NIC | Undergraduate Division Fund

Q2 2026 Shareholders Report

13th September 2026



Results Summary

Share price performance and Total Equity cashflows

The fund achieved a total quarterly return of 13.3% during Q2

The fund achieved a **total quarterly return of 13.3% during Q2**, **slightly underperforming the benchmark which rose 14.8%.** The **performance was broadly in line with the market.** Performance remained broadly in line with the benchmark, with **Q2 representing one of the fund's strongest quarters in absolute-return terms**.

Mersen (MRN.PA) (+87%), iShares MSCI Korea ETF (IKOR.L) (+72%), and A10 Networks (ATEN) (+62%) were the best performers during the quarter.

Mersen advanced on a return to organic growth, posting first quarter sales of **€296M (+3.1% organic)** with momentum across **data centre, power electronics and silicon semiconductor markets.** The **iShares MSCI Korea ETF rode the memory supercycle,** as Samsung and SK Hynix, together over half the KOSPI's weight, rallied into MSCI's June market classification review. **A10 Networks outperformed on AI infrastructure and cybersecurity demand,** delivering **revenue of $75.0M (+13.4% YoY)** at a 30% Adjusted EBITDA margin.

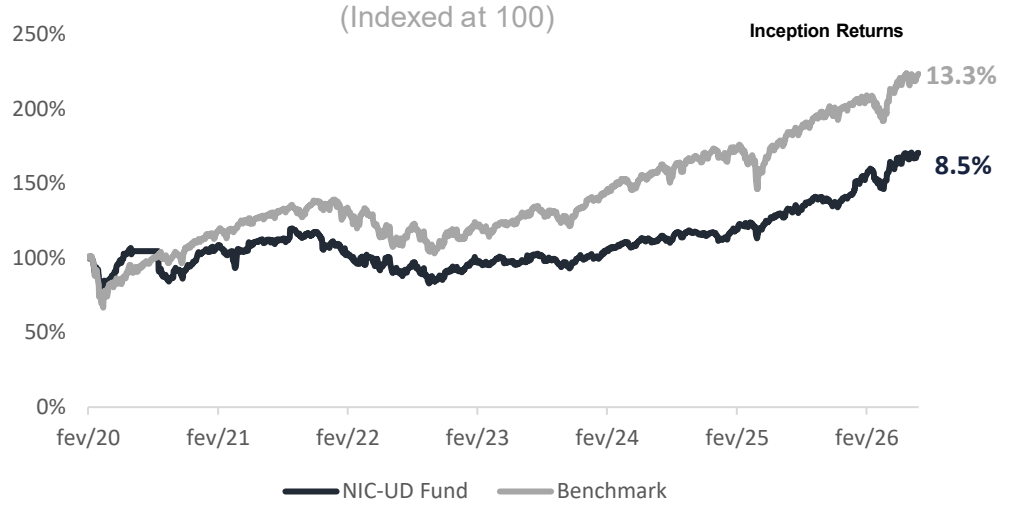
Leidos (LDOS) (-34%), Amdocs (DOX) (-22%), and T-Mobile (TMUS) (-20%) were the worst performers in this quarter

Leidos declined after management flagged a scheduled delay on a fixed-price development program in its Defense segment, warning Q2 would be soft before a second half reacceleration. **Amdocs fell on narrowed FY2026 earnings guidance,** compounded by concerns that **reduced spending from large carriers** would pressure growth. **T-Mobile dropped as slowing postpaid growth and rising competitive intensity** weighed across the U.S. wireless sector.

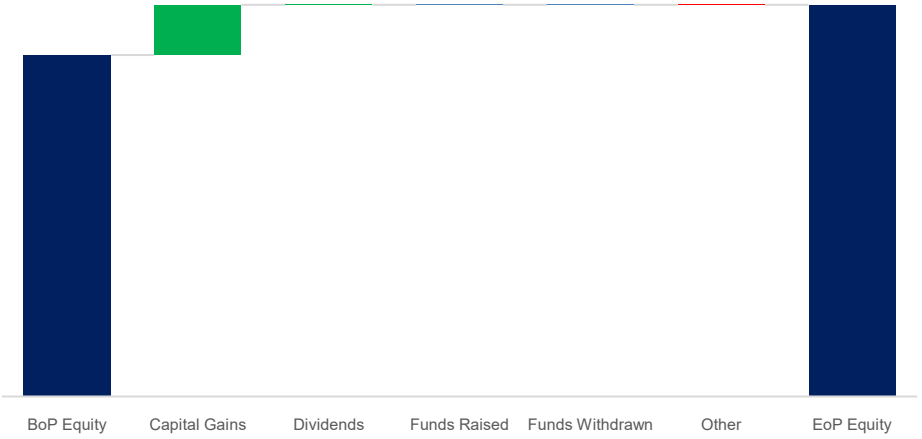
The fund saw total equity increase

The fund saw total equity increase during the quarter, mainly driven by **capital gains representing roughly 13%** of equity.

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 2026, **Mersen, iShares MSCI Korea ETF, and A10 Networks** were the top performers, returning **+87.1%**, **+71.7%** and **+61.9%**, respectively.

Mersen advanced on a return to organic growth, posting first quarter sales of €296M (+3.1% organic) and gaining 6.6% on the print, as **data center, power electronics and silicon semiconductor** demand drove the recovery. **The iShares MSCI Korea ETF rode a memory supercycle,** with Samsung Electronics and SK Hynix, together **over half the KOSPI's weight,** re-rating on HBM and AI storage demand; Goldman lifted its 12-month KOSPI target to 12,000 on 3 June, while **MSCI's 23 June classification review** kept a developed-market upgrade in play for a market representing roughly **23% of MSCI EM. A10 Networks delivered revenue of $75.0M (+13.4% YoY),** gross margin of 80.6% and Adjusted EBITDA of $22.5M (30% margin), **driven by AI infrastructure and cybersecurity demand.**

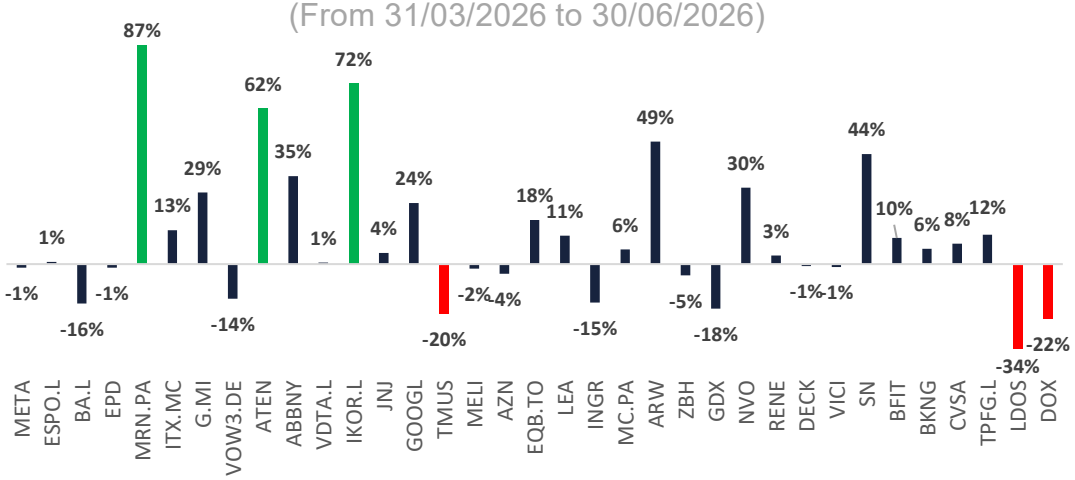
Fund's top 3 worst-performing securities(quarterly)

The weakest performers were **Leidos**, **Amdocs**, and **T-Mobile** falling **-33.6%, -21.7%**, and **-19.7%**, respectively.

Leidos declined after management **flagged a scheduled delay on a fixed-price development program in Defense,** guiding to a soft quarter before a planned second-half reacceleration and triggering a **drop of over 20% in a month. Amdocs narrowed FY2026 non-GAAP EPS growth guidance to 5–7%** from 4–8%, and although revenue of $1.172bn beat consensus, **net income and EPS declined** on margin pressure, with KeyBanc later warning on **reduced AT&T and T-Mobile spending. T-Mobile fell alongside the U.S. wireless sector** as slowing postpaid growth and intensifying competition compressed multiples.

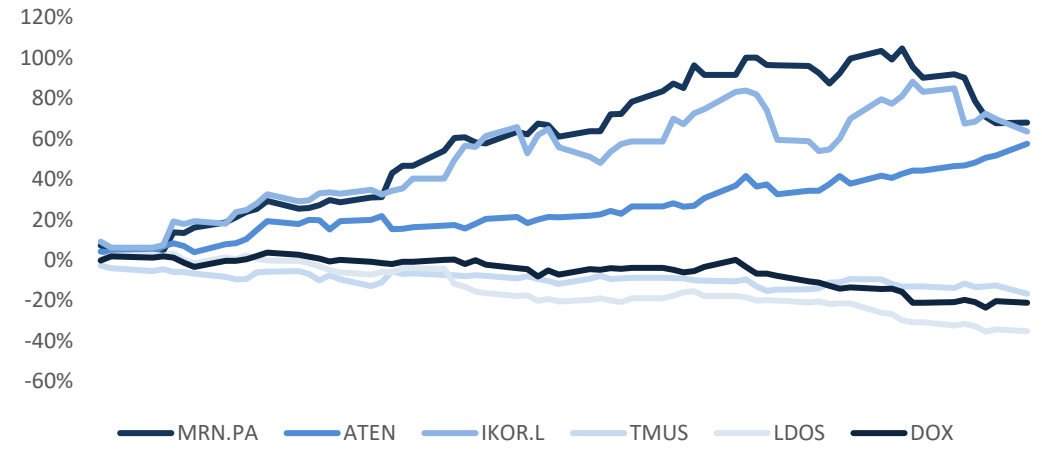
Quarterly performance by position

(From 31/03/2026 to 30/06/2026)



Best and Worst Securities Performance (exc. dividends)

(From 31/03/2026 to 30/06/2026)



Positions

Positions added

The Property Franchise Group
LSE: TPFG
Real Estate Franchising
Implied Share Price: 6.28£

	Company	Peers' Median
Multiples		
P/E	**17.7x**	**15.1x**
EV/EBITDA	**11.3x**	**8.7x**
P/FCF	**15.2x**	**12.6x**
Margins and Ratios		
OP Margin	**28.35%**	**18.6%**
Net Debt/EBITDA	**0.2x**	**(0.7x)**

Company Profile

The Property Franchise Group is the **UK's largest multi-brand residential property franchisor,** operating **1,900+ offices** through brands including Belvoir, Martin & Co, Hunters and EweMove. Its business spans **Franchising, Financial Services and Licensing.** TPFG benefits from an **asset-light, recurring-revenue model**, supported by **~150k managed properties, ~35k properties sold** in 2025 and a **38% adjusted operating margin.**

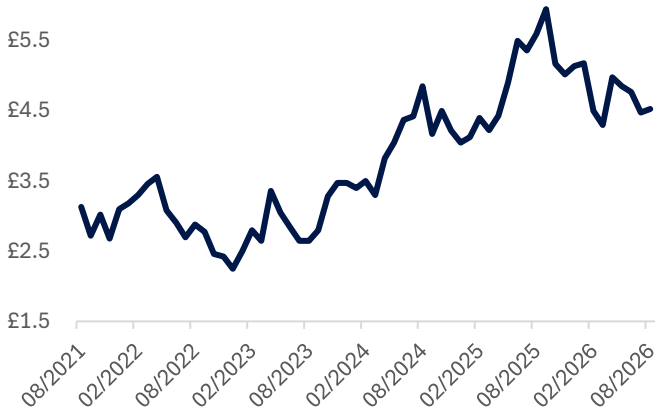
Its strategy focuses on **market consolidation, Financial Services growth, AI integration and the Privilege programme,** leveraging its scale to expand margins and recurring revenues.

Investment Thesis

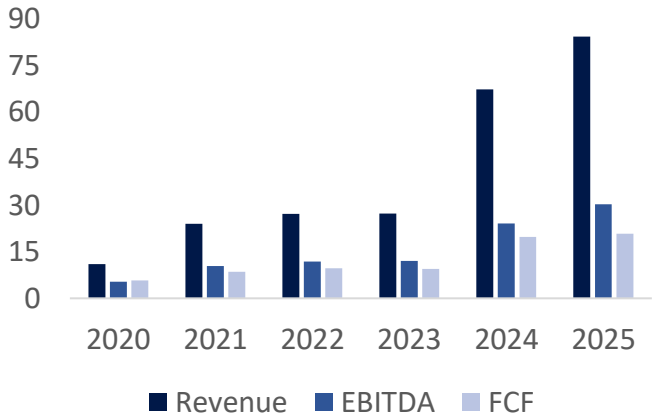
TPFG is the **UK's leading residential property franchisor**, positioned to benefit from **market consolidation, regulatory pressure and a recovery in housing transactions**, while recurring lettings and licensing revenues provide resilience through the cycle.

Financially, TPFG combines an **asset-light model, low leverage and strong cash generation.** Despite trading at a modest premium to peers, its **38% adjusted operating margin, £2.3m net debt and M&A optionality** support the valuation, with the DCF implying **~38% upside.**

Share price performance (5 years)



Financial Performance Overview (£m)



*Please note that all multiples and financial data reflect the figures available at the time of the original stock pitch, and may differ from the most

Positions

Positions added

Leidos Holdings, Inc.
NYSE: LDOS
Defence & Government IT
Implied Share Price: 127.21$

	Company	Peers' Median
Multiples		
P/E	**12.2x**	**20.4x**
EV/EBITDA	**9.5x**	**10.2x**
Profitability		
ROIC	**15.7%**	**8.1%**
FCF Yield	**9.3%**	**7.8%**

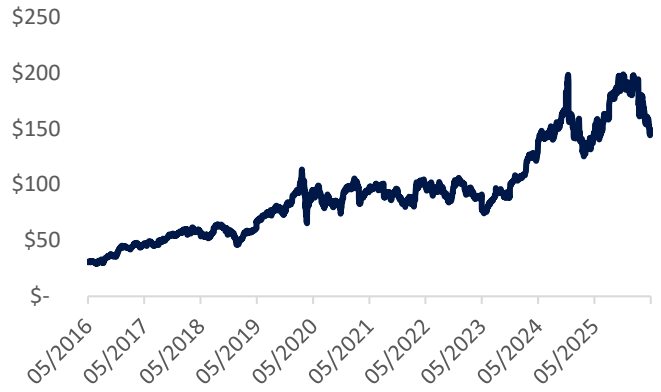
Company Profile

Leidos Holdings is the **largest US federal IT and defense services contractor**, generating $17.2B in annual revenue across four segments: **National Security & Digital, Health & Civil, Defense Systems, and Commercial & International**.
Founded in 1969 and headquartered in Reston, Virginia, Leidos serves the Pentagon, the Intelligence Community, and civilian agencies under **long-term government contracts where high switching costs, security clearance requirements, and mission-critical infrastructure** create exceptional revenue visibility. NorthStar 2030, led by CEO Tom Bell, concentrates capital on five structural growth pillars: **Defense Tech, Managed Health, Digital & Cyber, Energy Resilience, and Mission Software.**

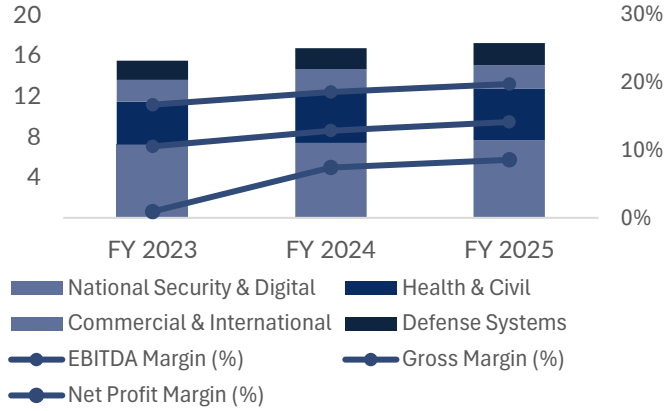
Investment Thesis

Leidos is the largest pure-play federal IT contractor in a U.S. government services market that remains underpenetrated by modernization spend, with demand anchored by the **"One Big Beautiful Bill" $150B defense uplift**, the **$66.1B FY2026 DoD IT request**, and **NATO's 5%-of-GDP commitment**, while the **ENTRUST acquisition doubles its energy business** ahead of the **$1Tn U.S. grid investment cycle**.
The model is highly scalable and predictable, with a **$49B backlog at ~2.9x revenue** and **1.3x book-to-bill in Q3–Q4 2025** feeding into our DCF, which yields a **37% base-case upside** to the current $127 share price on ~3.3% revenue CAGR, ~14.5% EBITDA margin, and 2% terminal growth.

