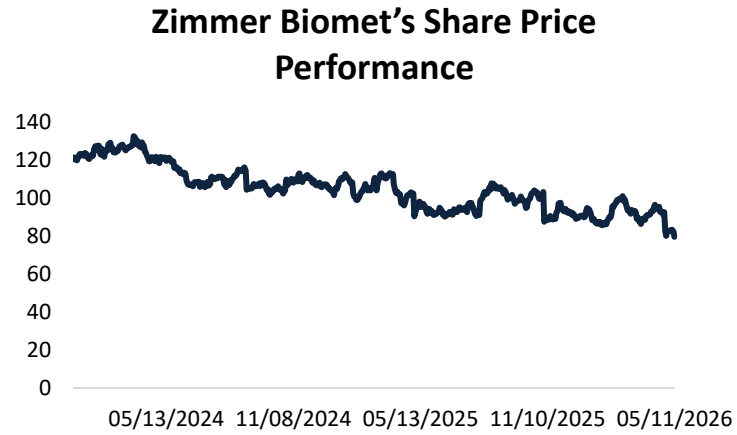
Zimmer Biomet is a global medical technology company focused on enhancing mobility and improving patient outcomes through innovative **orthopaedic products** and **advanced healthcare solutions**. With more than 90 years of experience, the company offers a comprehensive portfolio that includes joint replacement systems, surgical technologies, and a growing suite of digital, robotic, and data-driven tools powered by **artificial intelligence**. Operating in over 25 countries, Zimmer is committed to transforming the patient experience by integrating cutting-edge technology with clinical expertise. Its continued emphasis on innovation, operational excellence, and long-term growth positions it as a **leader** in the **musculoskeletal healthcare industry**.

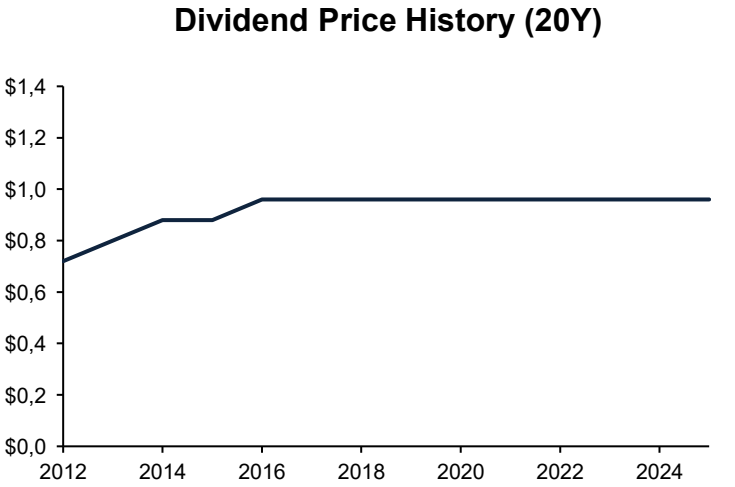
Previous Investment Thesis

In early 2025, the fund initiated a position in **Zimmer Biomet (ZB)** at **$103.53**, viewing the stock as a buy due to its **leading position** in the **Medical Devices industry**. The investment was driven by ZB's strong market positioning, including dominant shares in the highest-growth orthopedic segments, approximately 30% in Knees and 40% in Hips, within a market expected to grow at a **CAGR of 6.3% through 2030**. At the time, ZB's valuation multiples traded below peer means, while the company demonstrated strong cash flow generation despite lower net income attributable to high non-cash expenses. Additionally, ZB was considered well positioned to benefit from **AI adoption**. The combination of an undervalued entry point, structural industry tailwinds, and technological readiness made ZB an attractive holding with **meaningful upside potential.**

Current Situation

Over the past twelve months, Zimmer Biomet's share price has **faced meaningful pressure**, **declining** approximately **9% during Q4 2025**, reflecting **softer-than-expected organic growth guidance for 2026, margin compression, CFO's** Suketu Upadhyay **resignation** and **market concerns around sustainability** following the Paragon 28 consolidation. Despite this, **FY2025 results were** operationally **strong**, with **revenues growing 7.2% to $8.23bn**, driven by a **15.2% surge in S.E.T.** and continued mid-single digit growth in Knees and Hips. Looking into 2026, the key debate centers on whether Zimmer Biomet can demonstrate **credible organic growth** as the Paragon 28 contribution anniversaries, with the recently completed **Monogram Technologies acquisition** expected to **strengthen its robotics positioning** over the medium term.





Sources: Zimmer Biomet Reports

Position Revaluation

Zimmer Biomet Holdings (ZBH)

Strategy Analysis

Zimmer Biomet's strategy reflects a company in active transition, balancing **operational discipline** with **longer-term bets on innovation and diversification**. The new Operating Committee and improving cash flow signal a maturing execution culture, though managing global tariffs alongside multiple M&A integrations carries meaningful execution risk. Evolving the U.S. sales channel is strategically necessary given **58% domestic revenue concentration**, but transitions of this nature historically bring short-term disruption. On innovation, the **"Magnificent Seven" platform cycle** is the most tangible growth catalyst, with cementless and robotic solutions positioning ZB well in an increasingly technology-driven orthopedic market. The **Paragon 28 and Monogram Technologies acquisitions** push ZB into faster-growing adjacencies and reduce dependence on the mature large-joint core, though integrating multiple deals concurrently remains a key variable to monitor.

