NIC | Undergraduate Division Fund

Q3 2025 Shareholders Report

20th November 2025



Results Summary

Share price performance and Total Equity cashflows

The fund achieved a total quarterly return of 5.08% during Q3

The fund **underperformed** the benchmark, which showed a **6.20% return**. However, **the fund's third-quarter return of 5.08%** represented a **year-over-year increase of 74 basis points** compared to the **4.34%** recorded in the **corresponding period last year**.

VanEck Gold Miners ETF (GDX) (+46.8%), Alphabet (+37.9%), and Johnson&Johnson (+21.4%) were the best performers in this quarter

The **VanEck Gold Miners ETF** surged as **gold prices rose** sharply due to higher geopolitical tensions, rate cuts and U.S. dollar debasement. **Alphabet** benefited from growing optimism around its **AI initiatives and solid revenue growth. Johnson&Johnson's** strong rally was driven by **robust Q2 results**, with revenue up 5.8% YoY.

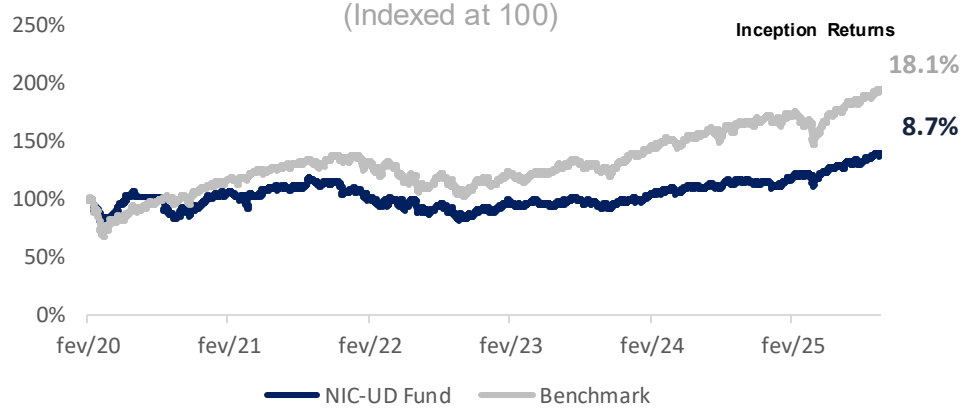
Novo Nordisk(-19.6%), EQB (-11.7%), and MercadoLibre (-10.6%) were the worst performers in this quarter

Novo Nordisk's significant drop was primarily attributed to reduced revenue concerns after **Trump's announcement to lower drug prices**, and also due to the **increasing competition** exerced by US copycat weight-loss drugs. **EQB** declined sharply after missing earnings expectations, suggesting **weaker profitability** with net income having dropped 32% YoY. **MercadoLibre's** stock plunged following a **weaker-than-expected EPS in Q2** and due to Amazon's new free delivery measures in Brazil which **intensified competition** and raised concerns over reducing margins.

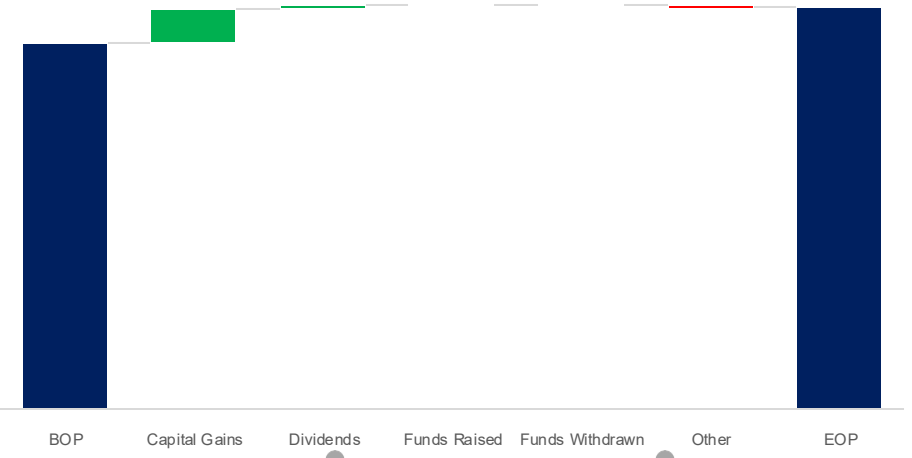
The fund saw total equity increase

The change in equity was mostly driven by **capital gains of 5.4%**

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 Q3 2025**, VanEck Gold Miners ETF**, **Alphabet and Johnson & Johnson** were the top performers, returning **+47.0%**, **+38.0%** and **+21.0%,** respectively**.**

The **VanEck Gold Miners ETF** benefited from **rising gold prices** and investor demand for **safe-haven assets**, supported by **strong earnings** among major mining companies, big central bank gold purchases, and portfolio adjustments ahead of its benchmark index transition. The **Alphabet Inc**. stock grew because of a **record quarterly revenue**, strong growth in **cloud computing and AI-driven advertising,** and continued capital investment aimed at expanding data infrastructure and long-term profitability. **Johnson & Johnson** benefited from investor confidence in its healthcare franchise, supported by **6.8 % year-on-year sales growth**, and an upgraded full-year sales outlook accompanied by the planned spin-off of its orthopaedics business.

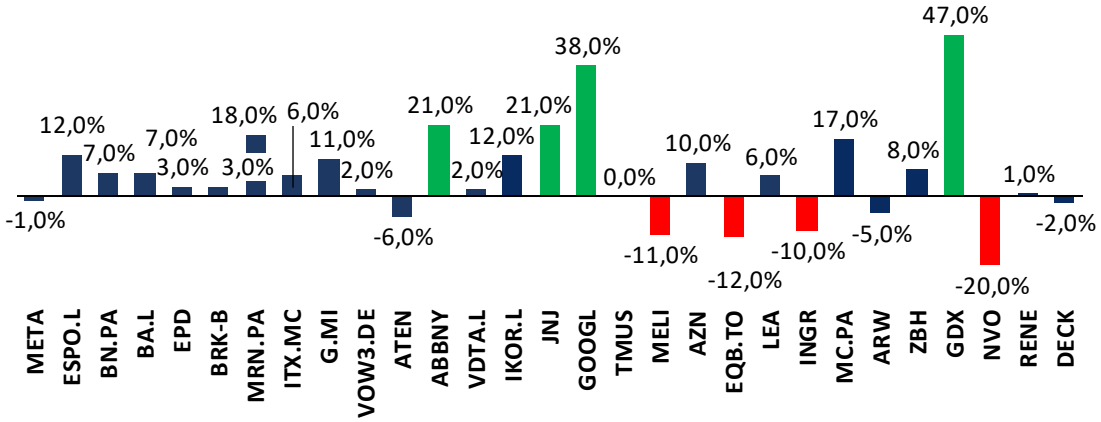
Fund's top 3 worst-performing securities(quarterly)

The weakest performers were **Novo Nordisk**, **EQB**, and **MercadoLibre**, falling **-20.0%**,**12.0%**, **and -11.0%**, respectively.

Novo Nordisk's stock fell after it **cut** its full-year 2025 **sales and profit forecasts** and slower-than-expected growth in its obesity and diabetes segments. **EQB´s** shares declined as the bank **missed Q3 earnings** expectations, with weaker net interest margins and higher credit-loss provisions reflecting pressure from Canada's slowing housing market and a challenging macro environment. **MercadoLibre's** earnings fell **short in Q3 2025** due to **higher operating costs** and **increased investments in logistics** and **fintech expansion**, which weighed on profitability despite strong revenue growth.

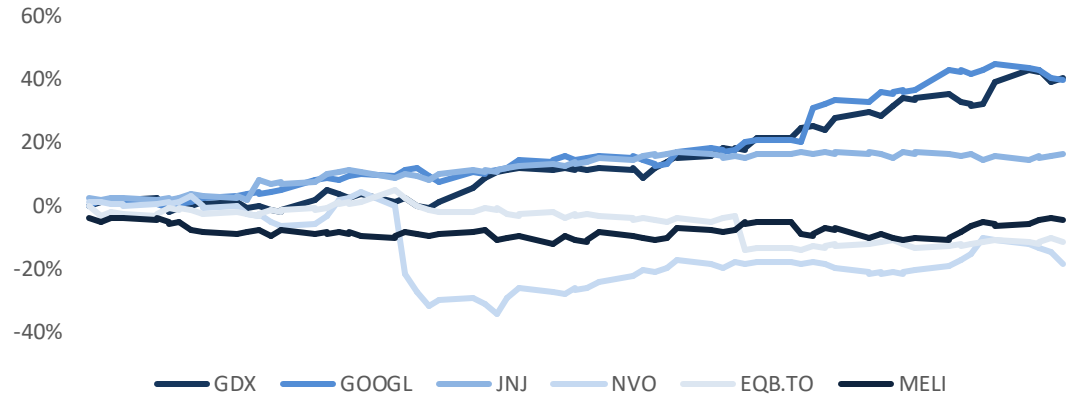
Quarterly performance by position

(From 31/06/2025 to 30/09/2025)



Best and Worst Securities Performance (exc. dividends)

(From 30/06/2025 to 30/09/2025)

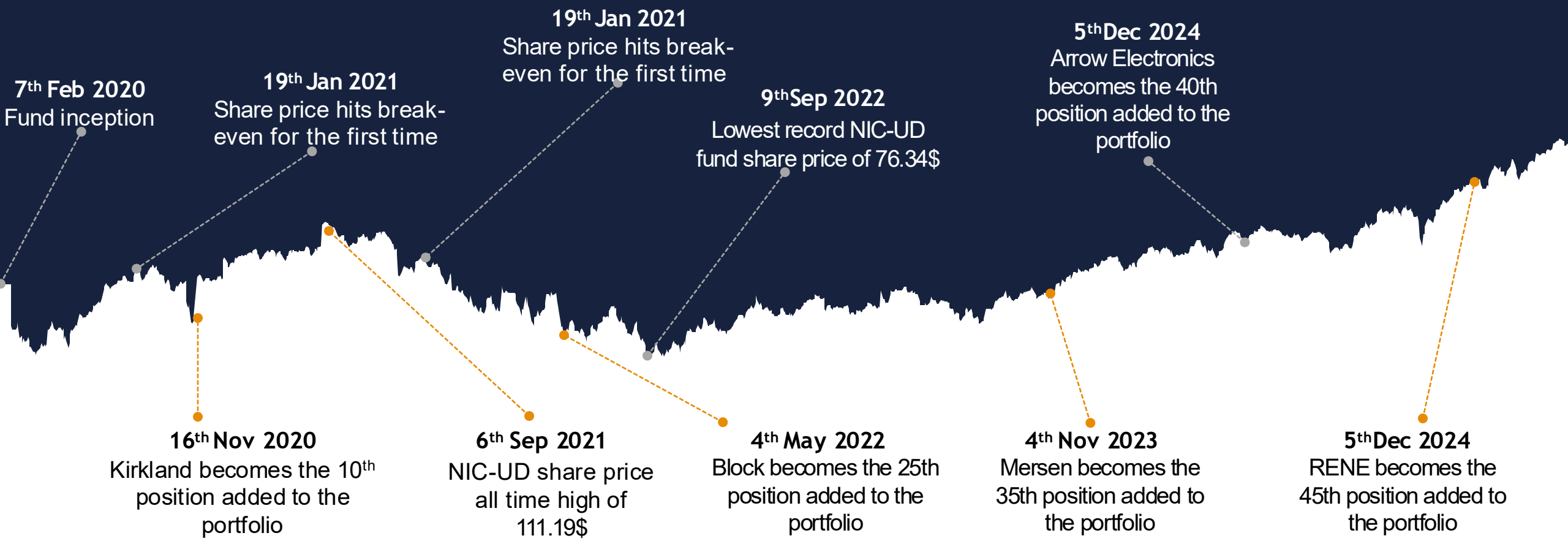


Portfolio

Portfolio roadmap

NIC Undergraduate Division Fund

Portfolio share price



Portfolio

Portfolio Vs Benchmarks

Fund Performance

In the third quarter of 2025, the **fund delivered a 5.08% gross return**, underperforming the **6.20% achieved by the benchmark**. Moreover, the fund demonstrated a weaker risk management, as evidenced by a **Sharpe Ratio of 1.17**, underperforming **the benchmark's 2.21.**

The quarter was marked by **broad-based equity strength**, supported by mounting expectations of **monetary policy easing** and continued **AI-led investment flows**. Risk sentiment improved early in the period as investors positioned for potential **rate cuts by major central banks**, following evidence of **slowing inflation** and resilient labour markets across developed economies. Momentum briefly stalled mid-quarter amid **softer-than-expected Chinese GDP data** and renewed pressure in the country's property sector, which triggered a short-lived **risk-off rotation** into defensives. However, markets quickly regained traction as **US and European tech names outperformed**, driven by **strong semiconductor earnings** and positive forward guidance from key AI-exposed corporates.

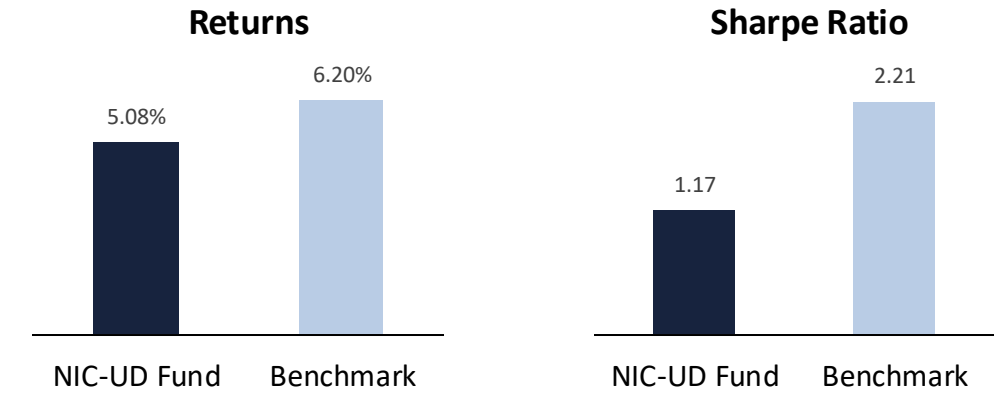
Late in the quarter, **volatility re-emerged** following stress in parts of the **US regional banking system** and a round of profit-taking after consecutive monthly gains. Even so, the quarter concluded with **major indices in positive territory**, underpinned by **solid corporate earnings**, **disinflationary trends**, and a reinforced narrative of a **soft-landing global economy** heading into Q4.