Share price performance (5 years)



Turnover Profitability ($M)



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Positions

Positions added

Amdocs
NASDAQ: DOX
Telecommunications Software
Implied Share Price: 83.18$

	Company	Peers' Median
Multiples		
P/E	**11.0x**	**15.2x**
EV/EBITDA	**9.3x**	**10.4x**
Profitability		
FCF Margin	**16.5%**	**12.7%**
Oper. Margin	**17.9%**	**15.2%**

Company Profile

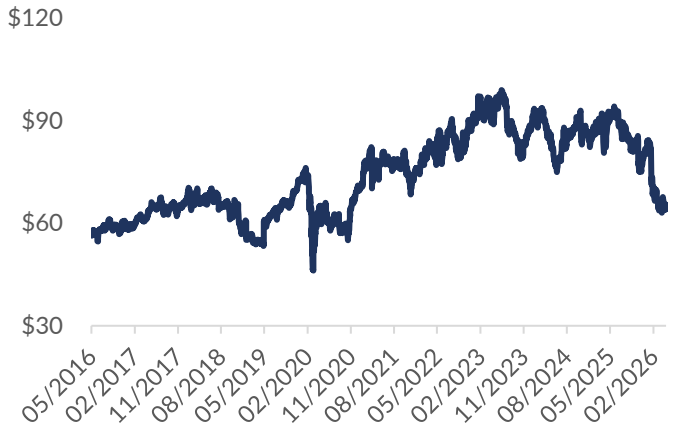
Amdocs is a **leading telco-native software and services provider** powering the mission-critical customer, billing, monetization and network systems of 400 leading telecom and media customers across 90 countries. It works alongside operators on their **cloud migration and 5G rollouts**, with **most revenue recurring under multi-year contracts** and managed-services engagements. **Its platforms impact 3.1bn people**, rate 170bn+ monetization events daily, and hold **#1 market-share positions in telco software & services, BSS, monetization, billing and charging.**

Investment Thesis

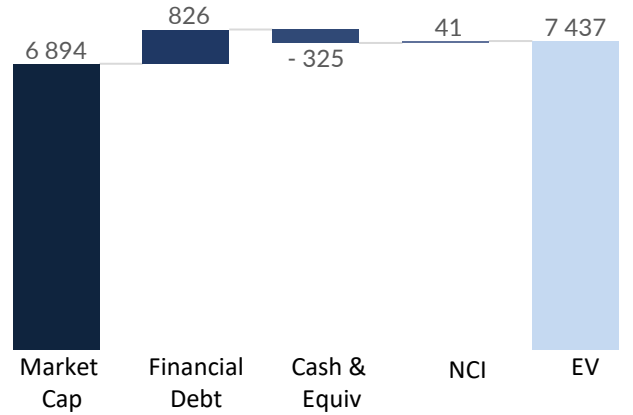
Amdocs offers two things: **exceptionally sticky clients and strong financials.** Its software is embedded in telecom billing systems under **multi-year contracts**, so switching would cost operators years and millions. Renewals run **near 100%, and a record $4.25B** backlog already **covers 90% of next-twelve-months revenue, contractual, predictable, and very hard to replicate.**

Regarding financial performance, the profit margins are growing steadily, with the **EBITDA margin amounting to 22.3%.** The reduction of shares through **repurchases amounted to 28%** during the last ten years, while leverage stood only **0.6x net debt to EBITDA.**

Share price performance (10 years)



Capital structure ($M) – EOP FY 2025



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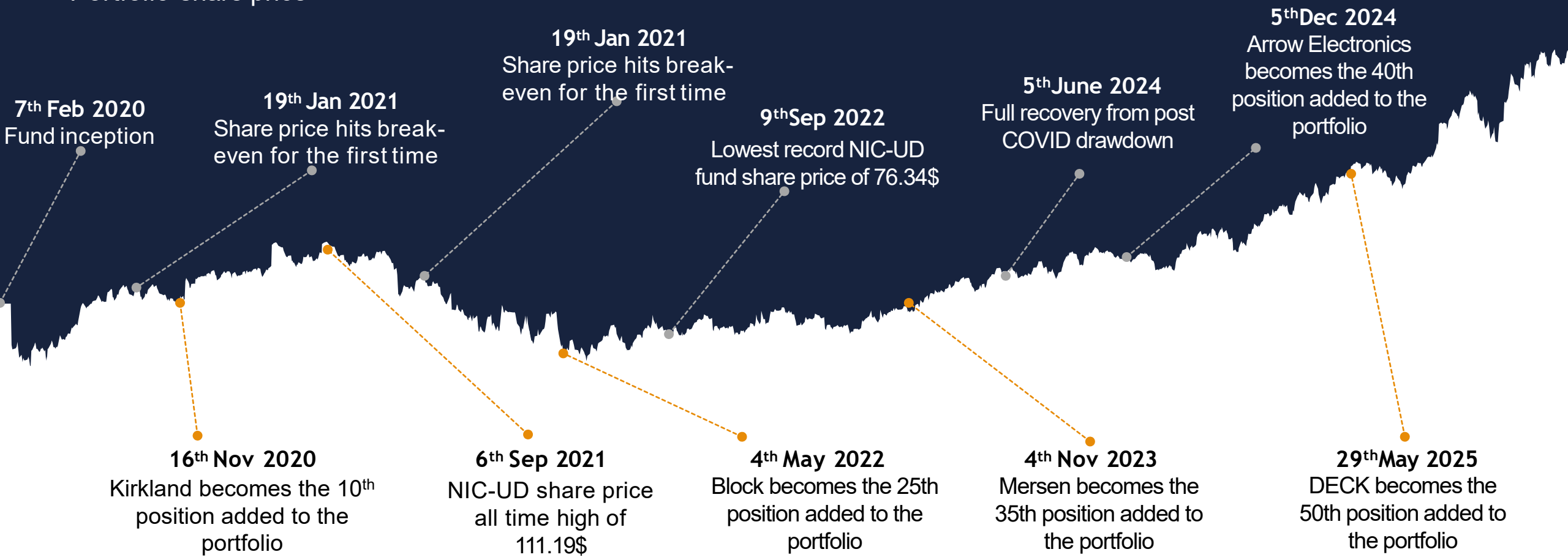
Portfolio

Portfolio roadmap

NIC Undergraduate Division Fund

Portfolio share price



Portfolio

Portfolio Vs Benchmarks

Fund Performance

In the second quarter of 2026, the **fund delivered a 13.22% weekly averaged return**, **underperforming by 28 bps the 13.50% achieved by the benchmark**. Moreover, the fund demonstrated **stronger risk management**, as evidenced by a **Sharpe Ratio of 2.25**, **outperforming** the **benchmark's 2.12**.

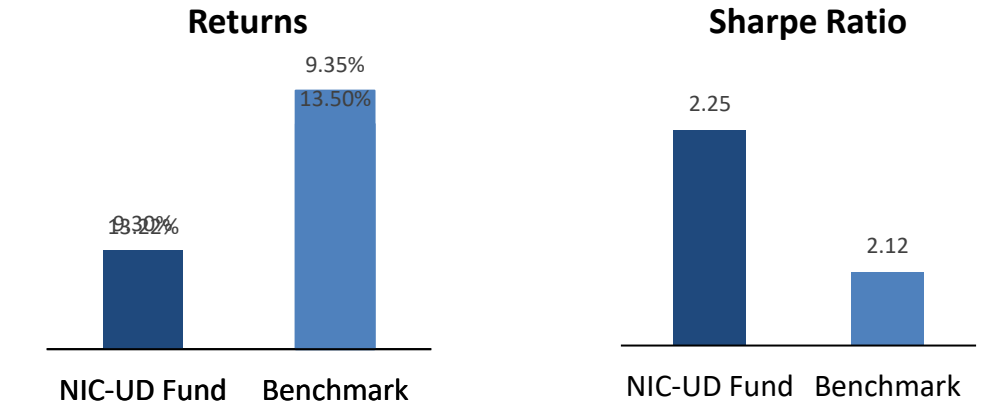
The Fed held rates steady **at 3.5%–3.75%** at both its April and June meetings. April was **Jerome Powell's final meeting as chair**, decided by the most divided vote in over three decades amid **inflation concerns and lingering Iran war risk**. June was Kevin Warsh's first meeting as new chair, this time unanimous, dropping the Fed's easing bias and **pushing projected rate cuts into 2027 and 2028.** Markets shrugged off the hawkish pivot as a **US Iran ceasefire brokered** in early April sent Brent crude tumbling **roughly 19% in April and 21% in May, unwinding most of Q1's spike**. AI capex fears also faded, and the **MSCI ACWI Growth Index surged 19.8% over the quarter, a sharp reversal from its -7.7% Q1 decline** and well ahead of the Value Index's 10.6% gain. **Nvidia's fiscal Q1 earnings on May 20th delivered record revenue of $81.6 billion**, up 85% year on year, reinforcing confidence that the AI buildout still had legs. **The S&P 500 and Nasdaq both posted their strongest quarterly gains since 2020.** The fund's ability to closely track a now sharply positive benchmark while posting a materially stronger Sharpe Ratio **reflects the discipline of its risk-managed positioning through the recovery.**

Benchmark Composition

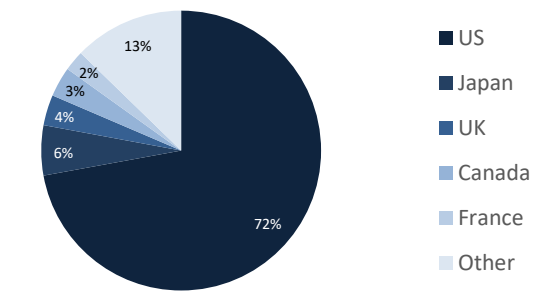
During this quarter, we opted to **maintain the benchmark utilized in our portfolio** in the previous period, aiming to establish a benchmark with **risk metrics** and exposure **similar** to our **portfolio**. Consequently, this benchmark incorporates a **diversified exposure** across developed markets, 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

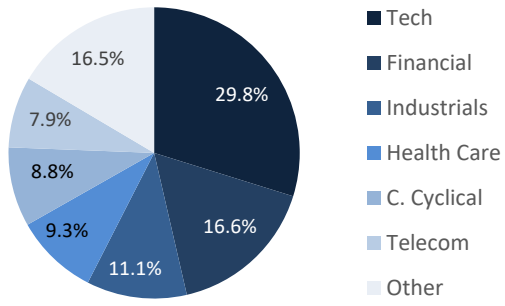
(From 31/03/2026 to 30/06/2026)



MSCI World Index Geographical Allocation



MSCI World Index Allocation by Industry



Portfolio

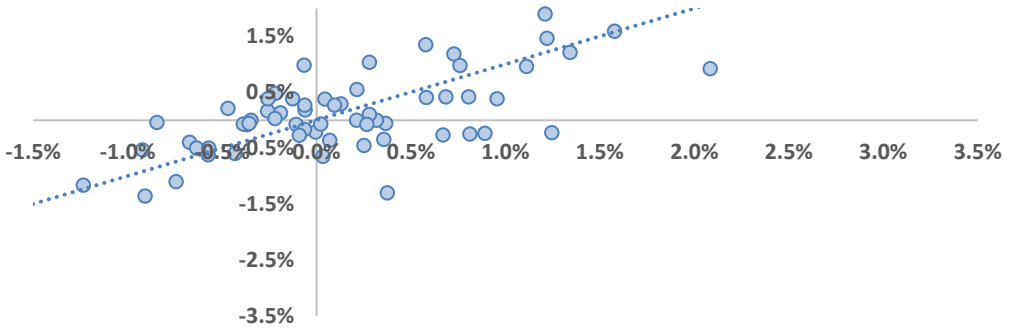
NIC Undergraduate Division Fund

Risk measures

Risk-adjusted performance measures*

Annualized	6M	1Y	2Y	Inception
Gross Returns	*38.52%*	*27.29%*	*22.59%*	**8.49%**
Risk Free Rate	*3.61%*	*3.77%*	*4.11%*	*2.84%*
Variance	*1.61%*	*1.53%*	*1.24%*	*2.62%*
Std. Deviation	12.69%	12.37%	11.14%	16.17%
Sharpe Ratio	**2.75**	**1.90**	**1.66**	**0.35**
Semivariance	*0.368%*	*0.277%*	*0.313%*	1.326%
Semi-Std. Deviation	*6.06%*	*5.27%*	*5.59%*	*11.51%*
Sortino Ratio	**5.76**	**4.47**	**3.30**	**0.49**
Jensen's Alpha	*0.34%*	*0.24%*	*0.21%*	*0.02%*
Beta	*0.9300*	*0.8877*	*0.6819*	*0.6763*
Treynor's Ratio	**0.38**	**0.27**	**0.27**	**0.08**
Gross Benchmark Return	*20.05%*	*21.72%*	*18.12%*	**13.26%**
Tracking Error	*7.82%*	*9.29%*	*8.55%*	*13.67%*
Information Ratio	**2.36**	**0.60**	**0.52**	**-0.35**

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 38.52%**, **overperforming** the **1-year return of 27.29%** and **the inception return** of **8.49%**.

The **Sharpe Ratio**, which **measures risk-adjusted returns**, allows for comparison between returns and the level of risk (as measured by volatility). Looking at the **previous 24 months**, the fund experienced a **Sharpe Ratio of 1.66**, a notable improvement **well above the inception level of 0.35**, signalling **solid risk-adjusted performance** during this period.

The **Sortino Ratio**, which focuses on **downside risk**, reflects how the **portfolio's returns compare to the risk of negative performance**. In the **last six months**, the **Sortino Ratio stood at 5.76**, remaining **above the inception level of 0.49**, 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 **0.38** in the last semester.

The **Information Ratio** measures how closely the **portfolio tracks its benchmark**. Over the last **annualised six months**, the fund has **outperformed the benchmark**, standing at a ratio of **2.36**.

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

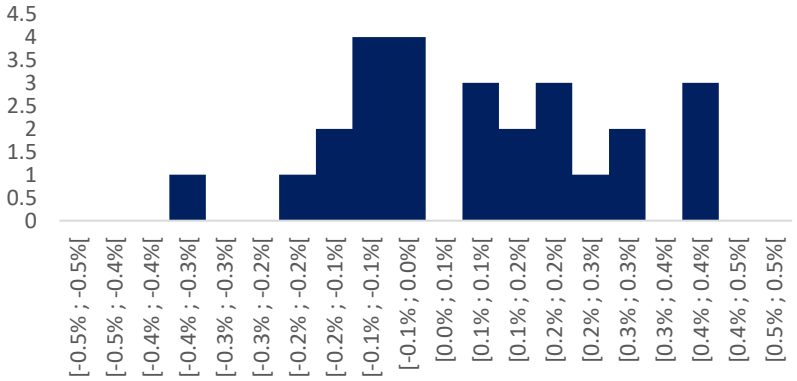
Portfolio

Value at Risk

VaR calculations

Histogram of portfolio weekly returns

From 31/03/2026 to 30/06/2026



Sample Statistics

Sample Statistics	Weekly	Annual
1 year		
Mean	0.55%	32.99%
Std Dev	1.70%	12.25%
Pearson's Skewness Coef.	103.94%	

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

1. Parameter approach (Variance-covariance method)

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

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

	Value at Risk (%)		
% / Time Period	6M	1Y	Inception
90%	25%	17%	-10%
95%	20%	13%	-16%
99%	11%	5%	-27%

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%	-7%	-10%	-2%
95%	-9%	-11%	-17%
99%	-14%	-18%	-58%

3. Monte-Carlo simulation approach

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

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

	Value at Risk (%)		
% / Time Period	6M	1Y	Inception
90%	-9%	-10%	-33%
95%	-11%	-14%	-42%
99%	-16%	-21%	-56%

Portfolio

NIC Undergraduate Division Fund

Summary Statistics

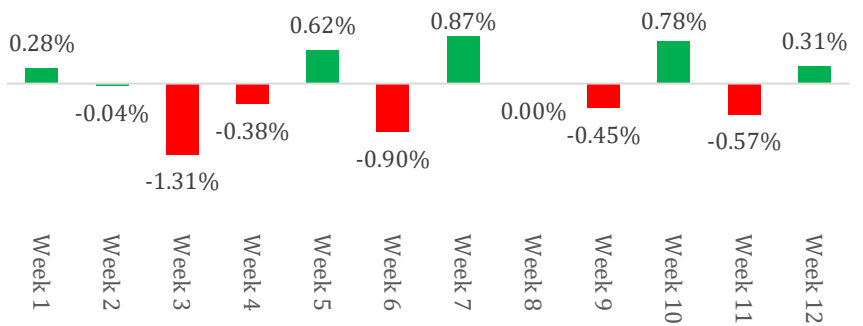
Correlation matrix between securities

(From 31/03/2026 to 30/06/2026)

