NIC | Undergraduate Division Fund

# Q2 2025 Shareholders Report

16th August 2025



# Results Summary

## Share price performance and Total Equity cashflows

### *The fund achieved a total quarterly return of 11.58% during Q2*

The fund **underperformed** the benchmark, which showed a **13.85% return**. However, the fund's quarter growth rate was 618 bps greater, relatively to the first quarter.

### *iShares MSCI Korea ETF(+31.8%), Mercado Libre(+34.0%), and Ayvens (+31.5%) were the best performers in this quarter*

The **iShares MSCI Korea ETF** benefited from renewed investor optimism in South Korea's equity market. **MercadoLibre's** strong rally was driven by robust Q1 results. **Ayvens** advanced as Q1 earnings confirmed significant progress in LeasePlan integration.

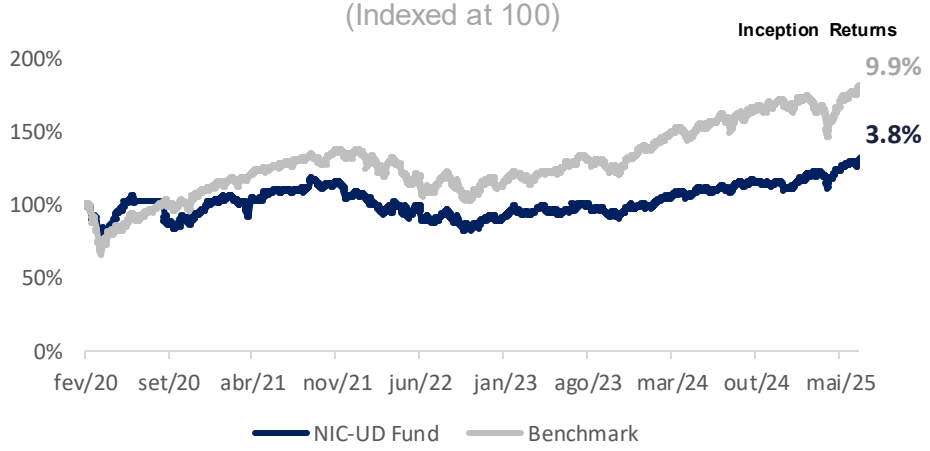
### *LVMH (-14.5%), T-Mobile (-10.3%), and Zimmer Biomet (-19.2%) were the worst performers in this quarter*

**LVMH's** drop followed a softer-than-expected earnings report, with a 9% decline in Fashion & Leather Goods sales and a 22% fall in net profit in H1. **T-Mobile** delivered solid subscriber additions but faced margin pressure from intensifying competition in the U.S.. **Zimmer Biomet** declined sharply as margin contraction from 18.1% to 14.4% and a 36.9% drop in net income overshadowed otherwise positive sales growth, highlighting ongoing cost challenges.

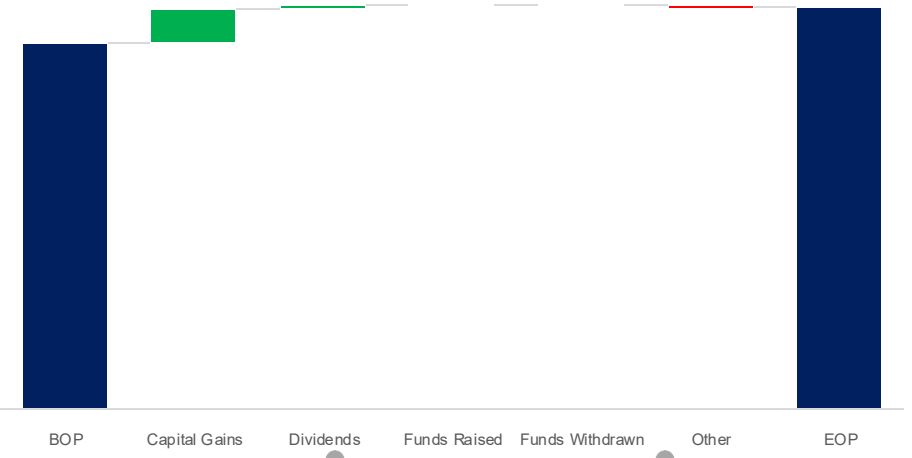
### *The fund saw total equity increase*

The change in equity was mostly driven by **capital gains of 9%, complemented by dividend gains of 1%.**

**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 Q2 2025**, iShares MSCI Korea ETF**, **MercadoLibre**, and **Ayvens** were the top performers, returning **+31.8%**, **+34.0%**, and **+31.5%,** respectively**.**

The **iShares MSCI Korea ETF** benefited from renewed investor optimism in South Korea's equity market, supported by a rebound in semiconductor exports, strong tech sector earnings, and policy measures aimed at boosting corporate governance and shareholder returns. **MercadoLibre's** strong rally was driven by robust Q1 results, with net revenue up 36% year-on-year and payment volumes rising sharply across its fintech platform. **Ayvens** advanced as Q1 earnings confirmed significant progress in LeasePlan integration, with €61 million in synergies already realized and margins hitting record post-acquisition highs. The market responded positively to the company's disciplined cost management and resilient demand for EV leasing solutions.

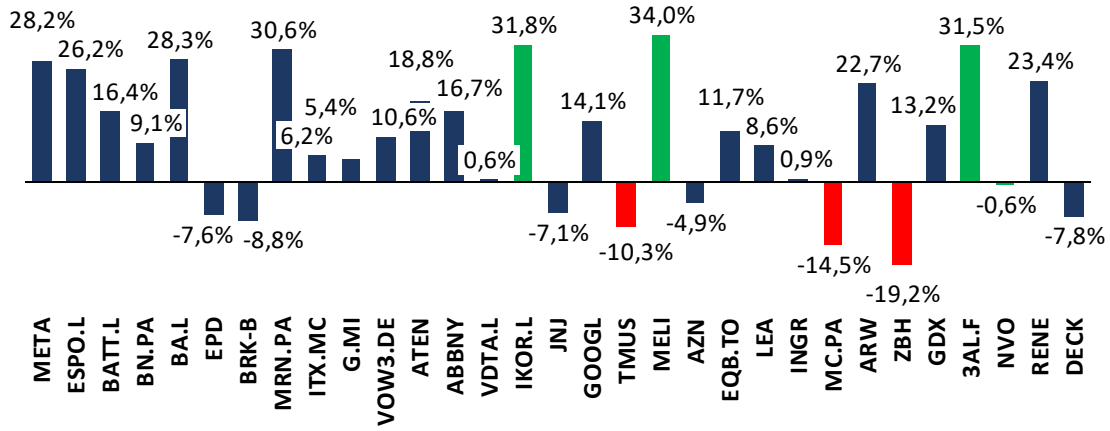
### *Fund's top 3 worst-performing securities(quarterly)*

The weakest performers were **LVMH**, **T-Mobile**, and **Zimmer Biomet**, falling **-14.5%**, **-10.3%**, and **-19.2%,** respectively.

**LVMH's** drop followed a softer-than-expected earnings report, with a 9% decline in Fashion & Leather Goods sales and a 22% fall in net profit in H1, raising concerns over cooling luxury demand in Asia and Europe. **T-Mobile** delivered solid subscriber additions but faced margin pressure from intensifying competition in the U.S. wireless market, triggering investor caution. **Zimmer Biomet** declined sharply as operating margin contracted from 18.1% to 14.4% and a 36.9% drop in net income overshadowed otherwise positive sales growth, highlighting ongoing cost challenges.

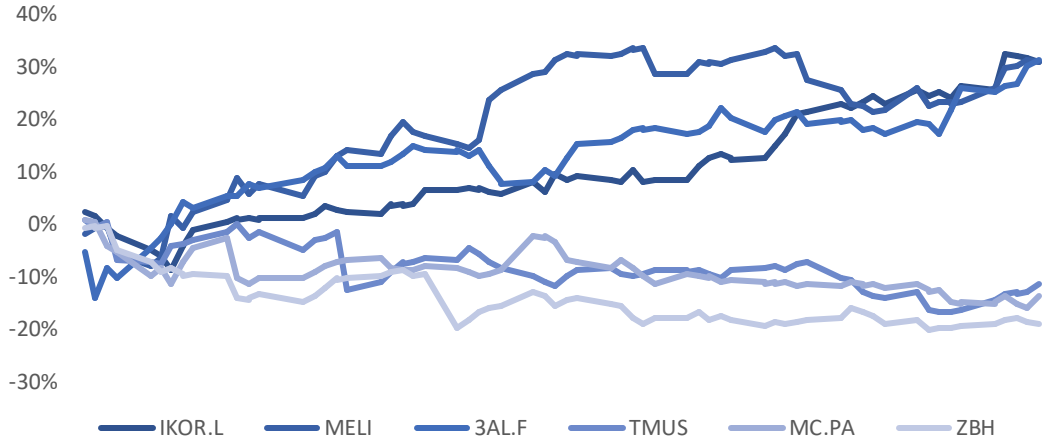
**Quarterly performance by position**

(From 31/03/2024 to 30/06/2025)




**Best and Worst Securities Performance (exc. dividends)**

(From 1/3/2025 to 30/6/2025)



# Positions

## Positions added

**Ayvens SA**
EPA: AYV
Fleet managing and car leasing
***Implied Share Price: 8.69€***

| | Company | Peers's Median |
|---|---|---|
| **Multiples** | | |
| P/E | **7.1x** | **9.6x** |
| EV/EBITDA | **4x** | **7,9x** |
| P/B | **0.6** | **1.34** |
| **Profitability** | | |
| ROE | **9%** | **12%** |
| Profit Margin | **3%** | **8%** |
| **Growth** | | |
| Rev. Growth | **34.26%** | **10.5%** |

## Company Profile

Ayvens provides multi-brand **vehicle leasing and fleet management services** to corporate, SME, and retail clients across **42 countries**. Its offering includes long-term vehicle leasing, maintenance, insurance, and remarketing solutions. Following the acquisition of **LeasePlan**, the company now manages a global fleet of **3.4 million vehicles**, positioning it as the largest player in the sector.
With a growing focus on electric vehicles, Ayvens supports clients in the transition to low-emission mobility through scalable, data-driven solutions.

## Investment Thesis

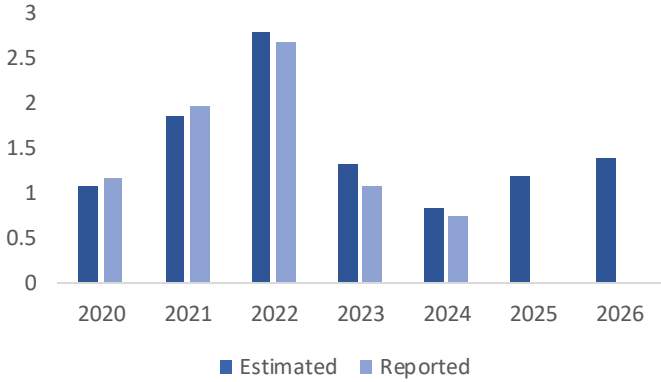
Ayvens was originally recommended as a **strong buy** due to its global leadership in multi-brand fleet leasing, with 3.4M vehicles across 42 countries, combined with an **attractive valuation** (P/B ~0.6x vs. peers ~1.3x) and consistent **ROTE above 15%.**

The thesis was based on its undervaluation relative to **NTBV (€6.1B vs. €7.3B), resilient margins** even in adverse cycles, and **strong competitive advantages** stemming from its scale and multi-brand leasing model. Our valuation model at the time of the stock pitch indicated an **upside of approximately 16%.**

**Share price performance (5 years)**




**EPS analyst consensus and actual**




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

# Positions

## Positions added

**Novo Nordisk**
NYSE: NVO
Drug Manufacturers
***Implied Share Price: 92.62$***

| | Company | Peers's Median |
|---|---|---|
| **Multiples** | | |
| P/E | **20.3x** | **23.3x** |
| EV/EBITDA | **15.4x** | **14.8x** |
| **Profitability** | | |
| EBITDA Margin | **50.5%** | **41%** |
| ROE | **81%** | **33%** |

## Company Profile

Novo Nordisk is a **global healthcare company** engaged in the discovery, development, manufacture, and marketing of pharmaceutical products. It is a world leader in **diabetes care**, offering a broad portfolio of insulin and **GLP-1** receptor agonists, as well as therapies for **obesity**, **rare bleeding disorders**, and **growth hormone deficiencies**.
Founded in 1923 and headquartered in **Denmark**, the company operates in more than **170 countries**, employing over **66,000 people**. Novo Nordisk's research and production facilities are primarily located in Denmark, the U.S., Brazil, and China, with a strong focus on innovation in chronic disease management and expanding patient access worldwide.

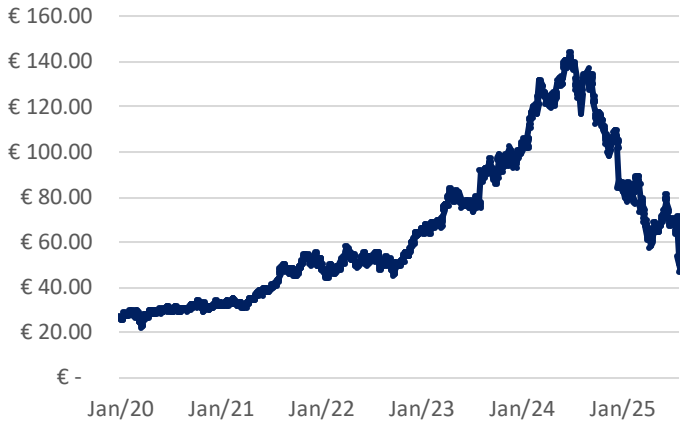
## Investment Thesis

Novo Nordisk is a buy, positioned as the **market leader in diabetes** and **obesity treatments**, two therapeutic areas experiencing unprecedented, long-term demand due to the **global surge in chronic conditions**.

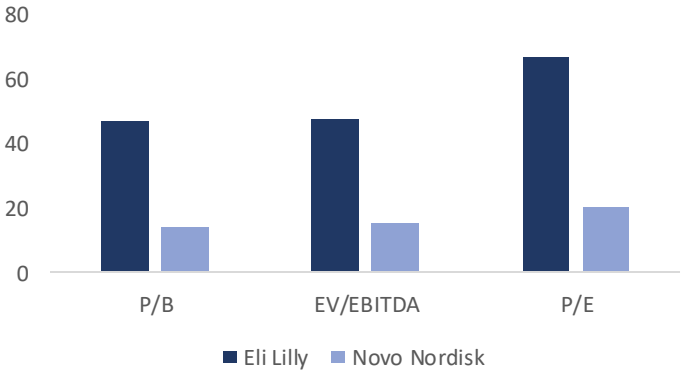
Its medicines' proven efficacy secures dominant market share, while a **diversified global presence reduces geographic risk**. Strategic agreements, such as the preferred contract with CVS and broad insurance coverage, further **enhance accessibility and market reach**.

Trading at valuation **multiples below the industry average**, with Eli Lilly as the only true comparable, and appearing undervalued in DCF analysis, Novo Nordisk offers strong upside potential supported by **durable demand**, **leadership in innovation**, and a **resilient competitive moat**.