Benchmark Composition

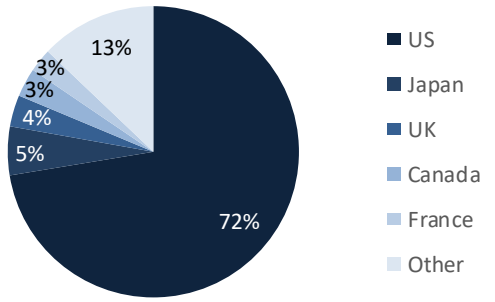
During this quarter, we opted to maintain the benchmark utilized in our portfolio in the previous period, aiming to establish a benchmark with **risk metrics** and exposure similar to our portfolio. Consequently, this benchmark incorporates a **diversified exposure** across developed markets, with a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

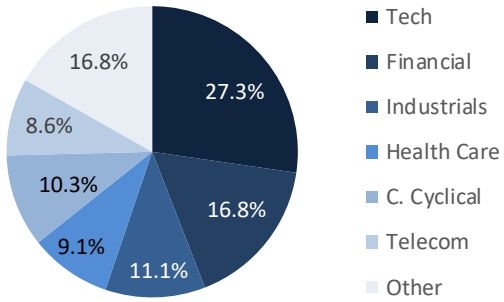
(From 30/06/2025 to 30/09/2025)



MSCI World Index Geographical Allocation



MSCI World Index Allocation by Industry



Portfolio

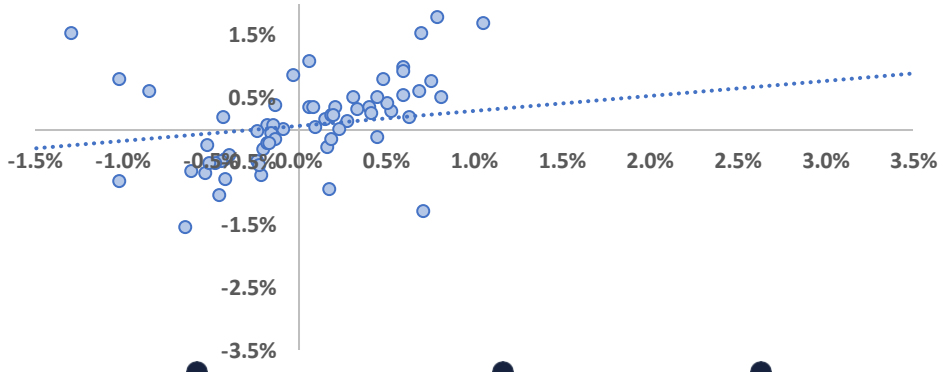
NIC Undergraduate Division Fund

Risk measures

Risk-adjusted performance measures*

Annualized	6M	1Y	2Y	Inception
Gross Returns	*21.52%*	*30.64%*	*21.10%*	**6.67%**
Risk Free Rate	*3.94%*	*4.11%*	*4.60%*	*2.81%*
Variance	*1.42%*	*1.27%*	*0.95%*	*2.58%*
Std. Deviation	11.91%	11.27%	9.73%	16.06%
Sharpe Ratio	**1.48**	**2.35**	**1.70**	**0.24**
Semi variance	*0.211%*	*0.300%*	*0.266%*	1.316%
Semi-Std. Deviation	*4.59%*	*5.47%*	*5.16%*	*11.47%*
Sortino Ratio	**3.83**	**4.85**	**3.20**	**0.34**
Jensen's Alpha	*0.0012*	*0.0030*	*0.0015*	*-0.0002*
Beta	*0.8156*	*0.5984*	*0.6212*	*0.6770*
Treynor's Ratio	**0.22**	**0.44**	**0.27**	**0.06**
Gross Benchmark Return	*24.08%*	*21.03%*	*20.68%*	**12.75%**
Tracking Error	*10.56%*	*9.80%*	*8.06%*	*13.42%*
Information Ratio	**-0.24**	**0.98**	**0.05**	**-0.45**

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 **21.52%** significantly underperforming both the previous year's return of 30.64% and outperforming the inception return of 6.67%.

The **Sharpe Ratio**, which measures risk-adjusted returns, allows for comparison between returns and the level of risk (as measured by volatility). Looking at the previous six months, the fund experienced a Sharpe ratio to **1.48**, a notable improvement well **above the inception level of 0.24**, signalling excellent risk-adjusted performance during this period.

The **Sortino Ratio**, which focuses on downside risk, reflects how the portfolio's returns compare to the risk of negative performance. In the last six months, the Sortino Ratio fell to **3.83, above the inception level of 0.34** 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 **0.22** in the last semester.

The **Information Ratio** measures how closely the portfolio tracks its benchmark. Despite last year outperformance against the benchmark, over the last annualised six months, we have **underperformed the benchmark**, standing at **a ratio of -0.24**.

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

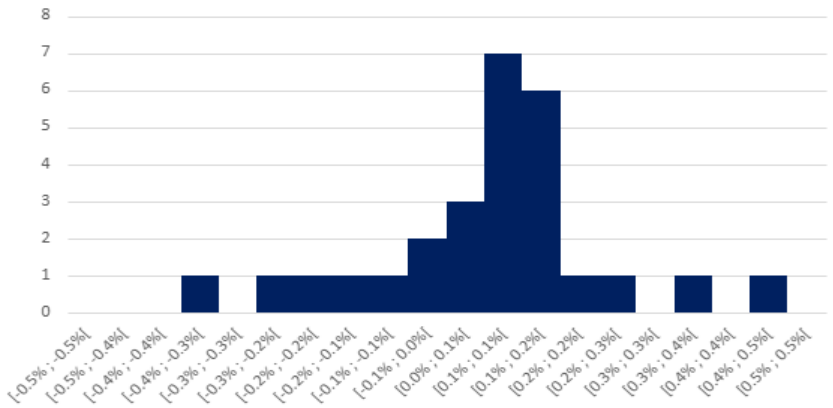
Portfolio

Value at Risk

VaR calculations

Histogram of portfolio weekly returns

From 30/06/2025 to 30/09/2025



Sample Statistics

	Weekly	Annual
1 year		
Mean	0,34%	19,23%
Std Dev	1,32%	9,48%
Pearson's Skewness Coef.	-15,48%	

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%	16,9%	7,1%	-13,0%
95%	13,0%	3,6%	-18,8%
99%	5,5%	-2,8%	-29,6%

2. Historical simulation approach (Daily VaR)

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

	Value at Risk (%)		
% / Time Period	6M	1Y	Inception
90%	-8%	-7%	0%
95%	-11%	-15%	-16%
99%	-16%	-21%	-55%

3. Monte-Carlo simulation approach

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

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

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

Portfolio

Summary Statistics

Correlation matrix between securities

(From 30/06/2025 to 30/09/2025)

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

The portfolio delivered an **average daily return of 0.08%** during the quarter, reflecting **steady performance amid a more volatile market** backdrop.

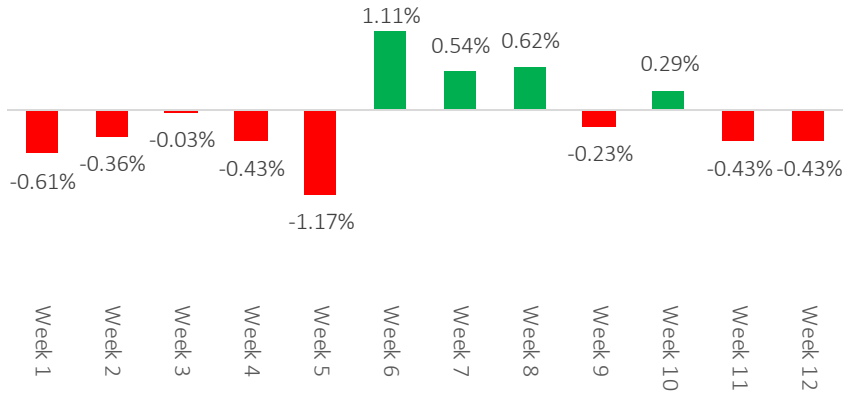
The fund exceeded the benchmark in **4 of the 12 weeks**, compared **with 8 in Q2**, as **gains** were **more concentrated** and **market dispersion increased**.

Valuation multiples were **slightly higher**, with **LTM P/E at 22.82** and **LTM EV/EBITDA at 13.90**, suggesting mild **multiple expansion** driven by resilient portfolio earnings.

Risk metrics remained stable, with **maximum weekly drawdown at -1.17%** and **Annual VaR (95%) of -12%**, indicating contained **downside risk despite macroeconomic uncertainty**.

Weekly excess return over the benchmark

(From 30/06/2025 to 30/09/2025)



Basic Info		Performance	Inception
Total Equity	———	Sharpe Ratio	0.21
N of Shares	———	Sortino Ratio	0.28
Share Price	$125.70	Information Ratio	-0.48
Capital Invested (%)	92.38%	Jensen´s Alpha (α)	-0.0003%
Beta (β)	0.6773	Gross Returns per year	6.09%
Risk		**Valuation**	
Negative Weeks	3	Fund´s LTM P/E	22.82
Maximum Weekly Drawdown	-1.17%	Fund´s LTM P/S	3.37
Annual VaR (α=95%)	-12%	Fund's LTM EV/EBITDA	13.90

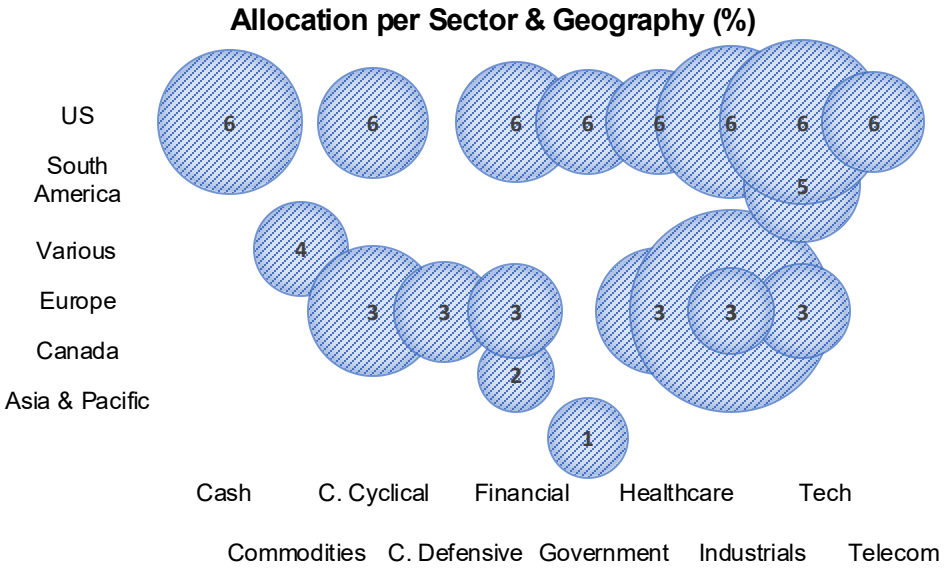
Allocation

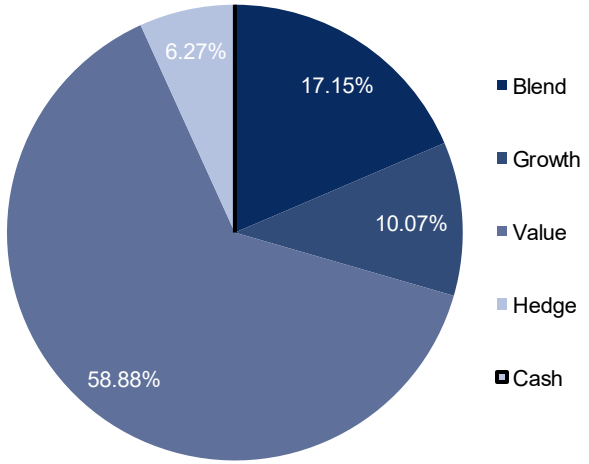
Current Allocation

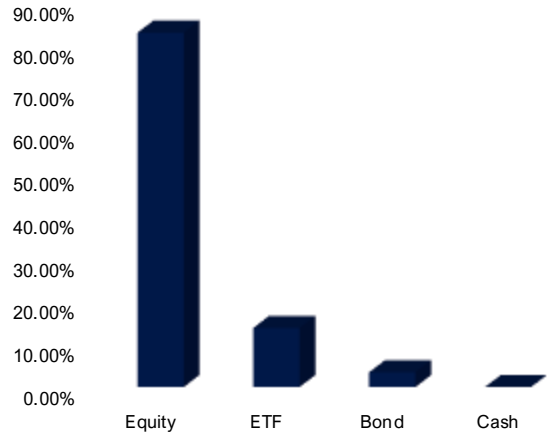
Rebalancing the Portfolio

The third quarter of 2025 was defined by a further **recalibration of global monetary policy and a broadening sense of economic optimism**, despite persistent geopolitical and inflationary crosscurrents. In the United States, **the Federal Reserve initiated its first rate cut in September to 4.00%-4.25%**, responding to a softening labour market and moderate inflation pressures. In contrast, the **European Central Bank maintained its deposit rate at 2.00%**, following earlier cuts, as eurozone inflation hovered close to target but core price pressures remained resilient. Equity markets initially reacted positively to this policy divergence, though volatility resurfaced towards the end of the quarter amid new concerns over a possible stock bubble, especially in the technology sector.

The **fund's performance was supported by strong gains in the Gold Miners ETF, Technology, and Healthcare**, reflecting a mixed market rotation toward defensive allocations and innovation-driven sectors, due to **increasing market volatility along with AI optimism**. Overall, the fund remained well-positioned across structural growth themes such as AI, digitalisation and healthcare innovation, **balancing exposure between resilient sectors and higher-risk opportunities** during an uncertain yet improving macroeconomic environment.







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.



Waste Management

Waste management is becoming an increasingly attractive sector amid tightening environmental regulation. The transition toward circular economies drives investments in recycling, waste-to-energy, and smart collection technologies. Stable cash flows and government-backed incentives make the industry resilient.