	META	ESP.OL	BA.L	EPD	MRN.PA	ITX.MC	G.MI	VOW3.DE	ATEN	ABBNY	VDTA.L	IKOR.L	JNJ	GOOGL	TMUS	MELI	AZN	EQB.TO	LEA	INGR	MC.PA	ARW	ZBH	GDX	NVO	RENE.LS	DECK	VICI	SN	BFIT.AS	BKNG	CVSA	TPFG.L	LDOS	DOX
META	1.00																																		
ESP.OL	0.21	1.00																																	
BA.L	-0.03	0.24	1.00																																
EPD	-0.27	-0.12	-0.09	1.00																															
MRN.PA	0.10	0.36	0.19	-0.02	1.00																														
ITX.MC	0.29	0.18	0.14	-0.43	0.28	1.00																													
G.MI	0.11	0.09	0.20	-0.18	0.09	0.30	1.00																												
VOW3.DE	0.31	0.33	0.11	-0.24	0.38	0.54	0.56	1.00																											
ATEN	0.05	0.48	-0.01	0.02	-0.07	-0.13	0.13	-0.03	1.00																										
ABBNY	0.22	0.36	0.15	-0.25	0.45	0.25	0.28	0.36	0.28	1.00																									
VDTA.L	0.24	0.41	0.28	-0.27	0.18	0.50	0.36	0.42	0.18	0.44	1.00																								
IKOR.L	0.23	0.39	-0.13	-0.25	0.44	0.31	0.32	0.50	0.26	0.70	0.43	1.00																							
JNJ	-0.06	0.05	0.42	0.11	0.05	0.16	-0.03	0.00	-0.24	-0.15	0.13	-0.31	1.00																						
GOOGL	0.16	0.28	0.15	-0.12	0.20	0.23	0.04	0.27	0.04	0.47	0.19	0.25	0.14	1.00																					
TMUS	-0.21	-0.16	-0.06	0.11	0.14	0.01	0.07	0.04	-0.17	-0.29	-0.08	-0.11	0.12	-0.34	1.00																				
MELI	0.26	0.14	0.26	-0.24	-0.05	0.26	0.11	0.13	0.09	0.07	0.21	0.01	0.05	0.25	-0.14	1.00																			
AZN	0.12	0.04	0.47	-0.25	-0.01	0.31	0.01	0.07	-0.11	0.15	0.27	-0.19	0.56	0.33	-0.11	0.14	1.00																		
EQB.TO	0.01	0.10	0.33	-0.27	-0.02	0.20	-0.04	-0.07	0.13	0.14	0.15	-0.04	0.04	0.14	-0.20	0.23	0.24	1.00																	
LEA	0.08	0.15	0.14	-0.30	0.35	0.42	0.36	0.54	0.05	0.65	0.45	0.57	0.00	0.24	0.09	0.09	0.11	0.02	1.00																
INGR	0.05	-0.18	-0.08	-0.23	-0.08	0.15	0.19	0.10	-0.15	-0.17	-0.07	-0.14	0.19	0.01	0.20	0.03	0.08	0.03	0.06	1.00															
MC.PA	0.22	0.36	0.25	-0.36	0.14	0.69	0.37	0.59	0.01	0.22	0.55	0.19	0.26	0.29	0.06	0.38	0.38	0.23	0.47	0.15	1.00														
ARW	0.10	0.17	0.01	0.03	0.43	0.07	0.26	0.25	0.21	0.60	0.15	0.52	-0.19	0.16	-0.11	-0.09	-0.08	-0.01	0.43	-0.16	0.07	1.00													
ZBH	0.03	0.02	0.14	-0.08	-0.17	0.11	0.00	0.05	-0.11	0.01	0.06	-0.11	0.15	0.17	-0.16	0.32	0.22	0.14	0.05	0.17	0.29	0.04	1.00												
GDX	0.30	0.29	0.09	-0.32	0.30	0.15	0.32	0.46	0.19	0.65	0.50	0.54	-0.10	0.35	-0.13	0.12	0.28	0.00	0.47	-0.07	0.28	0.37	0.15	1.00											
NVO	0.12	0.14	0.23	-0.13	0.02	0.05	-0.07	0.05	0.17	0.12	0.32	-0.03	0.17	0.44	-0.12	0.17	0.35	0.09	0.01	0.03	0.19	-0.13	0.09	0.33	1.00										
RENE.LS	-0.32	-0.19	0.20	0.03	-0.27	-0.17	0.09	-0.04	-0.24	-0.08	0.01	-0.14	0.31	0.01	0.08	-0.03	0.25	-0.03	0.02	0.05	-0.10	-0.26	-0.02	0.17	0.13	1.00									
DECK	0.30	0.11	0.38	-0.46	0.08	0.56	0.43	0.48	0.10	0.38	0.43	0.25	0.13	0.22	0.00	0.43	0.26	0.27	0.55	0.32	0.61	0.16	0.17	0.29	0.16	-0.02	1.00								
VICI	-0.12	-0.04	0.26	-0.07	-0.06	0.18	0.21	0.13	-0.19	-0.22	0.08	-0.33	0.48	0.14	0.29	0.03	0.39	0.09	-0.07	0.54	0.24	-0.15	0.14	0.01	0.15	0.28	0.27	1.00							
SN	0.21	0.03	0.22	-0.29	-0.03	0.33	0.20	0.16	0.10	0.43	0.38	0.23	0.02	0.22	-0.17	0.39	0.24	0.38	0.36	0.14	0.36	0.10	0.31	0.28	0.16	-0.04	0.59	0.06	1.00						
BFIT.AS	0.01	0.19	0.12	-0.10	-0.04	0.15	0.06	0.19	-0.02	-0.09	0.26	0.11	0.14	-0.02	0.25	-0.02	-0.07	-0.10	-0.01	0.10	0.28	-0.12	-0.01	-0.08	0.23	0.16	0.23	0.13	0.04	1.00					
BKNG	0.39	0.18	0.05	-0.48	-0.04	0.37	0.12	0.24	0.12	0.04	0.26	0.04	0.02	0.13	0.00	0.58	0.18	0.31	0.12	0.28	0.56	-0.12	0.27	0.10	0.18	-0.29	0.48	0.07	0.46	0.13	1.00				
CVSA	-0.18	0.15	0.08	0.03	-0.02	-0.11	-0.06	-0.10	0.17	0.10	0.05	0.04	0.12	-0.01	0.07	-0.38	0.11	0.04	0.16	0.14	0.02	0.02	0.08	-0.08	0.01	-0.07	-0.03	0.18	0.10	0.02	-0.09	1.00			
TPFG.L	0.19	0.04	-0.05	-0.05	0.10	-0.09	0.26	0.19	0.15	0.26	0.08	0.28	-0.29	-0.01	-0.27	0.13	-0.20	0.04	0.18	0.00	-0.10	0.18	-0.04	0.19	-0.15	-0.10	0.17	-0.20	0.16	-0.30	-0.01	-0.06	1.00		
LDOS	-0.05	0.14	0.46	0.15	0.03	-0.13	-0.19	0.05	-0.02	-0.19	0.00	-0.30	0.24	0.06	0.11	0.18	0.11	0.19	-0.01	0.05	0.20	-0.07	0.08	-0.17	0.21	-0.04	0.21	0.24	0.08	0.14	0.15	0.14	-0.04	1.00	
DOX	-0.08	0.25	0.16	0.08	0.07	-0.12	0.01	0.09	0.25	-0.18	0.06	-0.14	0.09	0.03	0.11	0.41	0.05	0.18	-0.17	0.03	0.17	-0.20	0.15	0.07	0.20	-0.05	0.03	0.32	0.06	-0.03	0.30	0.08	0.10	0.41	1.00

Weekly excess return over the benchmark

(From 31/03/2026 to 30/06/2026)



The portfolio delivered an **average daily return of 0.20%** during the **quarter**, reflecting **steady performance** amid a more volatile market backdrop.

The fund **exceeded the benchmark in 5 of the 12 weeks**, as **relative performance** versus the benchmark was **more dispersed across the quarter**.

Valuation multiples were slightly higher, with **LTM P/E at 25.20** and **LTM EV/EBITDA at 14.85,** suggesting **mild multiples expansion**, while the **portfolio** still delivered **returns above the benchmark**.

Risk metrics showed **reduced exposure**, with **maximum weekly drawdown at -2.08%** and an **Annual VaR** (95%) of **13%**, indicating **contained downside risk despite macroeconomic uncertainty**.

Basic Info		**Performance**	Inception
Total Equity	———	Sharpe Ratio	0.35
N of Shares	———	Sortino Ratio	0.49
Share Price	$148.84	Information Ratio	-0.35
Capital Invested (%)	92.85%	Jensen´s Alpha (α)	0.02%
Beta (β)	0.8877	Gross Returns per year	8.49%
Risk		**Valuation**	
Negative Weeks	5	Fund´s LTM P/E	25.20
Maximum Weekly Drawdown	-2.08%	Fund´s LTM P/S	3.57
Annual VaR (α=95%)	13%	Fund's LTM EV/EBITDA	14.85

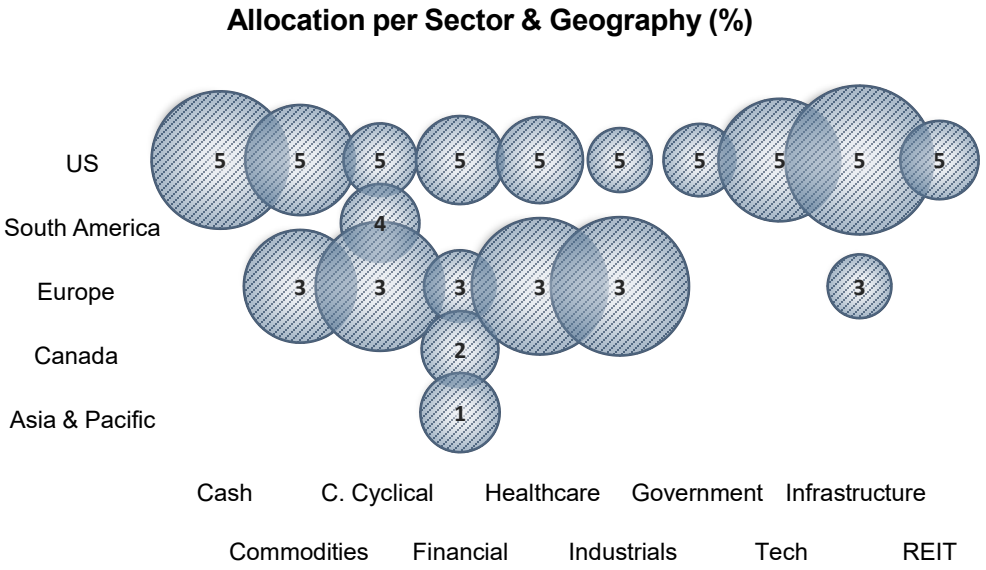
Allocation

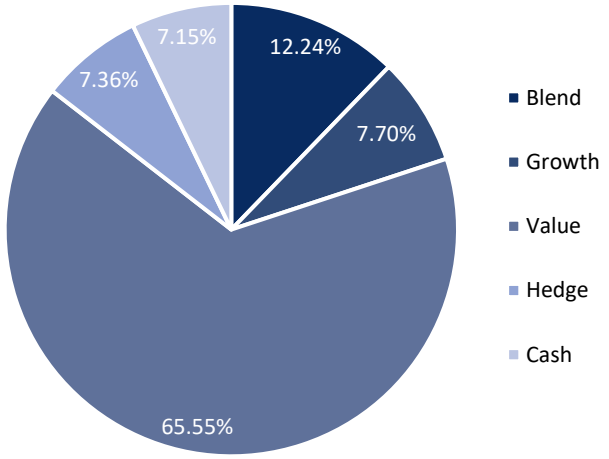
Current Allocation

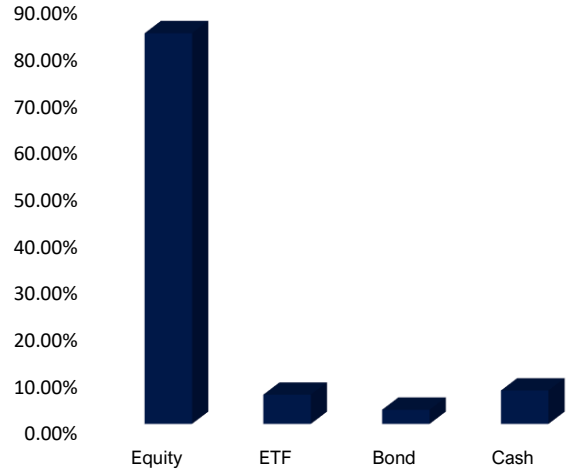
Rebalancing the Portfolio

The second quarter of 2026 **marked a shift in the monetary policy outlook**, as the Federal **Reserve held rates steady at 3.50%–3.75%** across its April and June meetings, closing out Jerome Powell's tenure as chair and opening Kevin Warsh's, **while dropping its easing bias amid persistent inflation and a still resilient labour market**. Meanwhile, **geopolitical tensions eased as a US Iran ceasefire unwound** the sharp spike in oil prices seen earlier in the year, easing the stagflation concerns that had gripped developed markets. The US equity market rallied strongly, **with growth-oriented sectors particularly boosted by a recovery in AI sentiment and fading tariff related uncertainty**.

The fund's solid performance relative to the benchmark is directly related to its **balanced positioning and exposure to technology, communication services, and cyclical equities, which allowed it to participate fully in this environment**. The sharp rotation back into growth benefited the portfolio's balanced stance. In general, **the NIC fund's diversification across growth and defensive positions** allowed it to navigate a strongly positive quarter, delivering returns in line with the benchmark while maintaining a materially stronger risk adjusted profile.







Tactical Asset Allocation

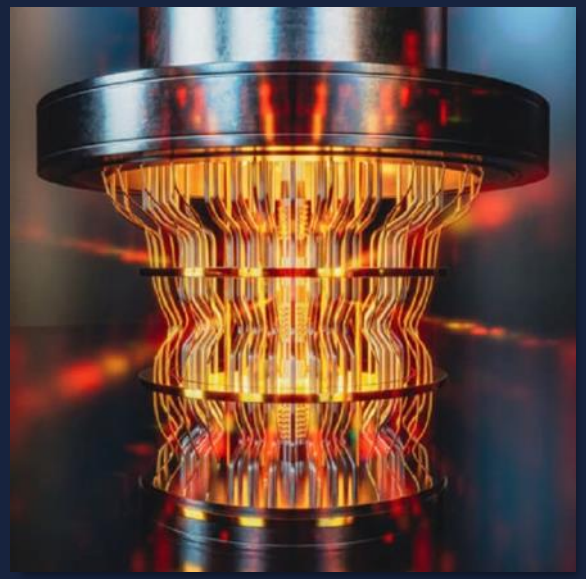
Quarterly Macro Research

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.



Quantum Computing

Quantum computing is moving closer to commercial adoption as advances in hardware, error correction, and algorithms accelerate. Applications across cybersecurity, drug discovery, financial modelling, and optimization could unlock productivity gains, while investment from governments and technology leaders supports the sector's development.



Romania

EU convergence, nearshoring and infrastructure investment support Romania's growth outlook, while rising M&A activity and attractive valuations create opportunities across energy, technology and industrials.



Decentralized Renewables

Falling technology costs and rising power demand are accelerating distributed renewable adoption, creating opportunities across solar, storage and smart-grid infrastructure as energy systems become increasingly decentralized.

Tactical Asset Allocation

NIC Undergraduate Division Fund

Economic Cycles



Description

Recovery	Expansion	Slowdown	Contraction
▪ **Rebound of economic activity** (GDP, Investment, Employment, …) ▪ **Credit begins to grow** ▪ **Profits grow rapidly** ▪ **Expansionary policies** ▪ **Low Inventories, sales improve**	▪ **High growth phase** ▪ **Output above L.R. GDP** (inflationary pressures build up) ▪ **Low interest rates** ▪ **Shift in monetary policies** ▪ **Tightening of labour market**	▪ **Overheated economy** (inflation picks up) ▪ **Real GDP growth declines** ▪ **Interest rate increases** (contractionary policies) ▪ **Earnings under pressure** ▪ **Unemployment starts to rise**	▪ **Economic correction** (GDP below Potential output) ▪ **Scarce credit** ▪ **Expansionary policies** ▪ **Profits decline** ▪ **Inventories and sales fall**

Asset Class Performance

Recovery	Expansion	Slowdown	Contraction
1. Risk Credit (High-Yield)	**1. Stocks (Cyclical)**	**1. Stocks (Defensive)**	**1. Quality Credit**
2. Stocks (Cyclical)	2. Stocks (Defensive)	2. Quality Credit	2. Stocks (Defensive)
3. Stocks (Defensive)	3. Risk Credit	3. Stocks (Cyclical)	3. Stocks (Cyclical)
4. Quality Credit (Govt + Inv. Grade)	4. Quality Credit	4. Risk Credit	4. Risk Credit

Sectors

	Overweight	Underweight
Recovery	1. Real Estate 2. Cyclical Cons. 3. Industrials 4. Tech 5. Financials	1. Health Care 2. Energy 3. Utilities
Expansion	1. Tech 2. Communication	1. Materials 2. Defensive Cons. 3. Real Estate 4. Utilities
Slowdown	1. Energy 2. Real Estate 3. Defensive Cons. 4. Utilities	1. Cyclical Cons. 2. Tech
Contraction	1. Defensive Cons. 2. Health Care 3. Utilities 4. Cyclical Cons.	1. Financials 2. Real Estate 3. Tech 4. Industrials 5. Communic.