**Share price performance (5 years)**




**Novo Nordisk x Eli Lilly**

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# Positions

## Positions added

**REN – Redes Energéticas Nacionais**
LS: RENE
Utilities
***Implied Share Price: 3.27€***

| | Company | Peers's Median |
|---|---|---|
| **Multiples** | | |
| P/E | **10,4x** | **16,1x** |
| EV/EBITDA | **9,82x** | **7,65x** |
| Mkt.C/FCF | **8,02X** | **10,5x** |
| **Profitability** | | |
| ROIC | **1,23x** | **1,40x** |
| OCF Growth | **1,17x** | **1,69x** |

## Company Profile

**Redes Energéticas Nacionais** (REN) operates **Portugal's electricity and natural gas transmission networks**, as well as **natural gas storage facilities and the national electricity system**. The company ensures **secure and efficient energy supply**, manages interconnections with Spain and other markets, and plays a **key role** in the country's transition to **renewable energy**. Headquartered in Lisbon, REN combines **technical expertise and infrastructure investment** to support the reliability and sustainability of Portugal's energy system.

## Investment Thesis

REN offers a compelling **low-risk investment profile**, benefiting from **steady demand in Portugal's electricity and natural gas transmission** sectors. Supported by a **global industry trend** of **rising renewable energy investment** and **increasing electricity demand**, the company is well-positioned to capture long-term growth.

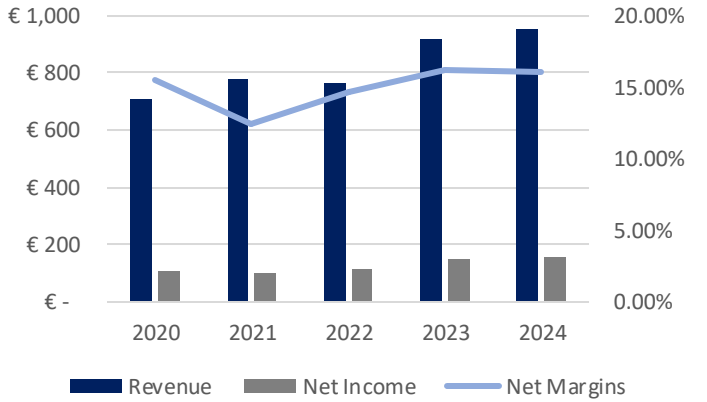
REN currently **trades at €2.96, below its implied value**, with **both P/E and EV/EBITDA multiples lower than peers' averages**, indicating attractive valuation.

**Financial performance remains strong**, with competitive EBITDA margins, a **6% revenue CAGR over the past five years**, and a stable **6–7% dividend yield**. We expect **REN to deliver consistent returns** while maintaining **resilience through economic cycles**.

**Share price performance (5 years)**




**REN's performance (2020-2024)**

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# Positions

NIC Undergraduate Division Fund

## Positions added

DECKERS BRANDS

**Deckers**
NYSE: DECK
Footwear
***Implied Share Price: 100.22$***

| | Company | Peers's Median |
|---|---|---|
| **Multiples** | | |
| P/E | **15.62** | **34.35** |
| EV/EBITDA | **37.7x** | **17.7x** |
| Mkt.C/FCF | **41.7X** | **25.4x** |
| **Profitability** | | |
| ROIC | **16.4%** | **8.2%** |
| OCF Growth | **124%** | **29.6%** |

## Company Profile

Deckers Outdoors is a **global leader in designing**, **marketing** and **distributing innovative footwear**, apparel and accessories.
Its brand portfolio is composed **UGG**, **Hoka**, **Teva** and **Ahnu**, spanning the fashion, casual lifestyle, running and outdoors markets.

Deckers edges by delivering **quality** and **comfort** across a diverse range of consumer niches.

## Investment Thesis

Our past investment decision in Deckers was driven by a compelling combination of factors.
The company showed **strong double-digit growth** in its key brands, with HOKA growing above 20% and UGG above 10%.

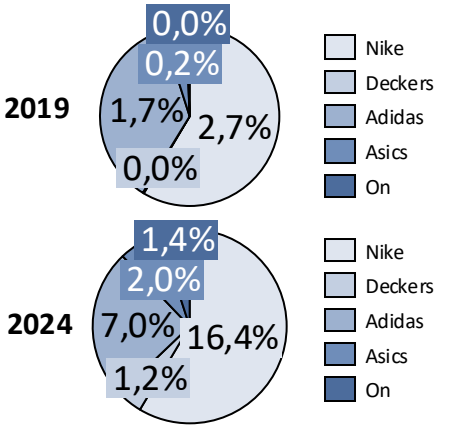
It was trading at **attractive valuation multiples** compared to both established peers and fast-growing challengers.
Finally, Deckers has a robust balance sheet, with low leverage (25% debt-to-assets), high liquidity (50% cash ratio), and solid solvency (net debt $2 billion).

This financial position gave the company resilience and the capacity to navigate market volatility effectively.

**Share price performance (5 years)**




**Market Share 2019 vs 2024**

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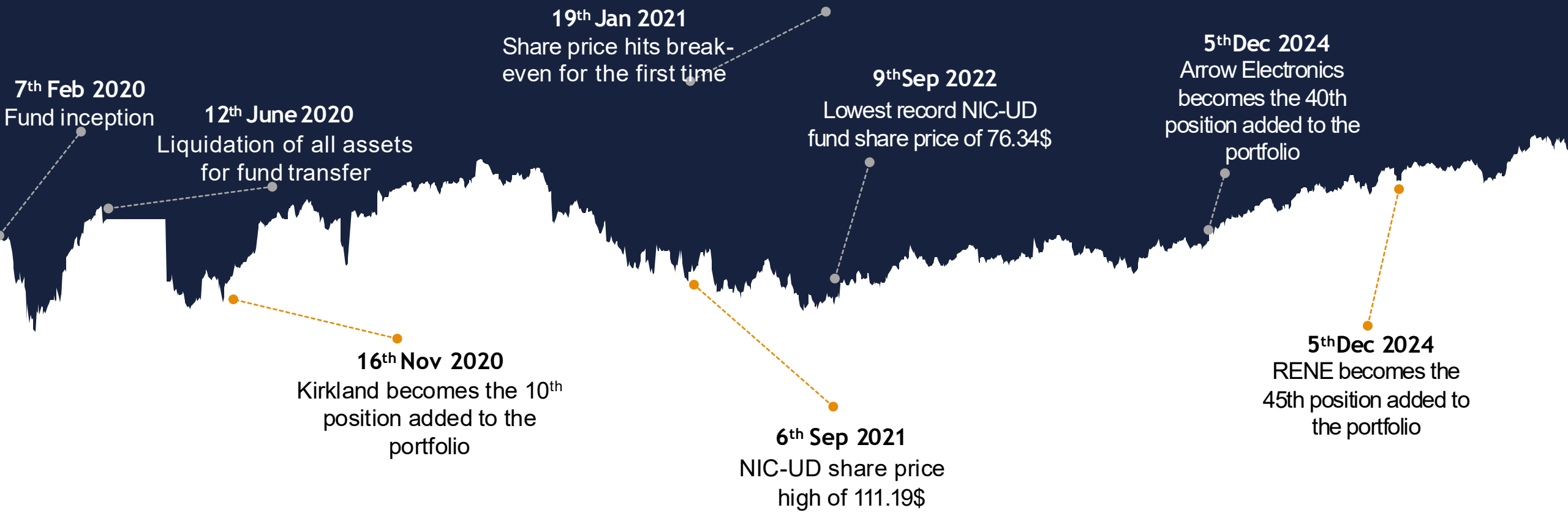
# Portfolio

## Portfolio roadmap

Portfolio share price



# Portfolio

## Portfolio Vs Benchmarks

### Fund Performance

In the second quarter of 2025, the **fund delivered a 11.58% gross return**, underperforming the **13.85% achieved by the benchmark**. However, the fund demonstrated a stronger risk management, as evidenced by a Sharpe Ratio of 1.56, outperforming the benchmark's 1.24.

These 3 months were marked by **heightened volatility**, notably due to a sharp market decline on April 2nd. This was triggered by concerns over a potential escalation in global trade tensions due to the announcement of **new US tariff policies impacting almost all sectors** of the US economy. This event triggered a **broad sell-off**, with investors quickly reducing its exposure to riskier assets. In the following weeks, the **market recovered**, supported by resilient earnings across developed markets and a **renewed momentum in AI and semiconductor stocks**, particularly in North America and parts of Asia.

Outside the US, diverging regional dynamics also shaped index performance. **European equities lagged**, held back by **persistent inflation** in services and continued economic stagnation, especially in Germany and Italy. In contrast, **Japanese equities outperformed**, supported by a weaker yen as the Bank of Japan maintained ultra-loose monetary policy.

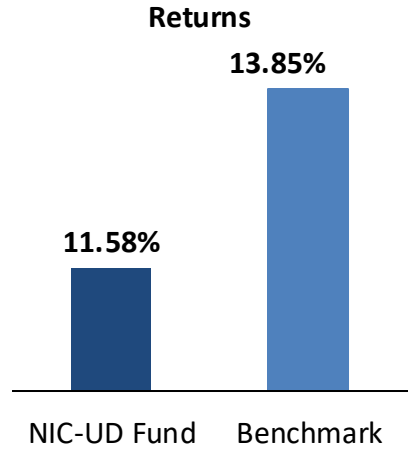
While the benchmark rebounded strongly our **fund remained focused on capital preservation** and disciplined positioning. Its **higher Sharpe Ratio reflects the effectiveness of a cautious allocation strategy**, emphasizing resilience and consistency amid short-term market uncertainty.

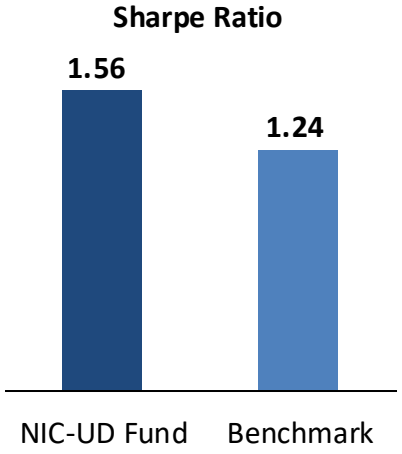
### Benchmark Composition

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.

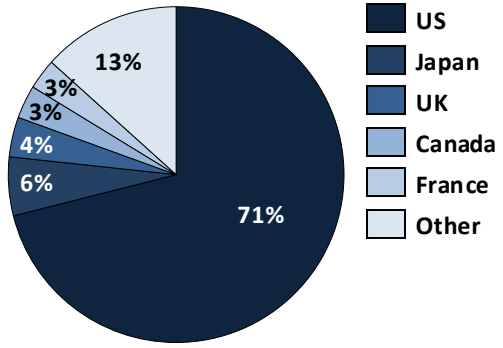
### Quarterly gross returns and Sharpe Ratio vs benchmark

(From 31/03/2024 to 30/06/2025)

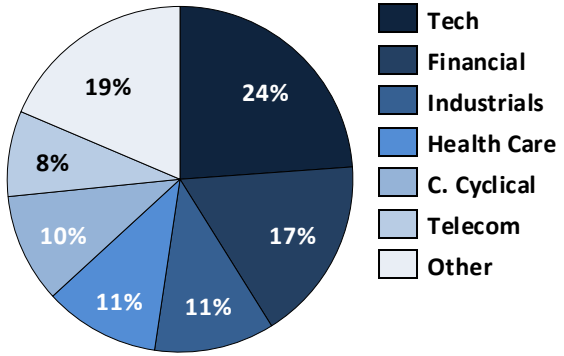



### MSCI World Index Geographical Allocation




### MSCI World Index Allocation by Industry



# Portfolio

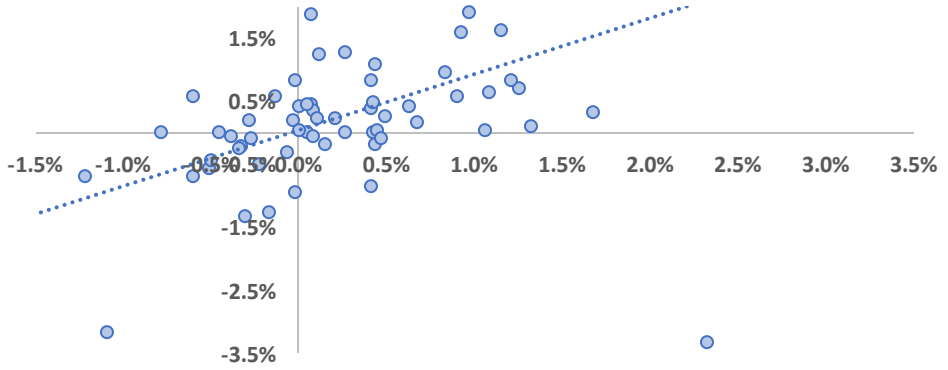
NIC Undergraduate Division Fund

## Risk measures

### Risk-adjusted performance measures*

| Annualized | 6M | 1Y | 2Y | Inception |
|---|---|---|---|---|
| Gross Returns | *41,10%* | *20,01%* | *14,44%* | **5,35%** |
| Risk Free Rate | *4,30%* | *4,60%* | *5,01%* | *2,67%* |
| Variance | *1,19%* | *0,97%* | *0,89%* | *2,69%* |
| Std. Deviation | 10,89% | 9,85% | 9,44% | 16,40% |
| **Sharpe Ratio** | **3,38** | **1,57** | **1,00** | **0,16** |
| Semivariance | *0,377%* | *0,337%* | *0,343%* | 1,418% |
| Semi-Std. Deviation | *6,14%* | *5,81%* | *5,85%* | *11,91%* |
| **Sortino Ratio** | **5,99** | **2,65** | **1,61** | **0,22** |
| Jensen's Alpha | *0,0044* | *0,0017* | *0,0008* | *-0,0003* |
| Beta | *0,5743* | *0,6044* | *0,6418* | *0,6752* |
| **Treynor's Ratio** | **0,64** | **0,26** | **0,15** | **0,04** |
| Gross Benchmark Return | *18,80%* | *15,92%* | *18,17%* | **11,76%** |
| Tracking Error | *8,97%* | *7,61%* | *7,01%* | *13,66%* |
| **Information Ratio** | **2,49** | **0,54** | **-0,53** | **-0,47** |

### 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 **41.10%**, significantly outperforming both the previous year's return of 20.01% and the inception return of 5.35%.

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 six months, the fund experienced a Sharpe ratio to **3.38**, a notable improvement well **above the inception level of 0.16**, signalling excellent 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 rose to **5.99**, the highest across all measured periods, 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 **0.64** in the last semester. This marks an improvement over the one- and two-year levels and shows that returns have increased relative to the level of market exposure taken.

The **Information Ratio** measures how closely the portfolio tracks its benchmark. Over the last annualised six months, we have **surpassed the performance of the benchmark**, standing at **a ratio of 2.49**.