Financial Analysis

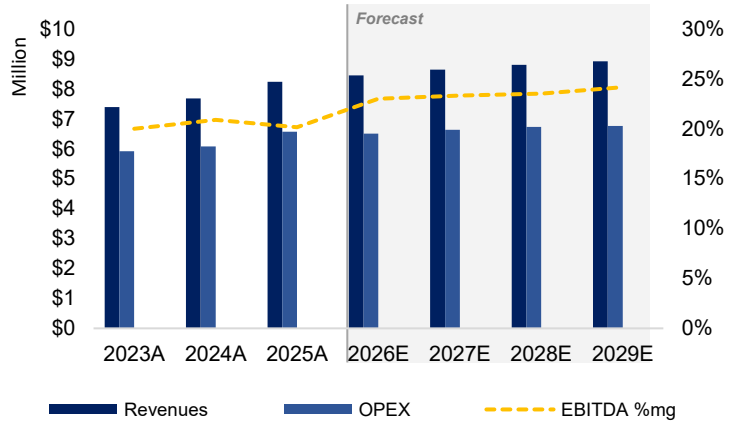
Zimmer Biomet has demonstrated **stable revenue growth**, with net sales expanding from **$6.8bn** in **2021** to **$8.2bn** in **2025**, a **CAGR** of **~4.8%**. Growth is led by **S.E.T.** (**+15.2%** in **2025**), inflated by the **Paragon 28 acquisition**, alongside modest gains in **Hips (+4.7%)** and **Knees** (**+4.7%**). Under our base case, sales reach **$9.0bn** by **2030**, with **revenue growth decelerating** as **Paragon 28 contributions normalize**. Despite the Gross Margin being stable in the last years, which we forecast to continue onwards, the EBITDA margin grew from **16%** in **2021** to **20%** in **2025**. We forecast the **EBITDA margin** continuous **expansion** from **20.1%** in **2025** to **25.5%** by **2030**, driven by operating leverage and a declining SG&A. **Cash conversion increases** through the forecast period, driven by **capex stabilization** post-Paragon 28, **NWC improvements**, and the non-cash nature of acquisition-related **amortization**. Alongside the new figures, the company reaffirmed its full-year 2026 guidance of revenue growth between 2.5% and 4.5%, with higher EPS.

Final Investment Decision

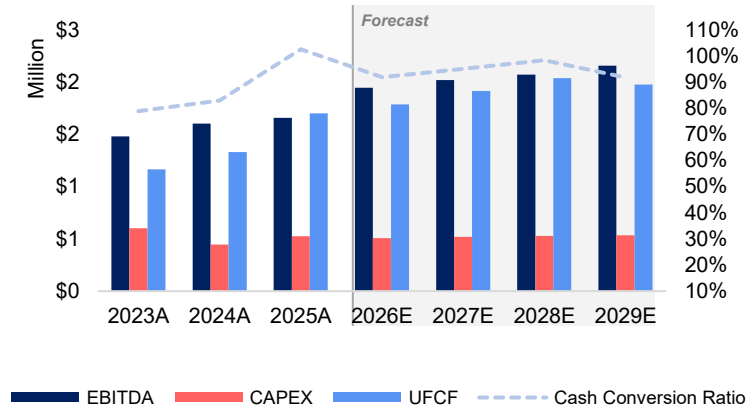
A **reinforcement of the position in Zimmer Biomet (ZBH)** is recommended, with the stock trading at **$83.63** versus a DCF intrinsic value of **$100.00 (exit-multiple, +19.6%)** and **$154.84 (terminal-growth, +85.2%)**. The Q4 2025 selloff has created an attractive entry point that is inconsistent with the company's operational momentum and structural tailwinds, justifying an increased allocation to capture the upside.

Sources: Zimmer Biomet Reports

Financial analysis - Operational



Financial Analysis – Cash Conversion



Position Revaluation

REN (RENE)



Position Revaluation

REN (RENE)

Business Description

REN (Redes Energéticas Nacionais) is the Portuguese **national grid operator**, responsible for electricity and natural gas transmission across the country, operating as a regulated public utility. Revenue is split between electricity (67.2%), gas (31.3%), and telecommunications (1.4%), with a **national electricity grid spanning 9,661 km**. Electricity consumption in Portugal reached an **all-time high in 2025**, with renewables accounting for 68% of total consumption. Its regulated business model ensures stable and predictable revenues, with growing exposure to the energy transition, positioning REN at **the center of Portugal's decarbonization** agenda.

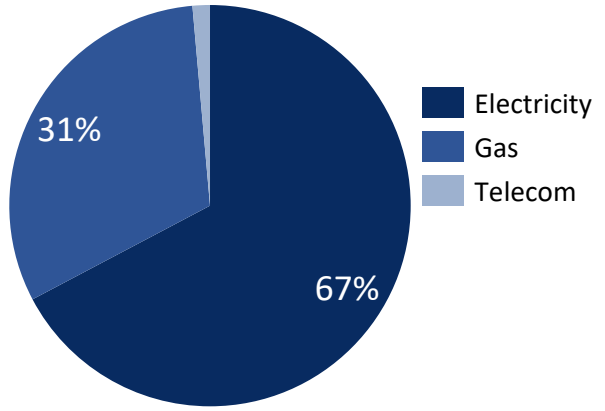
Previous Investment Thesis

The position in REN was initiated on the basis **of three core pillars**. From an industry perspective, the Global Power Transmission and Distribution market **was projected to grow at a CAGR of 3.91%,** reaching $505.28 billion by 2034, driven by rising investments in renewable energy and increasing electricity demand. On valuation, REN was considered attractively priced relative to peers, with both P/E and EV/EBITDA below sector mean and median. Finally, on financials, REN demonstrated a **competitive EBITDA margin above peers' mean**, revenue growth at a **5-year CAGR of 6.0%,** and a stable dividend yield of around 6-7%, above the peer group.