Sources:

-Fidelity Institutional

-Invesco Ltd.

-S&P Global Ratings

Articles:

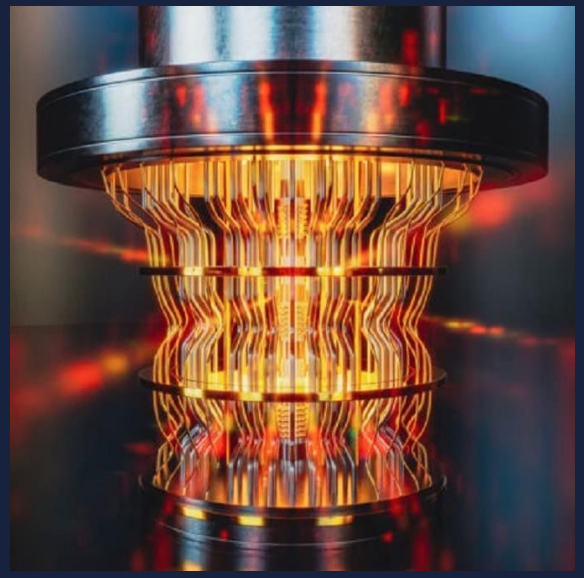
- "Where Are We in the Current Business Cycle?" – The Balance

- "Portfolio Management: Sector Rotation" – Investopedia

Tactical Asset Allocation

Quarterly Macro Research

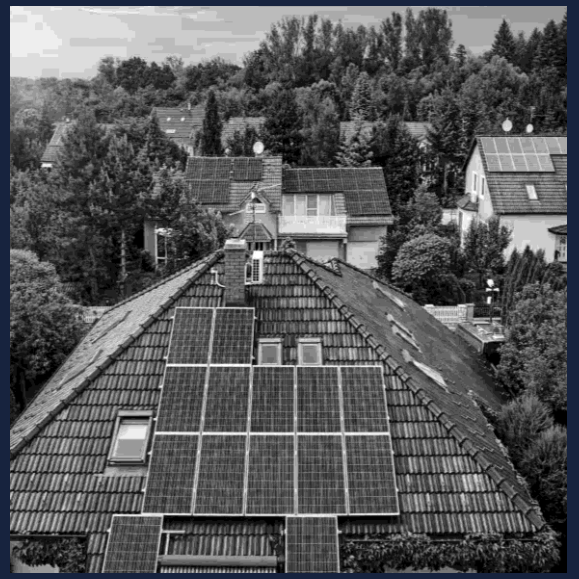
NIC Undergraduate Division Fund



Quantum Computing



Romania



Decentralized Renewables

Tactical Asset Allocation

Quantum Computing (1/4)

NIC Undergraduate Division Fund

What is Quantum Computing? The Three Paradigms

Quantum computing (QC) exploits **entanglement** to process information in ways **binary** systems cannot. Where a classical bit holds a single state, a **qubit holds a superposition**, letting quantum systems simulate vast molecular, combinatorial, or cryptographic **possibilities in parallel rather than sequentially**. The industry is organised around **three competing hardware paradigms**, differentiated mainly by how qubits are **built** and **how long they retain their state**. **Superconducting** qubits, cooled to c. -273ºC, offer fast operations but short coherence times; **trapped-ion qubits** use confined atoms, trading speed for longer reliability; **photonic qubits** use particles of light, preserve their state longer, but have weaker entanglement. **None** of the paradigms can yet produce **large qubit counts** at **fault-tolerant error rates**, with leading players targeting the **end of the decade**.

Current Outlook & Structural Bottlenecks

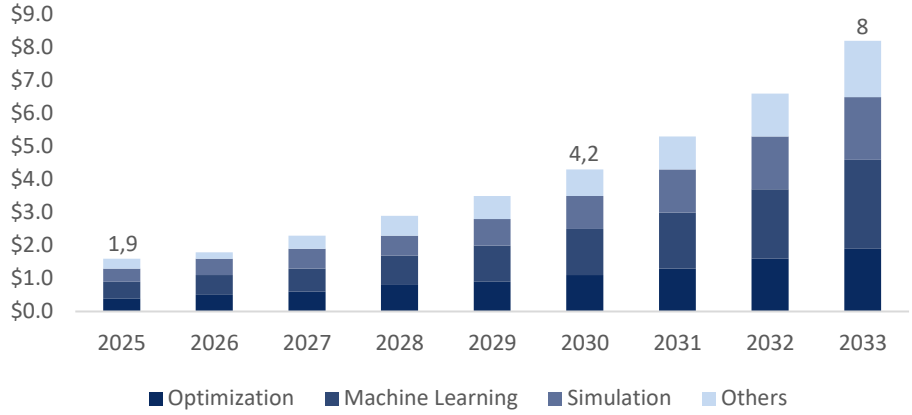
Market-size estimates for quantum computing **vary**, ranging from **$1.4-1.9Bn** in 2025 to **$3-4.2Bn** by 2030, with broader estimates of **total value unlocked** across industries as high as **$2.7Tn** by 2035. Capital has **accelerated sharply**, with **private venture** funding and **government** commitments up, respectively, **+192% and +310% YoY** in 2025. Despite this momentum, the **bottlenecks are structural** rather than **cyclical**. Even with over 40 commercially available QPUs, **none** yet **meet the performance bar** for large-scale applications. **Shortages** of cross-disciplinary quantum **talent** and **immature supply chains** are also flagged as persistent **bottlenecks**. Given these limitations, the most credible near-term **commercial model** is **hybrid,** with quantum tackling only the hardest subproblems within a broader classical and AI stack.

Industry Landscape

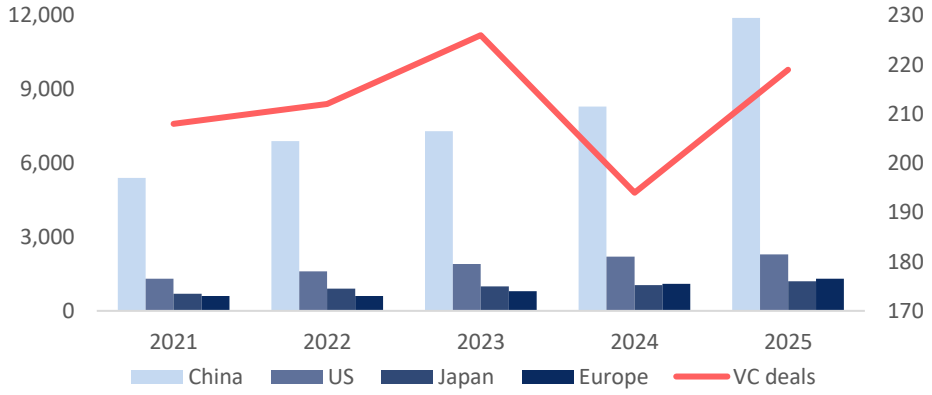
Quantum-engaged **organizations globally** are estimated at **7,400** (+14% YoY), including +550 pure-play quantum companies, with **patents growing** over 20% annually, of which approximately **60%** held in China. By revenue, **North America leads with 30%** of the market, narrowly ahead of Europe. The competitive landscape is **bifurcated**. A small group of **consolidated**, diversified **technology players** (e.g. Google, Microsoft, IBM) is building **integrated**, cloud-accessible **stacks** with **scale** and balance-sheet strength advantages, while a much **larger tail** of emerging, **specialised** entrants (e.g. IonQ, D-Wave, Rigetti) competes on **niche** and fast **innovation**, but faces capital and partnership constraints, a split likely to **drive M&A** amidst consolidation.

Sources: MIT Sloan, McKinsey & Company, QED-C, Grand View Research

QC Market Size by Application 2025-2033 ($Bn)



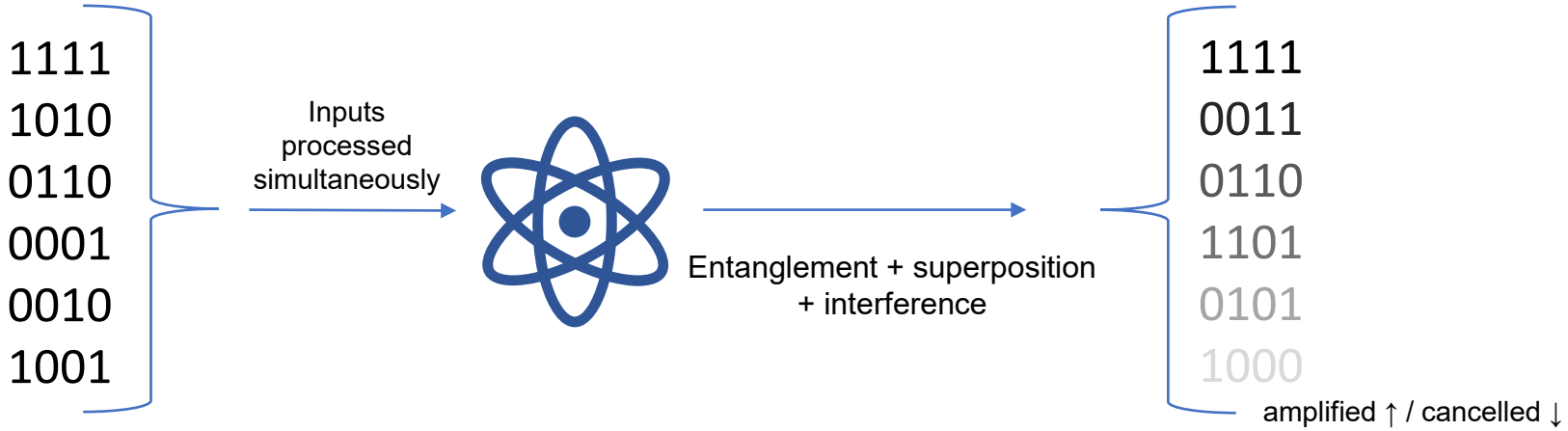
QC-Related Patents (left) & Total VC Deals (right) 2021-2025



Tactical Asset Allocation

Quantum Computing (2/4)

Quantum Systems' Processing



Advantages

Qubits offer several key advantages over classical bits due to their quantum properties. **Superposition** allows a qubit to represent multiple values simultaneously, enabling parallel rather than sequential computation. **Entanglement** produces correlations between qubits with no classical equivalent, supporting novel computational and cryptographic methods. **Interference** enables quantum algorithms to reinforce correct outcomes and suppress incorrect ones, driving **quantum speedup**. Additionally, qubits can natively **simulate quantum systems**, such as molecules and materials, a task that grows exponentially complex for classical computers. Together, these properties give quantum computing significant potential for problems ranging from **cryptography** to **optimization**.

Real World Applications

Cryptography: Quantum computing threatens **current encryption**, since **Shor's algorithm** breaks **RSA's prime factorization**, prompting a shift toward **post-quantum cryptography**. It also enables **quantum key distribution (QKD)**, detecting interception attempts instantly.

Pharma: Molecular simulation is exponentially complex classically, yet qubits represent such interactions natively. This enables efficient modelling of **drug-protein interactions**, with early trials already happening.

Optimization: Vast solution spaces, as in routing and scheduling, benefit from **quantum annealing** and **quantum approximate optimization algorithm**, evaluating multiple solutions at the same time.

AI & Machine Learning: Quantum algorithms may accelerate ML's underlying matrix computations, giving rise to **quantum machine learning,** a field exploring qubits as the basis for quantum neural architectures.

Sources: IBM, IBM, Quantum Insider, McKinsey & Company

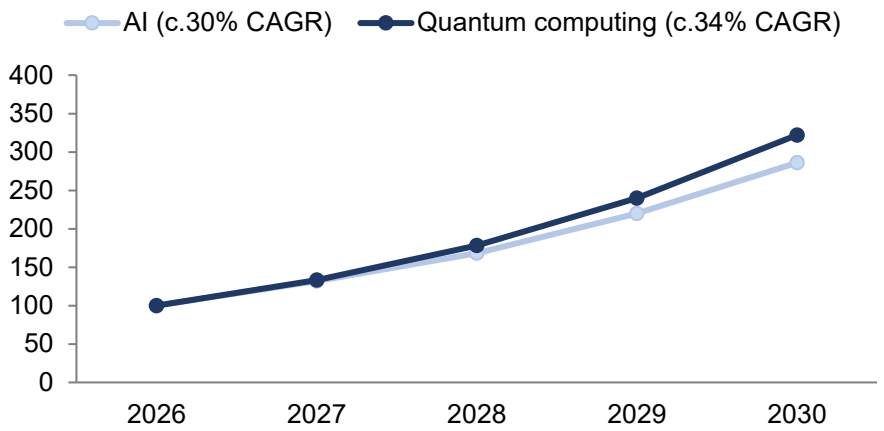
Tactical Asset Allocation

Quantum Computing (3/4)

AI as the Demand Catalyst

The **quantum computing market** remains small today, estimated at c. **$1.9–2.0 billion in 2026**, but is on a steep growth path, with forecasts pointing to a **22-40% CAGR** by the early-to-mid 2030s. **AI** is now the **primary accelerant** of that curve, acting on two fronts. First, **technically**: AI is being used to **optimize quantum circuit design**, suppress error rates, automate qubit calibration, and discover **more efficient algorithms**, effectively compressing timelines that would otherwise depend on slower, manual hardware iteration. Second, quantum systems are increasingly **being installed inside the same AI data centers** and HPC facilities as GPU clusters, and are expected to eventually **feed back into AI itself**, tackling the optimization, simulation, and pattern-matching problems that **today's GPU-based training struggles** to solve efficiently. That **two-way promise** is pulling capital into the sector well ahead of any proven use case, following the same **infrastructure-first playbook** (chips, data centers, power, networking) that preceded generative AI's own mainstream adoption. The **commercial applications** expected to benefit first are concentrated **in drug discovery**, materials science, **climate and weather modelling, logistics/supply chain** optimization, and microelectronics and photonics design: all **workloads** where classical compute hits **combinatorial limits** that hybrid AI-quantum systems can help address.

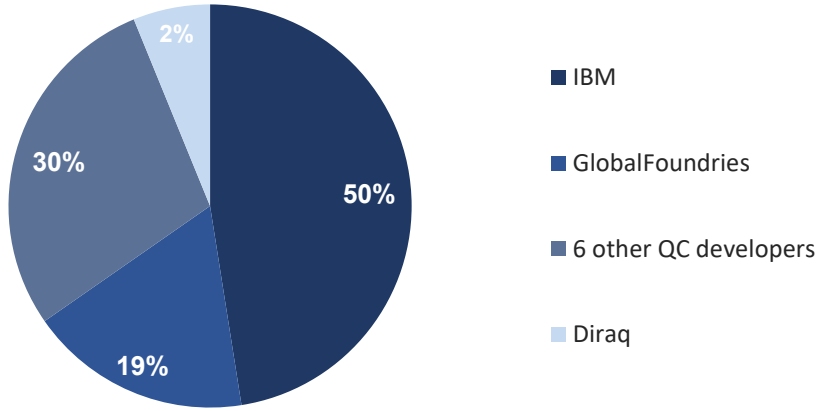
AI vs. Quantum Computing: Indexed Growth (2026 = 100)



Future Outlook, Risks & Catalysts

Quantum computing's **main obstacle** right now isn't ambition, it's **engineering**: scaling reliable systems still runs into **constraints outside the chip itself**, like cryogenic cooling, control electronics, and manufacturing capacity, that AI alone can't solve. Momentum is still building, though: $2 billion in U.S. federal funding is going toward domestic quantum-chip manufacturing, a **federally backed quantum computer** is targeted for **2028**, and **private investment** in quantum start-ups jumped more than sixfold in a year as **over 300 companies** move from research into live pilots. Breakthroughs like error-correction systems that get more reliable as they scale, not less, suggest the **industry's 2030 fault-tolerance target** is plausible. That said, the **risks** are real: **roadmaps vary wildly** (some promise hundreds of qubits, others hundreds of thousands), the remaining bottlenecks depend on **scarce talent** and manufacturing rather than pure research, and with **most applications still experimental**, any slip past 2030 leaves early capital without its **expected payoff**.