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

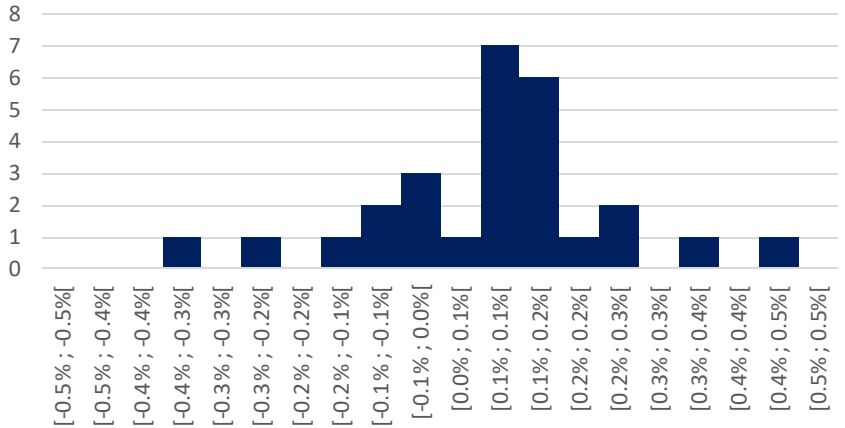
# Portfolio

## Value at Risk

### VaR calculations

#### Histogram of portfolio weekly returns

From 01/04/2025 to 30/06/2025




#### Sample Statistics

| | Weekly | Annual |
|---|---|---|
| *1 year* | | |
| Mean | 0.36% | 20.32% |
| Std Dev | 1.38% | 9.94% |
| Pearson's Skewness Coef. | -10.63% | |

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* $\sigma_p$ *is the portfolio's standard deviation.*

| | Value at Risk (%) | | |
|---|---|---|---|
| % / Time Period | 6M | 1Y | Inception |
| 90% | 25.3% | 7.6% | -14.0% |
| 95% | 21.3% | 4.0% | -19.8% |
| 99% | 13.9% | -2.8% | -30.9% |

### 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% | -5% | -9% | 0% |
| 95% | -10% | -14% | -15% |
| 99% | -16% | -21% | -54% |

### 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.*

| | Value at Risk (%) | | |
|---|---|---|---|
| % / Time Period | 6M | 1Y | Inception |
| 90% | -8% | -9% | -34% |
| 95% | -10% | -12% | -42% |
| 99% | -15% | -17% | -55% |

# Portfolio

## Summary Statistics

### Correlation matrix between securities

(From 31/03/2025 to 30/06/2025)

| | META | ESPO.L | BATT.L | BN.PA | BA.L | EPD | BRK-B | 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 | 3AL.F | NVO | DECK |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| META | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ESPO.L | 0.91 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BATT.L | 0.84 | 0.93 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BN.PA | 0.44 | 0.71 | 0.68 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| BA.L | 0.79 | 0.92 | 0.77 | 0.79 | 1 | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPD | 0.46 | 0.36 | 0.55 | 0.10 | 0.22 | 1 | | | | | | | | | | | | | | | | | | | | | | | | |
| BRK-B | -0.70 | -0.64 | -0.47 | -0.27 | -0.62 | -0.05 | 1 | | | | | | | | | | | | | | | | | | | | | | | |
| MRN.PA | 0.89 | 0.93 | 0.94 | 0.63 | 0.79 | 0.35 | -0.64 | 1 | | | | | | | | | | | | | | | | | | | | | | |
| ITX.MC | 0.32 | 0.55 | 0.64 | 0.83 | 0.58 | 0.25 | -0.01 | 0.51 | 1 | | | | | | | | | | | | | | | | | | | | | |
| G.MI | 0.54 | 0.69 | 0.84 | 0.78 | 0.59 | 0.51 | -0.21 | 0.71 | 0.77 | 1 | | | | | | | | | | | | | | | | | | | | |
| VOW3.DE | 0.62 | 0.76 | 0.89 | 0.79 | 0.66 | 0.47 | -0.25 | 0.79 | 0.81 | 0.92 | 1 | | | | | | | | | | | | | | | | | | | |
| ATEN | 0.96 | 0.93 | 0.89 | 0.47 | 0.77 | 0.48 | -0.60 | 0.91 | 0.41 | 0.59 | 0.68 | 1 | | | | | | | | | | | | | | | | | | |
| ABBNY | 0.92 | 0.96 | 0.94 | 0.68 | 0.88 | 0.49 | -0.57 | 0.93 | 0.59 | 0.75 | 0.80 | 0.91 | 1 | | | | | | | | | | | | | | | | | |
| VDTA.L | -0.14 | -0.14 | -0.23 | -0.33 | -0.20 | -0.09 | -0.03 | -0.17 | -0.50 | -0.40 | -0.36 | -0.11 | -0.30 | 1 | | | | | | | | | | | | | | | | |
| IKOR.L | 0.91 | 0.92 | 0.78 | 0.48 | 0.83 | 0.31 | -0.75 | 0.83 | 0.28 | 0.40 | 0.51 | 0.91 | 0.84 | 0.08 | 1 | | | | | | | | | | | | | | | |
| JNJ | -0.07 | 0.05 | 0.03 | 0.20 | 0.16 | 0.27 | 0.19 | -0.07 | 0.18 | 0.09 | 0.03 | -0.03 | 0.02 | 0.21 | 0.08 | 1 | | | | | | | | | | | | | | |
| GOOGL | 0.88 | 0.87 | 0.79 | 0.58 | 0.86 | 0.40 | -0.56 | 0.81 | 0.52 | 0.53 | 0.64 | 0.85 | 0.90 | -0.26 | 0.83 | 0.05 | 1 | | | | | | | | | | | | | |
| TMUS | -0.73 | -0.74 | -0.66 | -0.46 | -0.82 | -0.67 | -0.40 | -0.66 | -0.75 | -0.27 | -0.39 | -0.53 | -0.69 | -0.59 | -0.66 | -0.73 | 0.25 | 1 | | | | | | | | | | | | |
| MELI | 0.79 | 0.89 | 0.91 | 0.76 | 0.81 | 0.36 | -0.46 | 0.90 | 0.68 | 0.83 | 0.91 | 0.82 | 0.90 | -0.36 | 0.69 | -0.11 | 0.75 | -0.64 | 1 | | | | | | | | | | | |
| AZN | 0.50 | 0.51 | 0.47 | 0.41 | 0.55 | 0.58 | -0.15 | 0.34 | 0.37 | 0.39 | 0.37 | 0.46 | 0.52 | 0.14 | 0.50 | 0.64 | 0.60 | -0.23 | 0.32 | 1 | | | | | | | | | | |
| EQB.TO | 0.60 | 0.66 | 0.73 | 0.36 | 0.47 | 0.40 | -0.18 | 0.72 | 0.29 | 0.53 | 0.60 | 0.72 | 0.65 | 0.15 | 0.62 | 0.06 | 0.56 | -0.35 | 0.61 | 0.32 | 1 | | | | | | | | | |
| LEA | 0.87 | 0.82 | 0.92 | 0.45 | 0.60 | 0.66 | -0.46 | 0.87 | 0.45 | 0.73 | 0.78 | 0.89 | 0.87 | -0.15 | 0.73 | -0.02 | 0.76 | -0.67 | 0.81 | 0.49 | 0.71 | 1 | | | | | | | | |
| INGR | 0.76 | 0.77 | 0.83 | 0.59 | 0.66 | 0.71 | -0.37 | 0.74 | 0.54 | 0.81 | 0.76 | 0.75 | 0.84 | -0.28 | 0.61 | 0.13 | 0.69 | -0.47 | 0.77 | 0.60 | 0.51 | 0.84 | 1 | | | | | | | |
| MC.PA | -0.52 | -0.61 | -0.35 | -0.49 | -0.71 | 0.27 | 0.69 | -0.50 | -0.13 | -0.12 | -0.20 | -0.50 | -0.49 | -0.11 | -0.69 | 0.02 | -0.53 | 0.57 | -0.46 | -0.14 | -0.24 | -0.25 | -0.18 | 1 | | | | | | |
| ARW | 0.90 | 0.96 | 0.96 | 0.68 | 0.82 | 0.43 | -0.53 | 0.93 | 0.60 | 0.75 | 0.83 | 0.94 | 0.95 | -0.21 | 0.85 | 0.00 | 0.84 | -0.75 | 0.91 | 0.47 | 0.69 | 0.91 | 0.79 | -0.51 | 1 | | | | | |
| ZBH | -0.66 | -0.82 | -0.70 | -0.77 | -0.86 | 0.05 | 0.70 | -0.78 | -0.54 | -0.58 | -0.63 | -0.66 | -0.77 | 0.36 | -0.73 | 0.14 | -0.67 | 0.66 | -0.77 | -0.14 | -0.36 | -0.50 | -0.51 | 0.75 | -0.75 | 1 | | | | |
| GDX | 0.54 | 0.73 | 0.56 | 0.65 | 0.85 | 0.08 | -0.44 | 0.57 | 0.48 | 0.35 | 0.42 | 0.59 | 0.65 | -0.17 | 0.73 | 0.31 | 0.63 | -0.42 | 0.54 | 0.45 | 0.32 | 0.33 | 0.44 | -0.65 | 0.62 | -0.73 | 1 | | | |
| 3AL.F | 0.81 | 0.96 | 0.88 | 0.78 | 0.91 | 0.28 | -0.54 | 0.88 | 0.61 | 0.69 | 0.77 | 0.86 | 0.89 | -0.09 | 0.87 | 0.19 | 0.81 | -0.66 | 0.85 | 0.52 | 0.69 | 0.74 | 0.70 | -0.62 | 0.92 | -0.80 | 0.78 | 1 | | |
| NVO | 0.77 | 0.68 | 0.58 | 0.40 | 0.69 | 0.47 | -0.55 | 0.57 | 0.29 | 0.38 | 0.36 | 0.66 | 0.71 | -0.11 | 0.71 | 0.29 | 0.78 | -0.54 | 0.46 | 0.79 | 0.24 | 0.63 | 0.67 | -0.37 | 0.63 | -0.44 | 0.54 | 0.60 | 1 | |
| DECK | -0.03 | -0.08 | 0.20 | 0.06 | -0.27 | 0.27 | 0.34 | 0.09 | 0.32 | 0.46 | 0.35 | 0.02 | 0.07 | -0.43 | -0.32 | -0.26 | -0.13 | 0.10 | 0.21 | -0.19 | 0.07 | 0.28 | 0.27 | 0.50 | 0.12 | 0.10 | -0.42 | -0.14 | -0.17 | 1 |

This quarter's **daily returns correlation held steady at 0.09**, maintaining **last quarter's level**. This stability came as **political uncertainty and mixed investor reactions to economic data** were offset by **pockets of sector alignment that kept overall co-movement unchanged**.

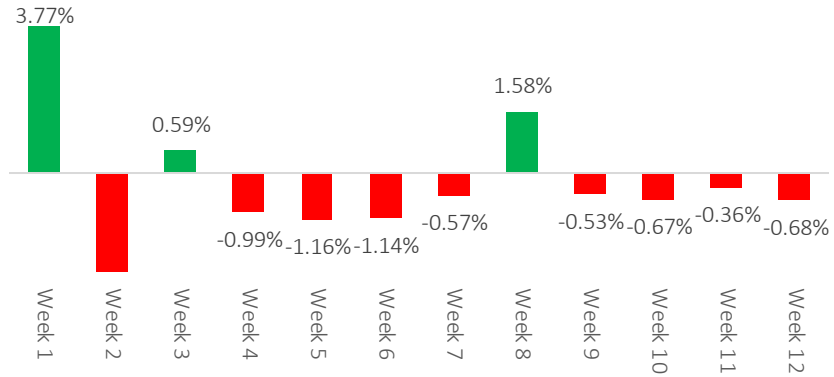
The **fund outperformed the benchmark in  of the 12 weeks** considered, an **improvement from Q1**.

**LTM EV/EBITDA stood at 13.20 and LTM P/E at 22.02**, both **lower than in the prior quarter**, reflecting some **valuation compression**.

**VaR rose to 10.12%**, driven by heightened **market volatility amid macro uncertainty and shifting rate expectations**.

### Weekly excess return over the benchmark

(From 31/03/2025 to 30/06/2025)




| Basic Info | | Performance | Inception |
|---|---|---|---|
| Total Equity | | Sharpe Ratio | 0.16 |
| N of Shares | | Sortino Ratio | 0.22 |
| Share Price | $119.27 | Information Ratio | -0.47 |
| Capital Invested (%) | 100% | Jensen´s Alpha ($\alpha$) | -0.0003% |
| Beta ($\beta$) | 0.6752 | Gross Returns per year | 5.35% |
| **Risk** | | **Valuation** | |
| Negative Weeks | 4 | Fund´s LTM P/E | 22.02 |
| Maximum Weekly Drawdown | -6.29% | Fund´s LTM P/S | 3.06 |
| Annual VaR (α=95%) | 10.12% | Fund's LTM  EV/EBITDA | 13.20 |

# Allocation

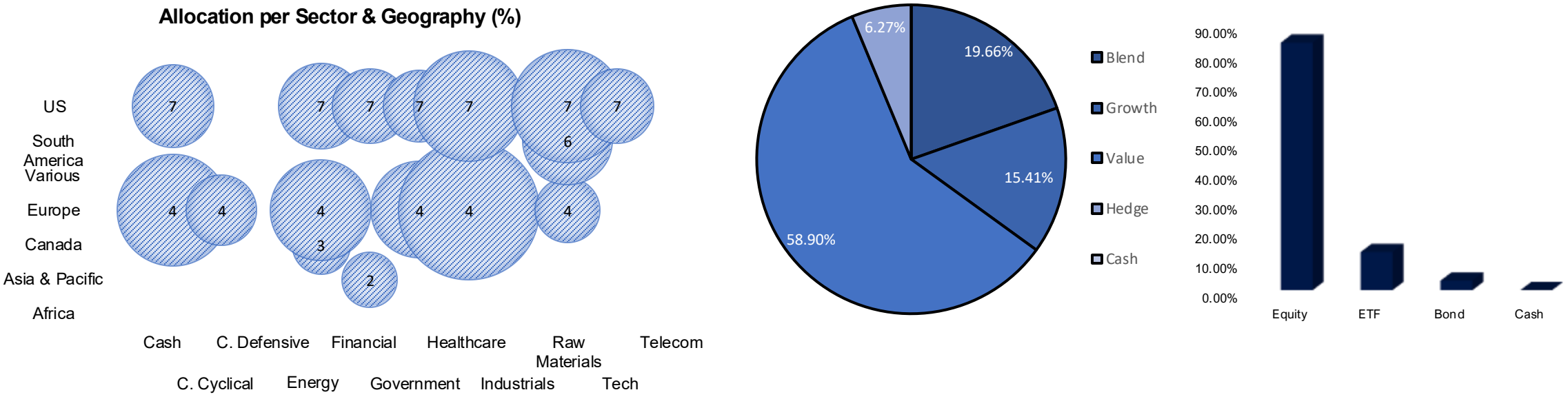
## Current Allocation

### *Rebalancing the Portfolio*

The second quarter of 2025 saw **inflation easing further and economic sentiment improving**, with central banks cautiously advancing their easing cycles. The **European Central Bank cut rates twice to 2.00%** as eurozone **inflation briefly dipped below target**, while the **Federal Reserve held steady at 4.25%–4.50%,** signaling **potential cuts later in the year** amid steady growth and contained price pressures.

The **fund's performance was supported by strong gains in Technology, Consumer Discretionary, and Industrials**, reflecting resilient global consumer demand and ongoing investment in innovation. Additional contributions came from **Utilities and thematic exposures in digitalisation and renewable energy**. Even so, **market sentiment was tempered by shifting interest rate expectations and geopolitical uncertainty**, which drove **sector rotations and periods of elevated equity market volatility** despite the **broader macro improvement**.

During this quarter, we made several changes to our portfolio. We added **Novo Nordisk**, **REN**, **Ayvens** and **Deckers** and **fully exited** the **CARB.L ETF**.