Current Situation

In 2025, REN reported net income of **€159.8 million, up 4.8%,** with EBITDA **exceeding €516 million** and CAPEX **growing 29% to €475 million**, surpassing all strategic targets set at the 2024 Capital Markets Day. On the growth side, REN is actively developing its role in **H2med, the EU's first green hydrogen corridor** connecting the Iberian Peninsula to Central Europe, with REN's CelZa segment representing a €204 million investment and 162 km of pipeline on Portuguese territory, with construction expected to begin in 2026 and operations in 2030. Additionally, the April 2025 Iberian blackout, which affected Portugal, was resolved by REN in under 12 hours, though it has since raised questions about **grid resilience and the need for further investment in interconnection capacity**. The key risks remain regulatory and fiscal framework changes, alongside net debt of €2.52 billion. The 2024-2027 Strategic Plan targets total investment of **€1.5-1.7 billion, a 70% increase** versus the prior three-year average.

Revenue Breakdown by Segment



REN's Share Price Performance



Sources: Ren Reports

Position Revaluation

REN (RENE)

Financial Analysis

REN grew revenue from €758M (2020) to €1,107M (2025), a 7.9% CAGR led by electricity (+62%), while gas stayed flat. EBITDA margin compressed from 62% to 47% as IFRIC 12 construction costs and OPEX scaled with CAPEX, though net income held near 14% of revenue, supported by a 2.85% cost of debt. Our base case projects revenue of **€1,459M by 2030** with EBITDA margin recovering to **54.6%** as the regulated asset base matures. Discounting at a **5.10% WACC and 2% terminal growth**, Terminal Growth Model yields **€3.97/share (+12.05% vs. €3.54 current)** and the Exit Multiple (8.5x EV/EBITDA) **€4.05 (+14.5%).** It is worth noting that for intensive capital regulated utilities like REN, EV/EBITDA tends to overstate value because EBITDA does not capture the sustaining CAPEX required to maintain the asset base.

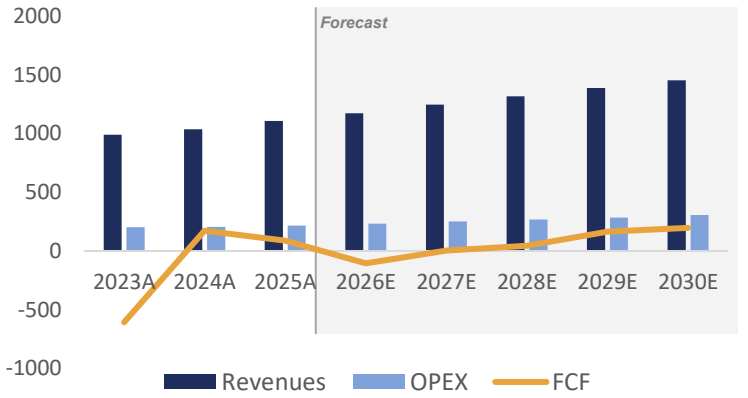
Strategy Analysis

REN's strategy centres on investing heavily today to **expand the regulated infrastructure that drives future earnings**. CAPEX here is not discretionary growth spending, it is investment in transmission grids, interconnections, and energy-transition projects that earn a guaranteed return for decades.
What makes the model unique is how the investment is recovered. REN doesn't sell electricity or gas, it is paid through **regulated tariffs charged to network users**, set by the regulator to **cover operating costs, depreciate the investment, and pay a fixed return on top**. Every approved euro of CAPEX is therefore gradually paid back through tariffs over the asset's useful life, regardless of demand or market prices. With recovery **risk extremely low**, REN funds itself at a **cost of debt well below its regulated return** and pockets the spread. The result is a self-reinforcing model, today's investment becomes tomorrow's regulated revenue, which funds debt, dividends, and the next wave of projects.

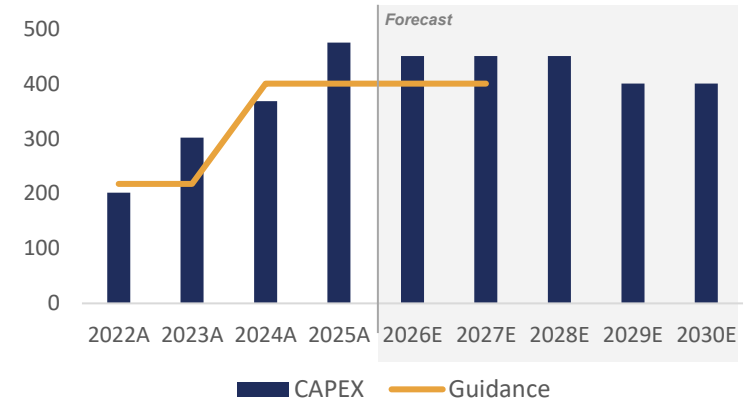
Final Investment Thesis and Position Suggestion

REN operates in a regulated market with **solid long-term growth** from Portugal's energy transition, and has a **clear CAPEX pipeline** to capture it. On the other hand, the regulated investments **take years to flow into earnings**, as assets only generate returns once commissioned and added to the regulated base. Growth is therefore **steady rather than fast**, and most of the upside will only materialise beyond our forecast horizon. With the share price already reflecting most of the near-term value, we recommend **holding the position**. REN remains a solid defensive asset, but current levels do not justify increasing exposure.

