NIC | Undergraduate Division Fund

Q3 2026 Shareholders Report

17th November 2026



Results Summary

Share price performance and Total Equity cashflows

Quarterly return

−2.5% in USD (−1.7% in EUR) against +2.7% for the MSCI World. The gap came from stock selection: three of the fund's largest detractors fell by more than 20%, while the index kept rising.

Best performers

- **Meta (META) +28.7%:** Q2 revenue grew 28% to $60.8bn, ahead of expectations, despite legal and severance charges and a capex guidance raise to $130–145bn.
- **Leidos (LDOS) +18.3%:** record revenue of $4.6bn (+7% YoY) and EPS of $3.3 vs $2.9 consensus, and full-year guidance raised on a 2.2 book-to-bill in Defense.
- **SharkNinja (SN) +18.3%:** net sales +22.2% to $1.8bn, a 13th consecutive quarter of double-digit growth led by international (+36.6%), and the 2026 outlook was raised.

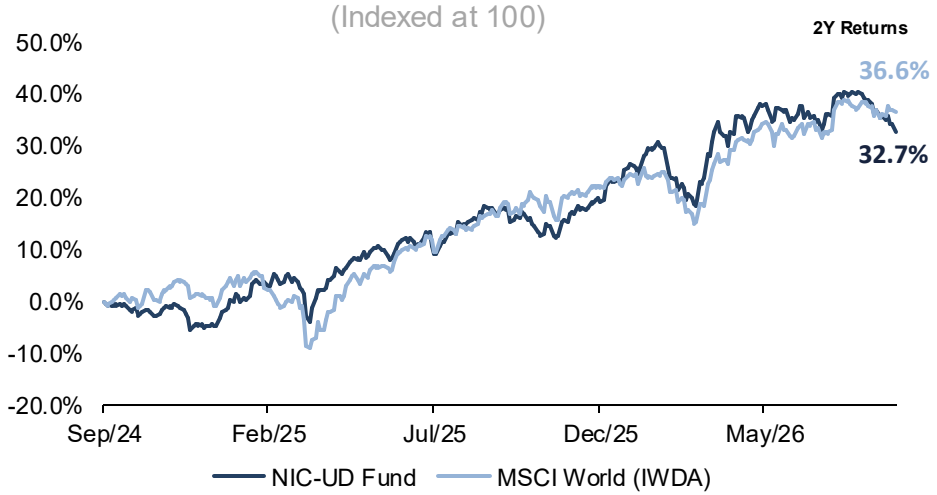
Worst performers

- **A10 Networks (ATEN) −27.4%:** Q2 in line with estimates (revenue $80.1m, +15.5% YoY), short of expectations that had risen during a strong first half.
- **Deckers (DECK) −21.3%:** fell despite beating estimates, as HOKA growth slowed to 7.7%, operating income fell and a 12.5% assumed tariff rate raised margin doubts.
- **LVMH (MC.PA) −20.1%:** H1 revenue down 3% to €38.6bn, with Fashion & Leather Goods down 5%; shares 28% lower year to date.

Total equity

Total equity fell 2.5%, mainly from capital losses of c. 2.6% of equity. Dividends added 0.3%, fees and other costs took −0.1%, no subscriptions or withdrawals.

Fund's performance against the benchmark (2Y)



Total Equity cash flows during thequarter



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

Best performers

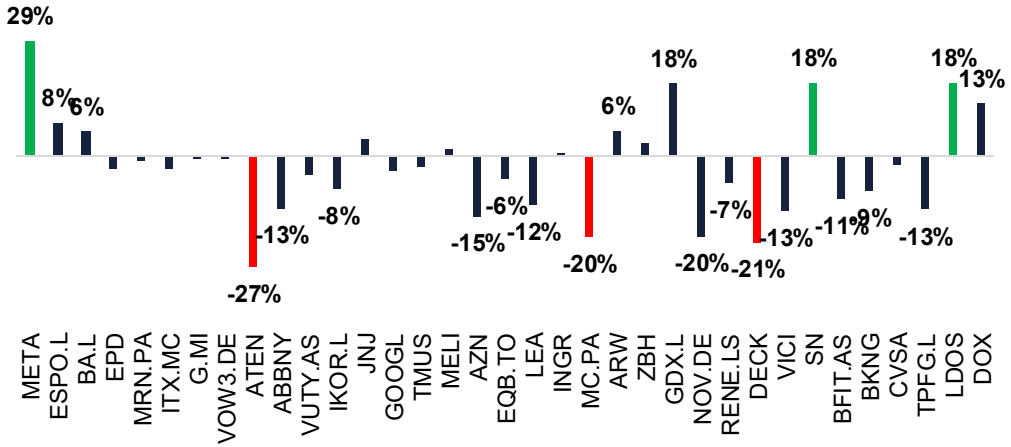
- **Meta +28.7%:** Re-rating began with its best week since early 2024 in July on **optimism around its AI strategy**. The c. 8% post-earnings drop was bought within days, as investors treated the EPS miss as non-recurring: a $2.4bn legal charge and severance from a c. 8,000-role restructuring. **Ad growth came from both volume (+14% impressions) and pricing (+12% per ad).**
- **Leidos +18.3%: Gained on order intake rather than margins**: $5bn of awards took backlog to $48.7bn, new defense AI work included hypersonic missile-tracking payloads, and a **20m-share buyback** was authorised. This more than offset adjusted EBITDA margin falling to 13.8% (from 15.2%).
- **SharkNinja +18.3%:** Traded near its 52-week high despite tariffs compressing gross margin by 70bps, as **Beauty & Home Environment grew 65%** and $247m of tariff refund claims support H2 margins.

Worst performers

- **A10 Networks −27.4%: Sold off even after raising guidance**, as the market focused on risks: **customer concentration** (Microsoft is c. 37% of revenue), **a drop in service-provider revenue** ($32.1m from $41.6m), memory and component cost pressure on margins, and AI security products still 1–2 years from contributing.
- **Deckers −21.3%:** Fell 6% on results day after a Q2 gross margin warning tied to tariffs and freight. **HOKA wholesale grew only 3%**, SG&A rose with HOKA store expansion, and analysts flagged competitive pressure from Nike and On in cushioned running.
- **LVMH −20.1%: Recovery proved too narrow**: growth came from Watches & Jewellery and Sephora, while Celine and Fendi stayed negative. **China then weakened sharply**, with the top 25 luxury brands' local sales down over 10% in July.

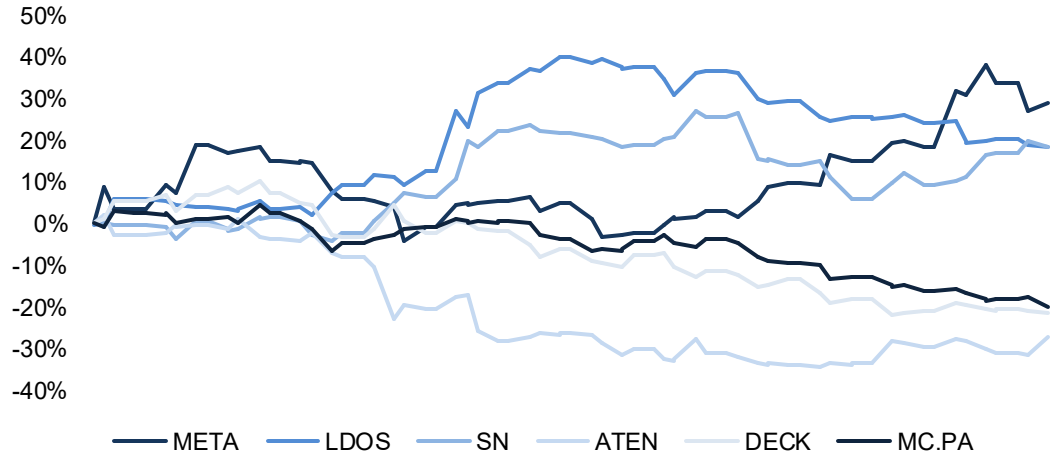
Quarterly performance by position

(From 30/06/2026 to 30/09/2026)



Best and Worst Securities Performance (exc. dividends)

(From 30/06/2026 to 30/09/2026)

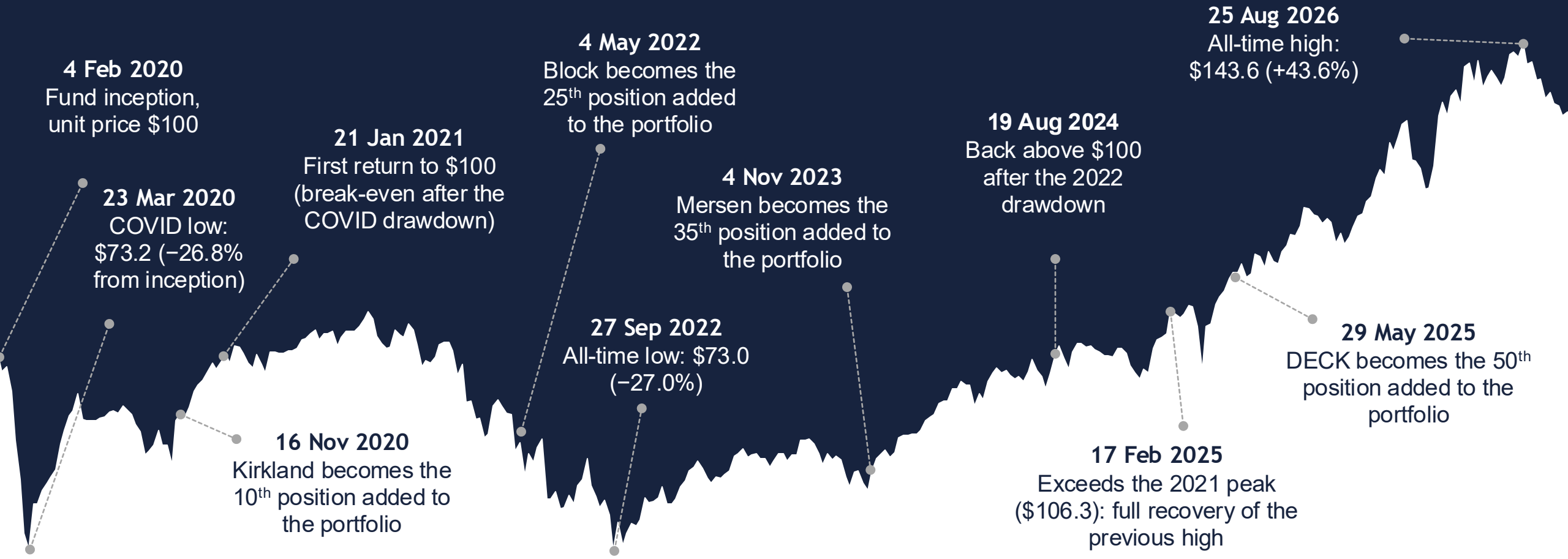


Portfolio

Portfolio roadmap

NIC Undergraduate Division Fund

Portfolio share price



Portfolio

Portfolio Vs Benchmarks

Fund Performance

In the third quarter of 2026, **the fund returned −2.5%, underperforming the benchmark's +2.7% by 515 bps, with a Sharpe Ratio of −1.6 versus 0.6.** The gap came from positioning, not risk management.