# 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.*



### Blockchain Technology

*Blockchain is expanding beyond cryptocurrencies into finance, healthcare, and logistics. By enabling secure, transparent, and decentralized systems, it reduces costs and improves efficiency. Institutional adoption of tokenized assets, stablecoins, and smart contracts is creating new opportunities across digital finance.*




### Alcohol

*The alcohol industry remains resilient with steady demand for beer, wine, and spirits, but faces shifts toward low- and no-alcohol options. Premiumization and innovation are key drivers as consumers seek quality, health-conscious choices, and new experiences, creating opportunities for growth despite rising costs and regulation.*



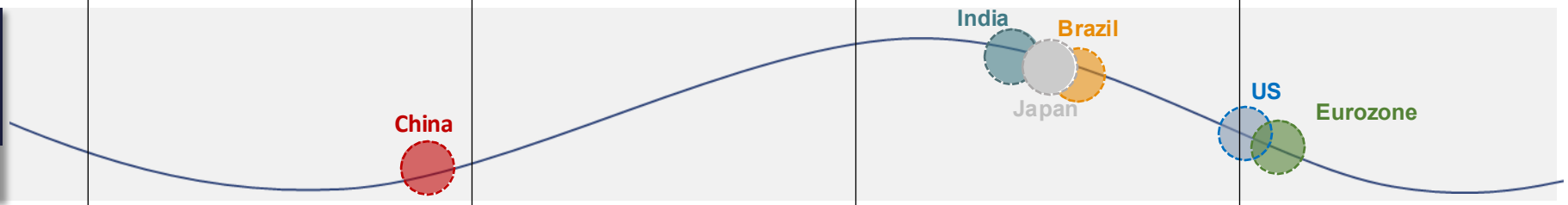
### Reinsurance

*Reinsurance strengthens the insurance industry by sharing large risks like natural disasters. The market is benefiting from rising demand, new risks such as cyber and climate, and the appeal of alternative capital like catastrophe bonds. Growth is supported by stable pricing and expanding global capacity.*

# Tactical Asset Allocation

NIC Undergraduate Division Fund

## Economic Cycles




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



**Blockchain Technology**



**Alcohol**



**Reinsurance**

# Tactical Asset Allocation

## Blockchain Technology (1/4)

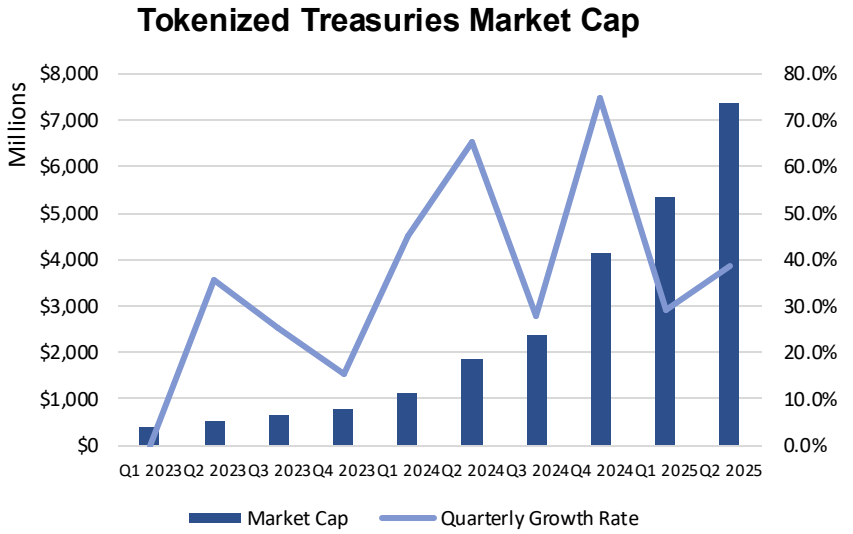
### *Blockchain Technology*

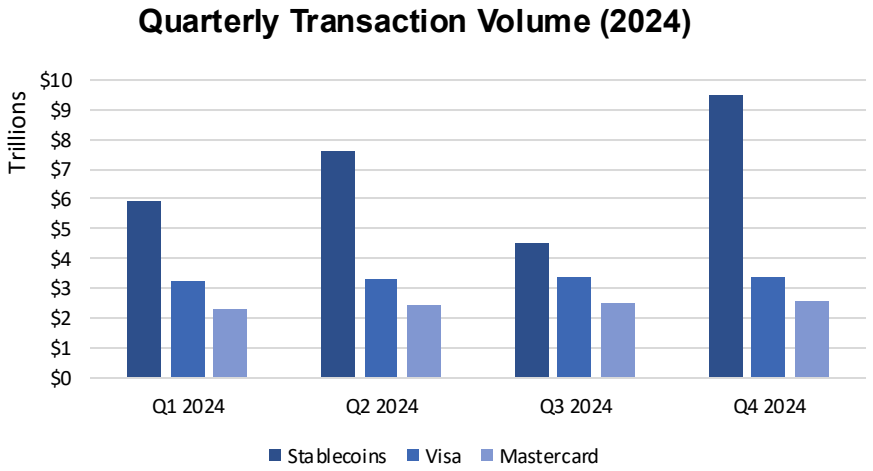
Blockchain technology is a **decentralized, shared, and immutable digital ledger** that allows the **recording of transactions** and the **tracking of assets** within a business network. It operates as a **distributed database**, with data stored across **multiple computers**. This ensures that **no single entity has full control** over the information and makes it **highly resistant to tampering or loss**. Each transaction is added into groups called blocks, and each block is **securely connected** to the one before it, forming a secure chain that guarantees **transparency and traceability**. It was first introduced as the technology behind Bitcoin and later evolved to support a **wide range of applications** beyond cryptocurrencies, including finance, supply chain management, and healthcare. By **removing the need for traditional intermediaries** such as banks or other third-party intermediaries, blockchain helps **reduce the risk of fraud and human error**. Its design can help organizations **improve their efficiency** and **lower their operational cost.**

### *How the technology is being used for real world business*

Blockchain is no longer just about cryptocurrencies, it is now changing **how businesses work by offering safer, more transparent, and decentralized systems**. In finance, blockchain is helping to **speed up and simplify payments**. Stablecoins are already moving as much money as Visa, and over $6.79 billion in U.S. Treasury bonds **are now traded using blockchain**. Circle and Coinbase are at the centre of these developments by enabling stablecoin infrastructure and digital asset custody. Outside of finance, the technology is making industries like healthcare, logistics, and energy more efficient through secure and unchangeable records.

This shift has created a new wave of companies offering blockchain-based services, like crypto exchanges, digital wallets, and systems for storing and transferring digital assets. Supporting the underlying technology, AMD designs the high-performance chips that power blockchain validation and decentralized applications. On the institutional side, Galaxy Digital delivers blockchain-focused asset management and trading solutions. Meanwhile, MARA Holdings and Riot Platforms operate large-scale mining facilities that secure blockchain networks and validate transactions.




*Sources: IBM, Investopedia, CEX.io*

# Tactical Asset Allocation

## Blockchain Technology (2/4)

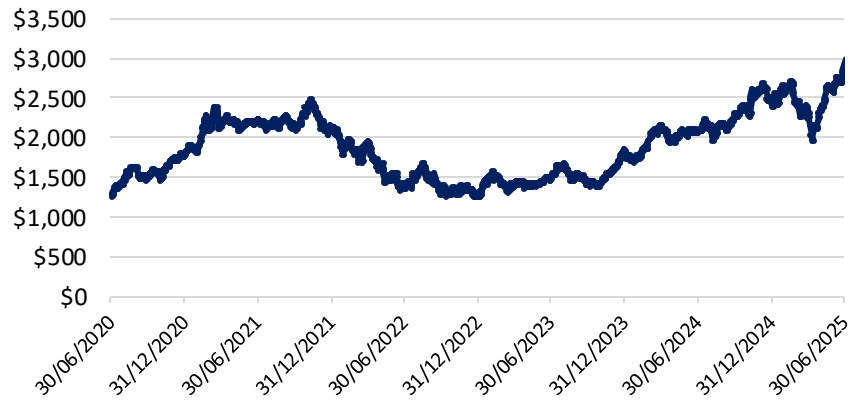
***Market Outlook & Catalysts***

Blockchain is transitioning from experimental tech to a core layer of financial and enterprise infrastructure. Markets estimates vary, but the widely cited research **projects growth** from about **$31.2bn in 2025** to **$393.4bn by 2032** (**CAGR ~ 43,6%**), while more aggressive views see even faster expansion, underscoring a large and accelerating opportunity, especially in banking, financial services and insurance (BFSI). As previously mentioned, real adoption is already visible in expanding tokenized US Treasuries adoption and growing programmable stablecoin usage, tendencies that are likely to deepen.
The **NASDAQ Blockchain Economy Index** (RSBLCN) provides investors with exposure to companies driving this transition, spanning infrastructure providers, fintech platforms, and digital asset operators. Since inception in 2017, the index has delivered roughly an **18.5% annualized annual return through mid-2025**, but with significant volatility and periodic drawdowns, underscoring the importance of active risk management.

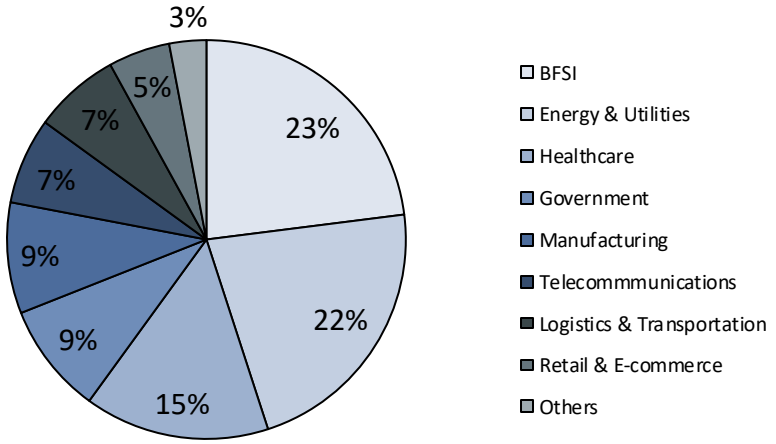
**Key catalysts** include **regulatory clarity around stablecoins** and **digital-asset supervision**, **scaling institutional deployments of tokenized liquidity products**, and **deeper embedment of programmable finance into enterprise workflows** (enabling lower friction, real-time settlement and embedded use advancements).

**Institutional adoption is accelerating** as firms like BlackRock, JPMorgan, and Coinbase are building the foundations for regulated, mainstream use of tokenized assets. **U.S. regulatory** progress is expected to **provide the structure needed to expand stablecoins** and **digital asset innovation**.
From a tactical standpoint, establish broad exposure across the blockchain ecosystem (e.g., infrastructure and service providers) and layer in smaller, flexible positions when clear signals emerge, such as regulatory progress, the rollout of tokenized products and real growth in stablecoin activity after filtering out non-economic transfers. The upside lies in capturing structural efficiency gains in both finance and enterprise.

**NASDAQ Blockchain Economy Index (5Y): 135,33%**




**Global Blockchain Technology Market Share (2024)**




*Sources: Fortune Business Insights , RWA.xyz*

# Tactical Asset Allocation

NIC Undergraduate Division Fund

## Blockchain Technology (3/4)

***Main Risks***

Blockchain infrastructure presents a compelling growth story, yet investors must weigh key risks. Companies like Coinbase, MARA, and Riot Platforms have strong operational exposure to blockchain but also exhibit **high correlation with the broader crypto market**, making them vulnerable to price swings. **Regulatory uncertainty** remains a persistent challenge, particularly outside the U.S., where evolving legal frameworks could **delay adoption**. Moreover, **speculative enthusiasm still outpaces real-world usage** in some segments, raising concerns over **inflated valuations** and **potential volatility**.

### Regulatory Uncertainty

- **What:** Evolving/conflicting rules on stablecoins, tokenization and digital-asset usage
- **Why it matters:** It can delay adoption, raise costs or require scaling back activity if regulation becomes more restrictive
- **Mitigation signals:** Visible industry compliance standards gaining traction, clear legislative or guidance milestones, and cross-jurisdictional alignment

### Valuation & Adoption

- **What:** Overheated valuations, concentration in few companies, or failure of expected network effects to materialize
- **Why it matters:** Can lead to severe contractions and underperformance
- **Mitigation signals:** Broadening participation (of users and enterprises), valuations aligning with underlying demand, and increasing diversity of revenue sources reducing single-point failure risk

### Technology & Execution

- **What:** Security incidents, integration/scalability failures, misleading on-chain metrics (e.g., inflated activity from wash trading)
- **Why it matters:** Credibility damages, and could cause operational failures
- **Mitigation signals:** More appearance of third-party audit reports, declining frequency/severity of breaches and successful protocol upgrades

# Tactical Asset Allocation

## Blockchain Technology (4/4)

***Possible Investments***

**Circle Internet Group (NYSE: CRCL)**

- Revenue: 1.676B
- Net Income: 18.1M
- Market Cap: 46.614B
- P/E Ratio: 2 118.67

**Coinbase Global, Inc. (NASDAQ: COIN)**

- Revenue: 6.564B
- Net Income: 2.577B
- Market Cap: 95.669B
- P/E Ratio: 70.74

**Mara Holdings (NASDAQ: MARA)**

- Revenue: 656M
- Net Income: 541M
- Market Cap: 5.787B
- P/E Ratio: 9.59

**Advanced Micro Devices (NASDAQ: AMD)**

- Revenue: 25.785B
- Net Income: 1.641B
- Market Cap: 289.404B
- P/E Ratio: 130.29

**Galaxy Digital (NASDAQ: GLXY)**

- Revenue: 1.154B
- Net Income: 365.3M
- Market Cap: 10.993B
- P/E Ratio: 51.89

**Riot Platforms (NASDAQ: RIOT)**

- Revenue: 376.7M
- Net Income: 109.4M
- Market Cap: 4.778B
- P/E Ratio: 22.6

# Tactical Asset Allocation

## Quarterly Macro Research

NIC Undergraduate Division Fund



Blockchain Technology




Alcohol



Reinsurance

# Tactical Asset Allocation

## Alcohol(1/4)

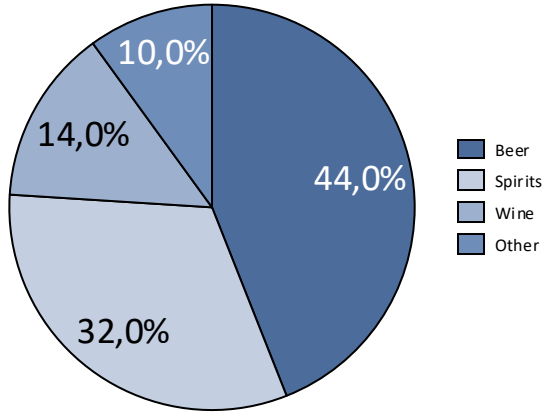
### *Current Outlook*

The alcohol industry is a well-established and resilient sector, covering the production and distribution of **beer, wine, and spirits.** The industry is led by a few large global companies and has stayed strong thanks to steady demand, cultural relevance and brand loyalty. In recent years, it has gone through a strategic shifts, with companies seeking growth by encouraging **premium consumption, and creating new drinking occasions.**
At the same time, the industry is facing big challenges. Consumers are becoming more health-conscious, pushing demand for low and no-alcohol products and governments are tightening regulations and public. Economic pressures like inflation and supply chain disruptions e also obstacles for the industry. This factors lead to a decline on many leading companies on the past 5 years (Diageo's and Pernod Richard's stocks declined respectively 30,63% and 36,42%).