Financial Analysis (M€)



Capital Expenditures (M€)



Sources: Ren Reports

Position Revaluation

Iridium Communications (IRDM)

Position Revaluation

Iridium Communications (IRDM)

NIC Undergraduate Division Fund

Business Description

Iridium Communications Inc. is a **McLean, VA-based global mobile satellite services company** and the **only commercial operator providing true global voice, data, and PNT coverage** through a 66-satellite LEO L-band constellation with **in-orbit spares**. Its revenue is diversified across **Services (~72%),** split between commercial (IoT, voice & data, broadband, hosted payload) and government; Engineering & Support Services (~19%), predominantly U.S. government-driven; and Subscriber Equipment (~9%). The company sells primarily through a wholesale distribution network of **~120 service providers and ~310 VARs**. A structurally significant revenue pillar is the EMSS contract with the U.S. DoD, fixed at $110.5M/year, which expires in September 2026.

Previous Investment Thesis

The fund initiated a position in Iridium in **November 2025**, at a market price of **$18.72/share**. The thesis rested on three pillars: (1) **resilient, contract-backed recurring revenues** anchored by the EMSS government contract and growing IoT subscriber base, which reached 1,885K at end of Q1 2025; (2) **emerging high-growth revenue streams** from the Satelles acquisition (PNT services targeting a $100M/year run-rate) and NTN direct-to-device capability; and (3) **significant valuation upside relative to peers and intrinsic value**, supported by projected UFCF growth and EBITDA margin recovery toward 47% by 2030 as new service lines scaled and CAPEX normalized post-constellation deployment.

Current Situation

The investment case has **materially deteriorated since entry**. Q1 2026 results reported **net income of $21.6M**, **down 29% YoY**, driven by a 28% surge in **SG&A to $45.8M** — well above our modelled OpEx trajectory — and an **effective tax rate of 28.3%** vs 15.8% in Q1 2025. The **EMSS contract expiry in September 2026** represents a near-term binary risk: renegotiation is ongoing with no signed agreement, and government billable subscribers have already **declined to 121K from 133K** a year ago. The competitive threat from SpaceX's D2D spectrum acquisitions continues to weigh on broadband segment visibility. **Commercial broadband revenue fell 5% YoY** in Q1 2026, in line with our declining ARPU projection. Management has paused share repurchases since Q4 2025, signaling balance sheet caution against a **backdrop of $1.77B in gross term loan debt** maturing in 2030. The stock has **surged 122% from our entry price of $18.72 to $41.62**, approaching our intrinsic value range and effectively pricing in much of the upside we identified at initiation.

IRDM Share Price Performance



Comparable Analysis

	Viasat	gogo	Globalstar	OneWeb	iridium
Trailing P/E Ratio	Neg.	44.0x	Neg.	86.4x	41.9x
P/Sales	2.0x	0.66x	36.9x	800.4x	5.06x
P/Book	2.1x	5.0x	30.8x	39.1x	9.36x
EV/EBITDA	10.0x	8.6x	99.58x	51.8x	13.8x

Position Revaluation

Iridium Communications (IRDM)

Financial Analysis

Iridium was projected to grow revenues from **$877M in 2025 to $1,178M by 2029 (~7.6% CAGR),** driven by IoT subscriber growth (+7-11% p.a.), Hosted Payload & PNT upside (+15% p.a. from Satelles), and strong government E&S services expansion (+25% in 2026, decelerating to +23% by 2029). **EBITDA was expected to expand from $445M (51% margin) in 2025 to $554M (47% margin) in 2029**, with a margin trough of 43% in 2026 reflecting elevated COGS and OpEx from new service line ramp-up. **UFCF was projected to recover from $246M in 2026 to $370M in 2029,** supported by **CAPEX normalizing from 12% to 10% of revenue** as the constellation remains fully deployed. However, Q1 2026 actuals reveal SG&A running materially hotter than modelled and **2026 EBITDA margins are tracking well below our 43% base case,** the full-year operating leverage thesis is not materializing.

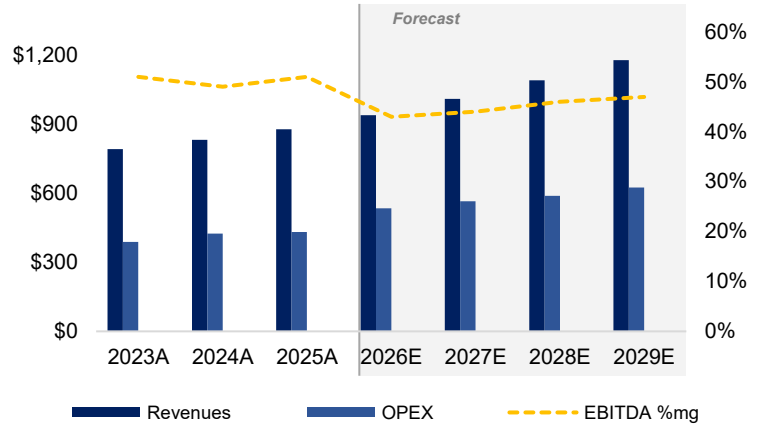
Strategy Analysis

Iridium's strategy is centered on **monetizing its unique global LEO coverage advantage through IoT growth**, **PNT via Satelles, and a deepening government engineering relationship** driven primarily by the Space Development Agency contract (+$3.7M YoY in Q1 2026). While the network is genuinely differentiated, no competitor offers pole-to-pole, weather-resilient L-band coverage, the strategic window is narrowing. SpaceX's D2D spectrum buildout represents a structural threat to commercial broadband (already -5% YoY in Q1 2026) and, longer term, to L-band IoT adjacencies. The **EMSS renegotiation** is the single most important near-term event: **a pricing reset or coverage gap would directly validate the bear case**, which was not our base assumption at entry. New revenue streams (NTN, PNT) remain opaque in their ramp trajectory, and the cost base is expanding faster than revenues, the key execution risk we flagged is now materializing.