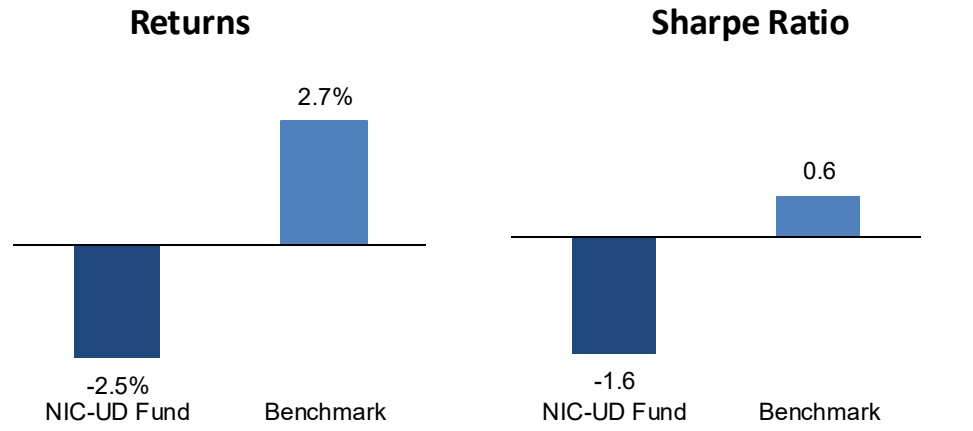
A second energy shock defined the quarter, with Gulf strikes resumed on 7 July and Brent rising from $72 to a $109 peak in mid-September**. Central banks responded in sync**. **The Fed delivered its first hike since 2023 (to 3.75%–4.00%)** after a July hold with three hawkish dissents. The ECB raised its deposit rate for the second time this year, to 2.50%, as euro-area inflation reached 3.3% with energy inflation at 14.3%. The BoJ raised rates to 1.25%, its highest since 1995, and the BoE held but signalled a hike. The US 10-year yield rose 82 bps to 5.3%, and European yields hit multi-decade highs. Tightening into an energy shock hit long-duration and consumer-facing equities hardest. **Only four of eleven S&P 500 sectors gained**, led by **Energy (+17.2%) and IT (+7.2%),** while Consumer Discretionary fell 5.1% and the Russell 2000 lost 7.3%. The fund, tilted towards European, mid-cap and consumer names with little energy, was exposed to exactly this mix, with energy costs squeezing household real incomes.

Benchmark Composition

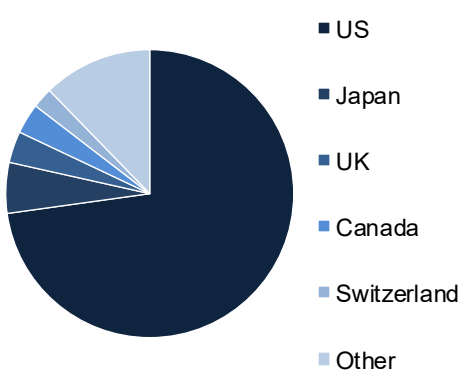
We kept the **MSCI World** as our benchmark because its **sector mix matches the fund's investable universe.** Information Technology, Financials, Health Care, Industrials and Consumer Discretionary make up most of the index and are also where most of the fund's capital sits. This lets us compare stock selection within each sector, not only overall market exposure. **The index's c. 70% US weight and its tilt towards IT set a demanding reference point for a fund with a larger European and consumer allocation**. That makes our active sector and regional bets visible, both when they add value and, as in Q3, when they cost performance.

Quarterly gross returns and Sharpe Ratio vs Benchmark

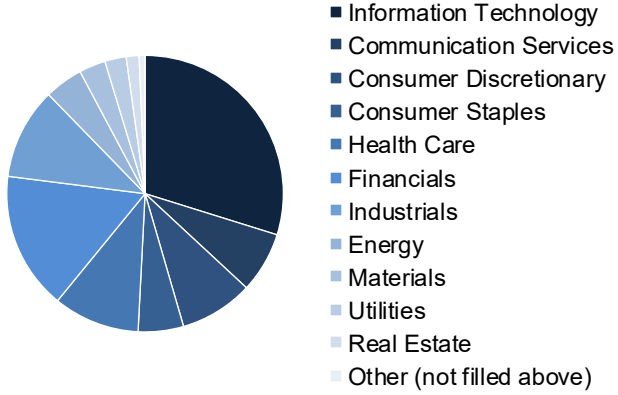
(From 30/06/2026 to 30/09/2026)



MSCI World Index Geographical Allocation



MSCI World Index Allocation by Industry



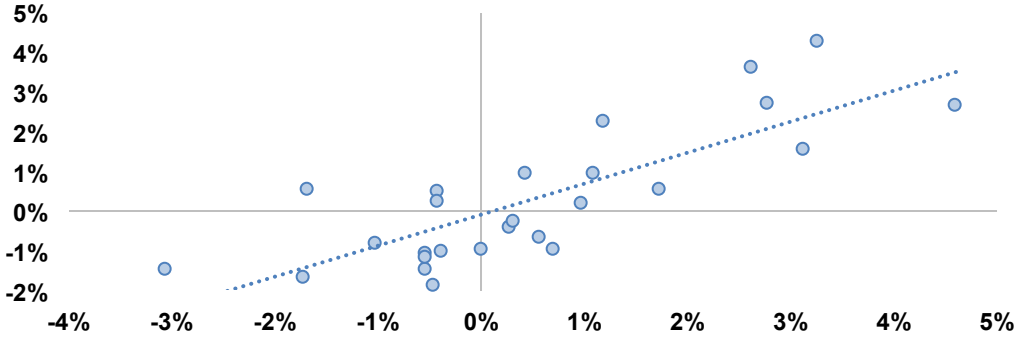
Portfolio

Risk measures

Risk-adjusted performance measures*

Annualized	6M (cum.)	1Y	2Y	Inception
Net Returns	*9.7%*	*13.1%*	*15.2%*	**4.7%**
Risk Free Rate	*3.8%*	*3.8%*	*4.1%*	*2.9%*
Variance	*1.5%*	*1.4%*	*1.3%*	*2.1%*
Std. Deviation	12.3%	11.7%	11.5%	14.5%
Sharpe Ratio	**1.0**	**0.8**	**1.0**	**0.2**
Semivariance	*0.4%*	*0.5%*	*0.5%*	1.2%
Semi-Std. Deviation	*6.0%*	*6.7%*	*7.3%*	*11.1%*
Sortino Ratio	**2.0**	**1.4**	**1.5**	**0.3**
Jensen's Alpha	*(8.3%)*	*(0.6%)*	*1.1%*	*(4.9%)*
Beta	*0.9*	*0.9*	*0.8*	*0.7*
Treynor's Ratio	**0.1**	**0.1**	**0.1**	**0.04**
Benchmark Return	*17.9%*	*16.6%*	*16.9%*	**13.1%**
Tracking Error	*7.8%*	*7.7%*	*10.6%*	*10.1%*
Information Ratio	**(1.6)**	**(0.3)**	**(0.2)**	**(0.8)**

Portfolio vs. Benchmark: Alpha and Beta Regression 6M



Analysis of performance measures

In the last six months, the **fund** returned **9.7% cumulative**, **underperforming** the benchmark's **17.9%**. The **1-year annualised return was 13.1%** and the **inception annualised return 4.7%**.

The **Sharpe Ratio**, which **measures risk-adjusted returns**, allows for comparison between returns and the level of risk (as measured by volatility). Looking at the **previous 24 months**, the fund had a **Sharpe Ratio of 1.0**, **well above the inception level of 0.2**, signalling **improved risk-adjusted performance**. The six-month ratio was **1.0**.

The **Sortino Ratio**, which focuses on **downside risk**, reflects how the **portfolio's returns compare to the risk of negative performance**. In the **last six months**, the **Sortino Ratio stood at 2.0**, **above the inception level of 0.3**, with a **downside deviation of 6.0%**, less than half the 12.3% standard deviation.

The **Treynor Ratio**, which **measures returns** in **relation to systematic risk** (measured by the portfolio's beta of 0.9), was **0.1** in the last six months.

The **Information Ratio** measures how much **extra return the portfolio earns over its benchmark** for each unit of risk taken relative to it. Over the last six months, the fund **underperformed the benchmark**, with a ratio of −1.6 and a **Jensen's Alpha of −8.3%**.