Funeral & Elderly Care

Ageing populations across developed markets are fueling consistent demand for funeral services and elderly care facilities. The sector benefits from strong demographic tailwinds, ensuring predictable revenues. Consolidation and private equity involvement continue to reshape the competitive landscape.



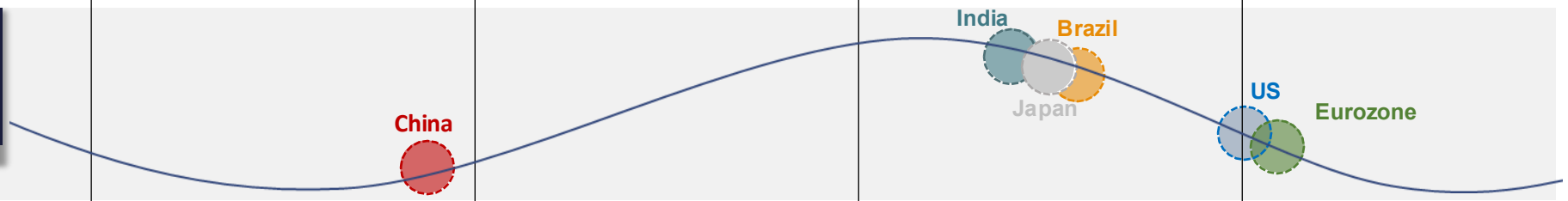
Cybersecurity

Cybersecurity has become a geopolitical and economic necessity. With attacks increasing in scale and cost, spending is no longer discretionary but mandatory. The sector offers durable margins and high recurring revenues, making it one of the few growth themes that benefit from instability.

Tactical Asset Allocation

NIC Undergraduate Division Fund

Economic Cycles



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

Sources:

-Fidelity Institutional

-Invesco Ltd.

-S&P Global Ratings

Articles:

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

- "Portfolio Management: Sector Rotation" – Investopedia

Tactical Asset Allocation

Quarterly Macro Research

NIC Undergraduate Division Fund



Waste Management



Funeral & Elderly Care



Cybersecurity

Tactical Asset Allocation

Waste Management (1/4)

Current Outlook

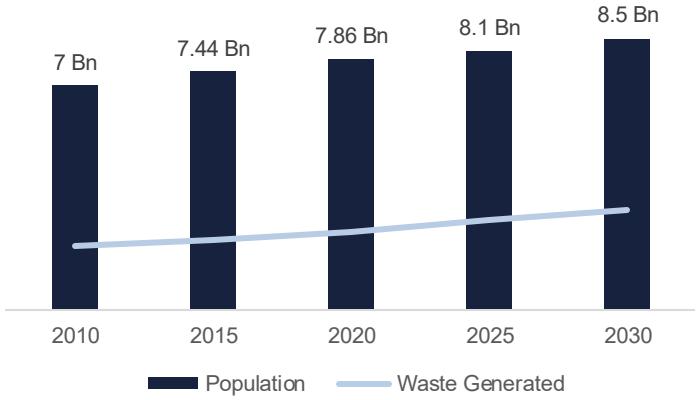
The waste management industry is currently experiencing **steady growth,** driven by urbanization, population expansion, and **rising environmental awareness**. Demand for efficient **collection, recycling, and waste-to-energy solutions** has increased as governments and corporations prioritize sustainability goals. Major players such as Waste Management Inc., Republic Services, and Veolia maintain strong market positions with stable cash flows and long-term municipal contracts. Technological innovation, including **automation and smart waste tracking**, is further improving operational efficiency and profitability.
Additionally, **sustainability and ESG investing trends** are directing more capital toward companies that prioritize **recycling, circular economy models, and carbon reduction**. As a result, the sector combines defensive characteristics such as stable cash flows and recurring revenues with structural growth opportunities. This balance makes waste management an increasingly attractive area for medium-long term tactical asset allocation. Overall, the industry's alignment with global sustainability goals ensure its relevance and profitability.

The Transboundary Movement of Waste: Dynamics of the Global Waste Trade

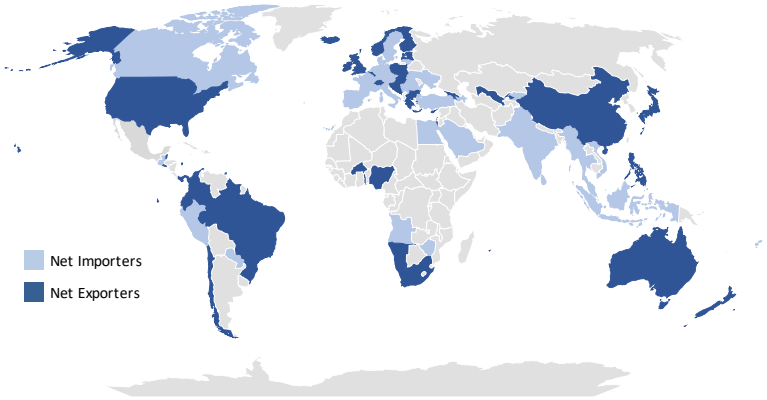
The global waste trade reflects deep asymmetries between advanced economies and emerging markets. It expanded rapidly from the 1990s as advanced economies sought cheaper disposal abroad. **China** absorbed nearly **45% of all plastic waste worldwide** until the 2018 "National Sword" ban cut inflows by over **90% within a single year**, triggering a redistribution: **Malaysia** and **Vietnam** saw imports rise by **more than 50% between 2018 and 2020**, while **Turkey's** share of Europe's plastic waste more than tripled, making it the EU's largest recipient. On the export side, **Germany**, **Japan**, the **UK**, and the **US** still account for **over one-third of global plastic waste exports**. Recycling rates have stagnated, with secondary materials now making up about **7% of raw use**, down from nearly 9% a decade ago. The map on the left illustrates these trade dynamics, where **lighter blue** represent countries with **higher net waste imports** and **darker blue** indicate **net exporters.**
International regulation has lagged: the **1989 Basel Convention** (in force since 1992) sought to prevent wealthy nations from offloading hazardous waste onto poorer countries by enforcing prior consent and local treatment. Yet OECD data show exports of mixed and contaminated plastics to non-OECD countries grew by **15% since 2021.** Thailand and Malaysia's 2025 bans tighten import restrictions, while the failure of the **Global Plastics Treaty negotiations in August 2025** underscores geopolitical deadlock over curbing production versus relying on recycling.

Sources: OECD, UNEP

Population and Waste Generated Growth



Net Trade Balance of Plastic Waste (HS 3915), 2024



Source: UN Comtrade

Tactical Asset Allocation

Waste Management (2/4)

From Waste to Worth: Regulations and Catalysts Expanding Business Models

Persistent **regulatory pressure** and expanding **corporate zero-waste pledges** are accelerating a shift from landfill dependence toward circular, recovery-based business models. These targets are reinforced by **Extended Producer Responsibility (EPR)** statutes in the EU and U.S., which transfer disposal costs to producers and establish dedicated recycling funds. Legislation, such as **California's SB 54**, mandates a 25% reduction in plastic packaging and 65% recycling rates by 2032, compelling producers to design recyclable materials and digitally track recovery. Similarly, the **U.S. EPA's e-Manifest** now obliges hazardous-waste exporters to submit real-time digital records for waste and emissions tracking, creating new compliance and data-management service niches.

Meanwhile, powerful catalysts are emerging. **Carbon-negative and net-zero commitments** are redirecting capital toward **Waste-to-energy (WtE) plants**, which convert non-recyclable refuse into electricity and are fitted with carbon-capture systems. **Smart digital systems** are evolving toward predictive waste analytics, while **circular economy solutions** transform industrial and organic waste into valuable inputs. Rapid **e-waste growth**, driven by EV battery retirement and recycling mandates, is channelling capital into advanced recovery technologies. Collectively, these forces are redefining waste from a liability into a regenerative resource.

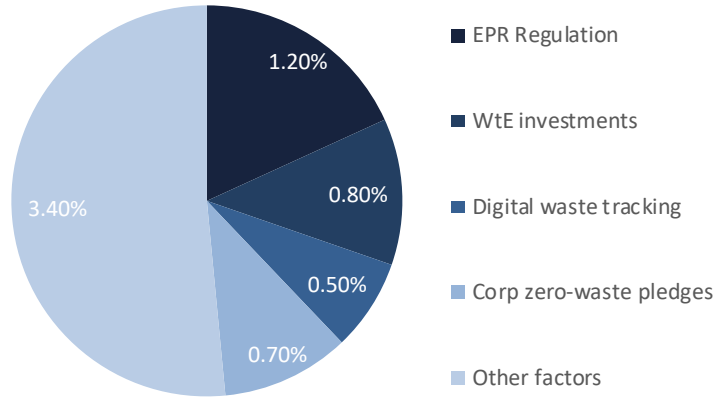
Future Outlook

The waste management industry is expected to expand significantly over the next decade as governments, investors, and corporations **strengthen commitments to sustainability and the circular economy**. Rising waste generation, stricter environmental regulations, and the push for carbon neutrality will create **strong demand** for advanced **recycling, composting, and WtE technologies**. Growth will also be driven by digital transformation to optimize collection routes, reduce costs, and improve recycling efficiency. Mergers and acquisitions are likely to continue, as larger firms consolidate regional markets and diversify into adjacent environmental services.

However, the sector faces several risks such as high capital intensity and infrastructure costs, potential **volatility in commodity prices** affecting recycling profitability, and **regulatory uncertainty** in emerging markets. Moreover, achieving zero-waste targets requires behavioral and policy changes that may progress slowly. Despite these challenges, the long-term outlook remains highly positive, with waste management positioned at the **center of the global transition toward sustainable urban living and resource efficiency**.

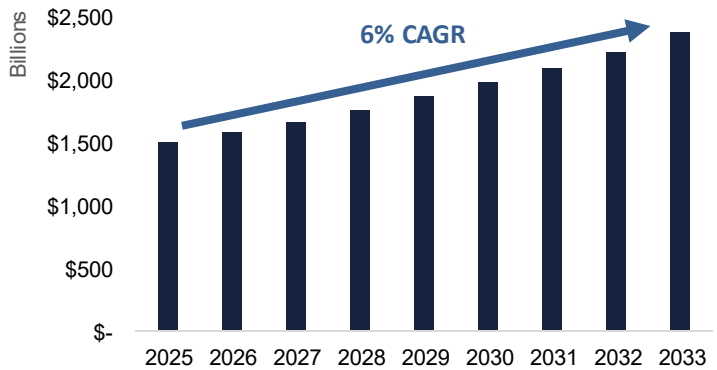
Sources: Mordor Intelligence, Grand View Research

Regulations & Catalysts Effect on WM CAGR 29/09/2025



Source: Mordor Intelligence

Global Waste Management Market



Source: Grand View Research

Tactical Asset Allocation

Waste Management (3/4)

Industry's Supply Chain and Innovation Trends

What is it? Dividing collected waste into recyclables, organics, and residuals.

Innovation trends: AI-powered robots, sensor-based material recognition, and automated separation technologies.

What is it? Supplying recycled materials or recovered energy back to the market.

Innovation trends: Circular economy marketplaces, traceable recycled material supply chains, and carbon-credit integration.



What is it? Gathering and transporting waste from households, businesses, and industries.

Innovation trends: Smart bins and IoT-enabled waste tracking, AI-optimized collection routes, and community-based waste reduction.

What is it? Processing waste for:

- **Recycling:** convert waste into new materials.
- **Composting:** treating organic waste.
- **Waste-to-Energy :** converting non-recyclable waste into electricity, heat, or biogas.
- **Hazardous waste treatment:** neutralization or safe disposal.

Innovation trends:

- Chemical Recycling & Depolymerization
- Waste-to-Energy & Thermal Treatment Innovation
- Enzymatic and Biotechnological Treatment

Tactical Asset Allocation

Waste Management (4/4)

Possible Investments

Veolia Environnement SA (OTCPK: VEOEY)

- **EBITDA: 7.19 Bn**
- **FCF Yield: 23.18%**
- **Market Cap: 24.67 Bn**
- **P/E ratio: 18.52**

Republic Services, Inc. (NYSE: RSG)

- **EBITDA: 4.99 Bn**
- **FCF Yield: 3.36%**
- **Market Cap: 70.30 Bn**
- **P/E ratio: 33.36**

Befesa S.A. (XETRA: BFSAF)

- **EBITDA: 247 Mn**
- **FCF Yield: 8.79%**
- **Market Cap: 1.72 Bn**
- **P/E ratio: 12.35**

Clean Harbors (NYSE: CLH)

- **EBITDA: 1.11 Bn**
- **FCF Yield: 3.99%**
- **Market Cap: 12.55 Bn**
- **P/E ratio: 32.90**

Waste Management, Inc. (NYSE: WM)

- **EBITDA: 6.78 Bn**
- **FCF Yield: 2.46%**
- **Market Cap: 88.32 Bn**
- **P/E ratio: 32.58**

China Everbright Environment (HKEX: CHFFY)

- **EBITDA: 957 Mn**
- **FCF Yield: 18.50%**
- **Market Cap: 3.92 Bn**
- **P/E ratio: 8.18**

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

Tactical Asset Allocation

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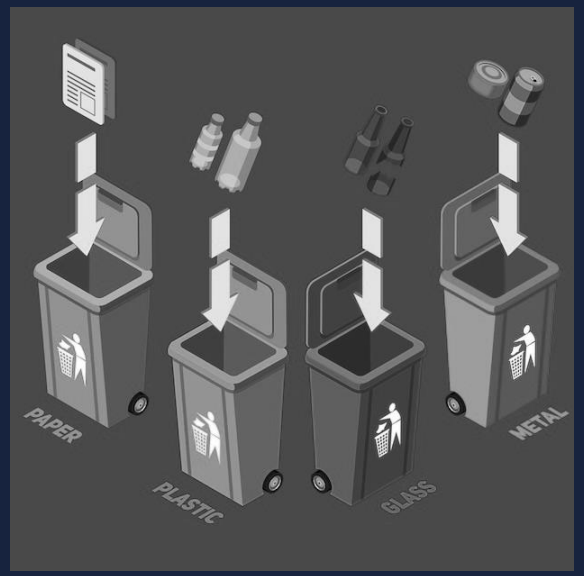


Waste Management



Funeral & Elderly Care



Cybersecurity

Tactical Asset Allocation

Funeral and Elderly Care (1/4)

Life Expectancy and Health Expectancy

As **longevity extends** and family structures evolve, societies face a sustained rise in the need for **specialized housing, assisted living, and end-of-life care solutions**. **Aging and health demographics** drive long-term growth in **elderly care and funeral services**. In the United States, life expectancy **rebounded to c.78 years in 2023** and is projected to reach **80 years by 2050**, while Healthy Life Expectancy (HALE) **is 64 years and declining**. In the European Union, life expectancy **averages 81 years** and is expected to rise to **85 years by 2050**, with a HALE of **63 years that is improving**. In East Asia, the UN projects **China's life expectancy at about 82 years by 2050**, while **Japan** is forecast to reach **around 89 years**. As of 2023, the **65+ population represents roughly 25–30%** in both countries, with HALE levels among the **highest at 70–75 years**. Consequently, **ageing is shifting focus toward prolonging functional health**, boosting **demand for assisted living and long-term medicalized care**.