US Federal QC Funding: $2bn CHIPS Act Awards (May 2026)



Sources: McKinsey & Company, NIST

Tactical Asset Allocation

Quantum Computing (4/4)

Possible Investments

IonQ (NYSE: IONQ)

- **Market Cap: 18.38 Bn**
- **P/Sales Ratio: 67.1**
- **R&D/Revenue: 285%**
- **Cash Burn (annual): 405 Mn**

D-Wave Quantum (NYSE: QBTS)

- **Market Cap: 7.88 Bn**
- **P/Sales Ratio: 623.79**
- **R&D/Revenue: 220%**
- **Cash Burn (annual): 75 Mn**

Rigetti Computing (NASDAQ: RGTI)

- **Market Cap: 6.28 Bn**
- **P/Sales Ratio: 464.65**
- **R&D/Revenue: 865%**
- **Cash Burn (annual): 58.5 Mn**

Quantinuum (NASDAQ: QNT)

- **Market Cap: 16.72 Bn**
- **P/Sales Ratio: 537.72**
- **R&D/Revenue: 290%**
- **Cash Burn (annual): 120 Mn**

IBM (NYSE: IBM)

- **Market Cap: 220.76 Bn**
- **P/Sales Ratio: 3.27**
- **R&D/Revenue: 12%**
- **Cash Burn (annual): Positive**

Microsoft (NASDAQ: MSFT)

- **Market Cap: 3.68 Tn**
- **P/Sales Ratio: 11.14**
- **R&D/Revenue: 11.5%**
- **Cash Burn (annual): Positive**

All monetary figures are stated in US dollars as of 1 September 2026.

Tactical Asset Allocation

Quarterly Macro Research

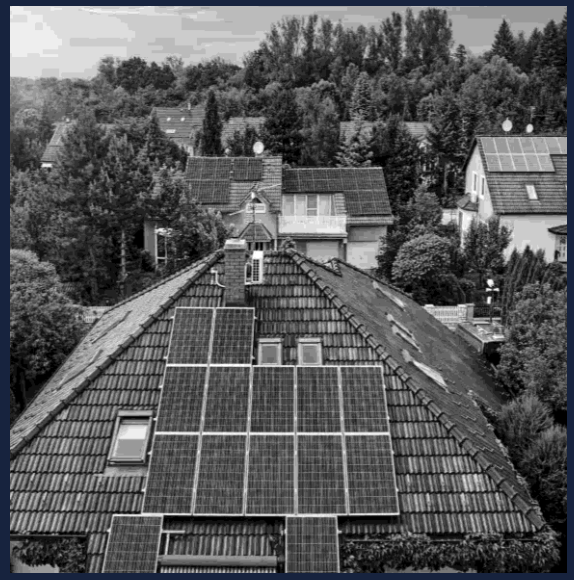
NIC Undergraduate Division Fund



Quantum Computing



Romania



Decentralized Renewables

Tactical Asset Allocation

Romania (1/4)

Macroeconomic Snapshot

Romania enters 2026 amid a **policy-induced slowdown**, following GDP growth of **0.7% in 2025** (vs. 0.9% in 2024), 2026 forecasts remain highly dispersed, ranging from a **0.1% contraction** (OECD) **to 1.4% growth**. Meanwhile, export performance has remained relatively resilient, outperforming imports on the back of sustained EU demand and Romania's strong integration into European **manufacturing value chains**. Inflation, currently at 9.3–9.9% YoY, is expected by the National Bank of Romania **to peak in mid-2026** before **declining sharply from Q3 onwards**, returning to target by H1 2027. Looking ahead, consensus forecasts point to a recovery in 2027, with GDP growth accelerating to approximately 2.2–2.5% as fiscal headwinds fade, financing conditions improve, and real wage growth resumes.

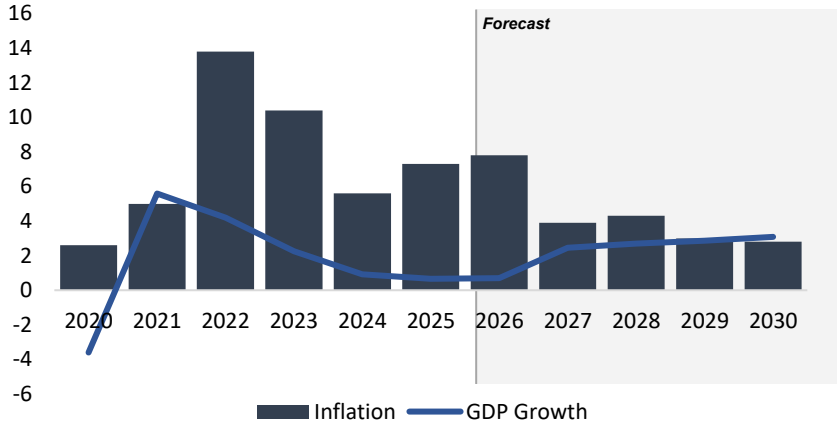
Fiscal & Sovereign Credit Profile

Romania's primary macro risk is fiscal credibility. The fiscal deficit reached **7.9% of GDP in 2025**, with the government targeting a **reduction to 6.2% in 2026 and 5.8% in 2027**, while public debt is projected to rise toward 63% of GDP. Despite remaining at the **lowest investment-grade rating (BBB-/Baa3)** with a negative outlook, Romania has avoided a sovereign downgrade as rating agencies acknowledged recent fiscal consolidation measures. Meanwhile, **FDI** increased from €5.6bn in 2024 to €8.1bn in 2025 **(+44.6% YoY**), indicating sustained investor confidence despite fiscal pressures.

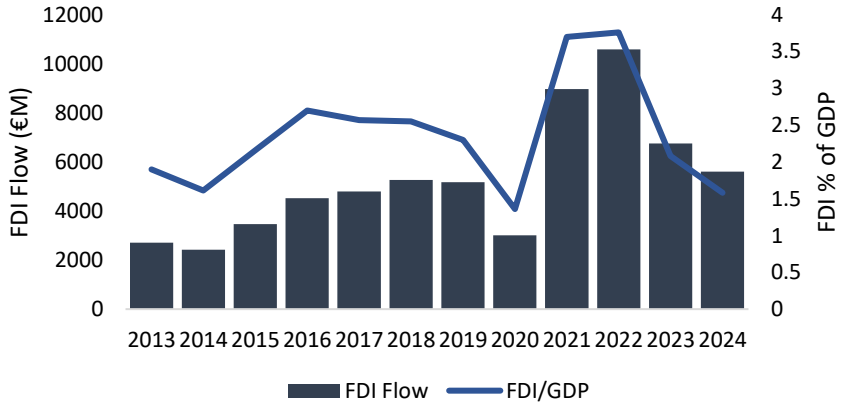
Corporate & Banking Relations

Romania's economy is deeply integrated with Western European capital, providing an important structural offset to domestic fiscal and political risks. The banking sector is largely foreign-owned, with BCR (Erste Group), BRD (Société Générale), Raiffeisen, ING, and UniCredit all backed by major European banking groups. **Banca Transilvania** is the key exception, remaining independently Romanian-owned while maintaining market leadership through organic growth and scale. Beyond banking, multinational groups dominate strategic industries: **Renault-owned Dacia and Ford** anchor the automotive sector, supported by suppliers such as **Continental and Bosch**, while **OMV Petrom, PPC, and Engie** play leading roles in energy. This longstanding integration with European corporates provides stable capital, operational expertise, and resilience, reinforcing Romania's long-term investment case despite near-term fiscal headwinds.

Romania GDP Growth and Inflation (%)



Inward FDI Net Flows and FDI/GDP Ratio



Sources: National Bank of Romania, OECD, Trading Economics

Tactical Asset Allocation

Romania (2/4)

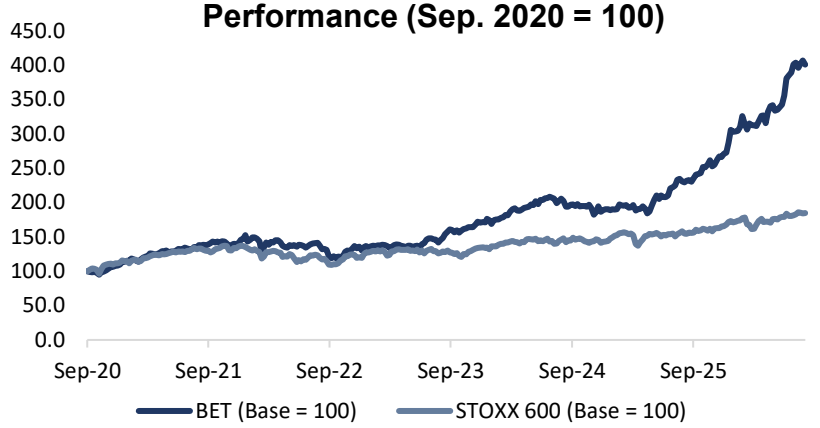
Structural Investment Themes: Convergence, Nearshoring & Energy

Romania's investment case extends beyond near-term macroeconomic volatility, supported by EU convergence, nearshoring and infrastructure investment. The country is increasingly **integrated into European manufacturing supply chains**, particularly in automotive and industrials, with Ford Otosan producing vehicles in Craiova and Bosch and Continental operating major manufacturing and R&D facilities. Competitive labour costs and proximity to Western Europe further **support Romania as a nearshoring destination**. Meanwhile, access to substantial EU cohesion and Recovery and Resilience Facility funding is accelerating investment in transport, digitalisation and energy infrastructure. Energy is an additional strategic advantage, with the development of the **Neptun Deep Black Sea gas project**, expansion plans at the **Cernavodă nuclear plant** and growing **renewable capacity**. Together, these drivers support productivity gains and continued economic convergence with Western Europe beyond the current fiscal consolidation cycle. Investor confidence is also visible in public markets, with the **BET (Bucharest Exchange Trading) Index outperforming the STOXX Europe 600 by c.216%** since September 2020.

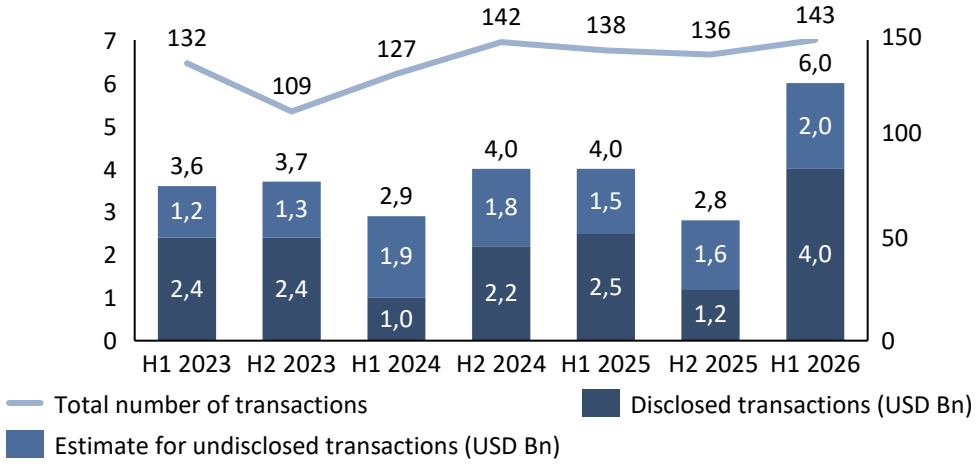
Romania M&A Activity Confirms Investor Appetite

Romania's M&A market continues to demonstrate strong strategic and foreign investor appetite with a **c. 49% increase YoY.** Strategic buyers represented 83% of H1 2026 deal volume, while **foreign investor activity rose 15% YoY to 77 deals**, accounting for 54% of transactions and reinforcing Romania's position as a net recipient of foreign capital. Financial sponsors also remained active, deploying $1.2bn, versus $766m in H1 2025. Activity was broad-based, led by **Real Estate & Construction** (34 deals), **Manufacturing & Mobility** (25), **TMT** (23) and **Energy & Utilities** (18), where renewables represented half of transactions. Landmark deals underline the strategic rationale behind this activity. Pavăl Holding's $977m acquisition of Carrefour Romania was the country's second-largest retail transaction on record, highlighting the growing scale of domestic capital. Meanwhile, Premier Energy's $824m acquisition of Evryo Group from Macquarie (Romania's fourth-largest energy deal on record) added electricity distribution to Premier Energy's existing generation and supply activities, creating a more vertically integrated energy platform. Raiffeisen's $681m acquisition of Garanti BBVA Romania further demonstrates continued consolidation and foreign investment in Romanian banking.

BET vs. STOXX Europe 600 – Cumulative Performance (Sep. 2020 = 100)



Romania M&A Transactions and Total Value



Sources: EY - Romania M&A Activity

Tactical Asset Allocation

Romania (3/4)

Where to Invest in Romania

Romania has quietly become one of Central and Eastern Europe's most compelling investment stories. With a **strategic location bridging European and non-European markets**, a **skilled** and cost-competitive **workforce**, and **steady GDP growth** outpacing many of its regional peers, the country offers investors a rare combination of stability and upside. The following overview highlights where that opportunity is concentrated and why now is the moment to act.

Aerospace & Defence

Driven by rising security needs, NATO commitments and increased defence spending, Romania is transitioning from an equipment importer to a regional manufacturing base, with a strong government focus on modernization and domestic industrial development.

Trends in the Industry

- Shift from equipment importing towards local assembly and production

Competitive Advantages

- Growing partnerships between Romanian (Aerostar) and global manufacturers, including Lockheed Martin and Rheinmetall
- Access to EU and NATO funding, supporting defense modernization and industrial expansion

Energy

Strengthening its position as a regional energy hub through the expansion of renewable energy, offshore natural gas development, and grid modernization, supporting long-term energy security and creating opportunities across the energy value chain.

Trends in the Industry

- Neptun Deep, the EU's largest offshore gas project, a €4B investment by OMV Petrom and Romgaz, is on track for first gas in 2027, expected to roughly double national gas output

Competitive Advantages

- Strategic position bridging Black Sea reserves and EU gas demand with direct pipeline access to regional buyers
- Diversified electricity generation across multiple technologies

Healthcare

Romania has the lowest healthcare expenditure per capita in the EU, at below €1,000 in 2023, while healthcare spending represented only 5.7% of GDP versus the EU's 10%. The significant spending gap creates structural room for private providers to expand capacity and capture rising healthcare demand.

Trends in the Industry

- Consolidation among major networks (MedLife, Regina Maria, Medicover) through regional acquisitions

Competitive Advantages

- Private care already dominates entire categories such as dental and urban specialist services
- Established networks can scale through acquisitions and technology investment

Sources: EY - Romania M&A Activity; KPMG - Romanian Defense Market; Eurostat

Tactical Asset Allocation

Romania (4/4)

Possible Investments

Banca Transilvania (FRA: 7TB)

- **Market Cap: 8.06 Bn**
- **P/E: 8.63**
- **P/B: 1.85**
- **ROE: 24.47 %**
- **Dividend Yield: 3.24%**

Digi Communications (FRA: 53N)

- **Market Cap: 1.03 Bn**
- **P/E: negative**
- **EV/EBITDA: 5.19**
- **Dividend Yield (Est.): 0.85 %**
- **FCF Yield: 0.48%**

Aerostar (FRA: X8BF)

- **Market Cap: 0.51 Bn**
- **P/E: 19.65**
- **EV/EBITDA: 16.28**
- **EBITDA Margin: 19.7%**
- **ROIC: 12.5%**

Nuclearelectrica (FRA: 53V)

- **Market Cap: 3.44 Bn**
- **P/E: 6.95**
- **EV/EBITDA: 4.24**
- **Dividend Yield: 6.41 %**
- **ROIC: 10.4%**

Electrica (FRA: ECEB)

- **Market Cap: 3.25 Bn**
- **P/E: 13.48**
- **EV/EBITDA: 7.74**
- **P/B: 2.40**
- **ROIC: 7.6%**

OMV Petrom (FRA: XNE)

- **Market Cap: 14.33Bn**
- **P/E: 23.00**
- **EV/EBITDA: 9.33**
- **Dividend Yield: 3.88%**
- **ROIC 8.1%**

All monetary figures are stated in Euros as of 1 September 2026.

Tactical Asset Allocation

Quarterly Macro Research

NIC Undergraduate Division Fund



Quantum Computing



Romania



Decentralized Renewables

Tactical Asset Allocation

NIC Undergraduate Division Fund

Decentralized Renewables (1/4)

Industry Overview

Renewable energy is becoming more accessible, with solar panels on homes, small wind turbines, batteries, and electric vehicle charging points. This is all part of a bigger system that has several key parts: developing the equipment, transporting, planning and developing projects, installing, and then maintaining and managing. The parts with higher returns are **maintenance and management**. The equipment is only a **commodity**. Now, the focus is on getting **relationships with the customer and control the assets**.