** Data to 30 Sep 2026. 6M figures are cumulative; 1Y, 2Y and inception are annualised. MSCI World (IWDA) is the market portfolio for Beta and Alpha. 6M and 1Y ratios are not statistically different from zero.*

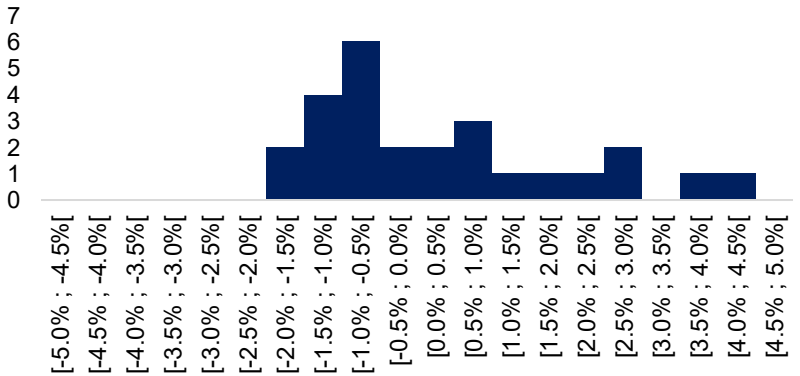
Portfolio

Value at Risk

VaR calculations

Histogram of portfolio weekly returns

From 31/03/2026 to 30/09/2026



Sample Statistics

Sample Statistics	Weekly	Annual
1 year		
Mean	0.3%	12.8%
Std Dev	1.6%	11.6%
Skewness	0.5	-

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 (loss, % of NAV)		
% / Time Period	6M	1Y	Inception
90%	12%	11%	16%
95%	17%	15%	21%
99%	25%	23%	31%

2. Historical simulation approach

Brief explanation: *The (1 − α) percentile of every overlapping 52-week return in the window; needs about two years of data.*

	Value at Risk (loss, % of NAV)		
% / Time Period	6M	1Y	Inception
90%	needs 2 years	needs 2 years	17%
95%	needs 2 years	needs 2 years	22%
99%	needs 2 years	needs 2 years	27%

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 5,000 iterations by supposing that the portfolio follows a stochastic process known as a random walk. Each one-year path is built from 52 weekly returns drawn at random from the fund's actual weekly returns (bootstrap), re-centred on the risk-free rate. No normality is assumed, so real fat tails and skewness are kept.*

$P_{52}/P_0 = exp[\Sigma_{k=1}^{52}(x_k - \bar{x} + ln(1 + r_f,w))]$, *where* x_k *is a weekly log return drawn at random from the window,* $\bar{x}$ *their average and* r_f,w *the weekly risk-free rate.*

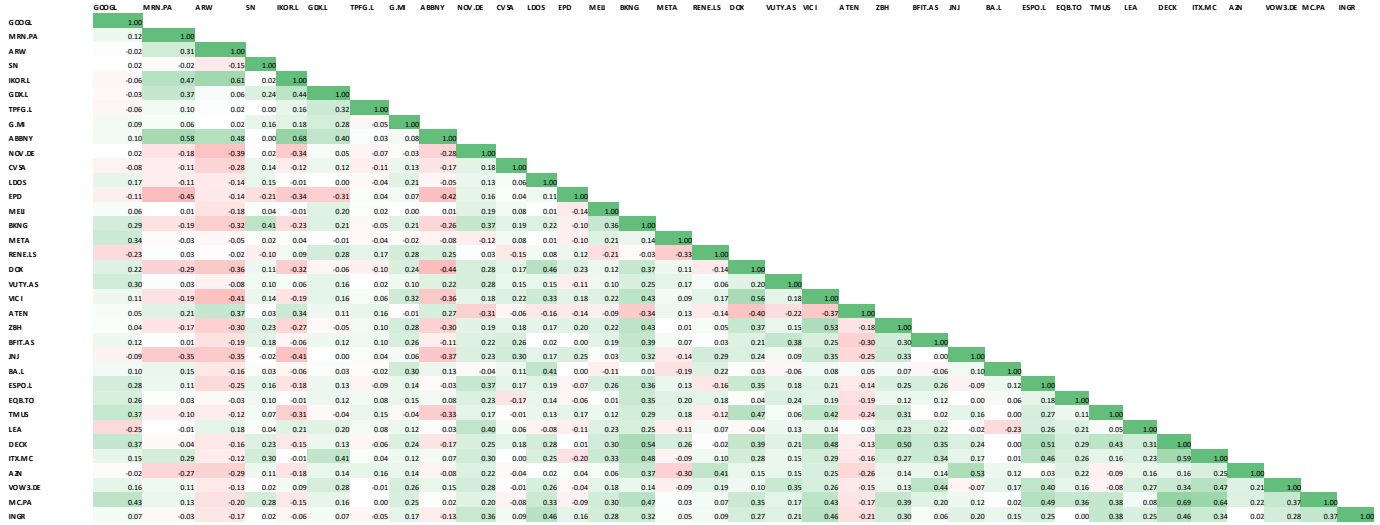
	Value at Risk (loss, % of NAV)		
% / Time Period	6M	1Y	Inception
90%	11%	10%	14%
95%	14%	14%	19%
99%	20%	20%	28%

Portfolio

Summary Statistics

Correlation matrix between securities

(From 30/06/2026 to 30/09/2026)



The portfolio delivered an **average daily return of −0.04%** during the quarter, with **gains in July and August** offset by a **weaker September**, when the fund fell in every week.

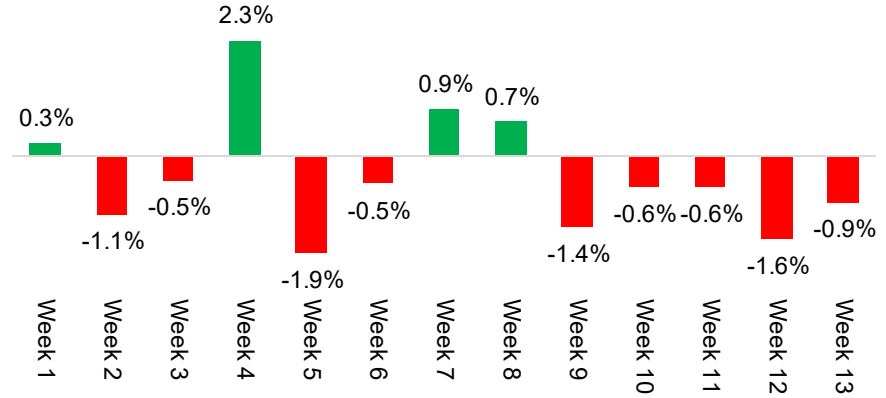
The fund **exceeded the benchmark in 4 of the 13 weeks**, as **relative performance weakened towards the end of the quarter**, lagging the benchmark in each of the last five weeks.

Valuation multiples stood at an **LTM P/E of 17.6 and LTM EV/EBITDA of 11.6**, reflecting a portfolio **priced below the broader market**, while the portfolio still delivered returns below the benchmark.

Risk metrics remained contained, with maximum weekly drawdown at **−1.8% and an Annual VaR (95%) of -15%,** the increase reflecting the new risk-free expected return rather than higher portfolio risk.

Weekly excess return over the benchmark

(From 30/06/2026 to 30/09/2026)



Basic Info		Performance	Inception
Total Equity	———	Sharpe Ratio	0.2
N of Shares	———	Sortino Ratio	0.3
Share Price	$135.4	Information Ratio	(0.8)
Capital Invested (%)	90.0%	Jensen's Alpha (α)	(4.9%)
Beta (β)	0.9	Net Returns per year	4.7%

Risk		Valuation	
Negative Weeks	8	Fund's LTM P/E	17.6
Maximum Weekly Drawdown	(1.8%)	Fund's LTM P/S	1.2
Annual VaR (α=95%)	15%	Fund's LTM EV/EBITDA	11.6

Allocation

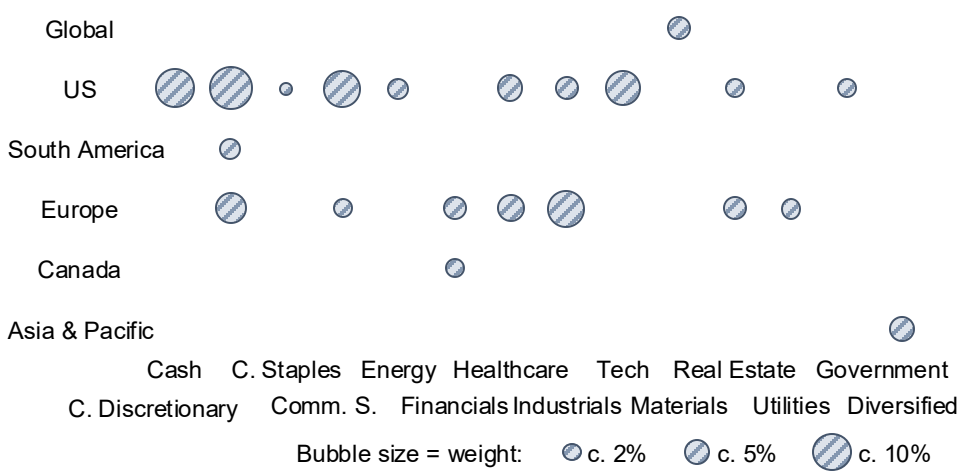
Current Allocation

Rebalancing the Portfolio

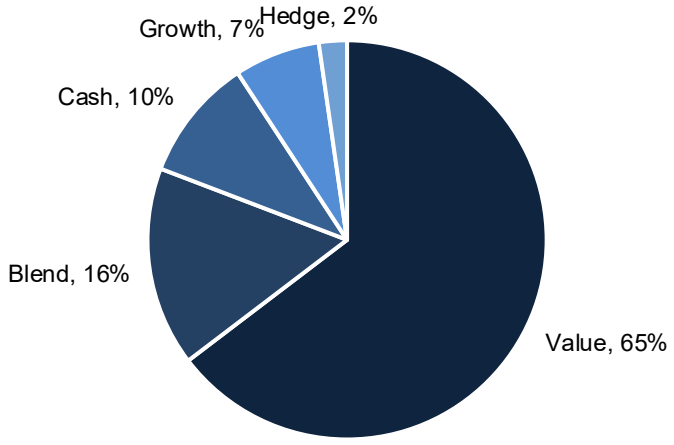
The third quarter **turned from a growth story into a rates story**. The Middle East conflict escalated again, lifting Brent from c. $70 per barrel in early July to $103 by the end of September. That turned an inflation picture that was already sticky into an outright upside risk. **The Fed under Warsh responded by restarting a hiking cycle with a unanimous +25bps in September, to 3.75–4.00%, its first hike since 2023**. The dot plot added one more hike for 2026 and pushed cuts out to 2028–29. The bond market moved further than the Fed itself. The 10-year rose 87bps in the quarter, its sharpest quarterly move since 1994, to c. 5.3%, and the 30-year reached c. 5.6%, both at levels last seen in the early 2000s.