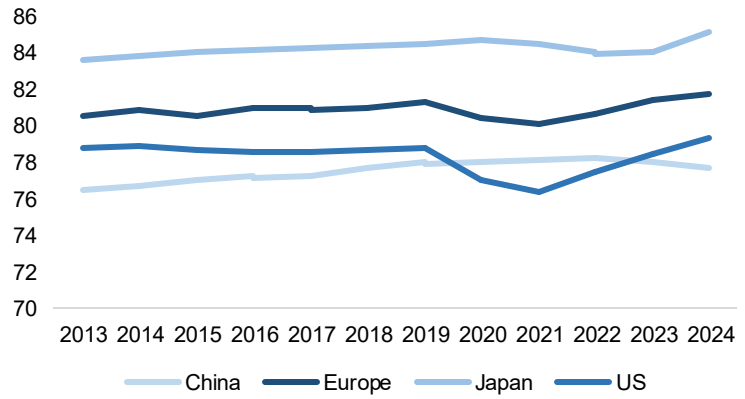
Dependency Ratios

The **old-age dependency ratio** *(OADR)* illustrates the accelerating demographic pressure on economies. In the United States, the OADR has reached around **27%** in 2023 and is projected to climb to nearly **38%** by 2050. Across the European Union, the situation is even more pronounced, with the OADR standing at approximately **34%** in 2023 and expected to exceed **50%** by mid-century. In **Japan**, the OADR has reached an unprecedented **54 % in 2023** (projected to rise to 80% until 2050). **China** is following a similarly steep trajectory, as its *OADR* has nearly **doubled in two decades**, to **20 % in 2023** (expected to surpass 45% by 2050). As traditional family support structures weaken, dependency ratios rise sharply increasing demand for **elderly care and senior housing.**

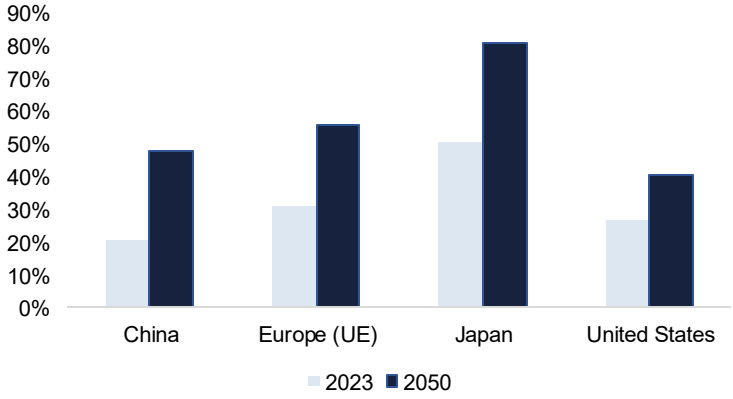
Retirement Age and Pension Fund Pressures

In the U.S. and Europe, the **effective retirement age is lower than the statutory age** (average spread 3.5 years). In **Asia**, rising retirement ages in **Japan and China** are delaying dependency, shifting elderly care demand to **later, more intensive stages**, and creating a **compressed, higher-acuity market for assisted living**. In **Japan**, the rapidly aging population is straining the **pension system.** The whole highlights the need for **private elderly-care** as both a social necessity and a structural outlet for capital and employment.

Life Expectancy (Age)



Old-Age Dependency Ratio



Sources: World Health Organization

Tactical Asset Allocation

Funeral and Elderly Care (2/4)

Funeral and Cremation Services Industry

The global **funeral and cremation services** market was valued at **$62.72Bn** in 2023. The **Asia-Pacific region** accounts for about **40% of the global share**, driven by an aging population and long-standing cremation traditions, particularly in Japan, where Buddhism has made cremation the dominant practice. In the **United States**, **funeral homes** generate **c.$16.3Bn** annually, while **crematories and cemeteries** generate **c.$4.27Bn**. Cremation continues to outpace burials, with preference for cremation rates expected to reach **63.4% in 2025** and an estimated **82.3% by 2045**, highlighting a structural shift in consumer preferences. Consumers are shifting towards environmentally friendly options, with over **60% expressing interest in "green" funerals**. Moreover, cost differences reinforce this trend as **burials** in the US **cost 30% more on average than cremation**, while **direct cremations in the UK** only cost up to 25% of the priced paid for **traditional ceremonies**.

Future Outlook

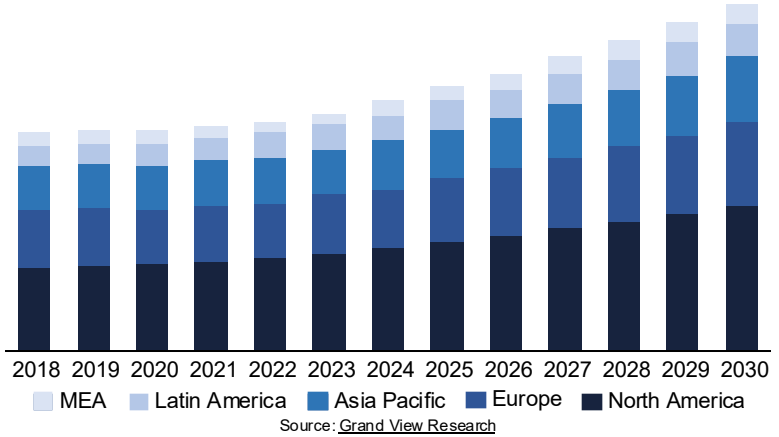
Funeral and cremation services is expected to reach **$87Bn by 2030**, growing at a **4.82% CAGR**. One of the key growth drivers is the **rising popularity of memorial jewellery**. The **global cremation jewellery market** was valued at $228Mn in 2023 and is expected to **reach $490Mn by 2030**, growing at a **CAGR of 11.8%**. Similarly, the **cremation diamond industry** is also expanding, forecasted to **double within 6-7 years**. In this process, the ashes are transformed into synthetic diamonds creating a permanent, personalized memorial. In parallel, the **green funerals market** is also gaining traction, estimated at **$2.3Bn in 2023** and projected to grow at a **CAGR of 11.2% by 2034**. These trends underscore growing demand for personalized and sustainable memorials, offering new avenues for industry growth.

Risks and Catalysts

Opportunities arise from **strong traditions** that influence funeral choices and from an **aging population,** and increased accessibility through insurance coverage and government support. In Japan, for instance, **Buddhist customs dictate cremation for over 99% of funerals.** However, **risks** include **regulatory pressures** over **CO_2 and mercury emissions** from cremations, **economic downturns** that may reduce spending on ceremonies despite inelastic demand, and **religious criticism** viewing cremation as lacking dignity.

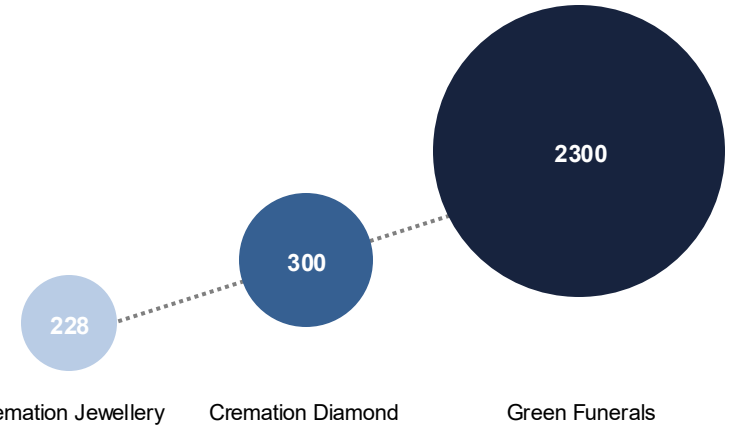
Sources: NFDA, The Guardian, Grand View Research

Funeral and Cremation Services Market ($Bn)



Source: Grand View Research

Market Size of Trends 2023 ($Mn)



Tactical Asset Allocation

Funeral and Elderly Care (3/4)

Scarcity Meets Momentum: The Senior Housing Renaissance

The Elderly Care **real-estate sector** entered 2025 with a stronger post-pandemic outlook, as expectations of **cheaper financing** are set to unlock growth if projects successfully capture secular demand and evolving consumer preferences. From a revenue standpoint, the industry is divided into three models: **Independent Living** (**≈42%** of the US private-pay market), **Assisted Living** (the largest by facilities and revenue), and **Memory Care** (a smaller but higher-margin niche focused on dementia and Alzheimer's care).

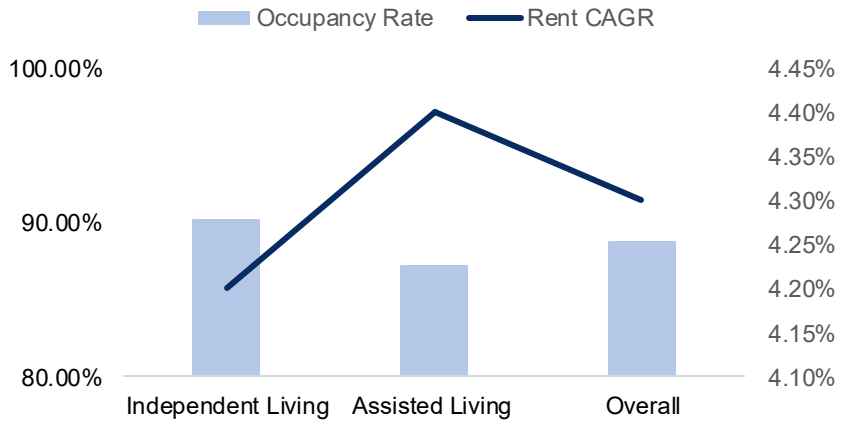
Demographic Tailwinds & the Silver Spending Surge

Across advanced markets, senior housing is the most demographic-driven real estate asset class, fuelled by rapid growth of the 80+ population and concentrated wealth among baby boomers, who hold over 50% of U.S. net wealth. In parallel, **affordability has risen 4.1x** since 2008, expanding the private-pay base. However, construction activity has dropped nearly 70% from its 2021 peak, creating a widening supply–demand gap likely to persist despite easing debt markets, supporting **pricing power and margin growth** for existing operators. Conversely, the sector's dependence on **Medicare** and **Medicaid**, which fund over **60% of U.S. nursing homes** and account for more than **$255Bn in annual long-term care spending**, exposes operators to **policy volatility** amid U.S. Senate healthcare budget debates and potential government shutdowns. Also, elevated **Capex requirements** for regulatory compliance and healthcare integration, along with **new CMS minimum staffing standards** (2025), may add about **$58.69 per under-staffed facility**, intensifying financial strain.

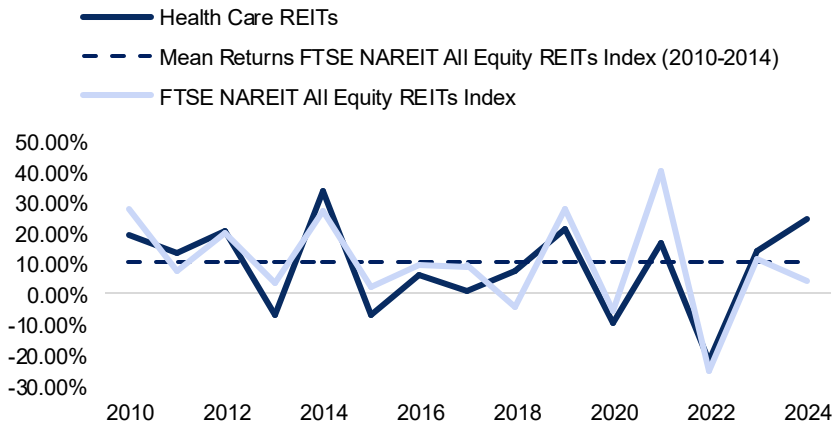
Public Equity Markets Mirror the Fundamentals

When comparing the **healthcare equity REITs** with the broader ***FTSE NAREIT All Equity REITs* Index**, one can denote robust market and sector return, supported by capital gains and solid dividends yields, a trademark of the REIT sector. By mid-2025, the sector recorded a **return of 16.3% YTD** with an average dividend yield above **3%**. Average cap rates for senior housing assets have now **stabilised around 7.0%**, marking the first signs of **expansion**, induced by easing interest rates and growing *Net Operating Income* (YoY). This potentializes **renewed confidence in asset pricing and cash flow durability**, positioning senior housing among the **most attractive real-estate segments for valuation.**

Segmented Elderly Care Performance Metrics



Health Sector Total Equity Returns vs REIT Index



Sources: Nareit, JLL,

Tactical Asset Allocation

Funeral and Elderly Care (4/4)

Possible Investments

Service Corp International (NYSE: SCI)

- **Market Cap: 11.45 Bn**
- **EBIT Margin: 20.83 %**
- **FCF Yield: 5.28%**
- **P/E (FWD): 19.76**

Carriage Services Inc (NYSE: CSV)

- **Market Cap: 694 Mn**
- **EBIT Margin: 23.49 %**
- **FCF yield: 5.33%**
- **P/E (FWD): 13.23**

Tear Corporation (TYO: 2485.T)

- **Market Cap: 72.95 Mn**
- **EBIT Margin: 10.14 %**
- **FCF yield: 10%**
- **P/E (FWD): 9.02**

Caretrust REIT (NYSE: CTRE)

- **Market Cap: 7.81 Bn**
- **EBIT Margin: 66.50 %**
- **P/AFFO (FWD): 18.46**
- **Div. Yield (FWD): 4.04%**