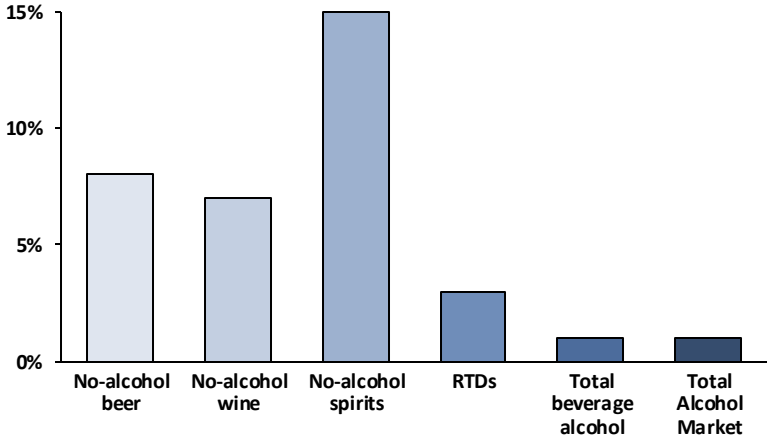
### *Future Outlook*

Looking at future trends, the shift in consumer values is set to **be the main driver of the coming changes** in the alcohol industry. Besides the customer´s perspective, tighter regulations and new paths for growth are also, huge factors. While the sector remains strong, long-term success will depend on **how well companies adapt to changing preferences**. Industry leaders identify the most promising growth aligned with **low- and no-alcohol drinks, ready-to-drink products (RTD), and high-end spirits**; all motivated by buyers increasingly looking for moderation, convenience, and quality over quantity.
Simultaneously, the way people engage with alcohol is changing. Health, sustainability and authenticity are becoming key in decision-making, and more drinkers are discovering brands through digital platforms and experiences **rather than just price or legacy.** Growth is also shifting geographically, with markets in Asia-Pacific, Africa, and Latin America becoming more influential in shaping global trends.
To stay competitive, industry players are more required to grasp these subtle changes in demand in order to update investments, innovation and sales portfolio. It is important to note that the rise in these less traditional subsectors within alcohol brands **does not necessarily come at the expense** of the established flagbearers: beer, wine and spirits.

***Global Alcoholic Beverage Market Share by Category (2024)***




***Projected Global volume CAGR from 2023 to 2028***




*Sources: UN News, Al Jazeera, World Bank, CRS Report, International Wines and Spirits Record (IWSR)*

# Tactical Asset Allocation

## Alcohol(2/4)

### Room for innovation in the alcohol industry

**What is it?** Fermentation and distillation to produce alcohol

**Innovation trends**: Lab-made and low environmental impact fermentation

**Example**: *Endless West* – usage of molecular technology to build spirits

**What is it?** Delivery to retailers or consumers

**Innovation trends**: low-emission logistics and Direct-To-Consumer (DTC) shipping

**Example**: *Heineken* – green delivery fleet




**What is it?** Sourcing of grains, fruits or botanicals for alcohol production

**Innovation trends**: Upcycled and regenerative agriculture

**Example**: *Toast Ale* – beer from surplus bread

**What is it?** Bottling and presenting the final product

**Innovation trends**: Eco-friendly materials (mostly plastic alternatives) and flat bottles

**Example**: *Garçon Wines* – recycled PET bottles

# Tactical Asset Allocation

NIC Undergraduate Division Fund

## Alcohol(3/4)

### *Industry breakdown – Premium Alcohol*

The **premium alcohol** market is a big growth driver in the beverage industry, mainly because of its focus on quality, craftsmanship, and strong brand identity. Consumers, especially younger generations, prefer more drinks with high quality that give a sense of exclusivity. **Rising disposable incomes** and the **expansion of online** platforms have made premium drinks more accessible and with more demand, which is driven by innovation, health and sustainability trends. In 2025, the global premium alcoholic beverages market was valued at approximately **467.4 billion $, with projections to reach 1.12 trillion $ by 2035**, with a CAGR of **9.1%**, outpacing the overall alcohol market. The **Asia-Pacific and Europe regions lead in market growth**. Asia-Pacific region, with more emerging regions, is expected to grow at a CAGR of 10.4% through 2035 while Europe, that represents 30% of premium alcohol sales worldwide, is expected to grow at a CAGR of 4% . Nowadays, **whiskey leads the premium alcohol market** with 28.6% share, followed by vodka at 22% and rum at 14%, highlighting a strong consumer preference for aged and high-quality spirits. Leading companies such as Diageo, Pernod Ricard and Bacardi are investing mainly in **innovation, brand, and digital marketing.**

### *Industry Consolidation Trends*

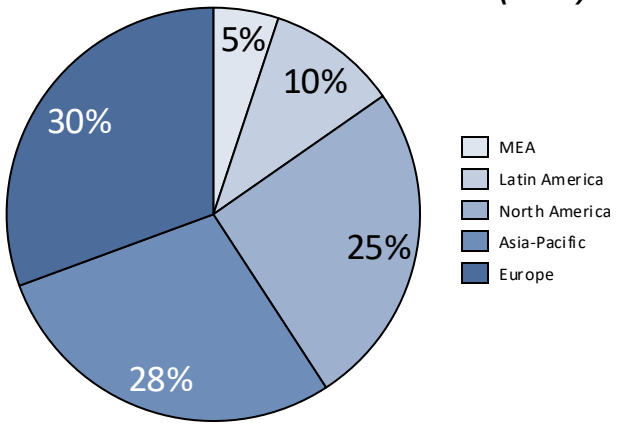
In 2024, the beverage alcohol industry recorded **55 M&A transactions**, showing resilience despite macroeconomic pressures. The **spirits segment led the activity**, while beer and wine saw comparatively fewer transactions. Large players such as Diageo, Coors and Gallo continued to streamline their portfolios **strategically divesting non-core assets and reinvesting in higher margin categories.** Notable moves included Diageo's creation of a Luxury Group division, Constellation's acquisition of Sea Smoke ( a premium wine producer).

Investment activity was particularly strong in **ready-to-drink (RTD) beverages**, agave spirits, gin, and low-alcohol categories (reflecting shifting consumer preferences). Examples include Sazerac's acquisition of BuzzBalls, **and new investments in organic and sustainable spirits** like Square One and Ume Plum.

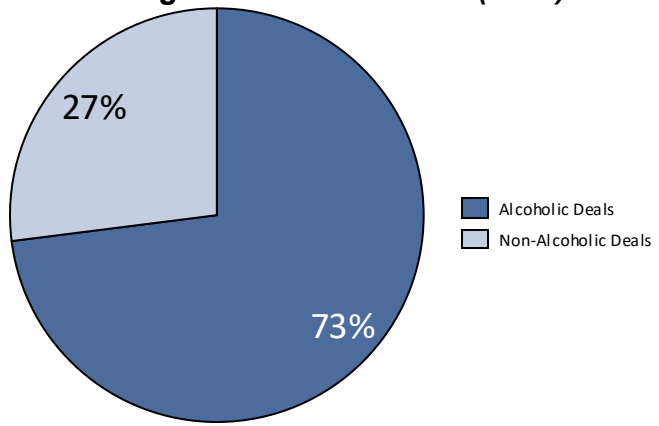
This wave of M&A reflects an industry reshape with leading firms repositioning around premium, health-conscious, and high-growth segments, while creating room for small companies and independent buyers.

*Sources: M&A report-park street 2025, Capstone Partners,*

### *Regional Market values of Premium Alcohol (2025)*




### *Breakdown of Beverage M&A transactions (2024)*




(1) RDNA1 damage covers the period between February 24, 202,2 and June 1, 2022. RDNA2 between February 24, 2022, and February 24, 2023. RDNA3 between February 24, 2022, and December 31, 2023. RDNA4 between February 24, 2022, and December 31, 2024.

# Tactical Asset Allocation

NIC Undergraduate Division Fund

## Alcohol (4/4)

***Possible Investments***

**Diageo (NYSE: DEO)**

- **EBITDA: 7.09 B**
- **FCF: 2.6 B**
- **Market Cap: 57.37 B**
- **P/E ratio: 16.17**

**Pernod Ricard SA(EPA: RI)**

- **EBITDA: 3.2 B**
- **FCF: 954 M**
- **Market Cap: 23.78 B**
- **P/E ratio: 21.66**

**Constellation Brands (NYSE: STZ)**

- **EBITDA: 3.94 B**
- **FCF: 2 B**
- **Market Cap: 31 B**
- **P/E ratio: 18.5**

**Ambev SA (B3: ABEV3.SA)**

- **EBITDA: 29.4 B**
- **FCF: 22 B**
- **Market Cap: 205.66 B**
- **P/E ratio: 14.43**

**Molson Coors Beverage (NYSE: TAP)**

- **EBITDA: 2.4 B**
- **FCF: 1 B**
- **Market Cap: 10.24 B**
- **P/E ratio: 10.19**

**Anheuser-Busch InBev SA (NYSE: BUD)**

- **EBITDA: 15.6 B**
- **FCF: 11.2 B**
- **Market Cap: 129.5 B**
- **P/E ratio: 19.67**

*Forward P/E of 14.5x

# Tactical Asset Allocation

## Quarterly Macro Research

NIC Undergraduate Division Fund



Blockchain Technology



Alcohol



**Reinsurance**

# Tactical Asset Allocation

## Reinsurance (1/4)

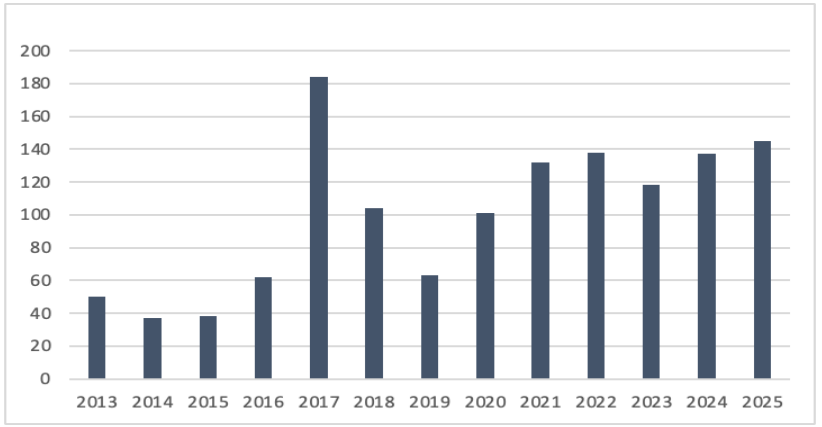
***Industry Overview***

Reinsurance is insurance for insurance companies. It helps them manage big risks — like natural disasters or large-scale accidents — by sharing those risks with other companies. The market is mainly split into two parts: **property & casualty** (like homes, cars, and businesses) and **life & health**. Property & casualty makes up the bigger share.
Reinsurers step in when losses are too large for one insurer to handle alone. This makes the whole system more stable, especially after major events like earthquakes, hurricanes, or pandemics. Reinsurance also helps smaller insurers grow, because they can take on more policies without taking on too much risk.
The biggest reinsurers in the world include **Munich Re**, **Swiss Re**, and **Hannover Re**. There are also newer players like **hedge funds** and **investors** who provide capital through tools like **catastrophe bonds**. In recent years, reinsurance has started covering newer risks like **cyber attacks**, **pandemics**, and **climate disasters**.

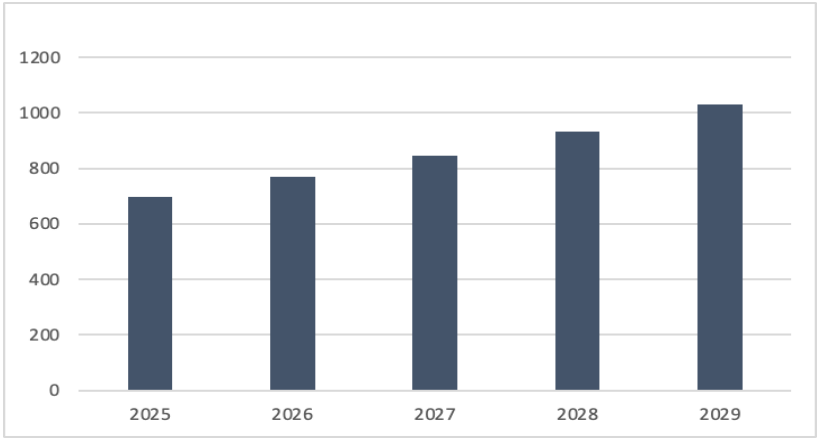
***Current Outlook***

Conditions in the market remain favourable, particularly in the **property-catastrophe** sector. Reinsurers are prioritizing **underwriting profits**, which translates to limited market share, tighter wordings, and higher retentions for buyers. While some degree of capacity exists, it is selective, and cedents sharing granular data tend to receive better terms. Though investment income acts as a **tailwind**, loss volatility continues to remain a serious concern.
**Growth pockets** include these emerging lines of business: cyber with more stringent limits and aggregation controls, specialty lines, and public-private partnerships for disaster and infrastructure risk. The appeal of **parametric structures** continues to rise for their speed and transparency. Expect to see more multi-year deals in which pricing certainty is particularly valued.
The **key watch items** for the next 12 to 18 months are the severity of natural catastrophe seasons, movement of interest rates. The Reinsurance Market Value is supposed to grow from $630bn in 2025 to $1030bn in 2029, with a **CAGR of 10.3%**

**Growth in global natural catastrophe insured losses (US$ bn)**




**Reinsurance Market Value (US$ bn)**




*Sources:* Swiss Re Institute (Sigma reports), Munich Re NatCatSERVICE, Artemis.bm, Aon Reinsurance Market Dynamics, S&P Global Ratings, AM Best.

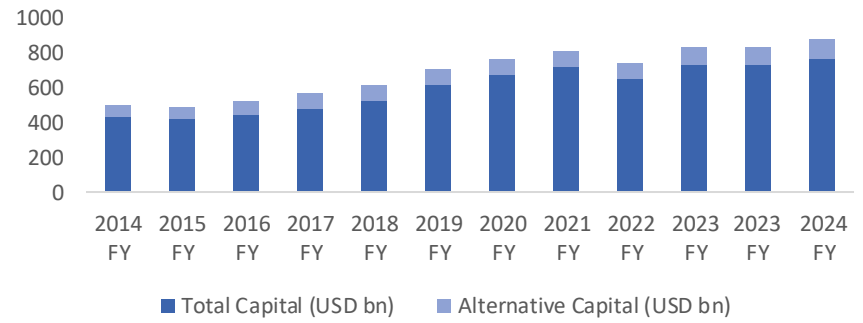
# Tactical Asset Allocation

## Reinsurance (2/4)

### *Contract Structures*

Reinsurance contracts are primarily either **facultative** or **treaty.**
**Facultative reinsurance** covers individual risks or policies on a **case-by-case basis**. The primary insurer offers a specific risk, and the reinsurer can accept or decline it. This approach is common for large, unusual, or high-value exposures that don't fit within treaty limits. They represent about 10–20% of the market and are vital for **customizing coverage on unique risks**, therefore being more expensive.
**Treaty reinsurance** is an **ongoing agreement** that automatically covers a portfolio or category of risks meeting predefined criteria, eliminating individual negotiation for each policy and constituting the majority of reinsurance premium volume globally (~80–90%). Treaties can be **proportional** (the reinsurer sharing premiums and losses with the insurer at a **fixed percentage**) or **non-proportional** (only cover losses **above a certain threshold**, protecting insurers against large or catastrophic losses by limiting their maximum exposure).

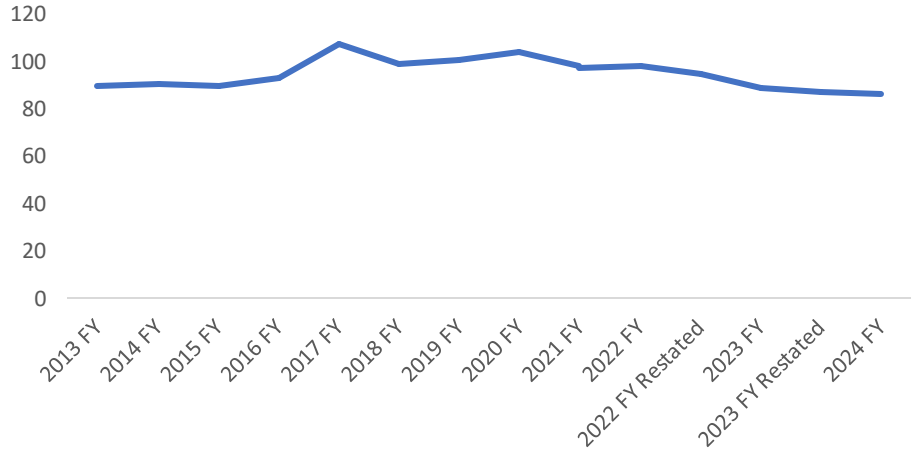
**Reinsurance Traditional and Alternative Capital (US$ billion)**




### *Third Party Capital*

The economics of reinsurance differ substantially from traditional insurance, as they act on larger more volatile risks rather than managing predictable, high-frequency ones.
This structural difference means that reinsurer underwriting margins are far more cyclical and exposed to shock events. Combined ratios (expenses/earned premiums) vary from 95% to 110% eroding profits; therefore, reinsurers **are not guaranteed to make money on underwriting alone**.
Over a full cycle, many target break-even on pure underwriting (i.e., a combined ratio close to 100%) and instead rely on investment returns and fee-based income, particularly from **third-party capital management**, to deliver ROE targets, acting as both reinsurance companies and asset managers.