Equities absorbed this unevenly**. The S&P 500 still set new highs, carried by a handful of mega-caps, and closed the quarter up c. 2.3%. The average stock told a different story: the equal-weighted index fell c. 2%,** the Russell 2000 lost 7.5% and 83% of S&P 500 members ended more than 10% below their 52-week highs. Rate-sensitive sectors suffered most, with Utilities down c. 12%. Europe offered no shelter: the STOXX 600 slipped 0.4% over the quarter and 1.4% in September. For the portfolio, this backdrop works against its largest exposures. **Consumer Discretionary (22%) and Industrials (12.5%) are where higher funding costs and an oil-driven squeeze on real incomes hit first, and the Value tilt and 31% weight in Europe left it on the wrong side of a market led by a few US mega-caps.**

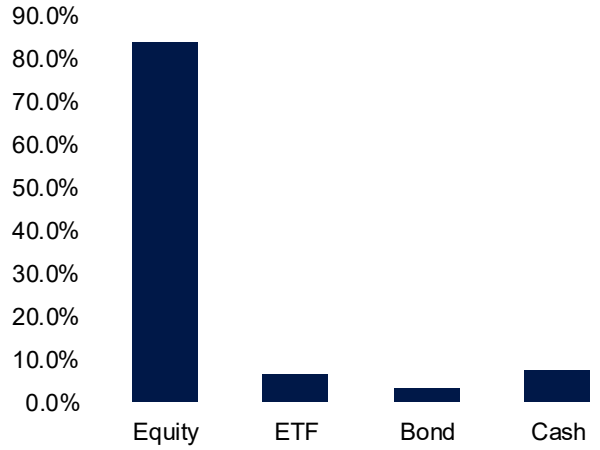
Allocation per Sector & Geography (%)



Allocation by Investment Style (%)



Allocation by Asset Class (%)



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.



Water Treatment & Desalination

Water scarcity, ageing infrastructure and stricter regulation drive investment in treatment and desalination, while better membranes and energy efficiency lower costs and support stable returns.



Sports Data & Tech

Sports data and technology spans live statistics, betting platforms and fan apps. Wider legalisation of betting and demand for real-time data drive recurring, high-margin revenue.



Optical Interconnectors

Optical interconnectors move data between servers using light instead of copper. As AI clusters scale, they deliver the bandwidth and power efficiency data centres need, a key bottleneck in AI build-outs.

Tactical Asset Allocation

Economic Cycles

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

Sources:

-Fidelity Institutional

-Invesco Ltd.

-S&P Global Ratings

Articles:

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

- "Portfolio Management: Sector Rotation" – Investopedia

Tactical Asset Allocation

Quarterly Macro Research

NIC Undergraduate Division Fund



Water Treatment & Desalination



Sports Data & Tech



Optical Interconnectors

Tactical Asset Allocation

Water Treatment and Desalination (1/4)

NIC Undergraduate Division Fund

Industry Overview

Industrial Water Treatment is shifting from a utility-like industry to structural growth, as **water-intensive industries expand**. It spans **three segments**: process **water treatment** (to process-grade or ultrapure), **wastewater treatment** (before discharge) and **water reuse** (back to production). The global market is worth c. **$51bn** in 2026, **growing at a 5.1% CAGR**. The **chemical industry** is the largest end market (**28% of demand**), but growth is led by **AI data centres** (US direct water use rose from **21.2bn litres** in 2014 to **66bn** in 2023, **13.5% annual growth**) and **semiconductors** (c. **38m litres of UPW** (Ultra Pure Water) per fab per day). The market is fragmented (**top ten providers hold 35%**), leaving room for consolidation. Tighter regulation (chemical approvals, certification, discharge limits, PFAS, water-use permits) supports recurring demand and raises entry barriers. Adjacent desalination is worth c. **$20bn**, growing faster at c. **8.8%** p.a.

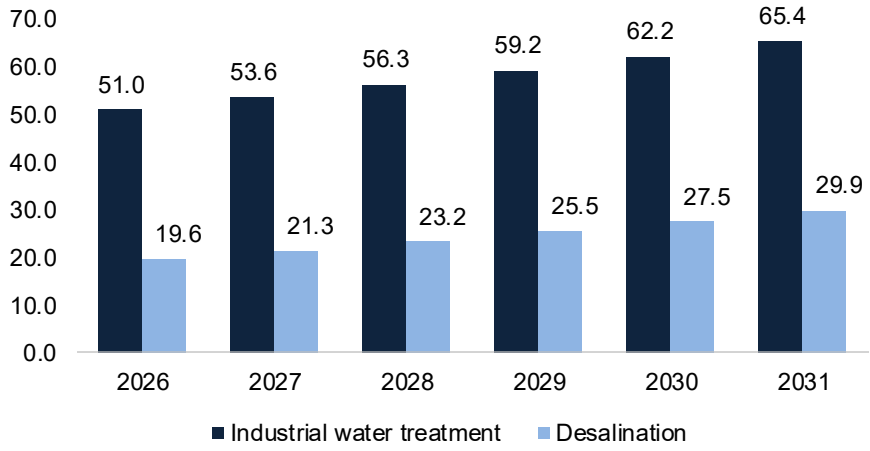
Geographical Distribution

Asia-Pacific is the largest current market, accounting for c. 40% of industrial water treatment revenue. Demand there is mainly driven by the **region's manufacturing and semiconductor base**, concentrated in China, Taiwan and South Korea. Followed by **North America**, with an estimated **25–30% share**, which is the market most exposed to the AI theme, as data centre buildout and semiconductor production rise, including new fabs, creating demand for UPW. **Europe** covers c. 22% of the market, but its demand is driven mostly by **regulation**, notably the revised Urban Wastewater Treatment Directive. The picture differs for desalination, where the **Middle East and Africa** account for c. 50% of global revenue, driven by structural water scarcity and large public investment programmes.

Revenue Model

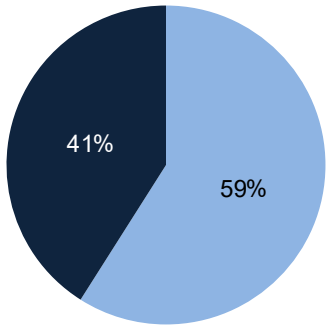
Industry revenue mixes **one-off project sales** with **recurring income from the installed base**. Equipment and plants (pumps, membranes and desalination systems) are sold as capex projects, so this revenue is lumpy and follows industrial investment cycles. Once installed, each system keeps generating demand for chemicals, replacement membranes, spare parts and O&M services. This income has **higher margins and high switching costs**: **c. 59% of Veralto's 2025 sales were recurring**. In desalination, developers also operate plants under **long-term water purchase agreements**, such as ACWA Power's 25-year contract for Shuaibah 3 in Saudi Arabia.

WT & DS Market Size Projection 2026-2031 ($bn)

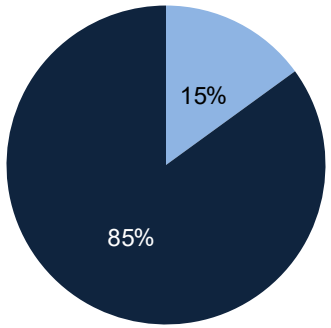


Revenue Mix: Recurring vs Non-recurring, FY2025

Water Treatment (Veralto)



Desalination (ERII)



Recurring revenue | Non-recurring revenue

Sources: Grand View Research, Future Market Insights, World Economic Forum

Tactical Asset Allocation

Water Treatment and Desalination (2/4)

NIC Undergraduate Division Fund

Water Desalination Value Chain

R&D & Specialized Inputs → **Hardware** → **Systems Integration** → **Aftermarket & O&M** → **AI Data Centers**

- **Proprietary RO membranes**, real-time water quality sensors and specialized treatment chemistry.
- **Extreme purity standards** (semiconductor fabs, AI data centers) require intense R&D and strict regulatory compliance.
- High IP creates barriers to entry and pricing power: **gross margins of 25–30%+**.
- Leaders: **Veralto** (diagnostics and sensors) and **Ecolab** (industrial chemistry).

- **High-pressure industrial pumps**, UV disinfection systems and energy-recovery pressure devices.
- Mission-critical: hardware failure can halt a chip fab or overheat a data center, so OEMs have **strong pricing power**.
- **Xylem** (pumps, flow control) and **Energy Recovery Inc.** (**90% market share** in devices that cut desalination power costs by **up to 60%**).

- Custom engineering, assembly and **turnkey execution** of UPW, ZLD and seawater desalination plants.
- Higher execution risk and engineering costs: **operating margins of 5–10%**.
- Strategic gateway to anchor long-term client relationships and secure an **exclusive installed base for decades**.
- **Kurita** (key partner for Asian chip fabs) and **Veolia**.