LTC Properties (NYSE: LTC)

- **Market Cap: 1.58 Bn**
- **EBIT Margin: 58.28%**
- **P/AFFO (FWD): 12.27**
- **Div. Yield (FWD): 6.65%**

Ventas (NYSE: VTR)

- **Market Cap: 30.78 Bn**
- **EBIT Margin: 16.02%**
- **P/AFFO (FWD): 23.74**
- **Div. Yield (FWD): 2.83%**

- *Disclaimer: Discrepancies in the metrics reflect the industry-specific characteristics of REITs.*
- *All financial metrics are disclaimed in US dollars.*

Tactical Asset Allocation

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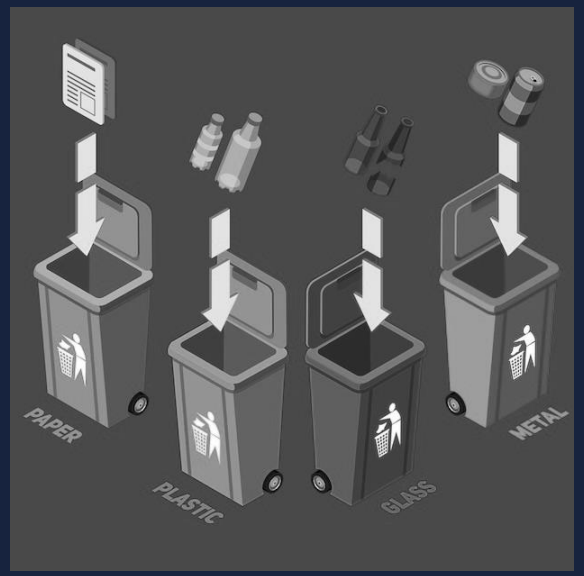


Waste Management



Funeral & Elderly Care



Cybersecurity

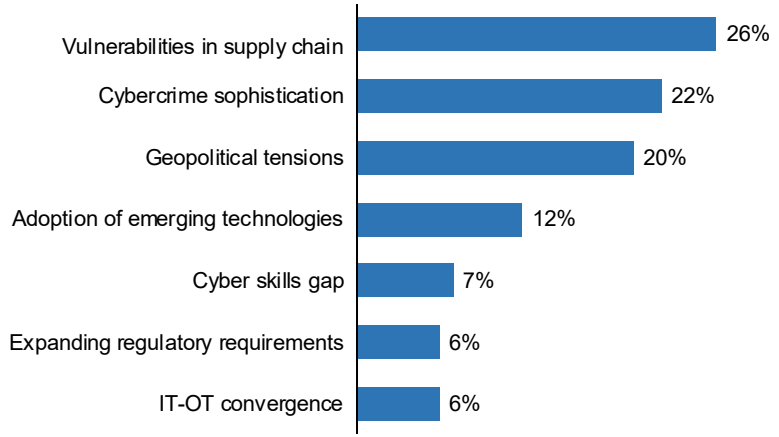
Tactical Asset Allocation

Cybersecurity (1/4)

What is Cybersecurity?

Cybersecurity is about **protecting digital systems** and data from theft, damage, or manipulation. It's the backbone of trust in an economy that runs on connectivity and on-cloud information. The World Economic Forum's Global Cybersecurity Outlook 2025 paints a worrying picture: **over 70%** of organizations admit cyber risks have increased in the past year, highlighting global political tensions as a key reason. **Artificial Intelligence** is reshaping both sides of the battlefield. It helps defenders detect attacks faster, but it also gives criminals powerful new tools for deception and automation. These emerging technologies facilitate complex processes and increase the scalability of **cyberattacks**. Executives in the industry fear the **increased sophistication** applied on ransomware, social engineering, phishing, and disinformation. Companies are finding it harder to manage risks buried in long **supply chains** or meet confusing **regulations** across countries. The resource and skill access gaps between well-resourced organizations and SMEs are widening, creating what the WEF calls a growing **"cyber inequity"**. On top of that, there is still a serious **shortage of skilled professionals**; only **14%** of companies report having sufficient talent to achieve cybersecurity goals. The market's message is clear: cybersecurity is not just about technology. It is about a compounding complex environment, from geopolitics to skilled labor supply, motivated by the obligation of **information safety**.

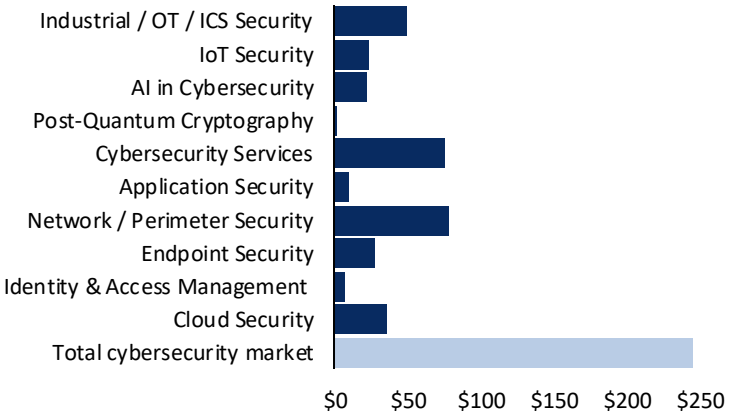
Executives' concerns on the cyber ecosystem



Industry Segmentation

The cybersecurity market is divided into several segments based on function and technological scope, which together form the modern cyber defence ecosystem. **Network security** protects data in transit and corporate infrastructures through firewalls, intrusion detection and prevention systems, and VPNs. **Endpoint security** focuses on individual devices as laptops and servers, using antivirus and to contain threats that bypass network perimeters. **Identity and access management** addresses who is accessing systems and how access is verified, enabling secure authentication. Similarly, **application security** operates at the software layer, ensuring that code and web applications are tested for vulnerabilities. **Cloud security protects** workloads and data hosted on hyperscalers, while **IoT security** protects internet-connected devices and networks, covering everything from smart home devices to connected vehicles or sensors. **Industrial/OT security** protects systems that control physical operations as those in energy grids, transportation and manufacturing, where a cyberattack can cause damages as explosions and shutdowns. Finally, **AI in cybersecurity** and **Post-Quantum Cryptography** introduce next-generation resilience layers mainly in threat detection.

Market Value by segmentation ($Bn) - 2024



Sources: MarketViewReserch; WEF Global Cybersecurity Outlook 2025

Tactical Asset Allocation

Cybersecurity (2/4)

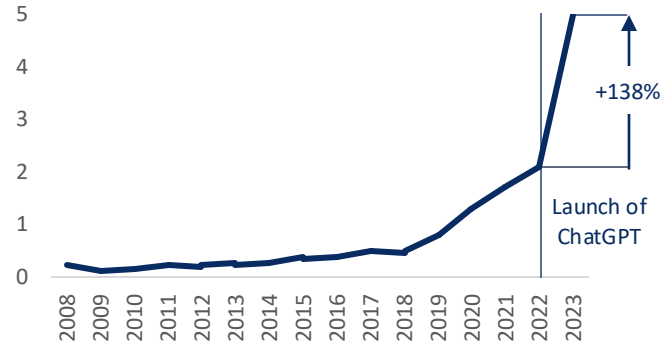
Can Cybersecurity Keep Up with the AI Revolution and the Dawn of Quantum Computing?

The Offence Side

AI is **raising cyber** risks by allowing attackers to automate and **scale attacks** more efficiently, while continuously **adapting their tactics mid-attack** to infiltrate systems and evade detection. It enhances traditional threats like phishing and email compromise through AI-generated content, such as realistic emails and deepfakes, making social engineering more convincing. Moreover, AI-enabled attacks target a growing and **complex attack surface**, making breaches harder to detect and increasing potential damages.

In addition, quantum computers can harness quantum mechanics to process information rapidly, rendering **current encryption methods ineffective**. Even today's strongest encryption methods will fall short against quantum attacks, with decryption time decreased from **149 mn years to one week**.

Annual number of phising sites detected (Mn)



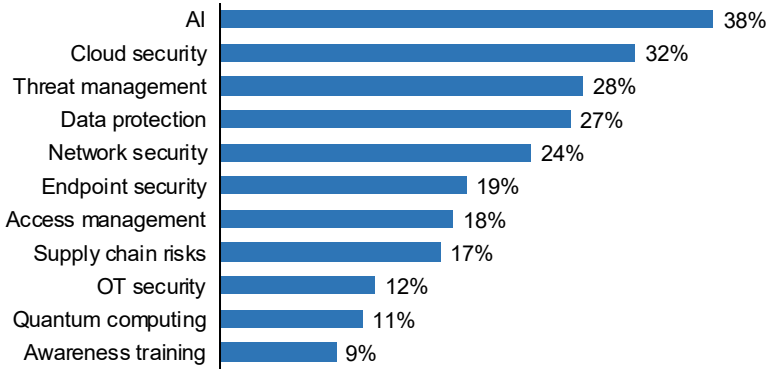
The Defence Side

With threats increasing and diversifying in such an alarming rate, how can firms keep up with technological innovation and safeguard data? There is **no magical solution**. It is continuous and hard work bolstering data resilience.

- Continuous **risk assessment**: Zero Trust Architecture; patch cycles; honeypots, decoys baiting cyberattacks; vulnerability scanning
- Culture of **awareness**: employee training and advanced verification steps
- Cloud **governance**: offline backups and segmented networks
- Quick **response time**: behavioural analytics and endpoint protection

All these measures can be powered by **AI and machine learning** to augment human abilities, free manpower, optimize decision-making, accelerate vulnerabilities or attack recognition and personalize/automate data screening.

Cybersecurity areas ranked in Top 3 priorities



Sources: JPMorgan Cybersecurity Report; McKinsey: the Impact of AI in Cybersecurity; 10 Cyber Security Trends For 2025; PwC Digital Trust Insights

Tactical Asset Allocation

Cybersecurity (3/4)

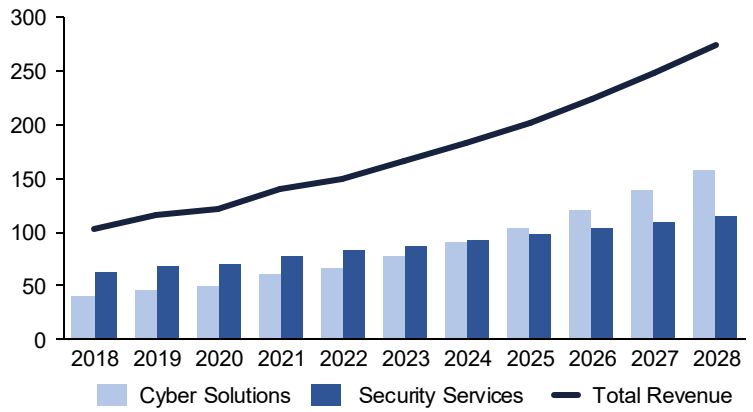
Investment Outlook

The global **cybersecurity** market is estimated at **$301,91 Bn** in 2025 and is projected to grow at a c.12.6% compound annual rate, expected to reach roughly **$546,48 Bn by 2030**, according to Precedent Research. Organizations are increasingly allocating budgets to cybersecurity, **spending c.50% more on security** than on general software, reflecting rising cyber threats, stricter regulations, and the expansion of digital and hybrid work environments. Cloud, applications, and identity security are emerging as the primary investment areas, with platform consolidation reducing tool sprawl and improving operational efficiency.

Leading platform providers such as **Palo Alto Networks**, **CrowdStrike**, and **Zscaler** are expected to see an average revenue growth of **c.11.8% annually**, with **free cash flow margins around 26.6%**, according to a Morgan Stanley analysis. **Fortinet** and **Cloudflare** also show upside potential, particularly in unified **SASE and AI-driven threat detection**. Startups and vendors offering interoperable ecosystems, modular architectures, and open APIs are well-positioned to accelerate adoption.

M&A activity remains robust: Palo Alto Networks' **$25 Bn** acquisition of CyberArk and Thoma Bravo's **$5.3 Bn** acquisition of Darktrace highlight consolidation in identity, AI-driven security, and threat intelligence.

Cybersecurity Annual Revenue ($Bn)



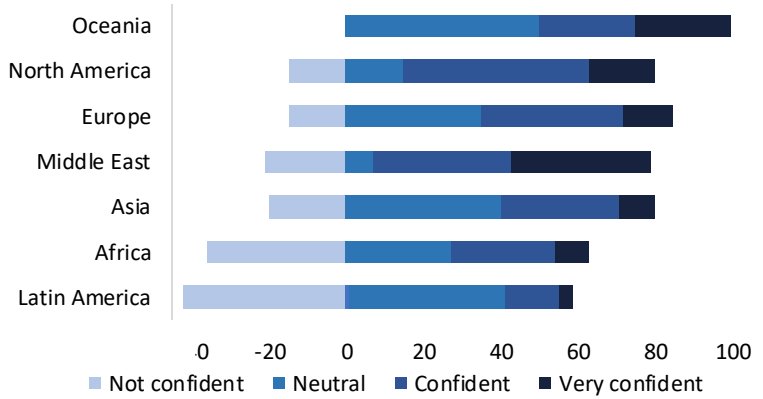
Geopolitics

Geopolitical tensions have turned cyberspace into a key arena of global competition. State-linked actors **increasingly use cyber operations for espionage, disruption, and strategic influence**. For example, the Russia–Ukraine war has shown how digital attacks now accompany military aggression, targeting energy, telecommunications, and logistics networks across Europe.

In response, nations and organizations are adapting. In the US, the Trump administration pledged renewed emphasis on **making America cyber-secure** and advancing **post-quantum cryptography** (PQC) to defend against next-generation computing threats. The European Union is tightening coordination between Member States, establishing **strict legislative frameworks.** For example, the General Data Protection Regulation may impose fines of up to 4% of global annual revenue on companies that fail to protect customer data. Regarding organizations, geopolitical tensions now influence significantly cyber strategy, **with one in three CEOs citing cyber espionage and loss of sensitive information as a top concern**.

At the same time, technological inequity leaves **developing countries more vulnerable**, increasing exposure to cyberattacks targeting both national infrastructure and private businesses.