Revenue Model

Selling a system outright is a one-time payment after installation. So, it is more profitable to **lease the system or sign a Power Purchase Agreement (PPA)**. Revenues from this source are **recurring and last for 10 to 25 years**. Also, another important source of gains is **maintenance and operations (O&M)**. This business model is more similar to building infrastructure rather than just selling equipment. It is a more stable and predictable way to do business, and it can help build a stronger foundation for the company.

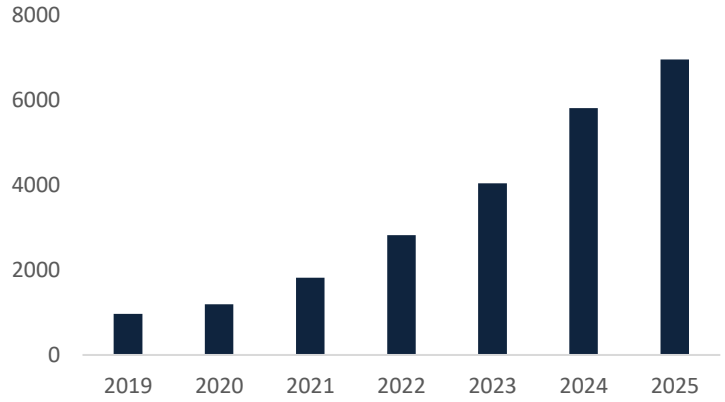
Industry Economics

Distributed solar energy has a yearly investment of **$70 to $100 billion**. The market for distributed energy resources, or DER, has a **CAGR of 10-15% until 2030**. Selling systems is relatively low-risk and requires little capital, but it generates only **10-20% in profits**. On the other hand, owning the assets can bring in much higher returns of **60% to 80%**, although it is a more expensive and time-consuming process. It can take **6 to 10 years** to obtain a return on investment. Thus, the use of assets and the cost of borrowing are key in this industry.

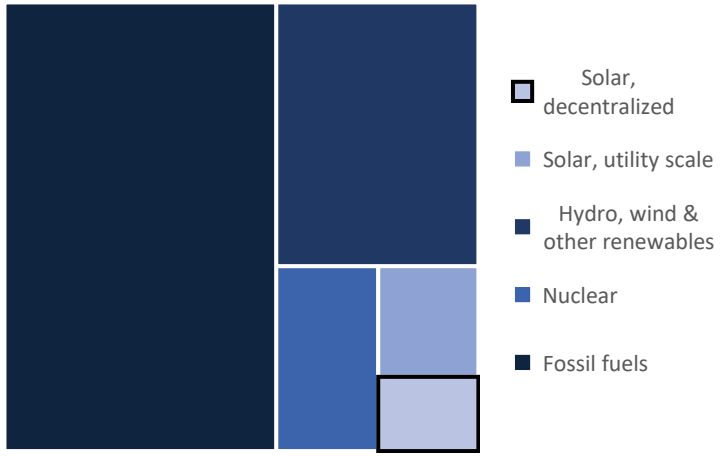
Geographical Distribution

China, the EU, and the US are leading the way when it comes to installed distributed capacity. However, Europe is a growing market. After the energy price shock in 2021, the EU has started to invest in energy infrastructure. Rules on self-consumption and energy communities are making it easier for people to get on board. Portugal, for example, has solar energy installations of **over 4 GW**. Its self-consumption segment, known as **UPAC**, continues to add new sites. The key driver is **saving money by avoiding the retail tariff**. It is a scenario in which both the people and the country gain, so it is easy to understand why solar is becoming so popular in Portugal.

Total installed solar PV capacity, Portugal, year-end, MW



Decentralized solar in global power



Sources: IEA; ERSE

Tactical Asset Allocation

Decentralized Renewables (2/4)

No New Infrastructure Capex

Distributed generation is **structurally asset-light relative to centralized renewables.** Systems are **deployed on existing structures** such as rooftops, building facades and parking canopies, requiring no land acquisition, no large-scale civil works, and no dedicated grid connection infrastructure. **Capex is modular**: a C&I solar installation scales from tens of kW to several MW without changing the underlying model. This contrasts sharply with utility-scale projects, where a single wind or solar farm requires years of permitting and interconnection works before a single MWh is generated. With **system costs having declined ~90% over the last decade,** the model is increasingly self-sustaining without subsidy dependency.

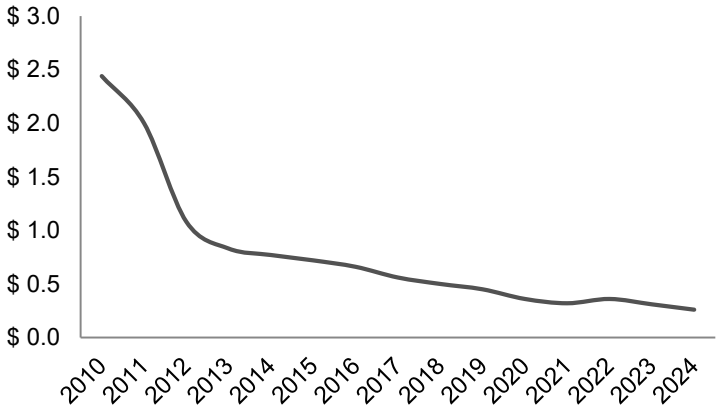
Transmission & Distribution Loss Elimination

When electricity travels from a centralized plant to the end consumer, **5 to 8% is physically lost** as heat across high-voltage lines and step-down transformers, before a single device is powered. **Distributed generation eliminates this entirely**: energy produced on-site is consumed on-site. Beyond efficiency, this matters structurally. Grid congestion is now one of the primary bottlenecks for energy transition in both Europe and the US, with interconnection queues stretching 5 to 10 years in some regions. Distributed generation **bypasses this queue** almost entirely, as it **connects at the distribution level rather than the transmission level.** As electricity demand accelerates, driven by AI data centers, EV fleet charging, and industrial electrification, the transmission capacity gap will widen for decades. DG is structurally immune to that constraint, making it increasingly valuable precisely as centralized capacity faces its hardest scaling challenge.

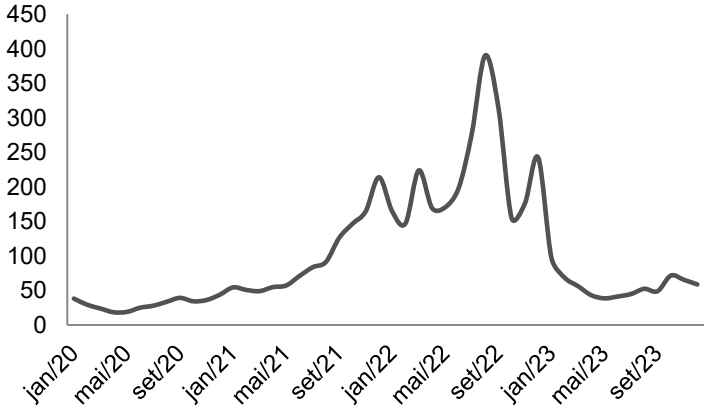
Community Driven Value

Distributed generation enables something centralized renewables cannot replicate **shared generation across communities of consumers**. Multiple users around a common asset means **lower per-unit costs, shared financial risk, and flexible consumption across the network.** Beyond the community model, DG provides **structural insulation from wholesale price volatility.** The 2021 to 2023 European energy crisis saw industrial electricity prices double or triple, and communities with existing DG were partially shielded, generating at fixed amortized cost rather than buying at spot. At scale, this **converts a variable operating cost into a fixed capital cost,** a concrete hedge against energy price cycles.

Solar PV Panel Prices 2010–2024 ($/W)



EU Average Electricity Price 2020-2023 (€/MWh)



Sources: EIA, IRENA, OurWorldinData, ACER

Tactical Asset Allocation

Decentralized Renewables (3/4)

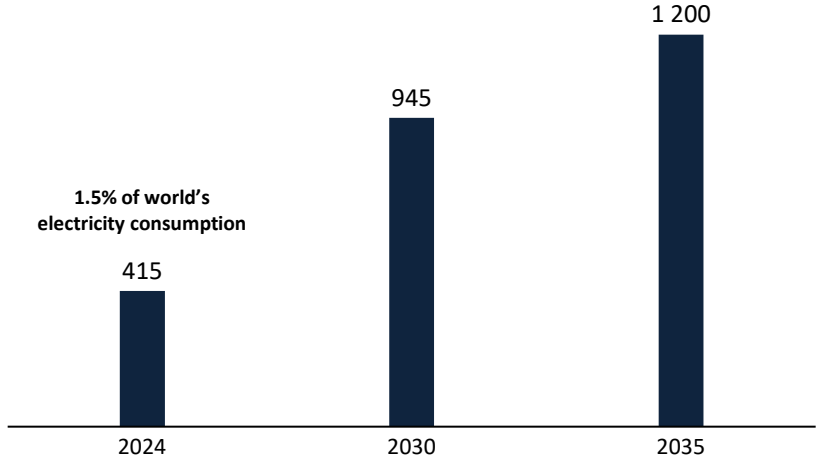
Catalysts

- **Rising Power Demand & Grid Constraints**: global electricity demand is entering a structurally stronger growth cycle, driven by AI, data centers and electrification, while grid expansion is struggling to keep pace. Whereas centralized infrastructure becomes harder and slower to scale, distributed energy resources (**DER**) can **add capacity closer to consumption** and, when aggregated, reduce peak demand and congestion.
- **Virtual Power Plants & Revenue Stacking:** the emergence of **Virtual Power Plants (VPPs)** transforms distributed assets from isolated installations into dispatchable energy portfolios. By **aggregating** rooftop solar, batteries and flexible loads, operators can increasingly monetize electricity generation, capacity, demand response and supporting services, materially expanding revenue per installed asset.
- **Falling Technology Costs: co**ntinued declines in solar and storage costs expand the pool of economically viable residential and commercial sites while improving project returns. Solar module prices have fallen roughly **90% since 2009**, while utility-scale battery system costs declined **93% between 2010 and 2024**.

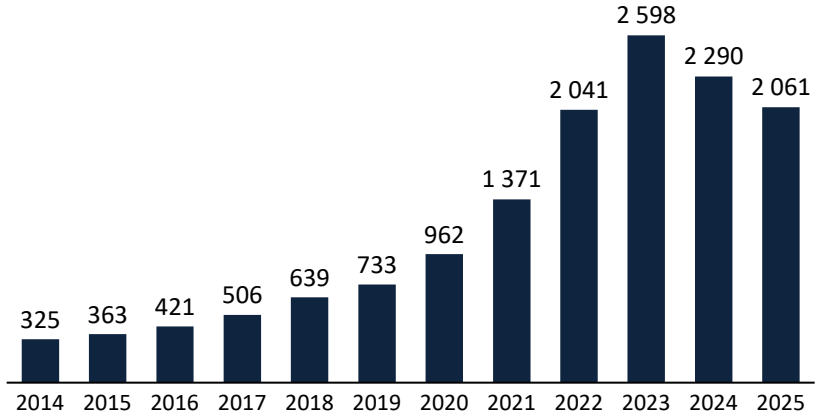
Risks

- **Financing & Interest Rate Exposure: d**espite avoiding the large-scale infrastructure requirements of utility projects, asset-owning distributed-energy models remain **capital intensive**. Higher financing costs can reduce project IRRs, increase customer pricing and slow deployment, particularly for operators dependent on debt.
- **Regulatory & Market Fragmentation:** Distributed-energy economics remain highly dependent on **local electricity-market rules**, including net-metering regimes, grid access, and eligibility to participate in capacity and ancillary-service markets. Progress towards VPP participation is significant but uneven, meaning the same asset can generate substantially different economics across jurisdictions.
- **Power Prices & Execution Risk:** the value of distributed generation and flexibility is highest when the **grid is constrained** and **electricity price** spreads are wide. Faster-than-expected grid investment, lower power prices or abundant utility-scale capacity could therefore reduce the economic advantage of decentralized assets. At the company level, **customer acquisition, battery degradation, asset utilization and aggregation scale** remain critical to converting installed capacity into attractive recurring returns.

Data Centers' energy demand (TWh)



Bottleneck: U.S. Interconnection Queues (GW)



Sources: IEA, FERC, IRENA, U.S. DOE, IEA, Berkeley Lab

Tactical Asset Allocation

Decentralized Renewables (4/4)

Possible Investments

Ameresco (NYSE: AMRC)

- **Market Cap: 1.2 Bn**
- **EV/Revenue (LTM): 1.8x**
- **Gross Margin (LTM): 16.1%**
- **EBITDA Margin: 12.5%**

Sunrun (NASDAQ: RUN)

- **Market Cap: 2.0 Bn**
- **EV/Revenue (LTM): 4.8x**
- **Gross Margin (LTM): 35.3%**
- **EBITDA Margin: 24.2%**

Enphase (NASDAQ: ENPH)

- **Market Cap: 4.7 Bn**
- **EV/Revenue (LTM): 3.4x**
- **Gross Margin (LTM): 30.0%**
- **EBITDA Margin: 14.4.%**

SolarEdge (NASDAQ: SEDG)

- **Market Cap: 2.0 Bn**
- **EV/Revenue (LTM): 1.4x**
- **Gross Margin (LTM): 21.3%**
- **EBITDA Margin: (9.1%)**

Generac (NYSE: GNRC)

- **Market Cap: 10.7 Bn**
- **EV/Revenue (LTM): 2.7x**
- **Gross Margin (LTM): 39.5%**
- **EBITDA Margin: 14.3%**

Schneider Electric (Euronext Paris: SU)

- **Market Cap: 192.0 Bn**
- **EV/Revenue (LTM): 4.3x**
- **Gross Margin (LTM): 42.1%**
- **EBITDA Margin: 20.3%**

All monetary figures are stated in US dollars as of 1 September 2026.

Position Revaluation

NIC Undergraduate Division Fund

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:

MSCI Korea
(IKOR)
Technology

Proposed Decision:
Hold

Ingredion
(INGR)
Consumer & Retail

Proposed Decision:
Reinforcement

MercadoLibre
(MELI)
Internet & Digital Commerce

Proposed Decision:
Sell

Position Revaluation

iShares MSCI Korea UCTIS ETF USD (IKOR.L)



Position Revaluation

iShares MSCI Korea UCTIS ETF USD (IKOR.L)

Fund & Index Description

IKOR.L is one of **BlackRock's iShares ETFs**, with **$1.2Bn** in **net assets** and **77 holdings**, tracking the **MSCI Korea 20/35 Index** and providing exposure to large- and mid-cap **South Korean equities**. The index covers **~85% of Korea's free-float** market capitalisation, while capping the largest constituent (**Samsung Electronics**) at 35% and all others at **20%**. The portfolio is **concentrated** in **Information Technology** (**~51%**, including **42%** in just Samsung and **SK Hynix**), followed by **Industrials** (~20%) and **Financials** (~11%). IKOR is up **156% YoY** and trades at a **22.9x P/E**, but only **~10.5x forward P/E**, with a **0.65% expense ratio** and ~0,5% distribution yield. The ETF is **rebalanced quarterly** and, as an **MSCI Emerging Market** (EM), Korea is also influenced by **EM investor flows** and benchmarks. Its significant **AI-related technology exposure** makes its performance **highly sensitive** to **global semiconductor demand**, Korean exports and the **broader technology cycle**.

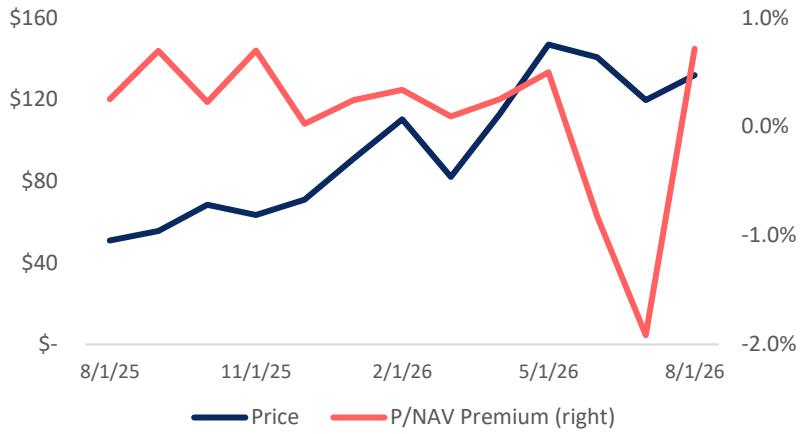
Previous Investment Thesis

The original idea targeted a **direct position in Samsung Electronics**, given its central role in the memory cycle and its **dominant weight** within the Korean equity market. However, the position could not be executed as intended, as Samsung was **not available** through the broker used for this mandate. Rather than abandon the thesis, we opted to gain **exposure via IKOR.L**, which at initiation carried a **significant allocation to Samsung** within its top holdings. This approach **preserved the core investment rationale** while **diversifying single-stock risk across the broader index** rather than concentrating the position in one name.