- Plant operation, membrane and filter replacement, chemical re-dosing and **AI-driven digital monitoring**.
- **Highest long-term value** in the chain: predictable, recurring revenue (OPEX) with **operating margins of more than 20%**.
- **Very high switching costs** (clients can't risk downtime) ensure resilient cash flows.
- **Veralto** (near-pure play) and **Kurita** (pure play).

- AI data centers require the same **extreme water purity standards** as semiconductor fabs.
- Water infrastructure is **mission-critical**: hardware failure can overheat a data center.
- **Ultrapure Water (UPW)** and **Zero Liquid Discharge (ZLD)** systems are the complex facilities that serve these purity needs.
- AI-driven digital monitoring supports the **recurring O&M revenue** in stage 4.

Sources: Goldman Sachs, Xylem, VLTO: 10-K, ERII: 10-K, Global Water Intelligence (GWI)

Tactical Asset Allocation

Water Treatment and Desalination (3/4)

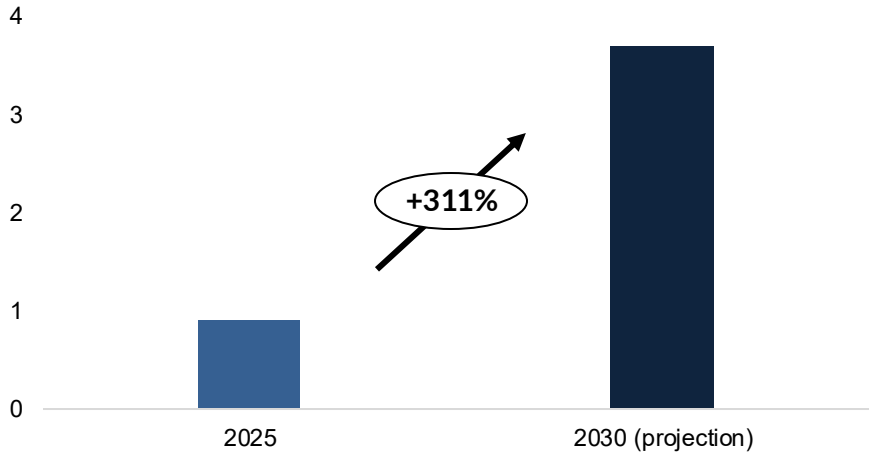
AI as the Demand Catalyst

The desalination industry is expected to grow at a **CAGR of 8.8%** until 2031, from a c. $20bn **market size** in 2026 to a **forecasted $30bn in 2031.** AI is now a key accelerant of that curve, acting on two fronts. First, operationally: machine-learning platforms are being used to optimise reverse-osmosis trains, predict membrane fouling, automate chemical dosing and schedule predictive maintenance, targeting energy, which accounts for c. 50% of a plant's operating cost. Early deployments in the Gulf report **5–7% energy savings** and **15% lower chemical use**, without new hardware. Second, AI's water demand (across power generation, chip fabs and data centers) is projected to **rise by 130% by 2050**. This makes AI a demand catalyst for the industry, as **40% of data centers sit in water-stressed regions**. TSMC is building its own water reclamation plant, and Amazon has partnered with Veolia on reclaimed-water cooling, aiming to be water positive by 2030. Governments are also investing, with the Saudi Water Authority signing a **$36.5m deal** with Energy Recovery in July 2026. The first segments to benefit are Gulf desalination, ultrapure water for chip fabs, data-center cooling reuse and utility leak detection, where water scarcity and energy costs make efficiency gains immediately monetisable.

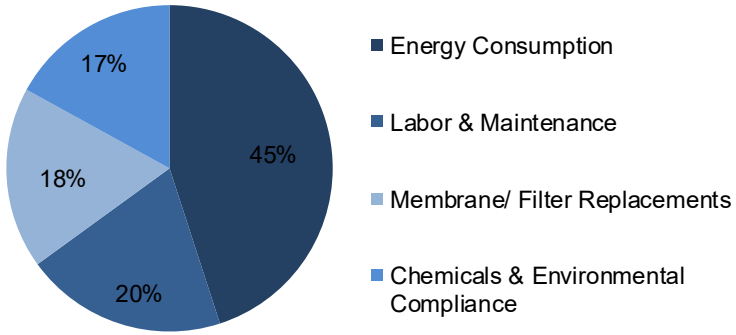
Future Outlook, Risks & Catalysts

Despite strong structural drivers, the water treatment and desalination sector faces risks tied to its capital-heavy nature and current market pricing. **High capital intensity and interest rate exposure** remain a primary challenge. Large-scale infrastructure and desalination projects require significant upfront funding, and persistently high borrowing costs could delay project approvals or compress project IRRs. Additionally, while aftermarket revenues offer resilience, initial equipment sales remain exposed to **industrial CAPEX cyclicality and execution delays**. Any macroeconomic slowdown impacting semiconductor fab build-outs or data center construction timelines would directly impact growth. Furthermore, desalination and large-scale water projects face intense **regulatory and environmental scrutiny**, particularly regarding energy consumption and brine disposal, often leading to extended permitting cycles. Finally, the most immediate risk for investors is **valuation**, as the anticipated AI-driven demand and potential margin expansion may already be priced into current multiples, leaving the sector vulnerable to multiple contraction if earnings growth fails to outpace the high opportunity cost of equities in a high-yield environment.

Share of Water Used for AI Data Centres in Trillion Liters



Seawater Desalination OPEX Breakdown



Sources: McKinsey & Company, World Economic Forum (WEF), Danfoss, Mordor Intelligence

Tactical Asset Allocation

Water Treatment and Desalination (4/4)

NIC Undergraduate Division Fund

Possible Investments

Xylem (NYSE: XYL)

- Market Cap: 24.0bn
- EV/EBITDA (trailing): 13.0x
- P/E (NTM): 17.5x
- FCF Yield (TTM): 4.0%

Veralto (NYSE: VLTO)

- Market Cap: 23.1bn
- EV/EBITDA (trailing): 18.0x
- P/E (NTM): 20.9x
- FCF Yield (TTM): 4.5%

Energy Recovery (NASDAQ: ERII)

- Market Cap: 349.2m
- EV/EBITDA (trailing): 11.2x
- P/E (NTM): 20.3x
- FCF Yield (TTM): 11.1%

Veolia (EPA: VIE)

- Market Cap: 26.7bn
- EV/EBITDA (trailing): 7.9x
- P/E (NTM): 12.8x
- FCF Yield (TTM): 9.2%

Ecolab (NYSE: ECL)

- Market Cap: 81.0bn
- EV/EBITDA (trailing): 21.7x
- P/E (NTM): 33.5x
- FCF Yield (TTM): 2.3%

Kurita (TSE: 6370)

- Market Cap: 5.1bn
- EV/EBITDA (trailing): 8.6x
- P/E (NTM): 15.8x
- FCF Yield (TTM): 3.8%

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

Tactical Asset Allocation

Quarterly Macro Research

NIC Undergraduate Division Fund



Water Treatment & Desalination



Sports Data & Tech



Optical Interconnectors

Tactical Asset Allocation

Sports Data & Tech (1/4)

Industry Overview

Sports Data & Tech is the **B2B infrastructure** layer that converts live sporting action into structured, **monetisable data**. The value chain starts with leagues and federations, which own official match data and license it to specialised providers. These providers capture every event in-venue, through human scouts and computer vision, distributing it at **near-zero latency**. Using this data, they build value-added products such as **odds, trading and risk services, live streaming, broadcast augmentation, integrity monitoring and fan-engagement products**. Crucially, these providers supply licensed operators with platforms, data feeds and trading services, but do not take bets from end users. **They monetise activity rather than outcomes**, generating recurring, contracted revenue under multi-year licensing agreements.

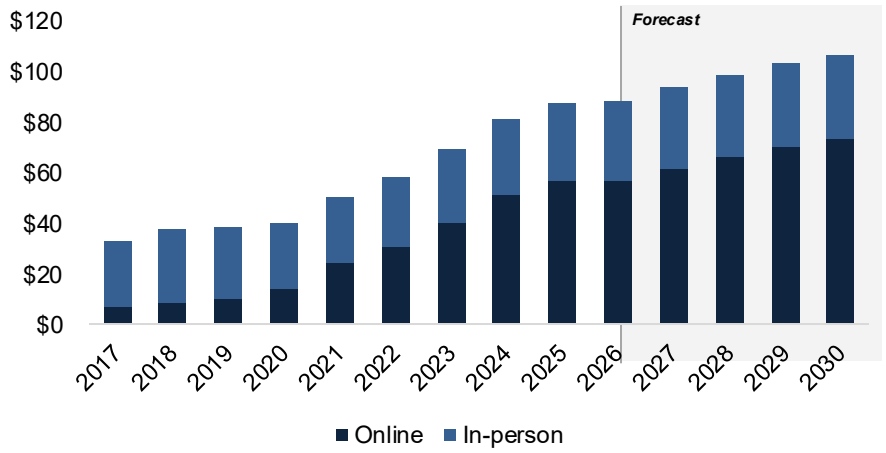
Current Outlook & Structure

Access to exclusive data rights is the key asset and the main barrier to entry for new players. Leagues license their official data to exclusive providers through costly multi-year agreements. This dynamic has established a **duopoly**, centred around **Sportradar (NASDAQ: SRAD)** and **Genius Sports (NYSE: GENI)**. Sportradar's portfolio is anchored in exclusive multi-year deals with the NBA, NHL and MLB. Genius Sports is the NFL's exclusive official data distributor, with further rights to the NCAA, Premier League and Serie A. Together, the two generated **$2.1bn of combined revenue** in 2025. Sportradar reached **$1.5bn**, a **22% CAGR** over the four-year period up to 2025. Genius Sports grew even faster, from **$262.7m to $669.5m**, a **26% CAGR**. Both have also expanded margins: Sportradar's adjusted EBITDA margin expanded to **23.0%** in 2025, while Genius's rose from **0.6% in 2021 to 20.4%**, although the latter **still reports a net loss**.