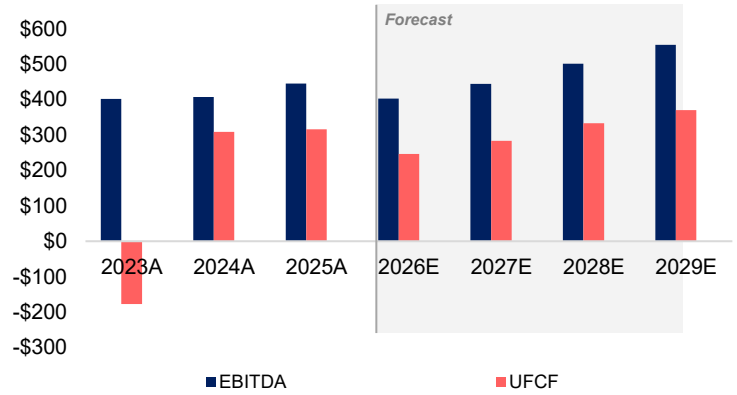
Final Investment Thesis and Position Suggestion

A complete exit from the Iridium position is recommended following the **122% return from our $18.72 entry**, with the stock now trading at $41.62 and **approaching our DCF base case**, limiting near-term upside. Fully exiting **locks in the gain** while **avoiding growing fundamental risks**, deteriorating earnings, the EMSS binary event in September 2026, and intensifying D2D competition, which makes the risk/reward increasingly asymmetric to the downside at current levels.

Financial Analysis – Operational ($M)

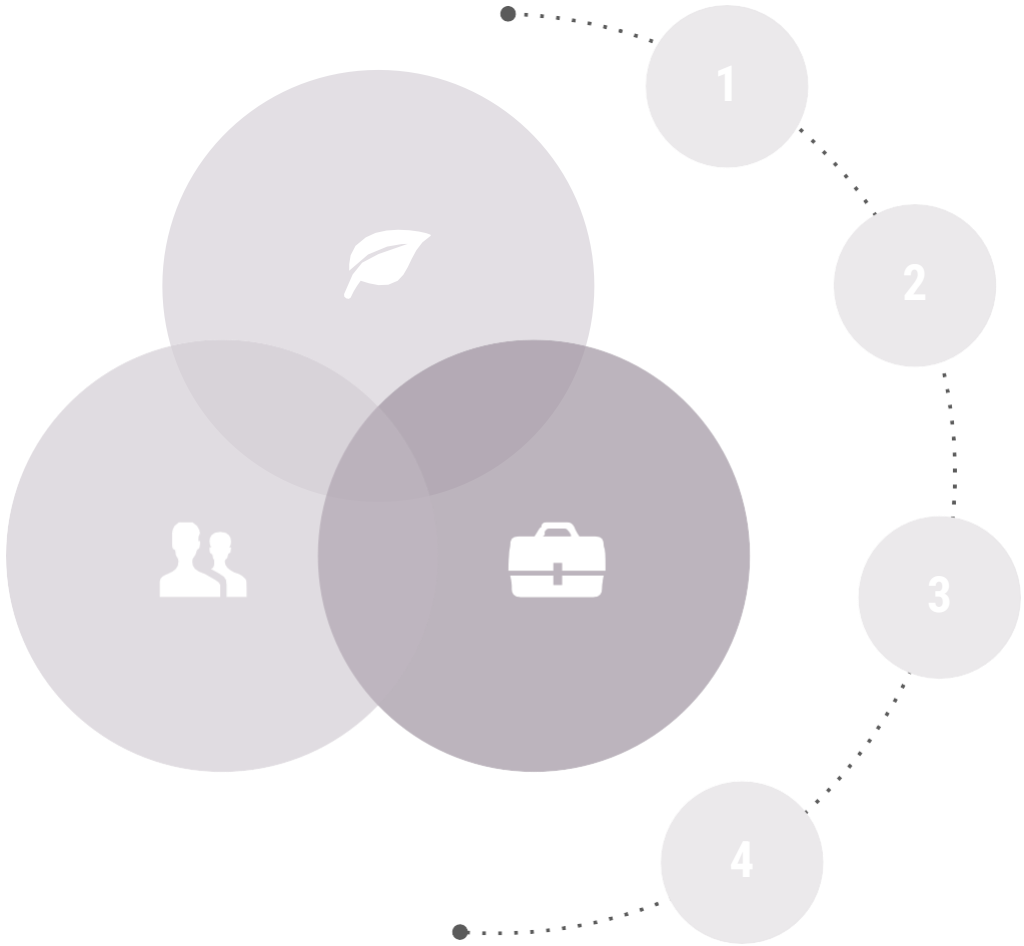


Financial Analysis – Cash Conversion ($M)



ESG Analysis

Our commitment for a better tomorrow



Whilst the NIC-UD Fund does not prioritize impactful and carbon neutral investments, we acknowledge the importance of being part of the solution, and as such, we established the following goals to contribute to this desire to help the world around us:

1. **Inclusion of an ESG Analysis in the Quarterly Shareholders Report** to boost awareness of the overall ESG Performance of our fund to our members and shareholders

2. **Addition of ESG Evaluations into NIC-UD Stock Pitches** in the risk section, ensuring a more complete evaluation of the sustainability of companies' business models

3. **Incorporate ESG as a criteria for investment decisions** with the goal that this will positively translate to higher returns and lower risk, improving our Sharpe Ratio