Organizations' confidence in their nation's cyber readiness



Sources: Investment Outlook, WEF Cybersecurity Report 2025, Morgan Stanley and M&A Reports

Tactical Asset Allocation

Cybersecurity (4/4)

Possible Investments

Palo Alto Networks Inc.(NASDAQ: PANW)

- **EBITDA: 1.33 Bn**
- **FCF Yield: 2.39%**
- **Market Cap: 141.67 Bn**
- **P/E ratio: 130.81**

CrowdStrike Holdings Inc (NASDAQ:CRWD)

- **EV/revenue: 27.76**
- **FCF Yield: 1.16%**
- **Market Cap: 124.67 Bn**
- **P/E ratio: 401.83**

Cloudflare Inc(NYSE:NET)

- **EV/revenue:41.33**
- **FCF Yield: 0.19%**
- **Market Cap: 78.26 Bn**
- **P/E ratio: 192.31**

Zscaler Inc (NASDAQ: ZS)

- **EV/revenue: 17.55**
- **FCF Yield: 1.54 %**
- **Market Cap: 48.69 Bn**
- **P/E ratio: 84.03**

Okta Inc (NASDAQ: OKTA)

- **EBITDA: 169 Mn**
- **FCF Yield: 5.39 %**
- **Market Cap: 16.63 Bn**
- **P/E ratio: 113.0**

Fortinet Inc(NASDAQ:FTNT)

- **EBITDA: 2.09 Bn**
- **FCF Yield: 2.87 %**
- **Market Cap: 66.12 Bn**
- **P/E ratio: 34.38**

- *Disclaimer: Discrepancies in the metrics reflect the company-specific characteristics (negative EBITDA)*
- *All financial metrics are disclaimed in US dollars.*

Position Revaluation

Motivation

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



Johnson & Johnson
(JNJ)
Healthcare

Proposed Decision:
Hold



Berkshire Hathaway
(BRK-B)
Capital Allocation

Proposed Decision:
Sell



Volkswagen AG
(VOW3.DE)
Automotive

Proposed Decision:
Hold

Position Revaluation

Johnson & Johnson (JNJ)



Position Revaluation

Johnson & Johnson (JNJ)

NIC Undergraduate Division Fund

Business Description

Johnson & Johnson is a global healthcare leader focused on **pharmaceuticals and medical technology**, with 2024 sales exceeding $87 billion and 7% growth. Known for innovation across areas like oncology, cardiology, and robotics, it **invests heavily in R&D** to drive breakthroughs, while keeping the financial capacity to pursue innovation-driven deals. Its $24.2 billion in net earnings and 62 consecutive years of dividend increases highlight financial strength. Positioned at the forefront of industry trends like biotech, AI and minimally invasive care, Johnson & Johnson's **scale, diversified portfolio, and focus on high-margin enterprise** give it a lasting competitive edge in global healthcare.

Previous Investment Thesis

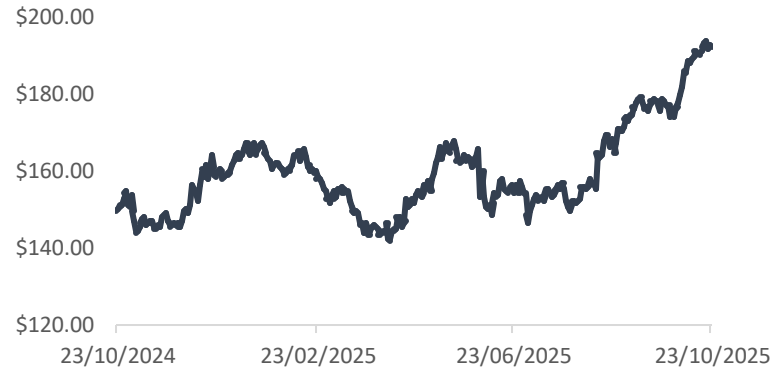
In 2024, the fund initiated a position in **Johnson & Johnson (JNJ)** at **$172.37**, viewing the stock as a **buy** below its fair value estimate of **$182.35**. The investment was driven by JNJ's **strong fundamentals**, including a diversified business model, solid R&D pipeline, and a **consistent record of dividend increases**. With potential recessionary risks ahead, the position aimed to **enhance the portfolio's defensive profile** through exposure to a **non-cyclical healthcare leader**. The company's consistent cash flow generation and low sensitivity to consumer cycles provided earnings stability and capital preservation. At the time, JNJ was considered a **reliable compounder** offering moderate upside and steady income growth, supported by intelligent financial discipline, a robust balance sheet, and sustained demand for its essential healthcare products

Current Situation

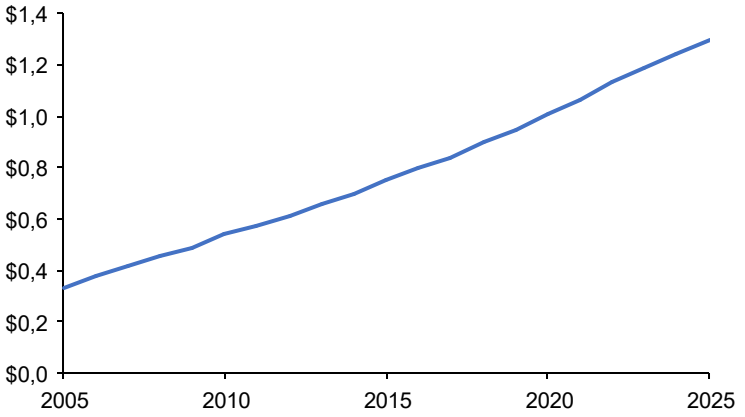
Johnson & Johnson reported Q3 2025 sales of **$23.99 Bn, up 6.8% YoY**, with adjusted **EPS of $2.80**, surpassing analysts' expectations. Innovative Medicine sales rose 5.3% operationally to $15.6 Bn despite Stelara patent losses, while MedTech grew 6.8% to $8.4 Bn. Management raised full-year 2025 revenue guidance to **$93.7 Bn**, reflecting c. 5.7% growth at midpoint and reaffirmed adjusted **EPS guidance of $10.85**. J&J's performance highlights **strong financial health** and resilience despite patent expirations and near-term market headwinds.

However, the company faces significant legal challenges. In October 2025, a Los Angeles jury ordered J&J to pay $1 bn in a mesothelioma case, **the largest verdict in such cases to date**. Additionally, over **3,000 individuals in the UK have filed lawsuits** alleging that J&J's talc-based baby powder caused cancer due to asbestos contamination. While litigation remains a headline risk, J&J continues to pursue settlements and legal restructuring strategies that could limit future financial exposure.

Johnson & Johnson's Share Price Performance LTM



Dividend Price History (20Y)



Sources: J&J Corporate Reports

Position Revaluation

Johnson & Johnson (JNJ)

Strategy Analysis

Johnson & Johnson is strengthening its position as a diversified healthcare leader focused on **innovative medicines and medtech** solutions, following the separation of Kenvue (its former consumer health division). In 2024, the company advanced its transformation into a more focused, **higher-margin enterprise**, with the i**nnovative medicine** (pharmaceuticals) segment driving growth through a **robust pipeline** in oncology, immunology, neuroscience and cardiovascular diseases, supported by **27 major approvals and 17 positive Phase III readouts in 2024**. Additionally, **Medtech** (medical devices) remains a key growth engine, **expanding in high-value areas** such as electrophysiology, surgical robotics, and cardiovascular intervention, the latter reinforced by the integrations of Shockwave and Abiomed. Last year, the company announced a **$2 billion advanced technology facility** in North Carolina that will expand production of their biologic portfolio and pipeline. Overall, J&J **prioritizes R&D and value-accretive acquisitions** while managing **regulatory and litigation challenges.**

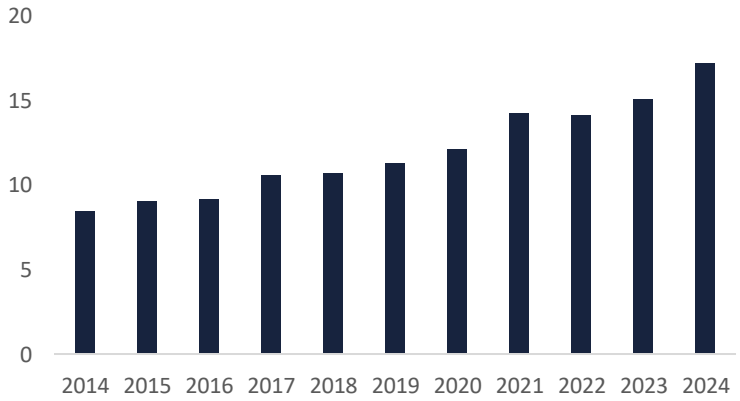
Financial Analysis

Johnson & Johnson delivers stable financial performance, with **TTM revenue of c.$93.7 Bn**, driven by Innovative Medicine at **$61 Bn** and MedTech at **$32 Bn**, growing 5.3% and 6.8% operationally. Adjusted EPS guidance is $10.85, supported by resilient operating margins. **R&D investment exceeded $50 billion**, generating 27 major approvals and 17 positive Phase III readouts. Free cash flow remains strong, funding 62 consecutive years of dividend growth and **strategic acquisitions such as Shockwave and Abiomed**. After modelling the valuation of J&J, the conclusion reached was that the stock was slightly overvalued (6-10pp).

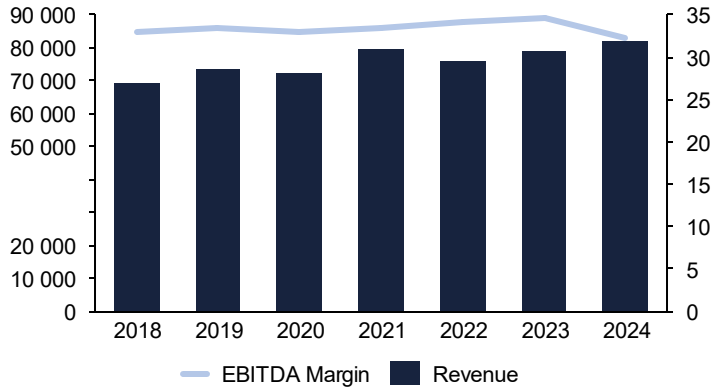
Final Investment Decision

Johnson & Johnson remains a resilient core holding that continues to **deliver stable returns and defensive stability**. Following the spinoff of its consumer health division, the company has sharpened its focus on **higher-margin, innovation-driven segments** supported by a strong and diversified pipeline and sustained investment in R&D. Backed by robust financials, solid free cash flow generation and disciplined capital allocation, J&J retains **flexibility to pursue value-accretive acquisitions** and maintain shareholder returns. Although **ongoing litigation challenges** pose a notable risk, these appear largely priced-in and are unlikely to materially affect the company's long-term fundamentals. Given **the balanced risk-reward profile**, we recommend maintaining a **Hold** position.

Johnson & Johnson R&D Expenditure (Bn$)



Revenue and EBITDA Margin Evolution



Sources: J&J Corporate Reports FT

Position Revaluation

Berkshire Hathaway (BRK-B)

NIC Undergraduate Division Fund

BERKSHIRE HATHAWAY

Position Revaluation

Berkshire Hathaway (BRK-B)

NIC Undergraduate Division Fund

Business Description

Berkshire Hathaway Inc. (BRK.B) is a **global leader in capital allocation and long-term value creation**, managing a vast and diversified portfolio of businesses with over **$1Tn in assets** and more than **380,000 employees worldwide**. Led by Warren Buffett, Berkshire operates across **insurance, freight rail, energy, manufacturing, services, and retail**, combining **stable**, **cash-generative subsidiaries** such as **GEICO**, **BNSF Railway**, and **Berkshire Hathaway Energy** under a disciplined, decentralized operating model. Following its decades-long **strategy of strategic acquisitions**, Berkshire Hathaway has fortified its unparalleled market position, achieving **massive scale** and **synergistic value** across its diverse portfolio.

Previous Investment Thesis

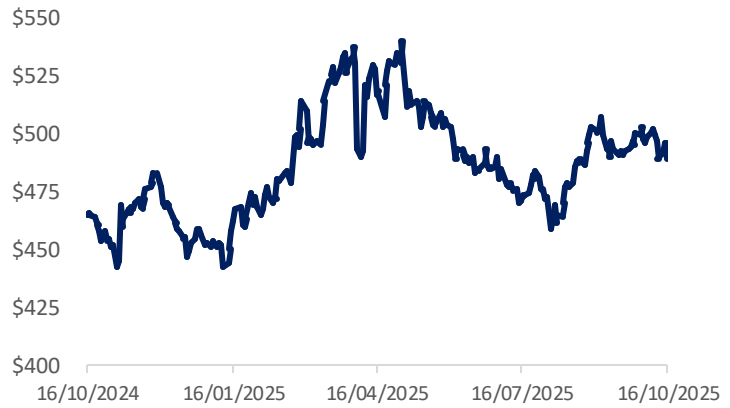
Berkshire Hathaway (BRK.B) was initially recommended as a buy due to its **exceptional diversification**, **robust balance sheet**, and **proven ability to compound intrinsic value** through disciplined capital allocation. At the time of the recommendation, Berkshire traded near **1.3x book value**, modest relative to historical averages and well below the intrinsic value implied by its **stable 10% unlevered return on equity capital**. Continued **share buybacks below intrinsic value**, absence of **dilutive stock-based compensation**, and management's **rational capital deployment discipline** further reinforced the investment thesis.