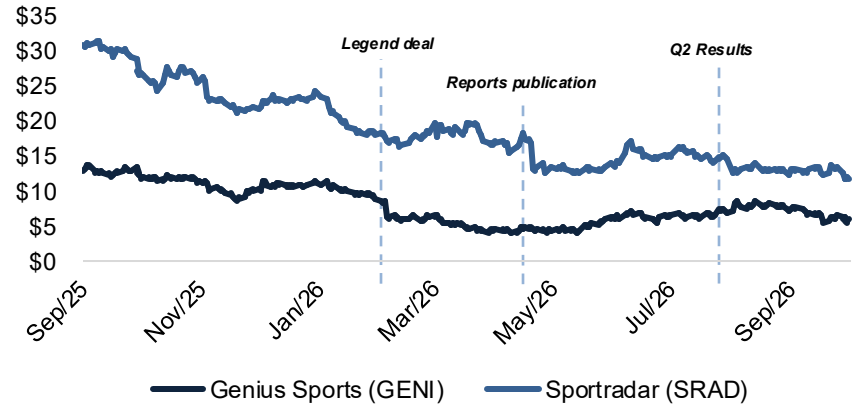
The 2026 "sell-off"

In February, Genius announced the **acquisition of Legend**, for **$1.2bn,** triggering a **23% decline** in its shares **upon announcement**, given the leverage **it took on (an all-equity firm at EoP '25)** while not yet profitable. YTD, the stock is down 44.1% and trades at $6.0. Sportradar's sell-off came later, on 22 April 2026, when published reports alleged the company had relationships with illegal gambling operators, sending the stock down 22.6% in a single session. Pressure continued after a **Q2 earnings miss** and **lowered 2026 guidance**. The stock is down 51.5% YTD and trades at $11.8.

Sports Betting Revenue Worldwide ($bn)



Stock Performance Sep 2025 – Sep 2026



Sources: SCCG Management, CompoundingAlpha, Sportradar, Genius Sports, Investing.com, Yahoo Finance

Tactical Asset Allocation

Sports Data & Tech (2/4)

NIC Undergraduate Division Fund

How Data becomes Revenue: Value Chain

Leagues
Sell exclusive data and streaming rights

→

Data gathering
Scouts and AI optical tracking at the venues

→

Information Treatment
Structured live feed, statistics and odds

→

Operators / Exchanges
Sportsbooks and prediction markets

→

Bettors
Handle drives the fees upstream

Official Data	*Trading & Odds*	*Streaming & Media*	*Integrity & Marketing*
Exclusive league rights let the provider collect, license and distribute official data to sportsbooks**. Revenue is recurring license** and per-event fees. **Moat = exclusivity**.	**Providers price markets** and manage risk for operators, from tools to fully managed trading, and **earn a share of trading margin** or handle-linked fees.	**Betting-integrated streaming** and advertising sold to operators and rights holders. It is the fastest-growing line.	**Detects suspicious betting for leagues** and regulators. Small but essential. Marketing: data-driven promotions for operators, so **revenue follows operator growth**.

Business Model: Drivers

Prediction Markets: Event contracts only settle if the result comes from a **trusted official source**, which makes **sports data a critical input**. Genius and Sportradar both announced partnerships with Kalshi and Polymarket after Q2 2026. The revenue is not yet quantified, and the CFTC-versus-state legal fight is the main swing factor.

Recurring Contracts: Data is sold under **multi-year licences** with operators, which gives **visible, recurring revenue**. Betting growth shows it: Genius Betting +27.5% and Sportradar Betting & Gaming Content +27% in Q2 2026. **Risk: customer concentration** and renegotiation at renewal.

Operating Leverage: Rights and collection are fixed costs, so **each extra operator or market adds revenue at low marginal cost**. Q2 adjusted **EBITDA margins** were **26.9%** at Genius and **20.2%** at Sportradar, and both guide to expansion. The flip side is rights-renewal cost inflation.

Product Depth & Technology: In-play and micro-markets multiply priced events per match, so more data and trading revenue per game. AI optical tracking (Genius, via Second Spectrum) **reduces reliance on human scouts**, but may also **lower barriers for new entrants.**

Sources: Sportradar 2026 Q2, Businesswire, Genius Sports SEC

Tactical Asset Allocation

Sports Data & Tech (3/4)

Private Sector / M&A on vertical integration

Deal activity in sports data has moved from simply buying rights towards **owning more of the chain between the league and the bettor**. Genius Sports made the boldest move, closing its **up to $1.2bn acquisition of Legend** in April 2026, the network behind Covers.com. This gives Genius a share of operators' customer-acquisition budgets, not just their data fees. Sportradar grew through scale instead: Endeavor **paid c. $225m for it to take over IMG Arena's rights**, as the contracts cost more than IMG Arena could earn from them. In Sportradar's hands, with far more clients to resell to, the same rights become profitable. Leagues are also moving up the chain by **taking equity in their data partners**, such as the NFL in Genius. Meanwhile, private capital flows downstream, with prediction market **Kalshi valued at $22bn**, more than eight times Genius.

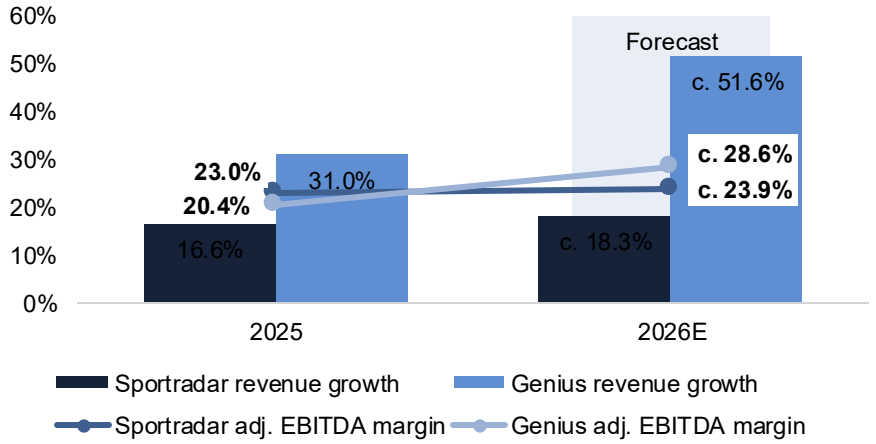
Risks

The industry's main vulnerability is that it sits **between two parties with more power than itself**. Above it, leagues control the rights, and renewals can be **lost or repriced higher**, with Genius's Premier League and NFL deals ending in **2029** and **2030**. Below it, betting operators face **rising taxes**: the UK lifts online betting duty to **25% in April 2027**, and Illinois now charges per bet, squeezing budgets that pay for data. US growth is also slowing, and Sportradar **cut its 2026 guidance** in August, sending its shares **down c. 20%**. Prediction markets add uncertainty, as US courts are split on whether states can regulate them, which could **open or restrict a large new customer base**. Finally, Genius now carries **$825m of debt** from the Legend deal.

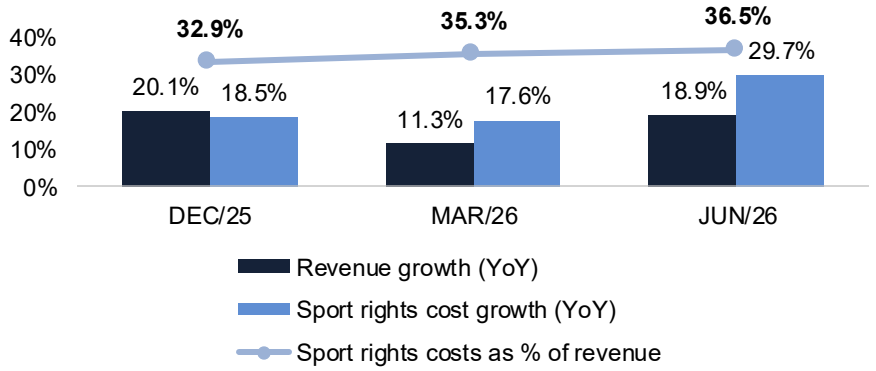
Future Outlook

The industry should keep growing at **c. 20% a year**, with Genius targeting **$1.6bn in revenue by 2028** and Sportradar guiding to **19–21% growth** in 2026, although the sources of that growth are changing. With the US sportsbook market maturing, **prediction markets** are set to become the next major customer base, and Sportradar expects their contribution to **grow strongly in 2027–28**. Data providers are also shifting from selling feeds to **selling bundles of data, video, advertising and customer acquisition**, which makes them harder to replace. Consolidation should continue as smaller rights portfolios flow to the two leaders. The key swing factor is a likely **Supreme Court ruling on prediction markets**, which will decide whether this becomes a national market or a state-by-state patchwork.

Revenue Growth and Adj. EBITDA Margin (%)



Sportradar: Sport Rights Costs vs Revenue (%)



Sources: LSR, SEC, Yogonet, Investing.com

Tactical Asset Allocation

Sports Data & Tech (4/4)

NIC Undergraduate Division Fund

Possible Investments

Sportradar (NASDAQ: SRAD)

- **Market Cap: 7.0bn**
- **EV/Adj. EBITDA: 22.5x**
- **3Y - Revenue CAGR: 20.9%**
- **Adjusted EBITDA margin: 23.0%**

Genius Sports (NYSE: GENI)

- **Market Cap: 2.6bn**
- **EV/Adj. EBITDA: 18.0x**
- **3Y - Revenue CAGR: 25.2%**
- **Adjusted EBITDA margin: 20.4%**

Kambi (STO: KAMBI)

- **Market Cap: 400m**
- **EV/Adj. EBITDA: 5.2x**
- **3Y - Revenue CAGR: 1.8%**
- **Adjusted EBITDA margin: 31.1%**

Catapult Sports (ASX: CAT)

- **Market Cap: 710m**
- **EV/Adj. EBITDA: 26.7x**
- **3Y - Revenue CAGR: 18.6%**
- **Adjusted EBITDA margin: 17.6%**

All monetary figures are stated in US dollars as of 31 December 2025 (and 31 March 2026 for Catapult Group). Sources: Sportradar, Genius Sports, Kambi, Catapult
Only four players were chosen as this is a niche industry with few pure-play companies.