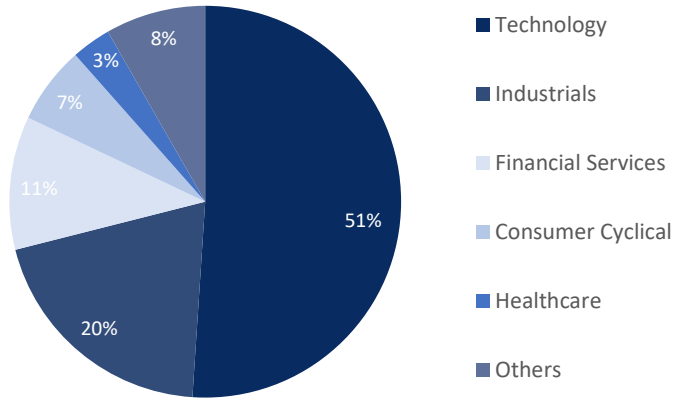
Current Situation

The first half of 2026 exposed **sharp dispersion within IKOR.L**. SK Hynix powered gains, posting **52.6 trillion won ($35.55 billion)** in Q1 revenue at a **72% operating margin** on HBM (High Bandwidth memory) dominance; **Samsung Electronics** multiplied **operating profit 8x YoY**. Together, the **pair now command ~48-50% of index** weight. **LG Energy Solution surged 11.4%** on Mercedes-Benz order expectations. Moreover, SK Hynix completed a $26.5bn ADR listing on Nasdaq. Yet these **same top holdings flipped into the biggest detractors** during Q2's reversal: Samsung shed over 10% and SK Hynix over 12% in June sessions, as **AI-capex skepticism** and foreign outflows **dragged the Kospi down more than 20% from its June peak**. The **takeaway cuts both ways**: the same semiconductor/AI concentration that fueled H1's record run also transmitted Q2's correction across the entire index.

IKOR Share Price & Price-to-NAV Performance LTM



IKOR Sector Weightings Breakdown (as of 28/08/26)



Sources: BlackRock, MSCI, Yahoo Finance

Position Revaluation

iShares MSCI Korea UCTIS ETF USD (IKOR.L)

NIC Undergraduate Division Fund

Financial Analysis

South Korea, one of the **Asian Tigers**, combines **Japan's** developed **industrial and financial services** base with **Taiwan's** technology-led market structure, making both **key peers** in **relative valuation** alongside the broader Asian Tiger universe and **China**. A **50/50 weighting** to the peers' **P/E** (**18,1x**) and **forward P/E** (**14,5x**) balances current earnings with future potential to **limit sole reliance** on **AI-sensitive outlooks**. Against IKOR's multiples, the resulting valuation **implies ~8,7% upside**, suggesting Korea's **earnings** trajectory remains **underpriced** versus both **Western** and **comparable** Asian markets. A comparative analysis of IKOR's key constituents implies a **97% upside**, though this figure is materially distorted by the **outsized weighting and implied returns of Samsung and SK Hynix**. Excluding these two names, **implied upside falls to just 2%**, underscoring the ETF's **heavy dependence on continued AI-driven semiconductor growth**.

Structural Analysis

The **Bank of Korea raised its 2026 GDP forecast to 3.3%** (from 2.6% in May) and **2027 to 2.9%** (from 2.1%), citing **AI-driven semiconductor exports as the key driver**, with the **current account surplus projected at a record $450bn**. Samsung and SK Hynix have both **flagged that HBM/DRAM shortages will persist through 2027**. SK Hynix calls 2027 the "worst year" for memory supply as **2026 capacity is already sold out and customers are pre-booking 2027 contracts**. Financial services add a second growth leg: under the Corporate Value-Up Program, KB, Shinhan and Hana are **compounding record earnings** into **higher buybacks** and **dividends**, targeting 50%+ shareholder returns by 2027-2028. **Risks, however, deserve equal weight**: the outlook rests on **two names controlling ~50% of the index**, so any **disappointment in AI capex, a pull-forward in memory pricing**, or new fab capacity from Micron and Samsung/SK Hynix hitting in 2027-2028 could **trigger a sharp repricing**.

Final Investment Decision

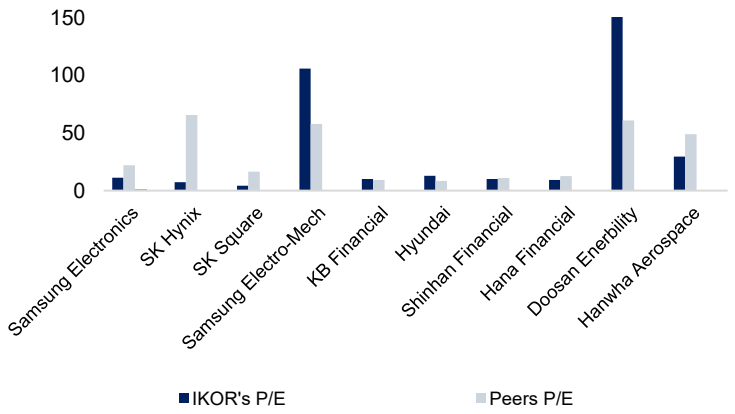
IKOR provides **differentiated non-US exposure and AI upside** that our fund otherwise lacks, backed by South Korea's **strong real growth and pending EM-to-DM reclassification**, a potential catalyst for **significant capital inflows**. Given this **high reward profile**, exiting the position does not make sense. However, its **substantial outperformance and high volatility** make adding further exposure hard to justify under a value investing approach, so we recommend **holding the position**.

Comparable Analysis (Asian Tigers + China)

Metrics \ Peers	EWT	CNYA	FLJP	HSTECH	ES3.SI
AuM	10.3B	225M	4.1B	1.7B	3.1B
P/E	33	18	17	19	17
Fwd. P/E	27	13	15	15	14

Fair Value	Market Price	Upside
142,95	131,57	+8,65%

IKOR's vs Peers' P/E Ratio Comparison



Sources: OECD, Invest Korea, Financial Times

Position Revaluation

Ingredion (INGR)



Position Revaluation

Ingredion (INGR)

NIC Undergraduate Division Fund

Business Description

Ingredion Incorporated is a leading global **ingredient solutions provider**, specializing in the development, production, and sale of ingredients derived from **natural sources**. The company serves the **food, beverage, brewing, pharmaceutical, and industrial sectors**, with a portfolio structured across **three core segments**: **Texture & Healthful Solutions**, focused on higher-value specialty ingredients; **Food & Industrial Ingredients (U.S./Canada)**, supplying starches and sweeteners to mature markets; and **Food & Industrial Ingredients (LATAM).** Operating **47 manufacturing facilities** across the globe, Ingredion supports **18,000 customers** in nearly **120 countries**, with **32 Ingredion Idea Labs® innovation centers** driving product development. The company's strategic pivot toward **plant-based proteins**, **sugar reduction**, and **clean-label ingredients** positions it at the forefront of **secular consumer trends.**

Previous Investment Thesis

The investment case for Ingredion was anchored in **structural industry tailwinds**, with the **global food and beverage market expanding at a 5.6% CAGR**, driven by demand for plant-based proteins, clean-label ingredients and functional solutions. The strategic shift toward **higher-margin Texture & Healthful Solutions** (T&HS) proved pivotal, delivering **9 consecutive quarters of volume growth** and becoming a key earnings driver. Ingredion also traded at a **meaningful discount to peers** across EV/Revenue (1.3x vs. 1.8x), EV/EBITDA (9.1x vs. 12x) and P/E (13x vs. 16x), while DCF and Football Field analyses implied 26% and 49% median upside, respectively. Financially, the company delivered an **11% revenue CAGR since 2021**, above-industry EBITDA margins, a 2.4% dividend yield, and disciplined capital allocation through $850M in strategic investments and accretive M&A.

Current Situation

Ingredion's investment case is mixed near term **but increasingly compelling strategically**. F&II U.S./Canada remains under pressure following **operational disruption at its Argo corn-processing plant**, alongside weaker volumes and unfavorable price/mix, while **T&HS remains resilient, supported by demand for specialty ingredients. The Tate & Lyle acquisition is the key catalyst**, accelerating the shift toward specialty solutions and creating synergy potential, **although leverage and integration risk remain key concerns.**

INGR Share Price Performance ($)



Ingredion Comparable Analysis

	BUNGE	ADM	KERRY	TATE & LYLE	Ingredion
LTM P/E Ratio	16.38	19.11	21.01	25.76	9.07
EV/EBITDA	12.19	13.52	12.61	7.48	5.65
EBITDA Margin (%)	3.6%	3.2%	16.5%	17.6%	18.1%
ROIC (%)	5.1%	4.0%	7.9%	7.6%	12.7%

Sources: Ingredion Annual Reports; Investor Day 2025

Position Revaluation

Ingredion (INGR)

Financial Analysis

Ingredion's **revenue grew from $5.99bn in 2020 to $7.22bn in 2025, a 3.8% CAGR**, while EBITDA expanded from $795M to $1.24bn, lifting **margins from 13.3% to 17.1%** through improved mix, pricing and greater specialty exposure. CAPEX increased to $433M in 2025, reflecting continued investment in capacity and higher-value solutions, while net income reached $736M.**Our base case projects revenue of $8.22bn by 2031**, with EBITDA reaching $1.27bn and **EBITDA margins recovering from 13.8% in 2026E to 15.5%,** despite conservative topline growth. CAPEX normalizes to c.4.6% of revenue, reaching $380M by 2031, supporting continued investment while allowing stronger cash generation. Overall, our **valuation analyses remain compellingly positive**, supported by gradual margin recovery and specialty-mix improvement.

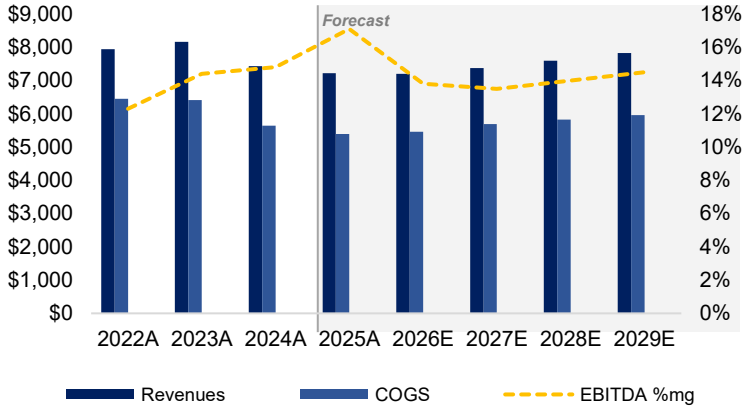
Strategy Analysis

Ingredion's strategy centers on **shifting its portfolio toward higher-growth**, higher-margin specialty ingredients, while maximizing cash generation from its mature core businesses. Management is prioritizing Texture & Healthful Solutions**, investing in capacity, innovation and solutions-based selling** across clean-label texturizers, sugar reduction and protein fortification, while using Cost2Compete and plant modernization to improve efficiency and margins in Food & Industrial Ingredients. **The Tate & Lyle acquisition** accelerates this transformation, expanding Ingredion's capabilities in texture, sweetening and fortification, strengthening its global customer reach **and targeting $130M of annual cost synergies by 2030**. Combined with portfolio simplification and disciplined capital allocation, the strategy aims to create a **business increasingly driven by specialty growth, higher-value customer solutions and structural margin expansion.**

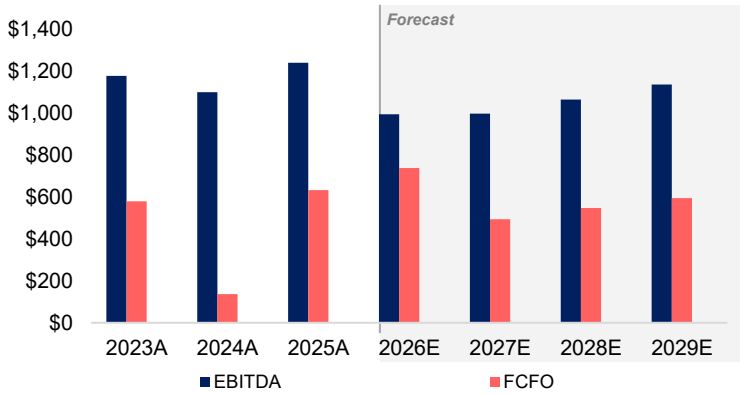
Final Investment Thesis and Position Suggestion

Ingredion combines **strong profitability with an attractive valuation**, supported by its shift toward higher-margin specialty ingredients and resilient T&HS performance. Near-term earnings remain pressured by the Argo disruption and weaker F&II U.S./Canada performance, but these **headwinds appear temporary**. The **Tate & Lyle acquisition should accelerate portfolio transformation and provide synergy potential**, despite integration and leverage risks. With recovering margins, conservative growth assumptions and a substantial discount to peers, **we recommend reinforcing the position** ahead of earnings normalization.

Financial Analysis - Operational ($M)



Financial Analysis – Cash Conversion ($M)



Sources: Ingredion Annual Reports; Investor Day 2025

Position Revaluation

MercadoLibre (MELI)



Position Revaluation

MercadoLibre (MELI)

Business Description

MercadoLibre, Inc. is a **Montevideo, Uruguay-based Latin American e-commerce and fintech ecosystem** operating through **Mercado Libre and Mercado Pago.** Its commerce platform combines a **third-party marketplace, first-party retail, advertising and an integrated logistics network. At the same time,** Mercado Pago provides **digital accounts, merchant acquiring, payments, credit, cards, insurance and asset management products.** FY2025 revenue was split between **Commerce (~56%)** and **Fintech (~44%),** with Brazil, Mexico and Argentina representing the group's core markets. As of Q2 2026, the ecosystem served **131 million unique buyers** on an LTM basis, delivered **2.9 billion items** and had **88 million fintech MAUs.** Mercado Pago's TPV exceeded **US$100 billion** in Q2 2026, while its credit portfolio surpassed **US$16 billion.**

Previous Investment Thesis

The fund initiated a position in MercadoLibre in **April 2023**, at **$1,256.04/share**. The thesis rested on three pillars: (1) **dominant e-commerce leadership in Latin America**, supported by strong brand recognition, first-mover advantages and rising internet penetration; (2) **an integrated and diversified ecosystem**, with Mercado Pago expanding fintech monetisation and Mercado Envíos strengthening logistics, customer experience and margins; and (3) **attractive long-term growth potential**, supported by projected **~25% annual revenue growth through 2030** and continued e-commerce and fintech penetration across Latin America.

Current Situation

MercadoLibre is entering a new chapter following the appointment of **Ariel Szarfsztejn as CEO in January 2026,** with founder Marcos Galperin remaining closely involved as Executive Chairman. The competitive backdrop is also becoming more demanding. **Amazon has launched Amazon Bazaar in Argentina,** bringing its low price shopping proposition directly into one of MELI's strongest markets, while in Brazil it is expanding Amazon Now, its rapid delivery service, across several major cities. Mercado Pago is also facing **greater regulatory scrutiny in Brazil** as authorities assess measures to address rising household indebtedness and the rapid expansion of consumer credit. Despite these changes, MELI continues to reinforce its regional presence, committing **$4.6bn to Mexico in 2026, 35% more than in 2025 and its largest annual investment in the country to date.**

MELI Share Price Performance



Comparable Analysis

	sea	coupang	Alibaba.com	amazon	mercado livre
Trailing P/E Ratio	46.1x	Neg.	27.1x	21.4x	53.5x
P/Sales	2.6x	0.8x	1.9x	3.7x	2.8x
P/Book	5.9x	9.9x	1.8x	5.2x	12.7x
EV/EBITDA	25.4x	Neg.	18.4x	17.8x	27.5x

Sources: SEC, Amazon News, GdM, MELI

Position Revaluation

MercadoLibre (MELI)

Financial Analysis

MercadoLibre is projected to grow **revenues from $28.9B in 2025 to $41.8B in 2026** (+45% YoY), but profitability is not scaling with the top line. Doubtful account provisions are expected to rise 85% to $5.7B as Mercado Crédito expands into a **highly indebted consumer base**, becoming one of the largest incremental cost drivers. EBITDA reaches **$5.7B in 2026**, yet margin remains broadly flat at **13.6% versus 13.9%** in 2025 despite the revenue step-up. FCFO improves through the forecast, supported by negative working capital and CAPEX normalization, but increasingly relies on sustained growth and margin recovery. With Q1 and Q2 EBITDA margins still well below the full-year assumption, H2 must deliver a sharp improvement, making the earnings case more **execution-dependent** than headline revenue growth suggests. MELI itself reported an 85% YoY increase in credit provisions and materially lower operating profitability in H1.