**Reinsurance Industry Combined Ratio (%)**




*Sources: Umbrex,*

# Tactical Asset Allocation

## Reinsurance (3/4)

### *An alternative to Reinsurance stocks: Insurance-Linked Securities*

Insurance-Linked Securities (ILS) are financial instruments that allow (re)insurance risk, typically related to natural catastrophes, **to be transferred to capital market investors**. Rather than assuming credit or market risk like traditional bonds, ILS investors take on the risk **of specific insurance events** (e.g., hurricanes, earthquakes). In exchange, they receive regular coupon payments. If no covered event occurs during the bond's term, the principal is returned in full; however, if a defined catastrophe occurs, part or all of the principal may be used to cover insurer losses.

### *How ILS Work and Why They Matter*

ILS are typically issued through Special Purpose Vehicles (SPVs), which hold investor capital in safe assets and release it to insurers only upon the occurrence of a triggering event. This **structure isolates insurance risk** from the sponsor's credit risk, making ILS "event-linked" rather than "credit-linked." Compared to conventional bonds, ILS offer **uncorrelated returns relative to financial markets**, appealing to investors seeking diversification. While traditional bonds depend on issuer creditworthiness, ILS depend on the probability of **specific physical events**, creating a unique risk-return profile especially relevant in a world facing increasing climate-related challenges.

### *Cat Bonds vs. Government Bonds*

Cat bonds (catastrophe bonds) are the most common ILS. Each cat bond is unique and can **vary a lot in risk and exposure.** Every cat bond is associated to a certain coupon, probability of loss, attachment point and exhaustion point. Cat bonds cover certain layers of the underlying risk, like from when losses reach €500M until €1B.
Unlike for example Canadian government bonds, where risk is tied to the issuer's credit rating, cat bonds rely on probabilistic models. Risk is measured using terms like **attachment point** (the loss level where investor funds start being used), **loss given attachment** (= % of principal lost based on how far total losses fall within the bond's coverage layer.), and **exhaustion point** (maximum covered loss). While Canada bonds are backed by government credit, cat bonds are priced based on modeled catastrophe scenarios, making them sensitive to event probability rather than borrower reliability.

**Comparison between a Cat Bond and a Government Bond**

| Marlon LTD. (Series 2024-1) Class A | |
|---|---|
| Geography | Florida, US |
| Risk Covered | Named Storms |
| Risk Modeler | AIR Worldwide |
| Coupon | 7.00% |
| Probability of Attachment | 0.75% |
| Loss Given Attachment | 86.67% |
| Expected loss | 0.65% |
| Expected Return | 6.35% |

| Canada Government Bond 5y | |
|---|---|
| Geography | Canada |
| Risk Covered | Default |
| Rating | AAA (S&P) |
| Coupon | 3.06% |
| Probability of Default | 0.66% |
| Loss Given Default | 60.00% |
| Expected loss | 0.40% |
| Expected Return | 2.66% |

*Sources: CatXRE*

# Tactical Asset Allocation

## Reinsurance (4/4)

***Possible Investments***

**MUNICH RE (FRA:MUV2)**

- EBIT : 8.08 B
- FCF: 2.83 B
- Market Cap: 74.95 B
- P/E ratio: 16.14

**SWISS RE (XSWX:SREN)**

- EBIT : 4.59 B
- FCF: 3.13 B
- Market Cap: 42.99 B
- P/E ratio: 17.01

**HANNOVER RE GROUP (FRA:HNR)**

- EBIT : 3.37 B
- FCF: 5.68 B
- Market Cap: 32.03 B
- P/E ratio: 14.23

**SCOR SE (XPAR:SCR)**

- EBIT: 1.20 B
- FCF: 900 M
- Market Cap: 5.38 B
- P/E ratio: 1500

**EVEREST RE (NYSE:RE)**

- EBIT : 1.64 B
- FCF: 4.96 B
- Market Cap: 14.09 B
- P/E ratio: 16.73

**REINSURANCE GROUP OF AMERICA (NYSE:RGA)**

- EBIT : 1.28 B
- FCF: 9.37 B
- Market Cap: 12.02 B
- P/E ratio: 16.20

# 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:

**L&G Battery Value-Chain ETF**
(BATT.L)
Industrials

**Proposed Decision:**
Sell

**Ayvens**
(AYV)
Rental and Leasing

**Proposed Decision:**
Sell

**VanEck Gold Miners ETF**
(GDX)
Basic Materials

**Proposed Decision:**
Hold

# Position Revaluation

## L&G Battery Value-Chain ETF (BATT.L)



# Position Revaluation

## L&G Battery Value-Chain ETF (BATT.L)

NIC Undergraduate Division Fund

### *ETF Description*

The L&G Battery Value-Chain UCITS ETF tracks the **Solactive Battery Value-Chain index**, which includes companies involved in the **development and production of batteries**. This includes companies that cover the entire supply chain of batteries, from the extraction of raw materials to compounding and cell manufacturing, and finally to battery integration and system assembly.

The ETF's portfolio is diversified across four sectors: **Consumer Cyclical** (37.44%), **Industrials** (33.55%), **Technology** (14.99%) and **Basic Materials** (14.01%). It currently manages **€381.02 million assets.**

### *Previous Investment Thesis Review*

In 2020 we recommended adding L&G Battery Value-Chain UCITS ETF (BATT) to gain broad exposure to the accelerating EV battery supply chain, with diversified access to names like Tesla, LG Chem, and BYD, at an entry price of ~€9.88. The ETF performed strongly in 2020–2021 (+65% and +26%), driven by soaring EV adoption and bullish sentiment around clean tech. Performance stagnated post-2022 due to falling lithium prices, rising competition, and valuation corrections across key holdings.

### *Current Situation*

The global battery market was **valued at $121.94 billion in 2023** and is facing consistent growth driven by the increasing demand for **lithium-ion batteries** due to the rise in electric vehicle adoption. According to BCC Research, Global Lithium-ion Battery Market is expected to grow from $117.8 billion in 2024 to reach $221.7 billion by the end of 2029. **Stationary Energy Storage Systems (ESS)** and **Consumer Electronics** also represent key drivers in the global battery market.

Moreover, regulatory shifts contribute to shape the industry's future. In the U.S., the recent legislation **ends most EV tax credits** by late 2025, which may slow EV battery demand. Meanwhile, India is trying to reduce its battery imports through stronger investment in domestic R&D and production efforts.

Within the L&G Battery Value-Chain ETF, **top holdings** include **Eos Energy Enterprises**, known for zinc-based grid storage solutions, **01211**, a key battery component manufacturer, and **Panasonic Holdings**, a leading lithium-ion cell producer.

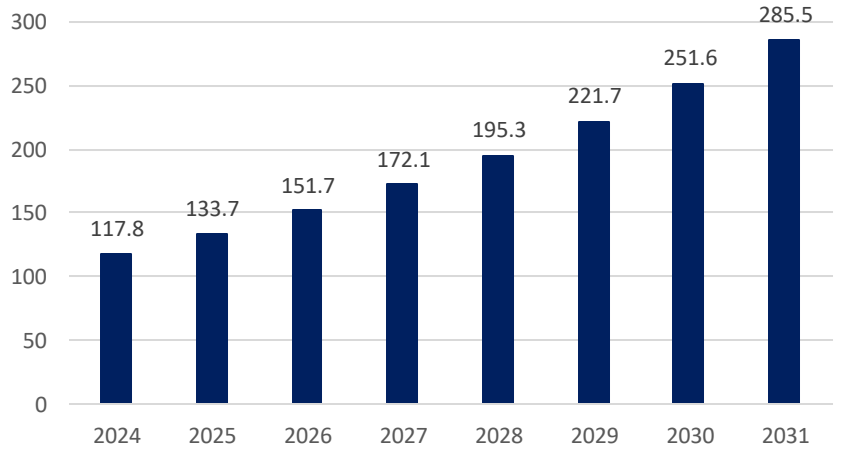
The current P/E ratio (TTM) is 0.14 which showcases how the ETF may be reflecting recent market uncertainty around EV tax credit cuts in the U.S. and the shifts in global regulations.

**Estimated EV Penetration among total vehicles**

| Region/Countries | 2023 | 2024 | 2025e | 2026e | 2030e |
|---|---|---|---|---|---|
| Europe 10 | 22.20% | <20% | 20%-25% | 20%-25% | 55%-60% |
| China (Mainland) | 32.90% | 40% | 44%-48% | 48%-52% | 70%-75% |
| U.S. | 9.20% | 10%-11% | 13%-16% | 16%-22% | 30%-35% |
| Global | 16.50% | 18%-19% | 19%-20% | 20%-22% | 45%-50% |

*Europe 10: DE, FR, UK, IT, ES, BE, AT, NL, SWE, NOR*
*Source: S&P Global*

**Global Battery Market Forecast (in $B)**




Estimated CAGR: 13.47%

*Sources: CNBC, BBC Research, Yahoo Finance*

# Position Revaluation

## L&G Battery Value-Chain ETF (BATT.L)

### *Strategy Analysis*

From 2018 to 2020, the fund was **actively managed**, with a portfolio that **leaned heavily toward electric vehicle manufacturers,** including companies such as Tesla, BYD, Renault and Nissan. This posture was based on the significant **valuation growth** these firms were experiencing because of the early EV adoption and supportive policy developments across the U.S., China, and Europe. During this time, the ETF's exposure to companies directly involved in vehicle assembly and final-stage EV delivery played **a dominant role in driving performance.**

However, in October 2020, the fund adopted **a passive management strategy**, tracking the EQM Lithium & Battery Technology Index. This was a fundamental change in the fund's strategy. The new index imposed stricter revenue-derived inclusion criteria, requiring companies to generate at least **50% of their revenue** from activities directly related to the **lithium-ion battery supply** chain (mining, battery production and manufacturing).

By 2025, the largest weightings were allocated to companies engaged in lithium extraction, battery-grade material refinement, and component-level production.

This new setting implied a sector exposure leaned toward **Materials** rather than Consumer Discretionary (EV makers) and Industrials.

These strategies modifications are adaptations to a **commoditized** and **volume-driven** battery supply chain.

### *Final Investment Decision*

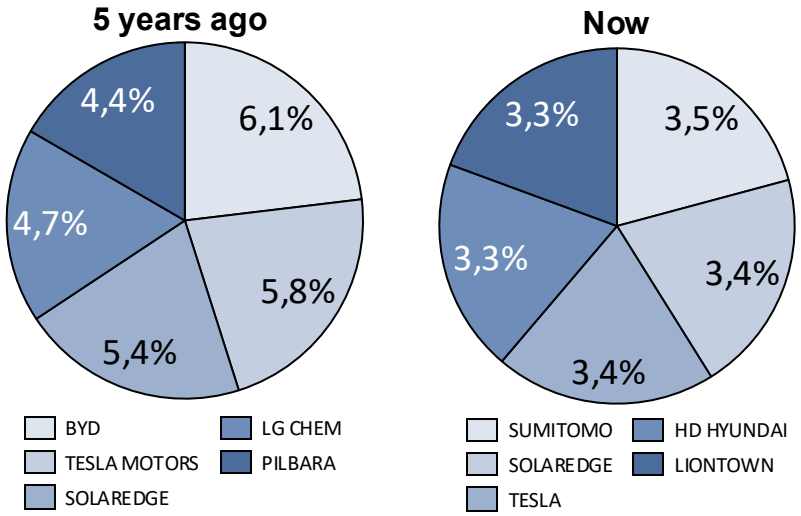
The L&G Battery Value-Chain ETF has **delivered a strong performance**, with a return of approximately 70% since acquisition. When comparing its multiples to relevant benchmarks, the ETF appears to be trading **at a lower valuation**. However, it includes companies with **widely different performances and valuations**, which can dilute the impact of individual performance of the companies.

Since peaking in 2020, the share price has been relatively stable, with some episodes of volatility, but **not showing an upward trend**.

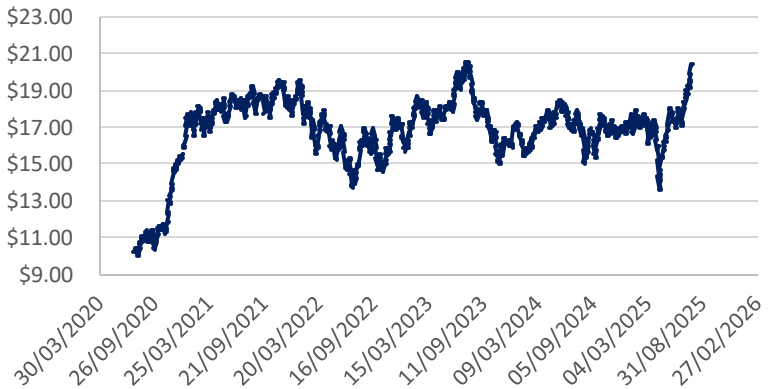
Complementing, geopolitical tension, such as China's strategic dominance over critical technologies and materials is also a significant concern we factored into our decision.

Taking these elements into consideration, we believe it is **an appropriate moment to sell our position** and lock in gains, allowing us to reallocate capital to areas with stronger short-term growth prospects.

**Position's Weight**




**Share price performance (5Y)**



# Position Revaluation

## Ayvens SA (AYV)



# Position Revaluation

## Ayvens SA (AYV)

### *Business Description*

Ayvens is a **global leader in multi-brand full-service vehicle leasing and fleet management**, operating the **largest fleet worldwide** with approximately **3.4 million vehicles across 42 countries**. The company provides businesses, SMEs, and individual clients with flexible, long-term vehicle leasing solutions, including maintenance, insurance, and remarketing services. Following its **acquisition of LeasePlan**, Ayvens strengthened its market leadership, achieving significant scale and synergies while expanding its electric vehicle (EV) offering. Its multi-brand, global model and focus on electrification make it a key player in the decarbonization of mobility and a leading partner for clients navigating the energy and digital transition in transportation.