Tactical Asset Allocation

Quarterly Macro Research

NIC Undergraduate Division Fund



Water Treatment & Desalination



Sports Data & Tech



Optical Interconnectors

Tactical Asset Allocation

Optical Interconnectors (1/4)

Industry Overview

Behind every streamed video or AI answer is a physical network carrying data. **Optical interconnectors** move that data as light through fibre, linking telecom networks and the computers inside data centres. Connectors join fibres, while transceivers convert electrical signals into light and back. As computing expands, customers must spend on the connections that keep expensive servers working together. Optical suppliers therefore **serve many different cloud platforms**, alongside established broadband networks. This combines a large telecom customer base with a **faster-growing data-centre opportunity**.

Revenue Model

Suppliers earn revenue at different stages of the same network. Component makers sell the lasers, fibre and connectors used in optical links. **Module suppliers** combine these parts into finished products, often using specialist manufacturers for assembly and testing. Customers pay for hardware or manufacturing services, so revenue follows equipment orders and upgrades. Winning a place in a customer's design can generate **repeat orders** throughout deployment, but each new generation brings another competition for contracts.

Industry Economics

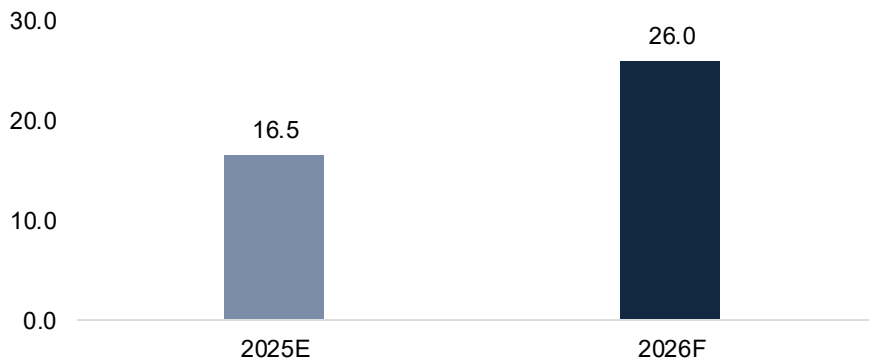
Small components can determine whether a costly network performs reliably. Customer qualification and manufacturing know-how can make approved suppliers difficult to replace, while higher volumes spread factory and development costs. Data networks generated **79% of combined datacom and telecom optical-component revenue in Q1 2026**, linking suppliers' fortunes closely to cloud investment. However, standard products face price competition. Strong industry demand therefore creates the most value when suppliers can **defend their margins and expand production efficiently**, rather than simply sell more units.

Market Size & Outlook

The AI-focused transceiver market is estimated at **$16.5bn in 2025** and forecast to reach **$26bn in 2026**, an increase of c. 58%**.** This is one fast-growing part of the wider industry. New facilities and network upgrades support demand, but equipment cycles remain uneven. Shortages can encourage customers to place duplicate orders, followed by excess inventory when spending slows. The investment case depends on suppliers **converting growth into cash**, protecting pricing and avoiding excess capacity as customers' investment plans evolve.

Sources: TrendForce; Cignal AI; LightCounting; LINK-PP

AI Optical Transceiver Market ($bn)



c. 58% growth in the 2026 forecast

AI transceivers only; April 2026 forecast.

Optical Component Revenue by End Market

Q1 2026, datacom and telecom combined



Revenue mix; excludes industrial and consumer optics.

Tactical Asset Allocation

Optical Interconnectors (2/4)

Energy efficiency bottlenecks

Data centres are increasingly limited by **power and heat** rather than by chips. Data moves between servers as light, through optical transceivers that convert electrical signals into optical ones. Each high-speed unit draws c. **25–30W**, which adds up to **c. 40 megawatts** on a large campus, while rising heat density forces costly liquid cooling. Since every watt saved can be redirected to revenue-generating computing, efficiency has become a key purchasing criterion. **LPO (Linear Pluggable Optics)** remove the power-hungry signal-processing chip, while **CPO (Co-Packaged Optics)** place the optics beside the switch chip, cutting interconnect power by up to 70% and likely shifting value towards chip and laser suppliers.

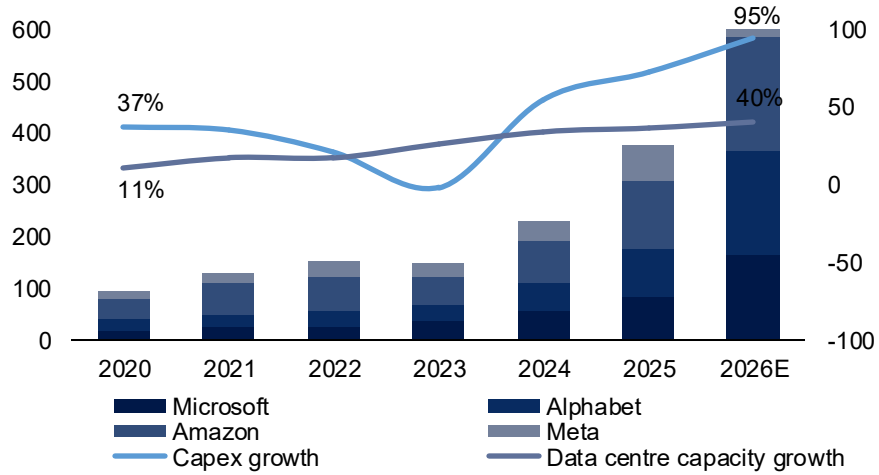
Yet the sector's main bottleneck remains. Silicon cannot efficiently generate light, so every optical link, including co-packaged designs, still needs a laser built on **InP (Indium Phosphide)**, a scarce semiconductor material. Efficiency changes the type of laser required, not the demand for lasers. Leading laser capacity is sold out through 2027 and InP supply is growing far more slowly than demand, so customers now prepay years in advance. This gives a few **upstream producers strong pricing power** but concentrates risk at the start of the value chain.

Heat bottlenecks

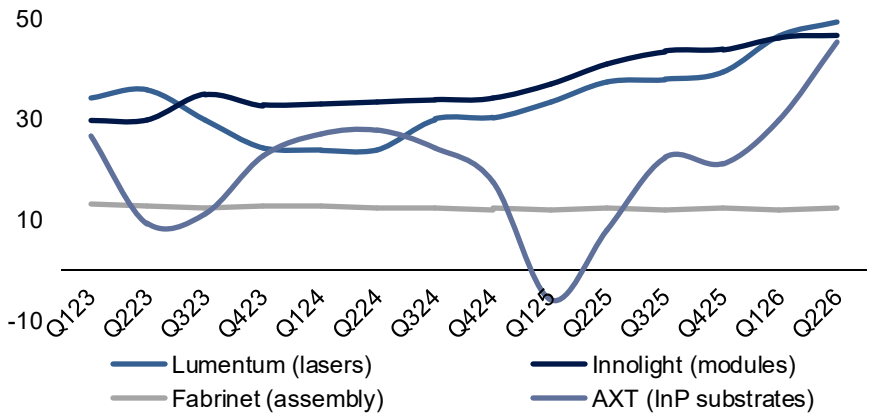
Heat also affects **reliability**, which matters as much as power. Lasers lose performance and fail more often at high temperatures, and in large clusters a single faulty link can stall a training job running across thousands of GPUs, wasting expensive computing time. This creates a trade-off: pluggable transceivers can be replaced in minutes, while a failure inside a co-packaged switch may require replacing the whole unit. Co-packaged designs therefore keep lasers in **separate, replaceable modules**, and adoption is expected to be gradual, with both architectures coexisting for years.

In practice, these constraints are reshaping the economics of a fast-growing market. Spending on optics for AI clusters is expected to grow **c. 60% to c. $26bn in 2026** and could reach **c. $100bn by 2030**. A new generation of faster links arrives roughly every two years, so suppliers that lead on efficiency can charge premium prices, and leading producers have reported record gross margins. The key risks are a slowdown in data centre investment, heavy reliance on a few large customers, and trade restrictions affecting supply from China.

Hyperscaler Capex ($bn) & Growth (%)



Gross margin by value chain layer (%)



Sources: S&P Capital IQ, CBRE

Tactical Asset Allocation

Optical Interconnectors (3/4)

AI Data Center Expansion

The massive AI buildout is reshaping data centers, shifting capital toward facilities engineered for **accelerated computing**. With GPU clusters scaling from thousands to tens of thousands of chips, traditional cloud networks can no longer handle the relentless, high-volume chatter. Networking now commands a far bigger slice of the infrastructure budget, driving a surge in switch capacity and optical components. Backed by heavy tech spending, **800G shipments have nearly tripled**, while **1.6T deployments are scaling** into the tens of millions of ports.

This demand stems directly from how AI data moves. Unlike traditional setups handling user traffic, AI clusters generate an avalanche of **internal east-west traffic** as GPUs constantly swap parameters and gradients. Because copper cables hit severe power and signal limits past 800G and 1.6T, optics are moving to the center of system design, accelerating a pivot toward **200G-per-lane links, LPO, and CPO.**

Building these systems is no small feat. A single 1.6T port isn't just one piece of hardware; it relies on an intricate chain of DSPs, lasers, photodiodes, and fiber arrays that must perform flawlessly at extreme speeds.