4. **Further develop and improve our ESG Analysis** to ensure we have a greater understanding of our portfolio and positions sustainability as well as potential threats

ESG Analysis

NIC Undergraduate Division Fund

Importance of ESG & Company qualitative evaluation

Importance of ESG

In recent years, the concept of **Environmental, Social, and Governance (ESG)** has gained significant attention from businesses, investors, and regulators. The concept of ESG refers to a set of factors that companies consider to **measure and improve their environmental impact, social responsibility, and corporate governance practices**. The importance of ESG has grown as companies realize that sustainable and ethical practices are essential to **long-term value creation** and the well-being of society. By considering environmental, social, and governance factors in their operations and decision-making, companies can create **long-term value for their stakeholders**, reduce their **negative impact** on the environment and society, and build a sustainable and ethical business model. Moreover, by recognizing the importance of ESG, investors can make informed decisions that align with their values and contribute to a **more sustainable and equitable global economy**.

Booking Holdings Qualitative Evaluation

BOOKING HOLDINGS

Booking Holdings
MSCI Rating: A
Sustainalytics ESG Risk Rating: 13.45 (Low)

Booking Holdings is reinforcing its ESG positioning through targeted investments in sustainable travel infrastructure, workforce inclusion, and responsible governance. The company continues to expand its portfolio of certified sustainable accommodations, with over **23,000 properties carrying third-party sustainability certifications** on Booking.com, a 43% increase from the prior year. Through its **SBTi-validated net-zero-by-2040 Climate Action Plan**, Booking Holdings has reduced Scope 1 and 2 emissions by over **85% versus its 2019 baseline** while running all offices on 100% renewable electricity. The company has integrated ESG oversight at board level across three dedicated committees, publishing disclosures aligned with **SASB, GRI, and TCFD frameworks.** Its Climate Action Plan was adopted in direct response to a shareholder proposal that earned a **56.4% majority vote**, reflecting genuine responsiveness to investor expectations on climate governance.



Sustainable Transport Integration
Booking Holdings is actively embedding lower-carbon travel options across its platforms, with customers able to filter for **electric and hybrid rental cars in 75 countries** and book electric or hybrid taxis across **1,328 cities worldwide**, reinforcing its commitment to making sustainable travel choices accessible at scale.



Agoda Eco Deals: WWF Partnership
Deals program, run by Booking Holdings' **Agoda brand in partnership with WWF,** donates $1 to WWF for every completed stay at a participating property. Now in its fifth edition under a new **five-year MoU** signed in January 2026, the program has raised a cumulative **$2.89 million across 10 Asian markets**, funding critical species including Malayan tigers, Asian elephants, and whale sharks.

ESG Analysis

Implied Temperature Rise



Portfolio's Weighted Average Implied Temperature Rise:

2.8ºC

STRONGLY MISALIGNED	>3.2°C
MISALIGNED	>2.0°C – 3.2°C
2°C ALIGNED	>1.5°C – 2.0°C
1.5°C ALIGNED	≤1.5°C

Methodology: *Implied Temperature Rise from **MSCI ESG Research** is designed to show the temperature alignment of companies, portfolios, funds and indexes with global climate targets. It compares the current and projected greenhouse gas emissions across all emissions scopes (based on the company's track record and stated reduction targets) with its share of the remaining global carbon budget for keeping warming this century well below 2°C. A company projected to emit carbon below budget can be said to "undershoot" the budget; a company projected to exceed the budget "overshoots" it.*

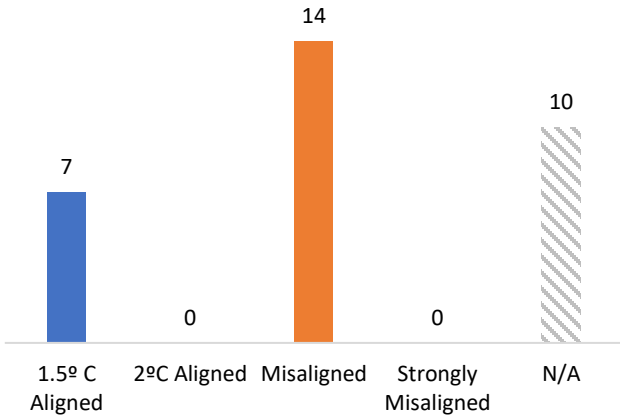
The **NIC-UD portfolio** recorded a slight increase in **its implied temperature rise**, now standing at **2.8°C** compared to **2.6°C** in the previous quarter. The addition of **Booking Holdings**, which has a temperature of **3.2°C**, contributed to lifting the portfolio's average, and **the average temperature of some holdings also increased**, the increase was primarily driven by macro-level policies and business practices from certain companies that currently disregard ESG criterium. The **sale of the Danone** position, which had a relatively low temperature of 1.4°C contributed **negatively** to the portfolio's climate profile. These negative developments were also impacted by a **previous rise in temperature on some of existing positions**, particularly **Lear, Arrow Electronics and Zimmer Biomet**, which had previously increased to 3.2°C, 3.2 ºC and 3.1°C, respectively. In summary**,** these internal temperature changes led to a modest increase in the portfolio's Weighted Average Implied Temperature Rise.

These developments underscore **our Group's commitment to maintaining a sustainable portfolio**, prioritizing investments in companies that actively contribute to **environmental stewardship and global warming mitigation**. Our goal remains aligned with the **Paris Agreement**, striving to **limit global temperature rise to 1.5°C** through responsible and strategic investments.