### *Previous Investment Thesis Review*

Ayvens was originally recommended as a strong buy due to its **global leadership in multi-brand fleet leasing**, with 3.4M vehicles across 42 countries, combined with an **attractive valuation** (P/B ~0.6x vs. peers ~1.3x) and **consistent ROTE above 15%.** The thesis was based on its **undervaluation relative to NTBV** (€6.1B vs. €7.3B), resilient margins even in adverse cycles, and strong competitive advantages stemming from its scale and multi-brand leasing model. Our valuation model at the time of the stock pitch indicated an **upside of approximately 16%.**

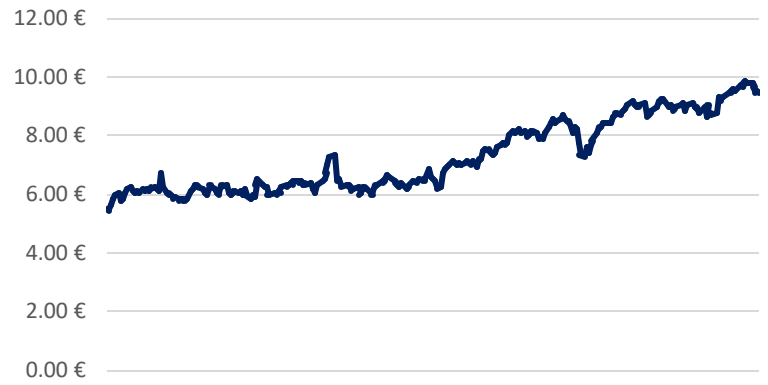
### *Current Situation*

Following the acquisition of LeasePlan, Ayvens has entered an advanced **integration phase focused on consolidating systems, unlocking synergies, and optimizing operations**. As of Q1 2025, 11 of 21 overlapping countries have been successfully migrated to a unified IT platform, now covering over 50% of Ayvens' fleet (~3.25 million vehicles). This transition contributed to **€61 million in synergies during the quarter**: €42 m from revenue enhancement and €19 m from cost savings, confirming early progress toward the full €440 million synergy target by 2026.

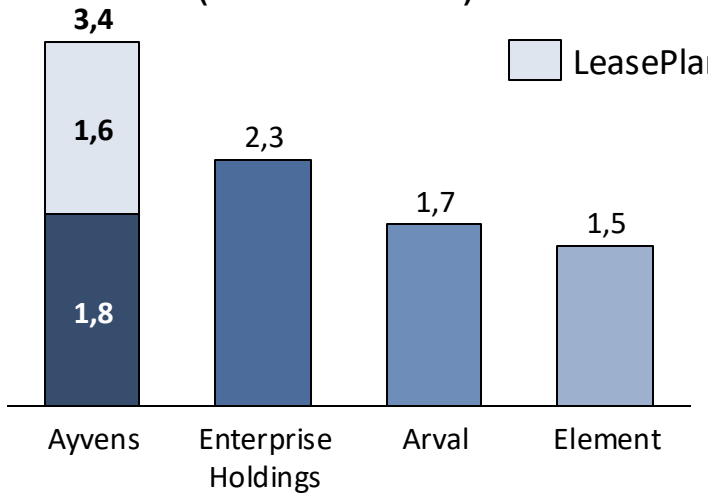
Despite this operational progress, Ayvens is facing clear challenges. The **total fleet declined 3.8% YoY**, mainly due to deliberate **repositioning in underperforming markets** such as the UK, Germany, and Turkey. The company is prioritizing profitability over volume, reshaping its geographic mix to focus on more resilient segments.

Another key pressure point is the normalization of used vehicle prices, which affects residual values, especially for EVs. However, management reports that this impact remains within guidance. In response, Ayvens is strengthening OEM partnerships and focusing on high-margin segments (SMEs and retail) to stabilize growth and protect margins during this transitional phase.

**Ayvens Share Price Performance LTM**




**Multi-Brand Competitors Fleet Size (Millions vehicles)**




*Sources: Ayvens, Investing.com*

# Position Revaluation

## Ayvens SA (AYV)

### *Financial Analysis*

Ayvens began 2025 with a **strong Q1 performance**, reporting **net income of €220 million, up 21% YoY, and a RoTE of 11.0%, versus 9.4% in Q4 2024**. The cost-to-income ratio improved to 58%, nearly **10 percentage points below Q1 2024**. **Margins reached 562 basis points of average earning assets**, the highest level since the LeasePlan acquisition. Service margins were further supported by **€42 million in revenue synergies**, part of the total €61 million in Q1 synergies.

Ayvens also demonstrated **operating leverage**. Operating expenses decreased by **€17 million YoY**. Gross operating income rose **15% QoQ and 3% YoY**, supported by rising earning assets (now at €53.5 billion, up €800 million YoY) and accelerating revenue synergies (€42 million vs. €20 million in Q1 2024).

### *Strategy Analysis*

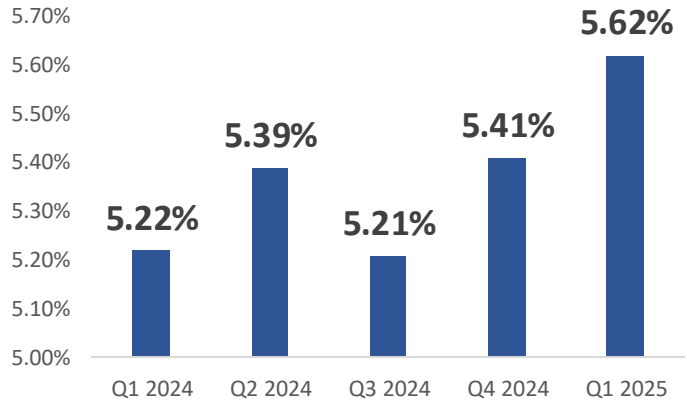
Ayvens is repositioning itself as a **technology-driven mobility platform**, with strategic priorities cantered on **profitable growth**, **electrification**, and **operational simplification**. After reshaping its portfolio in 2024, the company is reigniting commercial momentum across segments. In Q1, it secured **new corporate clients** and **expanded its BYD partnership to 11 countries**. A deal with Care by Volvo will add **~3,500 vehicles starting in Q2**. Electrification remains central, with **41% of Q1 deliveries being EVs**. A €350 million credit facility with the European Investment Bank will support the rollout of 20,000 electric LCVs over the next three years. Meanwhile, multi-cycle leasing is being scaled to reduce residual value risk and improve affordability.

### *Final Investment Thesis and Position Suggestion*

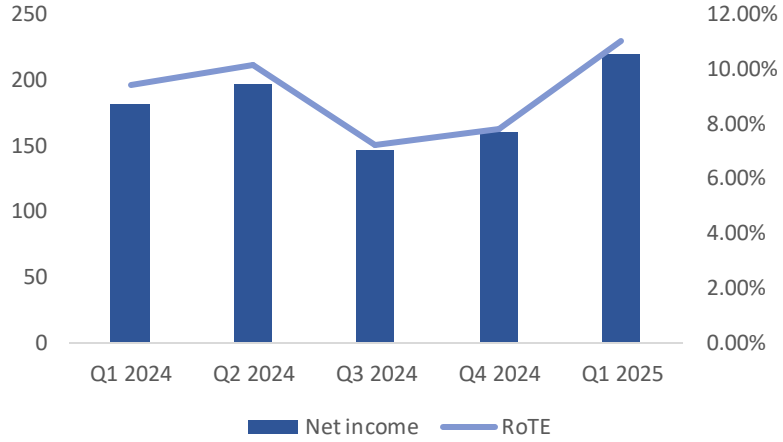
Since our original stock pitch in April 2025, Ayvens' share price has appreciated by approximately **15–20%**, effectively **reaching our target valuation**. The company has executed well, delivering strong Q1 results supported by accelerating LeasePlan integration, margin expansion, and improved capital efficiency.

However, after revisiting our valuation model in light of updated guidance and recent performance, we no longer see **meaningful upside that can be justified by fundamentals**. While Ayvens remains a global leader in full-service vehicle leasing, its profile is more consistent with that of a mature, cash-generative business than a high-growth opportunity. Recent operating improvements and synergies appear to be largely **priced in**. With **limited catalysts** ahead and **margin normalization expected**, we believe the risk-reward balance is **no longer favourable for a tactical allocation**. Given the successful realization of our investment thesis and limited room for further justified revaluation, **we recommend closing the position and locking in gains**, reallocating capital to opportunities with greater asymmetry and upside potential.

**Margins of average earning assets (%)**




**Net Income and RoTE (in million euros)**




*Sources: Ayvens, Investing.com*

# Position Revaluation

## VanEck Gold Miners ETF (GDX)



# Position Revaluation

## VanEck Gold Miners ETF (GDX)

### *Business Description*

The Gold Miners ETF seeks to replicate the performance of the NYSE Arca Gold Miners Index, which comprises over 90% exposure to large- and mid-cap gold mining companies. Geographically, the portfolio is heavily weighted toward Canada (43,9%), followed by the United States (16,94%) and Australia (10,63%), reflecting the global distribution of major gold producers.

While gold is widely regarded as a safe-haven asset in times of uncertainty, **GDX does not directly track the price of gold**. Instead**, it tracks equities of gold mining firms**, which tend to exhibit **amplified sensitivity to changes in gold prices due to their cost structures and operational leverage** - essentially making GDX a **leveraged play on gold**. For instance, during the early stages of the COVID-19 crisis, gold prices declined by roughly 12%, yet the ETF tumbled by 47%, highlighting the volatility inherent in miners. On the flip side, in periods of rising gold prices, mining stocks often outperform the metal itself, offering outsized upside potential.

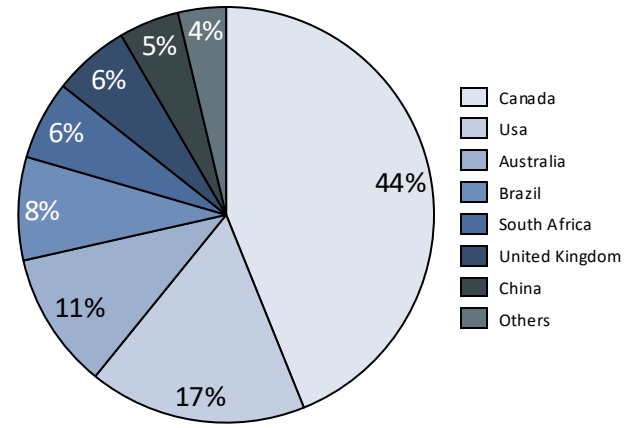
### *Previous Investment Thesis*

In 2023, the fund initiated a position in the VanEck Gold Miners ETF to **strengthen its exposure to gold** through a more **diversified and risk-mitigated structure**. Until then, the fund's allocation to the gold sector was concentrated solely in Agnico Eagle Mines. The QSR team at the time, guided by a **diversification rationale and recognizing gold's role as an uncorrelated asset**, recommended **replacing AEM with a well-diversified gold mining ETF**.

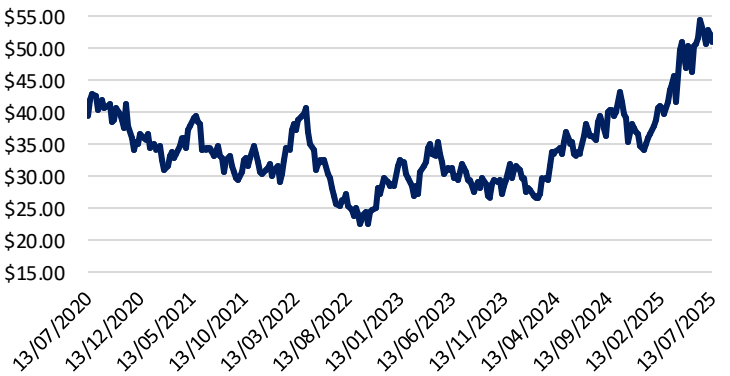
### *Current Situation*

The VanEck Gold Miners ETF (GDX) remains one of the best-performing ETFs in 2025, having delivered an impressive **52.8% YTD return**. This exceptional performance is largely driven by a combination of geopolitical and macroeconomic factors that have created a **highly favourable environment for the gold mining sector**. The global economic outlook has continued to weaken, undermined by persistent uncertainty surrounding tariff and trade policy. These conditions have significantly **boosted demand for gold, traditionally viewed as a safe-haven asset during periods of volatility and instability**. This trend has been further amplified by **substantial gold purchases from central banks** most notably those of China, Turkey, and India which are actively diversifying their foreign reserves away from the US dollar in response to growing global economic and political uncertainty. Investors' interest in gold mining companies has been fuelled not only by their direct exposure to rising gold prices, but also by their **ability to offer dividend income**. Nevertheless, notable risks persist. **Fluctuations in oil prices pose a significant threat to miners' operating margins**, given that approximately 50% of their energy-related costs are directly correlated with oil and fuel prices. Sustained increases in energy costs could erode profitability, especially among companies with high fuel dependence or limited hedging strategies.

**Country Weightings (%)** as of 30/06/2025




**Share price performance (5Y)**



# Position Revaluation

## VanEck Gold Miners ETF (GDX)

NIC Undergraduate Division Fund

### *Financial Analysis*

The VanEck Gold Miners ETF offers **balanced exposure** to the gold mining sector, combining attractive valuations with solid financial performance. It trades at a **P/E of 13.09**, below the broader **industry average of 18.03**, indicating potential upside. Its **P/B ratio of 2.31 is in line with the sector**, suggesting fair value based on asset quality. The ETF's strong cash flow growth of 21.49% highlights operational efficiency, which is crucial in a capital-intensive industry facing high exploration and compliance costs. Although the ETF's EV/EBITDA isn't disclosed, major holdings like **Newmont (7.07x)** and **Barrick (5.04x)** indicate **reasonable valuations**. Overall, VanEck Gold Miners ETF is well-suited for investors seeking value, operational strength, and resilience amid macroeconomic factors.

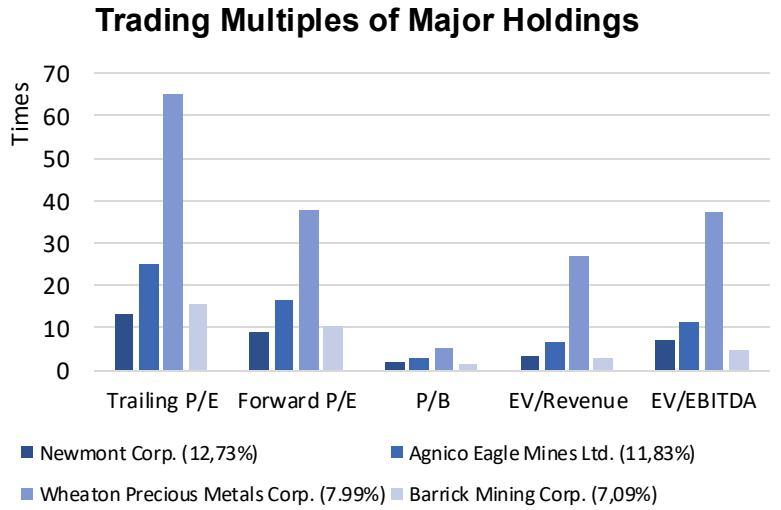
### *Future Outlook*

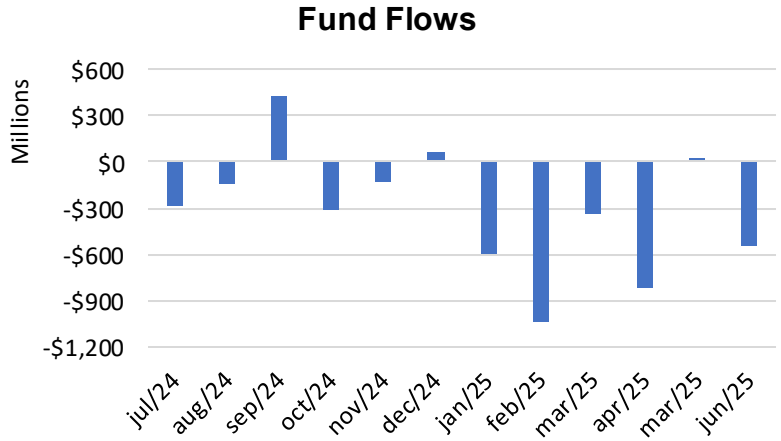
GDX's outlook **largely depends on U.S. interest rates and global risk sentiment**. A delay in Fed rate cuts past late 2025 could keep real yields high, pressuring gold prices and raising financing costs for leveraged miners like Newmont and Agnico Eagle, which comprise 23% of the ETF. This would strain earnings, especially amid CAPEX-heavy project pipelines requiring new debt. Conversely, an earlier Fed pivot would boost gold prices and ease debt burdens, benefiting miners due to their high operating leverage.