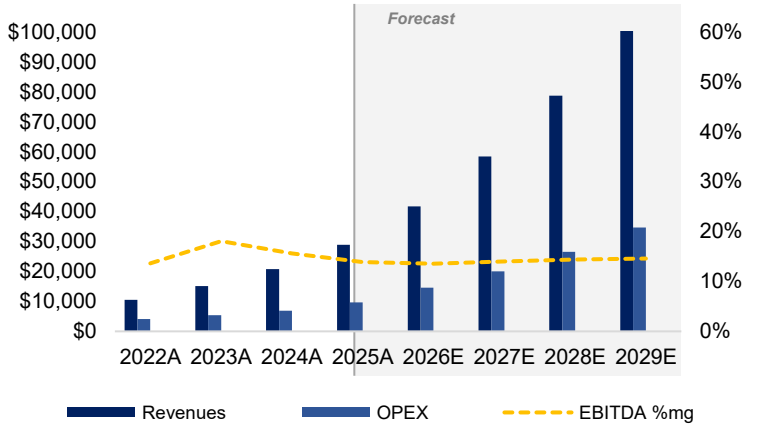
Strategy Analysis

The core issue is the **cost of defending growth**. Chinese platforms gain further price **competitiveness** in Brazil following the removal of the federal import tariff, while Amazon continues expanding its local assortment and delivery proposition. Defending share may therefore keep shipping subsidies, marketing and fulfilment spending elevated. Service revenue also faces a harder backdrop as Brazil's **14% policy rate** and **fiscal uncertainty** weigh on consumption and credit demand. Household leverage compounds the risk: **82% of Brazilian families** now carry some form of debt, while Mercado Pago's credit portfolio continues expanding and provisions rose 85% YoY in Q2. Argentina adds persistent inflation and currency volatility, while sticky Brazilian inflation and debate around fiscal spending and minimum-wage indexation weaken confidence in strong medium-term retail performance. The growth thesis remains compelling, but meaningful operating leverage is becoming increasingly difficult to underwrite.

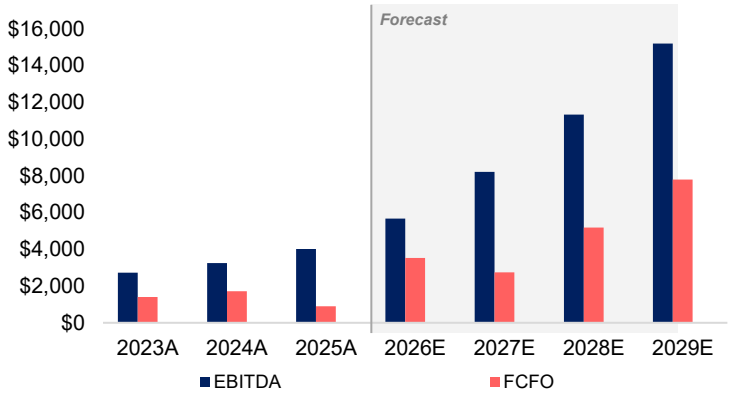
Final Investment Thesis and Position Suggestion

A sell is recommended at current levels. Our DCF implies $1,891 per share versus $2,007 at valuation date, an implied **c.5.8% downside**. The base case already requires sustained high growth and margin recovery while competition, credit costs and Brazil's macro backdrop become less supportive. With limited upside under demanding assumptions and greater downside if execution slips, the **current risk/reward is unattractive**.

Financial Analysis – Operational ($M)



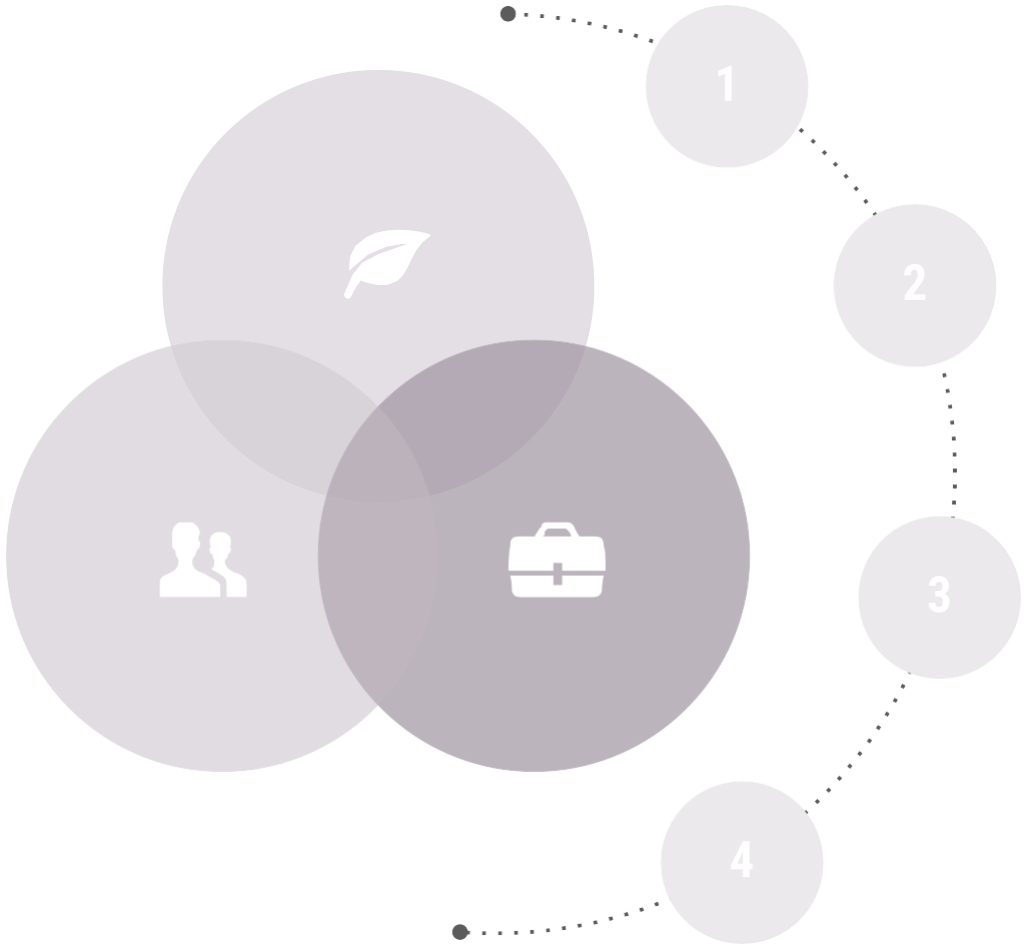
Financial Analysis – Cash Conversion ($M)



Sources: Reuters, Folha, Reuters, Reuters, AB, Reuters, Reuters, Reuters

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**.

Leidos Holdings Qualitative Evaluation

Leidos Holdings
MSCI Rating: AA
Sustainalytics ESG Risk Rating: 19.35 (Low)

Leidos Holdings is reinforcing its ESG positioning through measurable **environmental progress**, **community impact and investment in human capital**, and **strong governance oversight**. On the environmental front, the company has reduced **Scope 1 and 2 greenhouse gas (GHG) emissions by 6.4% from 2021 to 2024**, improved energy-use intensity by **over 10%,** and increased renewable electricity usage to **more than 13%**. Leidos targets a **25% reduction in GHG emissions and 25% renewable electricity use by 2030.** Socially, the company launched its first **enterprise-wide People Strategy in ten years**, enhanced employee benefits and upskilling initiatives, and **doubled participation** in technical training programmes year-on-year, reinforcing its commitment to talent development and inclusion. This focus on responsible growth is further supported by strong governance, with ESG oversight embedded at Board level and the Corporate Governance & Ethics Committee reviewing ESG matters at **least twice a year.**

Sustainable Transport Integration
Leidos' UK operations achieved a **32% reduction in carbon emissions between 2019 and 2024** and are targeting **net-zero emissions by 2040**. Employee-led sustainability programmes have also delivered tangible impact, **saving over 1 million litres of water in H1 of 2025.**

Inclusive Technical Training Programme
Through its partnership with **La Fosse Academy**, Leidos provides a technical training programme across software, systems engineering, cyber and data, followed by a two-year placement and mentoring programme. Since 2021, **96% of associates have transitioned into permanent Leidos roles**, with **46 programmes** supported, **85% of associates from lower-income backgrounds**, and **56% from ethnic minority backgrounds**, demonstrating a strong commitment to social mobility and inclusive access to technical careers.

ESG Analysis

Implied Temperature Rise



Portfolio's Weighted Average Implied Temperature Rise:

2.8ºC

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

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

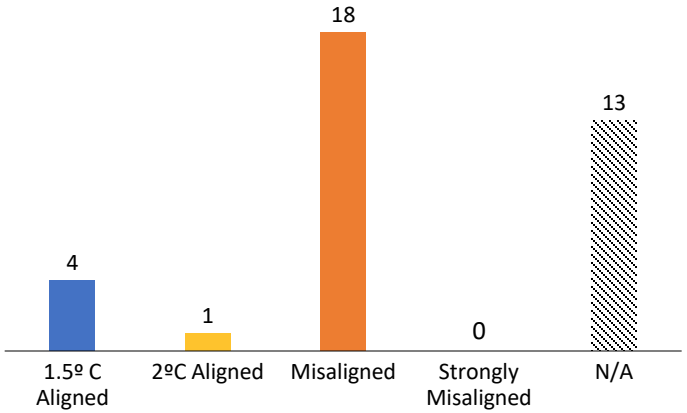
The **NIC-UD portfolio** recorded a stable **implied temperature rise**, standing at **2.8°C**, the same as in the previous quarter. The addition of **Leidos and Amdocs**, which had a temperature rise of **3.2°C**, contributed to maintaining pressure on the portfolio's climate profile, while **improvements in the temperature alignment of several holdings**, helped mitigate this effect. The significant rise in temperature on some existing positions, particularly **Deckers and AstraZeneca** which increased to 3.2°C and 3.2 ºC respectively, contributed **negatively** to the portfolio's climate profile. These increases were partly offset by improvements in **T-Mobile, RENE and Mercado Libre**, whose temperature rises decreased to 1.29°C, 1.21°C, and 0.61°C, respectively. In summary**,** these internal temperature changes had a limited net impact in the portfolio's Weighted Average Implied Temperature Rise.

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

Quick look at: Inditex

Inditex is embedding sustainability across its operations through its Climate Transition Plan, **targeting a 53% reduction in emissions by 2030** and already achieving an **88% reduction in direct emissions since 2018**. The company is also advancing circularity, with **88% of fibres used in 2025 coming from lower-impact materials** and Zara Pre-Owned available in **17 markets**. Socially, its **Workers at the Centre programme** reached **3.1 million** supply-chain workers, focusing on labour rights, living wages, health and wellbeing.

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	0,53	1	
S&P Global	0,38	0,32	1

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

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

Ticker	Weight in Portfolio	Sustainalytics (Converted)
META	2,10%	4
ESPO.L	2,07%	NA
BA.L	2,13%	4
EPD	4,86%	NA
MRN.PA	3,08%	4
ITX.MC	1,74%	2
G.MI	3,24%	2
VOW3.DE	1,37%	4
ATEN	3,24%	4
ABBNY	3,61%	2
VDTA.L	3,26%	NA
IKOR.L	4,66%	NA
JNJ	2,16%	2
GOOGL	6,18%	2
TMUS	2,21%	4
MELI	2,98%	2
AZN	1,88%	2
EQB.TO	2,30%	2
LEA	2,23%	2
INGR	0,82%	4
MC.PA	1,54%	2
ARW	4,31%	1
ZBH	2,16%	4
GDX	2,56%	NA
NVO	3,95%	2
RENE	2,58%	4
DECK	2,57%	2
VICI	2,69%	2
BFIT	3,90%	4
SN	2,57%	4
BKNG	3,12%	2
CVSA	3,30%	2
TPFG.L	3,77%	2
LDOS	2,65%	2
DOX	2,19%	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, 5 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 remain broadly stable at 2.8°C**, as the addition of positions with higher temperature was largely offset by improvements in the temperature alignment of several positions. While some holdings maintained strong ESG performance, the overall stability reflects **changes in portfolio composition and the ESG performance of individual holdings.** 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

Mistakes:

- We were not as consistent with Monthly Fund Meetings which reduced discussion around portfolio performance and position's developments.
- Coverage teams were not as active during the summer period, which reduced portfolio tracking.
- The QSR ultimately took longer to complete than expected.

Lessons Learned / Key takeaways:

- The importance of tracking macroeconomic news was incorporated, by discussing its impact on a new coverage group.
- A key lesson from this cycle was the importance of clear timelines and stronger execution discipline, ensuring the QSR process remains efficient and avoids the delays experienced in this round.

Going forward:

- Stock pitches will maintain the current format to preserve consistency and accountability in the workflow.
- There will be higher integration between news discussed in the coverage groups and the Monthly Fund Meeting.
- Our focus is to strengthen execution and improve the connection between coverage discussions, revaluation processes, and portfolio decision making.

Final Remarks

Letter to Shareholders

Quarter highlight

Share Price increased (**13.3%**), **underperforming** the benchmark by **1.5 pps**

Following strategic rebalancing, we reinforced **Ingredion**, sold **MercadoLibre**, and initiated new high-conviction positions in **TPFG, Leidos and Amdocs**.

Increased implied temperature stayed **at 2.8°C**, with no meaningful changes

Letter to shareholders:
Dear all,

We are pleased to present our first Quarterly Shareholders Report as Co-Presidents, and proud to do so on the back of one of the fund's strongest quarters in absolute-return terms.

The fund achieved a total quarterly return of 13.3% during Q2 2026, broadly in line with the benchmark which rose 14.8%, representing a slight underperformance of approximately 151 basis points. While we fell marginally short of the MSCI World this quarter, we view Q2 as a strong validation of the portfolio's underlying quality and the team's analytical rigour.

The quarter was defined by powerful momentum across technology and industrial names. Our top performers were Mersen (+87%), iShares MSCI Korea ETF (+72%), and A10 Networks (+62%). Mersen advanced on a return to organic growth, driven by momentum in data centres, power electronics and silicon semiconductor markets. The Korea ETF rode the memory supercycle as Samsung and SK Hynix rallied into MSCI's June market classification review. A10 Networks outperformed on AI infrastructure and cybersecurity demand, delivering strong revenue growth at a 30% adjusted EBITDA margin. Conversely, Leidos (-34%), Amdocs (-22%), and T-Mobile (-20%) were the quarter's key detractors, weighed down by guidance cuts, margin pressure, and slowing sector growth respectively.

Total equity increased during the quarter, principally driven by capital gains representing approximately 13% of equity, reflecting of the broad market tailwind and our continued exposure to high-conviction positions.

As we step into our full year of leadership, we remain committed to the fund's core objectives: disciplined portfolio construction, rigorous investment analysis, and the development of our members into well-rounded investors. We look forward to the quarters ahead.

Francisca Mora & Lucas Faísca
Co-Presidents, Nova Investment Club – UD

Final Remarks

QSR Team

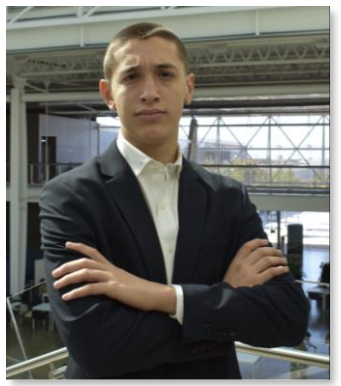
Q2'26 QSR Team











Final Remarks

NIC Undergraduate Division Fund

Investment Team

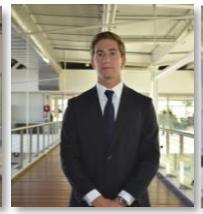
Heads



Francisca Mora
Co-President



Lucas Faísca
Co-President



João Catroga
Investment Manager



Diogo Pereira
Investment Manager



Arthur Canellas
Co-Head of Operations



Yash Chauhan
Co-Head of Operations



Joana Bonecas
Head of Corporate Relationships



Miguel Moura
Head of Meeting Content



Inês Albuquerque
Social Media Manager



Gastão Feliz
NUR Editor-in-Chief

Associates



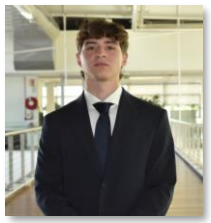
Mateus Nascimento
Associate



Francisco Almeida
Associate



Maria Costa
Associate



João Pereira
Associate



Leonor Cintra
Associate



Joana Santos
Associate

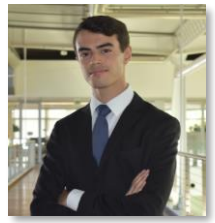


Guilherme Santos
Analyst

Analysts



Raquel Mitras
Analyst



Tomás Tavares
Analyst



Tomás Barriga
Analyst



Pedro Santos
Analyst