Quick look at: AstraZeneca

Through its **Ambition Zero Carbon** strategy, AstraZeneca targets a **98% cut in Scope 1 and 2 emissions by 2026** and **net zero across its value chain by 2045**, with SBTi-validated science-based targets. Socially, it promotes **equitable access to medicines** and a diverse workforce, with women holding around **49% of management roles**. In governance, it maintains **independent board oversight**, robust bioethics policies, and transparent ESG reporting aligned with global standards.

Implied temperature rise per position



ESG Analysis

Portfolio ESG Rating

Shortcoming of Ratings: Mismatches

The calculation of NIC-UD's ESG Rating involved a comprehensive examination of its entire portfolio using **MSCI, Sustainalytics, and S&P Global's** databases. The results revealed that the ratings differed depending on the agency being analysed. The correlations differed at a 10% significance level, with MSCI having a moderate correlation with Sustainalytics and S&P Global, improving when compared to past quarters.

Correlation Matrix between Rating Agencies

Correlation Matrix	MSCI	Sustainalytics	S&P Global
MSCI	1		
Sustainalytics	0,56	1	
S&P Global	0,36	0,35	1

Despite improvements, a possible reason for the disparity in ratings could be due to the **lack of standardization** in measuring a company's ESG efforts. There is no universally accepted definition for the key performance indicators (KPIs) to be used for each company and the weight to be given to each KPI in determining the rating.

Therefore, we decided to use the **MSCI Agency** as the source of analysis, given that its rating system already takes into consideration a company's relative performance compared to its peers.

Ticker	Weight in Portfolio	Sustainalytics (Converted)
META	2,32%	4
ESPO.L	2,23%	NA
BA	2,33%	2
EPD	3,71%	4
FRA:VOW3	1,94%	NA
ATEN	2,64%	4
ABB	3,93%	2
AMS:VUTY	2,81%	4
LON:IKOR	4,93%	4
NYSE:JNJ	2,14%	2
GOOGL	7,51%	NA
TMUS	2,63%	NA
MELI	2,93%	2
BME:ITX	1,74%	2
EPA:MRN	4,63%	4
BIT:G	3,33%	2
GDX	3,30%	2
AZN	4,12%	6
EQB	2,27%	2
LEA	2,51%	4
INGR	0,97%	2
MC	1,65%	1
ARW	4,73%	4
ZBH	1,58%	NA
NVO	4,04%	2
RENE	2,79%	NA
DECK	2,65%	2
VICI	3,17%	2
BFIT	2,23%	4
SN	3,00%	4
IRDM	6,30%	4
BKNG	2,92%	4



Final Output

Despite the advantage of relative comparison in MSCI's rating, it also has the drawback of being the **least comprehensive database.** That is why we used **Sustainalytics** ratings of our positions. Still, 6 out of 31 positions in our portfolio were not eligible for analysis. However, their combined percentage of total investment in NIC-UD's portfolio is close to 19%, which we consider to be a relatively low percentage and the best achievable from the 3 ratings, that would not significantly impact our conclusions.

To determine NIC-UD's ESG rating, we calculated a **weighted average** based on each position's rating (converted to a numerical value between 1 and 7, with 1 being equivalent to AAA and 7 to CCC) and their **adjusted weight, considering only the positions with available data in Sustainalytics**.

NIC-UD's fund has maintained a **MSCI ESG Rating A (converted from Sustainalytics).** This means that investing in our portfolio is **equivalent to investing in companies that have an average good and concerned track record** in managing the most critical ESG risks and opportunities relative to their peers in the industry.

ESG Analysis

Opportunities and Improvements

Near-Term Improvements

In the last quarter, NIC-UD's Fund saw its **implied temperature rise increase from 2.6°C to 2.8°C**, mainly due to the addition of positions with higher temperature rise and selling of others with low. While some holdings maintained strong ESG performance, the overall rise reflects **temporary portfolio adjustments.** We remain committed to aligning with the Paris Agreement and integrating ESG metrics at the core of our investment process. Setting clear goals has been crucial in guiding us towards more sustainable portfolio choices.

Moreover, we have maintained our MSCI ESG Rating of A, bringing us **closer to achieving our near-term objectives**.

Long-Term Outlook

In line with our commitment to sustainability, we are taking immediate actions to safeguard our portfolio from potential risks. However, our **long-term ambitions are even more pronounced**, aiming for a gradual yet substantial impact over time.

As for our long-term objectives, we are not only committed to create a portfolio exclusively comprising companies with an implied temperature rise of 1.5ºC or below but also to achieve an MSCI rating of AAA. We believe that investing in companies with strong sustainability commitments will enable us to make more informed decisions, reduce **sustainability risks**, and position ourselves advantageously for **future regulatory environments**.

Short-Term goals



Reach a portfolio implied temperature rise of **1.5ºC**, this way being aligned with the **2050 Paris Agreement goal.**



Reach a portfolio MSCI rating (or equivalent) of **AA**.

Long-term goals



Only invest in companies with an implied temperature rise of **1.5ºC or below.**



Reach a portfolio MSCI rating (or equivalent) of **AAA**.

Final Remarks

Going Forward

Mistakes:

- The QSR ultimately took longer to complete than expected.
- We were not as consistent with Monthly Fund Meetings which reduced discussion around portfolio performance and position's developments
- This highlighted the need for clearer timelines and tighter coordination from the outset. Ensuring a more structured process will be essential to avoid similar delays in future cycles.

Lessons Learned / Key takeaways:

- Coverage groups became noticeably more active and engaged compared to the previous quarter, with stronger participation in discussions and news sharing. This represents clear progress in strengthening the role of coverage within the investment process.
- A key lesson from this cycle was the importance of clear timelines and stronger execution discipline, ensuring the QSR process remains efficient and avoids the delays experienced in this round.