Geopolitical developments also have high relevance: de-escalation in conflicts like Ukraine or the Middle East could reduce gold's safe-haven appeal, weighing on miner valuations. **Weak investor flows into GDX reflect sector-specific concerns**, though a rotation into value could support a rerating (if gold prices stabilize or rise). **ESG risks and regulatory changes**, such as tax or royalty adjustments, also pose threats to performance. Overall, **GDX's trajectory remains event-driven**, hinging on **macroeconomics**, **geopolitical**, and **flow-related catalysts**.

### *Final Investment Thesis and Position Suggestion*

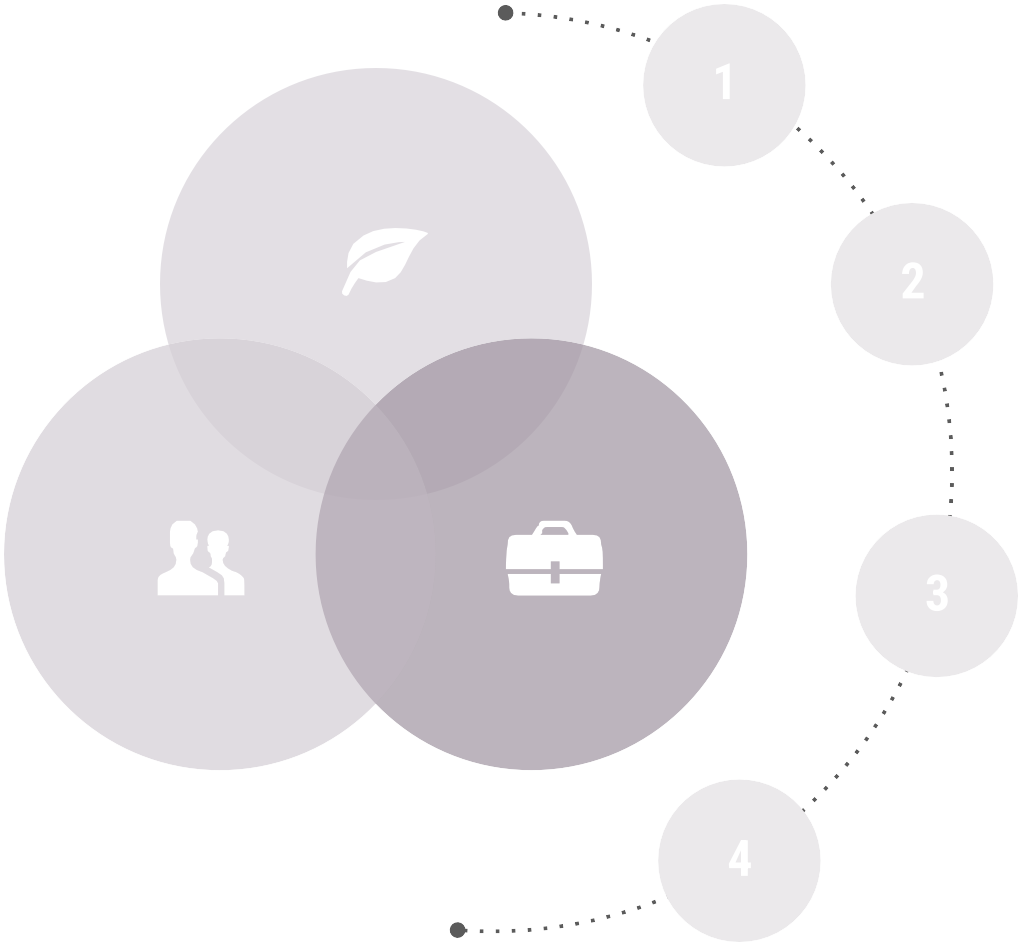
The VanEck Gold Miners ETF offers solid exposure to the gold mining sector. While investing directly in gold is a **hedge** against market volatility, gold miners offer more **upside when prices rise**. That's because mining companies often grow profits faster than the price of gold itself, as their revenues increase with gold prices while many operating costs rise more slowly.. On top of that, gold **mining companies can pay dividends** , which the gold metal doesn't do. Rising inflation, high interest rates and geopolitical tensions are supporting high gold prices, which benefits gold mining companies by increasing potential revenues. However, gold miners face pressure from rising energy and labor costs, which can decrease profit margins. They can also benefit from company-specific factors, like discovering new gold reserves, which can boost their stock prices independently of gold's price. Given these factors, **we recommend a hold position**. This ETF is a good way to gain **exposure to gold while managing risk in today's uncertain economic and political environment**.



# 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

## 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**.

### REN Qualitative Evaluation

**Novo Nordisk**
MSCI Rating: AAA
Sustainalytics ESG Risk Rating: 23,2 (Medium)

Novo Nordisk is reaffirming its strong ESG commitment with significant investments. Their foundation granted more than **$1.45 billion to initiatives in health and sustainability**. The company received top ESG ratings from agencies such as MSCI and Sustainalytics, and remains listed on the FTSE4Good Index, reflecting global recognition for sustainability leadership. On the diversity front, women represented 47% of all leadership positions and 42% of senior leadership roles. Socially, the company advanced its Changing Diabetes® in Children program, now **supporting over 64,700 children with type 1 diabetes, with the goal of reaching 100,000 children by 2030**, while providing care to 45.2 million patients globally and delivering humanitarian aid in crisis-affected regions. From a governance perspective, Novo Nordisk has implemented climate-related financial disclosures (TCFD) and long-term incentive plans, aligning corporate governance with ESG objectives.

***Commitments and Actions***
Novo Nordisk aims to reach **net-zero emissions by 2045**, with a 33% Scope 3 reduction by 2033, and cut plastic use per patient by 30%. Moreover, it continues expanding global access to its treatments reaching **45.2 million patients in 2024.**

***Circular economy program***
ReMed™ by Novo Nordisk is a global sustainability program designed to **collect and recycle used injection pens** to reduce plastic waste and promote circular economy practices. Launched in multiple countries, the initiative enables patients to return their used devices to participating pharmacies, where they are processed and recycled. As of 2024, **over 10 million used pens have been collected** globally, allowing Novo Nordisk to recover more than 850 tonnes of plastic and metal materials with the **recycling rate rising from 50% to 70%.**

# ESG Analysis

## Implied Temperature Rise



**Portfolio's Weighted Average Implied Temperature Rise:**

2.2ºC

| | |
|---|---|
| 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.*

***Quick look at: Meta***

Meta is embedding sustainability into its operations, emphasizing that "building community requires a sustainable future." The company has committed to net zero emissions across its value chain by 2030, having already achieved 100% renewable energy for its global operations. Meta is also investing in advanced AI tools to improve energy efficiency in its data centers and integrating climate impact considerations into long-term innovation strategies.

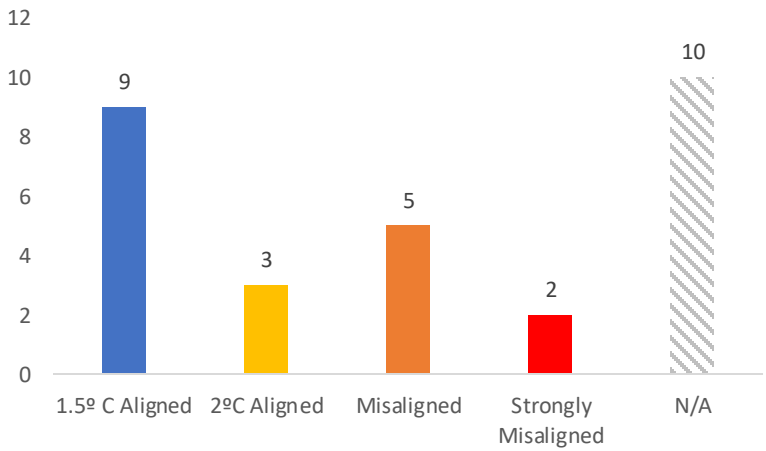
.

The **NIC-UD portfolio** has demonstrated a decrease **in its implied temperature rise**, now standing at **2.2°C**, compared to **2.4°C** in the previous quarter. While the **average temperature of most companies remained stable**, this decline was primarily driven by **strategic acquisitions** during the quarter. The addition of Deckers**(1.4°C)** and REN **(1.2°C)** contributed significantly to this improvement. The addition of Ayvens **(3.2°C)** balanced the low values of Deckers and REN and made the variation of the Portfolio's Weighted Average Implied Temperature Rise lower.

**BAE Systems' ITR dropped from 2.5** to 2.3,reflecting strengthened decarbonization commitments or improved progress toward its emissions goals as it is and **Volkswagen had a big rise from 2.2 to 3.6** after it weakened its 2030 decarbonization plan. The shift signals a less Paris-aligned trajectory and higher transition risk.

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.

***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 | 0,64 | 1 | |
| S&P Global | 0,34 | 0,26 | 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 | 3,00% | 6 |
| ESPO.L | 3,00% | NA |
| BATT | 3,00% | NA |
| BN.PA | 4,00% | 2 |
| BA | 9,00% | 4 |
| EPD | 3,00% | NA |
| BRK.B | 5,00% | 4 |
| MRN.PA | 3,00% | 2 |
| ITX.MC | 2,00% | 2 |
| G.MI | 3,00% | 2 |
| VOW3.DE | 2,00% | 4 |
| ATEN | 2,00% | NA |
| ABBNY | 3,00% | 2 |
| VDTA.L | 4,00% | 4 |
| IKOR.L | 2,00% | NA |
| JNJ | 2,00% | 4 |
| GOOGL | 4,00% | 4 |
| TMUS | 4,00% | 4 |
| MELI | 6,00% | 4 |
| AZN | 2,00% | 4 |
| EQB | 2,00% | 2 |
| LEA | 2,00% | 2 |
| INGR | 1,00% | 4 |
| MC.PA | 2,00% | 2 |
| ARW | 3,00% | 2 |
| ZBH | 2,00% | 4 |
| GDX | 2,00% | NA |
| 3AL.F | 4,00% | 2 |
| NVO | 5,00% | 4 |
| RENE | 3,00% | 5 |
| DECK | 3,00% | 2 |




### *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 17%, 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 decrease from 2.4°C to 2.2°C**, mainly due to the addition of two positions: **REN and Deckers**. While some holdings maintained their performance, the **overall reduction reflects our strategic focus on lowering climate impact**. 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**.

### *Short-Term goals*



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



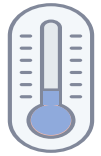

Reach a portfolio MSCI rating (or equivalent) of AA**.**

### *Long-Term 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**.

### *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

NIC Undergraduate Division Fund

### Mistakes:

- There was a lack of clarity regarding which stock pitch would be presented, leaving members without sufficient time to prepare questions or study the industry in advance.
- Delays occurred in the purchase of positions, and there were instances where we forgot to sell certain holdings, such as Google and Bae Systems.
- The handover process between teams could have been smoother, leading to minor inefficiencies during the transition period.

### Lessons Learned / Key takeaways:

- One of the main takeaways is the importance of improving time management in both investment and divestment decisions. Acting with greater precision and within the expected timeframes is essential to respect the analytical work carried out and to ensure timely execution, ultimately maximizing the impact of our decisions.
- Another conclusion is the need for more active monitoring of our holdings, moving beyond the reliance on QSR revaluations. A structured and continuous screening process will allow us to detect revaluation opportunities earlier, react faster to market changes, and better align our actions with the group's strategic objectives.

### Going forward:

- A one-month preparation plan will be introduced for stock pitches, allowing the members to know the content of it earlier. Two weeks before each presentation, the Investment Managers will review the DCFs and debate the key assumptions with the analysts to ensure alignment and accuracy.
- To monitor our positions more closely, teams will be assigned to specific industries, coordinated by the Investment Managers to enable faster and more informed decision-making.
- In addition, the network will be expanded to support the NUR interview process, giving us access to a broader range of industry experts and higher-quality insights.
- Monthly meetings will continue as scheduled. As we explore new industries, we remain optimistic about identifying promising investment opportunities. During these meetings, we will also present the movements made in our positions throughout the month.

# Final Remarks

## Letter to Shareholders

## Quarter highlight

Share Price increased **(11,58%)** underperforming the benchmark

Increased our exposure to Europe through investments in **Ayvens**, **REN** and **Novo Nordisk**, and to the US trough **Deckers**

**Decreased** implied temperature rise **to 2.2°C**, down from 2.4ºC in Q1 25

### *Letter to shareholders:*

*Dear all,*

*In the 2nd Quarter of 2025, the NIC-UD Fund gained 11.58%, slightly trailing the benchmark's 13.85% but outperforming the S&P 500 by approximately 160 bps. When viewed in conjunction with the first quarter, the data highlights our fund's comparatively lower risk exposure and reduced volatility, being factors that have justified its consistent long-term growth. This approach was key to the H1 annualised return of 41.1%, powered by our resilience in periods of market decline, as demonstrated in Q1.*

*The quarter unfolded much as we had anticipated earlier in the year, with rising uncertainty from escalating tariff threats and geopolitical tensions, primarily originated from the U.S. administration. The quarter opened on a weak note, as the S&P 500 dropped about 6% from March to April, then touching a low of -12% around Liberation Day. However, sentiment improved markedly after President Trump announced a three-month pause on retaliatory tariffs to allow for negotiations with trade partners. While no major agreements were finalised until the end of June, this pause offered breathing space for companies and economies, and helped reignite investor confidence. From mid-April onwards, markets rebounded strongly, pushing major global indices, which comprise our benchmark, to fresh all-time highs by the quarter-end.*

*On the divestment side, we fully exited our position in the L&G Battery Value-Chain ETF, realising an 81.43% gain, and closed our recently added position in Ayvens at +17.7%, just three months after purchase. While rapid exits are atypical for our strategy, this smart play was driven by Q1 results that exceeded expectations and an active monitoring by the team that revealed near-term challenges that outweighed the remaining upside, particularly as the investment had already reached its proposed upside. As buyers, we intend to keep our geographical reallocation strategy, hedging against potential instability stemming from upcoming changes in Federal Reserve leadership, which could erode the institution's political independence and lead to biased monetary policy decisions, threatening U.S. market stability.*

*As the new academic year begins, we take this opportunity to introduce ourselves as the 2025/2026 Co-Presidents of Nova Investment Club – UD. Our ultimate goal is to secure that the club's prestige and excellence are not only preserved but strengthened, building upon the hard work and dedication of those who came before us. We will strive for the highest standards, fostering a cohesive and driven team where each member has the chance to grow and contribute meaningfully. The legacy you have entrusted to us is both a privilege and a responsability, thus being our mission to make you proud that it rests in our hands.*

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

# Final Remarks

## QSR Team

NIC Undergraduate Division Fund

### Q2'25 QSR Team



# Final Remarks

## Investment Team



**Afonso Freitas**
Co-President



**Afonso Monteiro**
Co-President



**Bernardo Figueiredo**
Investment Manager



**Francisca Mora**
Investment Manager



**Joana Bonecas**
Head of Meeting Content



**Yash Chauhan**
NUR Editor-in-Chief



**Rafael Dias**
Head of External Relations



**Inês Albuquerque**
Social Media Manager



**Miguel Fernandes**
Strategic Advisor



**Alexandre Sacavém**



**Madalena Morgado**



**Pedro Rebelo**



**Lucas Faísca**



**Catarina Canha**



**Miguel Patrício**



**Ivan Ataev**



**Miguel Moura**



**Diogo Veríssimo**



**Francisco Viegas**



**Joana Santos**