Current Situation and Strategy Analysis

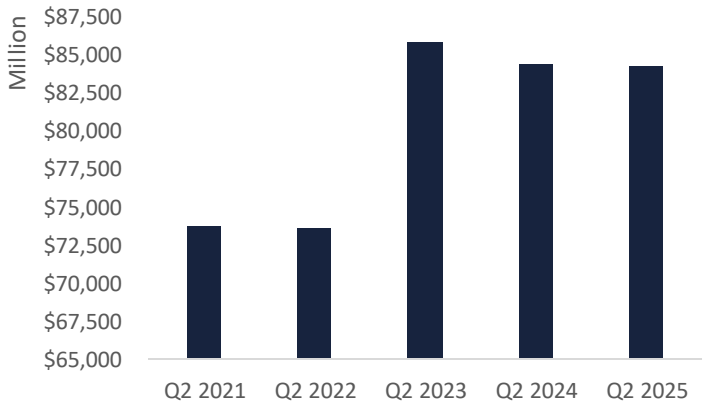
The multinational holding delivered **strong results**, led by outstanding performance in its **insurance segment**, where **underwriting profit** and **investment income** rose on the back of **higher interest rates** and **favourable loss ratios**. The company's **cash holdings surpassed $300Bn**, enabling the **$9.7Bn acquisition of Occidental Petroleum's chemical division (OxyChem)**, its **largest transaction since Alleghany in 2022**. **BNSF Railway** reported **modest shipment softness** amid weaker freight demand, while **Berkshire Hathaway Energy** continued expanding its **regulated infrastructure portfolio** despite **elevated wildfire-related costs**. Following the announcement that **Warren Buffett is preparing to step back from active leadership**, **Greg Abel**, Vice Chairman overseeing non-insurance operations, is widely expected to assume the **CEO role**. Under his stewardship, Berkshire is anticipated to maintain its **decentralized structure** and **long-term focus**, albeit with a **more conservative approach to capital deployment**. Reflecting this shift, Berkshire's **cash pile expanded by over $30Bn in the last six months**, reaching **record levels above $300Bn**, underscoring the company's growing **preference for liquidity and strategic optionality** amid elevated market valuations and macroeconomic uncertainty.

Sources: BRK Corporate Reports

Berkshire Hathaway Share Price Performance LTM



Trend in Berkshire Hathaway's Goodwill



Position Revaluation

Berkshire Hathaway (BRK-B)

Comparable Analysis

Insurance Group

Metrics \ Peers	CB	PGR	SREN.SW
Market Cap	107.4B	132.3B	71B
P/E	11.89	12.02	13.95

Fair Value	Market Price	Difference
122.96	168.28	+36.85%

BHE (Energy)

Metrics \ Peers	NEE	SO	DUK
Market Cap	173.8B	105.4B	99B
P/E	29.41	24.78	20.85

Fair Value	Market Price	Difference
51.61	34.94	-32.29%

Manufacturing

Metrics \ Peers	CAT	HON	DE
Market Cap	244.8B	137.2B	127.8
P/E	26.6	22.78	24.69

Fair Value	Market Price	Difference
106.77	72.91	-31.71%

BNSF

Metrics \ Peers	UNP	CSX	NSC
Market Cap	134.7B	68.9B	65.2B
P/E	19.74	23.48	19.6

Fair Value	Market Price	Difference
50.43	41.79	-17,11%

Pilot Travel Center

Metrics \ Peers	MUSA	PKIUF	TA
Market Cap	7.47B	4.94B	1.30B
P/E	16.10	23.06	9.06

Fair Value	Market Price	Difference
4.45	4.66	+4.81%

Service & Retailling

Metrics \ Peers	WSM	TXT	FAST
Market Cap	23.12B	14.68B	49.35B
P/E	21.16	18.56	40.18

Fair Value	Market Price	Difference
38.46	27.13	-29.46%

Position Revaluation

Berkshire Hathaway (BRK-B)

Financial Analysis

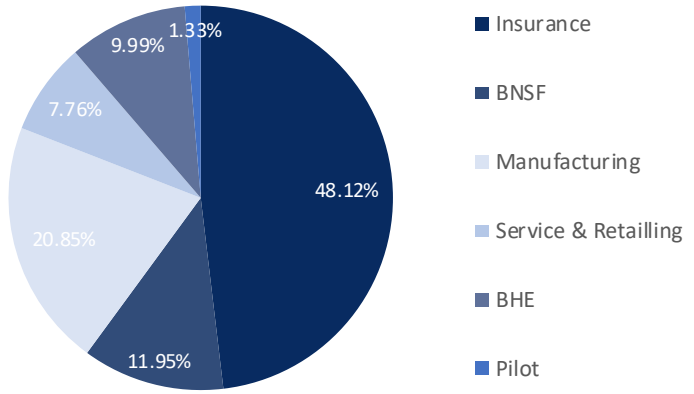
Berkshire Hathaway operates across **six main segments**: **Insurance**, **BNSF (railroad)**, **Energy**, **Pilot Travel Centres**, **Manufacturing**, and **Service & Retailing**. The company's performance shows a broad slowdown, with **revenue down 3.5% year over year**, from **$439 billion in 2023** to **$424 billion in 2024**, and **$397 billion TTM** suggesting further weakening. **Net income declined 7.5%**, from **$96 billion to $89 billion**, and to **$62.9 billion TTM**, reflecting lower investment income and market volatility. **Free cash flow** dropped sharply, from **$29.8 billion in 2023** to **$11.6 billion in 2024**, and **$8.2 billion TTM**, driven by reduced operating cash generation and a historically high **cash balance** reflecting a **cautious liquidity stance** also displayed through a **steep share buyback decline**.
On the **Insurance** segment, from **2023 to 2024**, **revenue increased 10.5 %,** while **net income rose from $15.0 billion to $22.7 billion**, reflecting **stronger underwriting** (lower loss and expense ratios across GEICO, Primary and Reinsurance after rate hikes and tighter risk selection) and much higher investment income as the float was reinvested at higher short-term yields. However, earnings for the trailing twelve months fell slightly to **$ 21 ,501 million.**
BNSF's revenue had a small decrease of 1.3% from 2023 to 2024, and net income decreased 1% **from $5.09 million to $5.03 million**. On a TTM basis, earnings **are 5.3 million**, supported by modest volume recovery and stabilization in fuel-related revenues. **Pilot's revenue declined 9% from 2023 to 2024**, leading to a **20% decrease in net income**, from **$767 to $614 million**. On a **TTM basis**, earnings eased further to **$595 million**, reflecting lower fuel margins and freight activity. **Service and Retailing's revenue declined 0.3% from 2023 to 2024,** leading to a **22.3% decrease in net income,** from **$3,586 million to $2,788 million. On a TTM basis, net income** stood at **$3,467 million**, indicating a moderate rebound from 2024 but still below historical contribution levels.

Final Investment Thesis and Position Suggestion

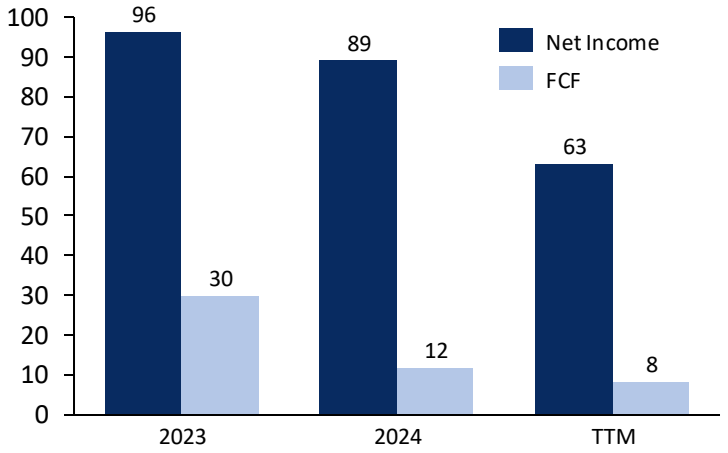
Berkshire Hathaway's **growth** has **softened**, with **weaker earnings**, **narrower margins**, and **declining cash flow**. Yet the stock still trades at a **P/B** and **P/E above peers in most segments**. This valuation once reflected **Warren Buffett's** exceptional capital allocation, but as **leadership transitions** to Greg Abel that **confidence premium fades**. **Abel's approach** is expected to be **more cautious**, marked by **halted share buybacks** and **record cash balances** left largely unused. Management attributes this to **prudence** and **elevated** market **valuations**, yet **peers face the same conditions** and continue to deploy **capital strategically** and **are positioned** to do so even **more effectively** in the event of a **market correction**. Furthermore, if Berkshire truly **believes** the **market is overvalued**, the **absence** of either **meaningful buybacks** or **hedging activity undermines** that **stance**. With **slowing fundamentals** and a **leadership shift**, Berkshire's valuation **premium** is **no longer justified –** making the **stock a sell.**

Sources: CNN, Morning Star

Net Income (TTM) by Segment



Recent Financial Trends



Position Revaluation

Volkswagen AG (VOW3.DE)



Position Revaluation

Volkswagen AG (VOW3.DE)

Business Description

Volkswagen AG is Europe's largest automotive manufacturers, holding a leading position in the region's EV market with about a **30% share in August 2025**. Globally, it focuses mainly on Europe, contributing to **7% of EU GDP**; China, amounting to **30% of sales**; and the US. The company's **multi-brand strategy**, including Volkswagen, Škoda, Cupra, Audi AG, and Porsche AG, enables competition across mass-market and premium segments.

Previous Investment Thesis

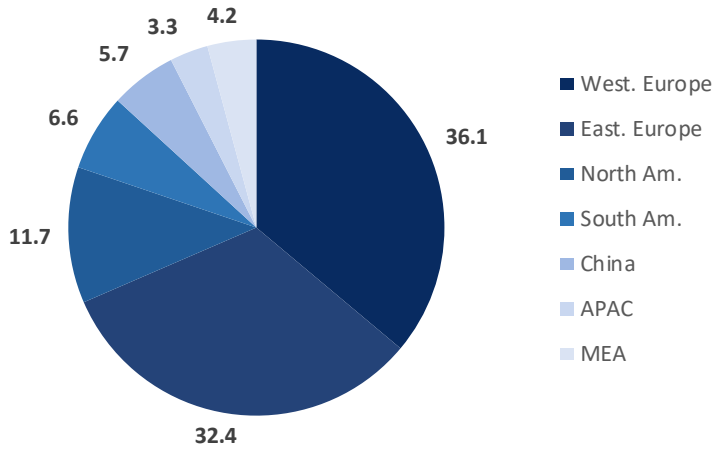
In March 2022, Volkswagen AG (VOW3) was rated a **buy at €150.82**, with a **DCF fair value of €208.55**. The thesis cited VW's **leadership in Europe's EV market (20.3%)**, a **€83 billion investment** in electrification, and plans for **70 EV models by 2030**. With **strong financials** and catalysts like the **Porsche IPO** and new **battery factories**, VW was seen as **undervalued yet well positioned** to lead the shift to electric mobility. The recommendation was to buy at the **26% share price drop** after suspended operations in Russia and two German factories.

Current Situation

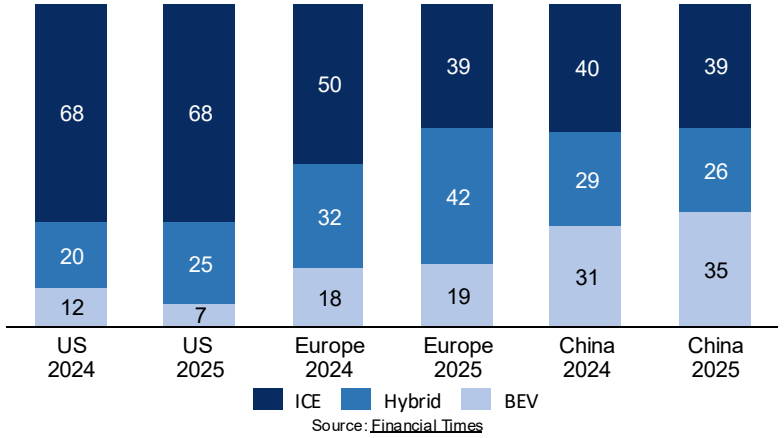
European 2025 YTD **demand** remained **stagnant** (-0.1% new-car registrations) with **Battery Electric Vehicles** (BEVs) **at 15.8% share**. **Profitability** is strained by **regulation, high energy costs in Europe** (c. 2.0× the U.S.), and **reliance on China** for >80% of the battery **value chain**. The **U.S**. is seeing **modest growth**, led by high-margin trucks/SUVs, while BEV uptake has stalled at 7–8% as consumers pivot to hybrids, with the **expiration of Federal EV credits** in September, adding **further slowdown**. **China** continues to dominate electrification: **New Energy Vehicles** (NEVs) **exceed 50%** of sales and **exports have doubled**, though cost advantages are proving harder to transpose to European production facilities. **Volkswagen AG** reflects both the potential and strain on European OEMs. The focus has been **electrification and platform digitalisation**, via global joint ventures with Rivian and Xpeng, adding to Cariad in software-defined vehicles. Volkswagen is aggressively investing in EVs, planning **to invest €120–180 billion through 2028** with c.67% directed toward new electric models and digital services. The group maintains **competitiveness in combustion engines**, motivated by resilient demand for Internal Combustion Engine vehicles in North America, further leading Porsche to postpone new EVs line, causing a **€5.1 billion operating-profit hit.**

Sources: Volkswagen, Financial Times, McKinsey,

Revenue Breakdown by Geography (%)



Powertrain Mix Outlook by Region (%)



Position Revaluation

Volkswagen AG (VOW3.DE)

Financial Analysis

Volkswagen AG reported a steady performance in the first half of 2025, with **revenue rising from €77.6Bn in Q1 to €80.8Bn in Q2**, resilient amidst current tariff wars, supported by **solid demand across premium brands, particularly Audi and Lamborghini**. **EBITDA margin improved slightly to 14.5% in Q2 from 13.8% in Q1**, reflecting cost discipline and better product mix, although still below 2024 averages due to elevated input costs and continued investments aimed at reinforcing Volkswagen's leadership in Europe. **VW maintained a sound liquidity position**, with the **Current Ratio stable at 1.1x**, indicating consistent short-term solvency. The **Cash Conversion Cycle** extended slightly to **142 days**, reflecting inventory build-up associated with model renewals and supply-chain adjustments, yet it remained well within the Group's historical range.