Going forward:

- Stock pitches will maintain the current format to preserve consistency and accountability in the workflow.
- Monthly Fund Meetings will adopt a more focused structure, prioritizing news related to our portfolio. These developments will be discussed based on the work done within coverage teams, with emphasis on the implications they have had and may have on our fund.
- Our focus is to strengthen execution and improve the connection between coverage discussions, revaluation processes, and portfolio decision making.

Final Remarks

Letter to Shareholders

Quarter highlight



Share Price increased **(3.11%), outperforming** the benchmark by **7.94 pps**



Following strategic rebalancing, we reinforced **Zimmer Biomet**, sold **Iridium** to lock in gains, and initiated new high-conviction positions in **Booking Holdings** and **Covista**.



Increased implied temperature rise **to 2.8°C**, up from 2.6ºC in Q4 25

Letter to shareholders:
Dear all,

We are pleased to report that the fund achieved a total quarterly return of 3.11% during Q1 2026, outperforming the benchmark which fell -4.83%, representing an outperformance of 794 basis points. While the headline figure was modest, the performance was broadly in line with the prior quarter's 3.17% and remained highly resilient. Our solid performance relative to the benchmark is directly related to our defensive positioning and disciplined diversification across infrastructure, healthcare, and value-oriented equities.

The first quarter of 2026 was marked by a dramatic shift in the monetary policy outlook. The Federal Reserve held interest rates steady at 3.50%–3.75% across its January and March meetings, pausing the rate-cutting cycle due to persistent inflation. Simultaneously, geopolitical tensions in the Middle East drove a sharp spike in oil prices, raising stagflation concerns across developed markets. The US equity market came under intense pressure, with growth-oriented sectors hit particularly hard by cooling AI sentiment and tariff-related uncertainty. Our team researched these macro risks by publishing in-depth sector analyses on Oil & Gas, Tobacco, and Private Credit.

Our quarterly performance was driven by key equity movements. Our top performers included Iridium Communications (IRDM), which surged 60% in under a month following Amazon's acquisition of Globalstar, alongside A10 Networks (+30.7%) and Arrow Electronics (+30.2%). Conversely, our positions in LVMH (-31.1%) and Novo Nordisk (-27.8%) were notable detractors due to slowing luxury demand in China and weaker-than-expected corporate guidance. In response, we actively rebalanced: we initiated positions in Booking Holdings and Covista, reinforced Zimmer Biomet, and locked in profits by selling our position in Iridium.

As this academic year draws to a close, it also marks the end of our tenure. We want to express our deepest gratitude to our shareholders, partners, readers, and members for your trust over this past year. It has been an absolute honour to serve as Co-Presidents, a year in which we proudly introduced our podcast, consolidated our London field trip, participated in numerous competitions, and closed strategic partnerships with corporate leaders and fellow student clubs - culminating in hosting the 1st Portuguese Investment Clubs Gathering at Nova SBE alongside CLIP and TIC. The club is left in exceptional hands and will now be under the presidency of Francisca Mora and Lucas Faísca. We leave with full confidence in the club's future and thank you for your continued trust.

Afonso Freitas & Afonso Monteiro
Outgoing Co-Presidents, Nova Investment Club – UD

Final Remarks

QSR Team

NIC Undergraduate Division Fund

Q1'26 QSR Team



Final Remarks

Investment Team

Heads



Afonso Freitas
Co-President



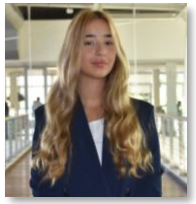
Afonso Monteiro
Co-President



Miguel Fernandes
Strategy Advisor



Rafael Dias
Head of Corporate Relations



Francisca Mora
Investment Manager



Bernardo Figueiredo
Investment Manager



Cataria Canha
Head of Meeting Content



Yash Chauhan
Editor in Chief

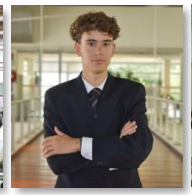


Madalena Morgado
Social Media Manager

Associates



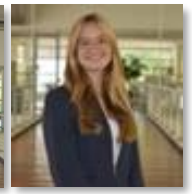
Joana Bonecas
Associate



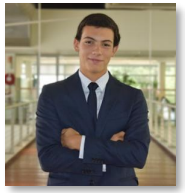
Miguel Patrício
Associate



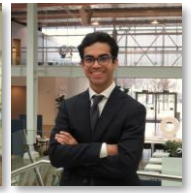
Lucas Faísca
Associate



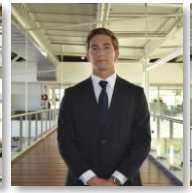
Inês Albuquerque
Associate



Miguel Moura
Associate



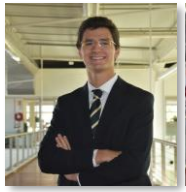
Francisco Viegas
Associate



João Catroga
Associate



Alexadre Sacavém
Associate



Diogo Pereira
Associate



Arthur Canellas
Associate



Joana Santos
Associate

Analysts



Diogo Veríssimo
Analyst



Guilherme Santos
Analyst



João Pereira
Analyst



Maria Costa
Analyst



Miguel Gomes
Analyst



Raquel Mitras
Analyst



Tomás Tavares
Analyst



Gastão Feliz
Analyst



Mateus Nascimento
Analyst



Francisco Almeida
Analyst



Leonor Cintra
Analyst



Tomás Barriga
Analyst