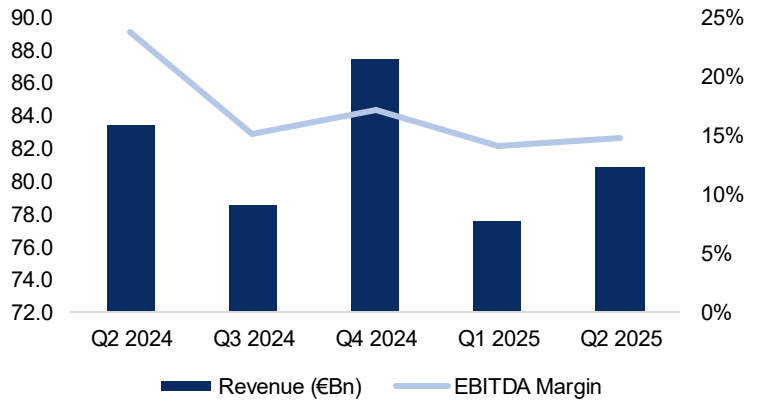
Strategy Analysis

Entering a decisive phase of transformation centred on affordability, technology, and efficiency the VW AG plans to launch a **€25,000 entry-level EV range** in 2026, followed by a **€20,000 version** the following year, aiming to defend market share and broaden accessibility. Supported by new software partnerships with Rivian and XPeng, and a continued restructuring of Cariad to streamline integration, VW seeks to **modernise its vehicle software**. The company also intends to **localise battery and semiconductor supply chains** in Europe and deploy **AI-driven initiatives** to close its cost gap with Chinese competitors. Meanwhile, Porsche's strategic decision to extend production of **ICE** well into the 2030s (despite the EU's 2035 engine ban) reflects a pragmatic approach to profitability amid slowing premium EV demand. Management targets reaffirming Volkswagen's ambition to become **"the global automotive tech driver" by 2035**.

Final Investment Thesis and Position Suggestion

As of Q3 2025, **VW's** margins are facing pressure from stagnant demand, high energy costs, and dependency on China's battery supply chain. Despite this, its diversified portfolio, improved profitability, and resilient demand across premium and ICE segments marks its sustainability. Software partnerships and upcoming affordable EVs reinforce its long-term positioning. Given VW's solid fundamentals and ongoing investment plans, we recommend a **hold** position, balancing near-term challenges with promising long-term opportunities.

Revenue and EBITDA Margin Evolution



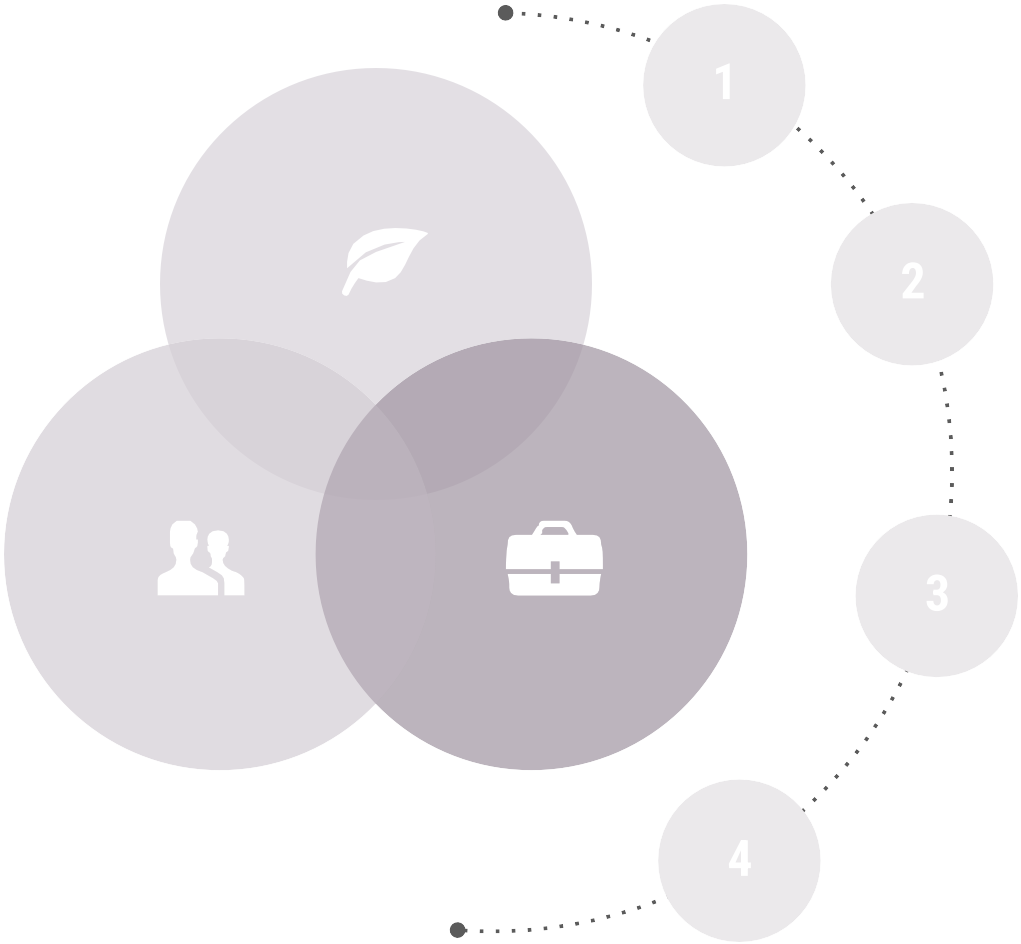
Historical Share Price



Sources: Volkswagen, Traton, Porsche, Audi

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**.

Novo Nordisk Qualitative Evaluation

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

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

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

Circular economy program
ReMed™ by Novo Nordisk is a global sustainability program designed to **collect and recycle used injection pens** to reduce plastic waste and promote circular economy practices. Launched in multiple countries, the initiative enables patients to return their used devices to participating pharmacies, where they are processed and recycled. As of 2025, **over 10 million used pens have been collected** globally, allowing Novo Nordisk to recover more than 850 tonnes of plastic and metal materials with the **recycling rate rising from 50% to 70%.**

ESG Analysis

Implied Temperature Rise



Portfolio's Weighted Average Implied Temperature Rise:

2.3ºC

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

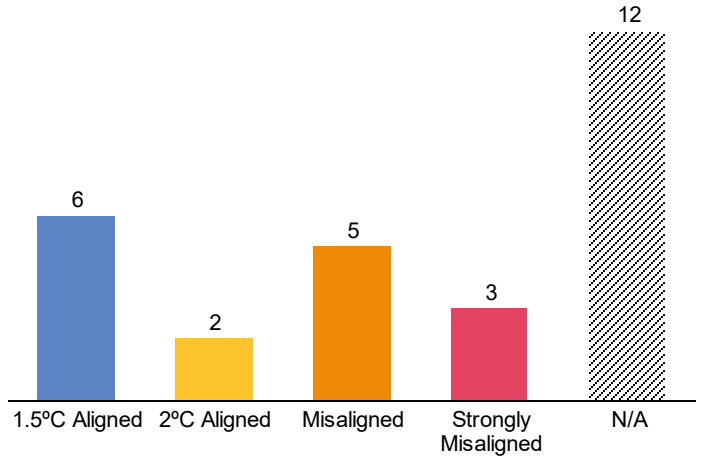
Methodology: *Implied Temperature Rise from **MSCI ESG Research** is designed to show the temperature alignment of companies, portfolios, funds and indexes with global climate targets. It compares the current and projected greenhouse gas emissions across all emissions scopes (based on the company's track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

Quick look at: Danone

Danone integrates sustainability into its core mission of "bringing health through food to as many people as possible". Danone aims for net zero emissions across its value chain by 2050 and has already made progress through regenerative agriculture and renewable energy adoption. Danone is targeting 100% reusable, recyclable, or compostable packaging by 2030. The company also prioritizes social impact through fair labor practices and community health initiatives across its global supply chain.

The **NIC-UD portfolio** recorded a slight increase in **its implied temperature rise**, now standing at **2.3°C** compared to **2.2°C** in the previous quarter. While **the average temperature of most holdings remained stable**, the increase was primarily driven by **a combination of offsetting effects**. The **sale of the Ayvens** position, which had a relatively high temperature of 3.2°C contributed **positively** to the portfolio's climate profile. However, these favourable developments were partially outweighed by a **significant rise in temperature on some of existing positions**, particularly **Volkswagen and Mercado Libre**, which increased to 3.6°C and 3.5°C, respectively. From Volkswagen, this shift signals a l**ess Paris-aligned trajectory and higher transition risk**. In summary, despite actions that tended **to lower the portfolio's overall temperature,** these internal temperature changes led to a modest increase in the portfolio's Weighted Average Implied Temperature Rise.
These developments underscore **our Group's commitment to maintaining a sustainable portfolio**, prioritizing investments in companies that actively contribute to **environmental stewardship and global warming mitigation**. Our goal remains aligned with the **Paris Agreement**, striving to **limit global temperature rise to 1.5°C** through responsible and strategic investments.

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	0.67	1	
S&P Global	0.38	0.23	1

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

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

Ticker	Weight in Portfolio	Sustainalytics (Converted)
META	3.40%	4
ESPO.L	3.60%	NA
BN.PA	4.30%	2
BA	9.30%	4
EPD	5.90%	NA
BRK.B	4.20%	4
MRN.PA	2.10%	2
ITX.MC	2.50%	2
VOW3.DE	3.50%	4
ATEN	3.70%	NA
ABBNY	2.80%	2
VDTA.L	2.30%	NA
IKOR.L	3.20%	NA
JNJ	4.10%	2
GOOGL	4.60%	4
TMUS	2.40%	4
MELI	5.80%	2
AZN	2.40%	2
EQB	1.40%	2
LEA	2.10%	2
INGR	2.70%	4
MC.PA	2.30%	2
ARW	3.80%	1
ZBH	4.10%	4
GDX	2.50%	NA
NVO	5.00%	2
RENE	3.00%	NA
DECK	3.00%	2



Final Output

Despite the advantage of relative comparison in MSCI's rating, it also has the drawback of being the **least comprehensive database.** That is why we used **Sustainalytics** ratings of our positions. Still, 7 out of 28 positions in our portfolio were not eligible for analysis. However, their combined percentage of total investment in NIC-UD's portfolio is close to 24%, which we consider to be a relatively low percentage and the best achievable from the 3 ratings, that would not significantly impact our conclusions.

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

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

ESG Analysis

Opportunities and Improvements

Near-Term Improvements

In the last quarter, NIC-UD's Fund saw its **implied temperature rise increase from 2.2°C to 2.3°C**, mainly due to the addition of two positions: **REN and Deckers,** which have higher carbon intensities. While some holdings maintained strong ESG performance, the overall rise reflects **temporary portfolio adjustments.** We remain committed to aligning with the Paris Agreement and integrating ESG metrics at the core of our investment process. Setting clear goals has been crucial in guiding us towards more sustainable portfolio choices.

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

Short-Term goals



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



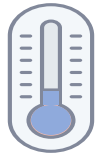
Reach a portfolio MSCI rating (or equivalent) of AA**.**

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:

- In the first weeks, coverage teams were not using the initiative of the coverage groups as expected. They were sharing news but not building arguments or extracting insights that could lead to revaluations. This limited the effectiveness and output expected to derive from the coverage system. Some revaluation groups in this QSR included new members who had not yet built valuation models independently, which made the process slower and required additional guidance.
- No revaluation ideas originated directly from the coverage teams, showing that the bridge between coverage and revaluation can still improve.

Lessons Learned / Key takeaways:

- Coverage teams need to become more proactive, analyzing news with a valuation mindset and identifying implications for our positions. Investment Managers must also evaluate their inputs more critically and act faster on potential ideas.
- Team composition will be improved to ensure that each group includes at least one experienced member who can guide the process and maintain momentum.

Going forward:

- Coverage teams will operate under closer supervision from the Investment Managers to make sure relevant updates are transformed into revaluation discussions and, when justified, portfolio movements.
- Stock pitches and Monthly Fund Meetings will continue with the current structure to preserve consistency and accountability in the workflow.
- The “After The Bell - by NIC-UD” podcast will launch in November, featuring high-level guests already in senior finance positions to bring professional insight and exposure to our members.
- Our focus moving forward is to strengthen execution and accelerate the link between coverage, revaluation, and decision-making.

Final Remarks

Letter to Shareholders

Quarter highlight



Share Price increased **(5.08%),** slightly underperforming the benchmark



Berkshire's slowing fundamentals and leadership transition mean its historic valuation premium is no longer justified, we decided to **sell**



Increased implied temperature rise **to 2.3°C**, up from 2.3ºC in Q2 25

Letter to shareholders:

Dear all,

In the third quarter of 2025, the NIC-UD Fund delivered a 5.08% return, slightly below the benchmark's 6.20% but 74 bps above our performance in the same quarter last year. Together with our strong first half, this contributed to a 6-month annualized return of 35.01%, confirming the resilience of our strategy in a more volatile environment.

The macro backdrop evolved broadly as expected. In the U.S., the Federal Reserve executed its first rate cut of the cycle, lowering the federal funds target by 25 bps to a range of 4.00–4.25%, while the ECB kept the deposit rate at 2.00% after earlier cuts. Markets oscillated between bouts of risk-off sentiment, triggered by weaker Chinese economic data and renewed property-sector stress, and renewed risk appetite, supported by AI-led earnings strength and a soft-landing narrative into year-end.

Our best contributors this quarter were VanEck Gold Miners ETF (+47%), Alphabet (+38%), and Johnson & Johnson (+21%), reflecting demand for safe-haven assets, AI-exposed growth, and high-quality healthcare. On the downside, Novo Nordisk (-20%), EQB (-12%), and MercadoLibre (-11%) suffered from regulatory pressure, earnings misses, and intensified competition. After a full fundamental and valuation review, we decided to fully divest Berkshire Hathaway, concluding that slowing growth, weaker free cash flow, and a more cautious capital allocation stance under Greg Abel no longer justify the stock's valuation premium. From an ESG standpoint, our portfolio's implied temperature rise moved modestly higher from 2.2°C to 2.3°C, primarily due to internal changes in existing holdings, despite positive steps such as the sale of Ayvens.

As we entered the new academic year, our priority is clear: to strengthen execution; tighten the link between the new fund coverage groups, the revaluation of current positions, and portfolio action; and ensure that NIC-UD continues to combine rigorous analysis with disciplined capital allocation. We also highlight the strong involvement of the new class of analysts in the club's activities. In addition, we are excited to announce the launch of the "After The Bell – by NIC-UD" podcast in the coming weeks. The trust you place in us is both a privilege and a responsibility, and we are committed to honouring it.
Sincerely,

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

Final Remarks

QSR Team

NIC Undergraduate Division Fund

Q3'25 QSR Team



Final Remarks

Investment Team

Heads



Afonso Freitas
Co-President



Afonso Monteiro
Co-President



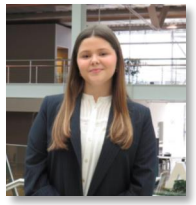
Rafael Dias
Head of Corporate Relations



Francisca Mora
Investment Manager



Bernardo Figueiredo
Investment Manager



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