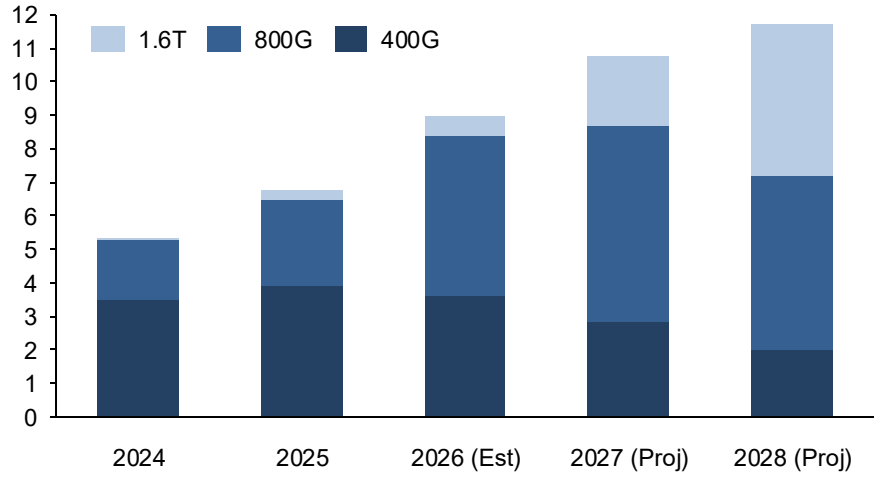
Optical Connectors: Catalysts and Headwinds

The primary catalysts driving component suppliers are hard to ignore. **Moving from 400G to 1.6T packs** vastly more bandwidth into every link, fueling an upgrade cycle that has 1.6T chipset sales tracking past $2bn. Add in **co-packaged optics (CPO)**, which place optical engines right next to switching silicon to slash power loss, and you have massive structural tailwinds as AI clusters scale.

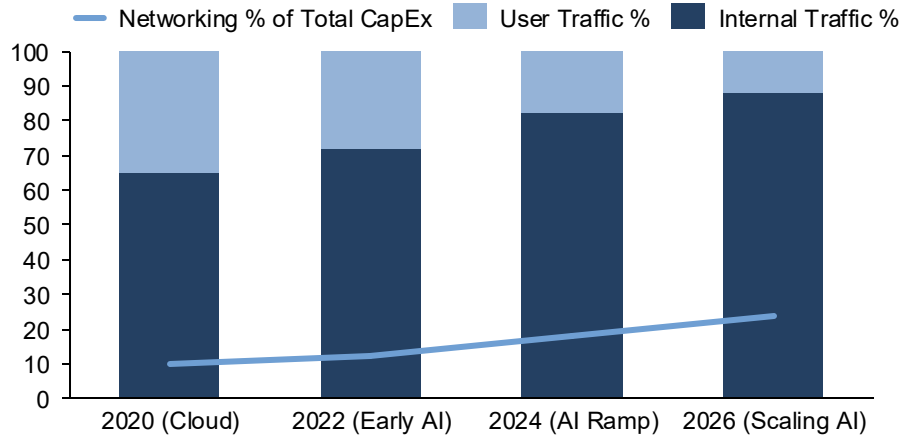
Still, major supply chain risks loom large. High-end optics rely on a delicate web of specialized parts like VCSELs and InP lasers. Past shortages have already squeezed transceiver shipments, and those exact bottlenecks threaten to return as **1.6T production ramps up**.

On top of that, suppliers face a constant squeeze from rapid technological obsolescence and aggressive cost-cutting. With product cycles shrinking as the industry sprints toward **faster lane rates**, component makers must navigate falling average selling prices by relying entirely on **massive volume growth** and advanced specs.

Estimated Market Revenue by Speed ($bn)



Traffic Adjustments & Budget Growth



Sources: Altsets, HengTong, LightCounting

Tactical Asset Allocation

Optical Interconnectors (4/4)

NIC Undergraduate Division Fund

Possible Investments

Amphenol Corporation (NYSE: APH)

- Market Cap: 218bn
- EV/EBITDA: 28.5x
- P/E Ratio: 38.2x
- P/Sales Ratio: 7.8x

TE Connectivity Plc (NYSE: TEL)

- Market Cap: 62.1bn
- EV/EBITDA: 13.3x
- P/E Ratio: 17.3x
- P/Sales Ratio: 3.2x

Ciena Corporation (NYSE: CIEN)

- Market Cap: 63.3bn
- EV/EBITDA: 62.2x
- P/E Ratio: 43.0x
- P/Sales Ratio: 3.8x

Corning Inc. (NYSE: GLW)

- Market Cap: 134.4bn
- EV/EBITDA: 33.9x
- P/E Ratio: 41.2x
- P/Sales Ratio: 7.8x

Coherent Corp (NYSE: COHR)

- Market Cap: 66.0bn
- EV/EBITDA: 38.2x
- P/E Ratio: 33.4x
- P/Sales Ratio: 9.3x

Lumentum Holdings (NASDAQ: LITE)

- Market Cap: 100.0bn
- EV/EBITDA: 123.5x
- P/E Ratio: 51.7x
- P/Sales Ratio: 33.2x

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

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:

T-Mobile
(TMUS)
Telecommunications

Proposed Decision:
Reinforcement

VICI Properties
(VICI)
Real Estate

Proposed Decision:
Hold

Mersen
(MRN)
Electrical Equipment

Proposed Decision:
Sell

Position Revaluation

T-Mobile (TMUS)

Position Revaluation

T-Mobile (TMUS)

Business Description

T-Mobile is one of America's **three big wireless carriers**, selling **phone plans, devices and home internet** to millions of households and businesses across the US. It's majority-owned by **Germany's Deutsche Telekom** (52.8%) and runs three brands: **T-Mobile, Metro by T-Mobile and Mint Mobile**. Most of its money comes from **postpaid phone plans**, the monthly contracts that made up c. two-thirds **of its $88.3bn revenue in 2025**, with **prepaid plans, wholesale deals and equipment sales making up the rest**. What sets it apart is its network: it built the **first nationwide standalone 5G network in the US** and today serves more than **142m customers**. With phone growth slowing, the company is now focused on getting more out of each customer **through premium plans, rural and business customers, and home internet**. That should generate c. $18.7–$18.8bn in free cash flow this year, most of which goes back to shareholders **through buybacks and dividends.**

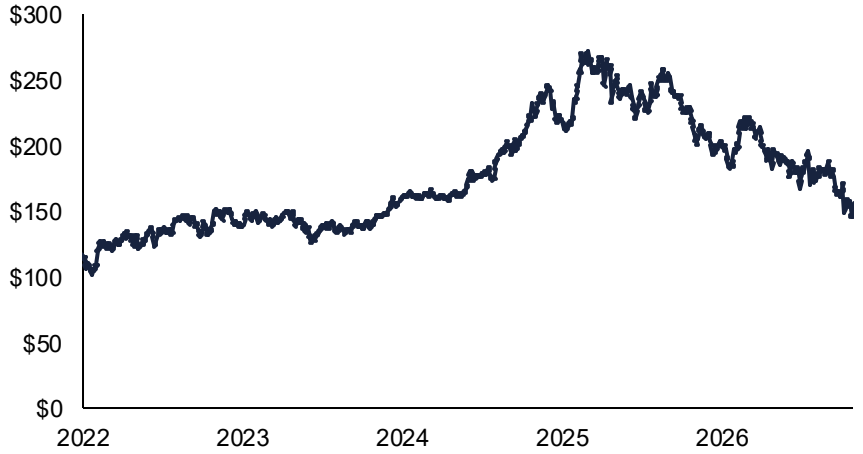
Previous Investment Thesis

The investment case for T-Mobile was anchored in its **defensive characteristics and long-term growth potential**, supported by the increasing adoption of **5G technology** and growing demand for mobile connectivity. Its **leading US 5G network** was expected to drive customer acquisition, support market-share gains and strengthen its competitive position.

Current Situation

T-Mobile's **sell-off** primarily reflects fears of **Starlink competition**, compounded by **slowing account growth**, **higher customer churn** and fading expectations of a Deutsche Telekom **merger premium**. **Q3 2026** results highlighted these customer pressures: net postpaid **account additions fell 31%** year-on-year, while monthly **account churn increased** from 1.0% to 1.1%. Despite these headwinds, financial performance remained strong. **Service revenues grew 6%** to $19.4bn, core adjusted **EBITDA increased 11%**, and diluted **EPS rose 34%** to $3.2. Management also **raised** full-year **adjusted free cash flow guidance** to $18.7–$18.8bn, supporting continued **share repurchases** and future network investment.

TMUS share price performance



T-Mobile Comparable Analysis

	AT&T	verizon	ROGERS	Vodafone	T-Mobile
LTM P/E Ratio	11.5	11.4	26.7	N.M.	15.1
EV/EBITDA	6.8	7.2	7.9	8.5	7.9
EBITDA Margin (%)	35.6%	37.4%	41.9%	22.1%	37.7%
FCF yield (%)	12.5%	12.0%	11.6%	28.7%	11.3%

Sources: Q3 Earnings Release; Annual Report 2025

Position Revaluation

T-Mobile (TMUS)

Financial Analysis

T-Mobile's **revenue grew from $68.4bn in 2020 to $88.3bn in 2025**, a **5.2% CAGR**, driven by the **acquisitions of Sprint and UScellular**, while **EBITDA expanded** from **$23.6bn to $33.2bn**, lifting margins from 34.5% to 37.6%. Capex normalised to $10.0bn after the 5G build-out, and net income reached $11.0bn. In 2026 the company **beat and raised guidance ahead of Q4**. Our base case is deliberately conservative, we expect revenue to grow c. 5% per year reaching $118.5bn by 2031, but EBITDA margins continue to compress given price competition from rivals like Verizon and AT&T. On the same note, capex rises to 14% of revenue to reflect competitive and satellite pressure. Even so, **our valuation still points to upside value**, supported by **strong cash generation and ongoing buybacks**, with much of the **Starlink risk already priced in**.

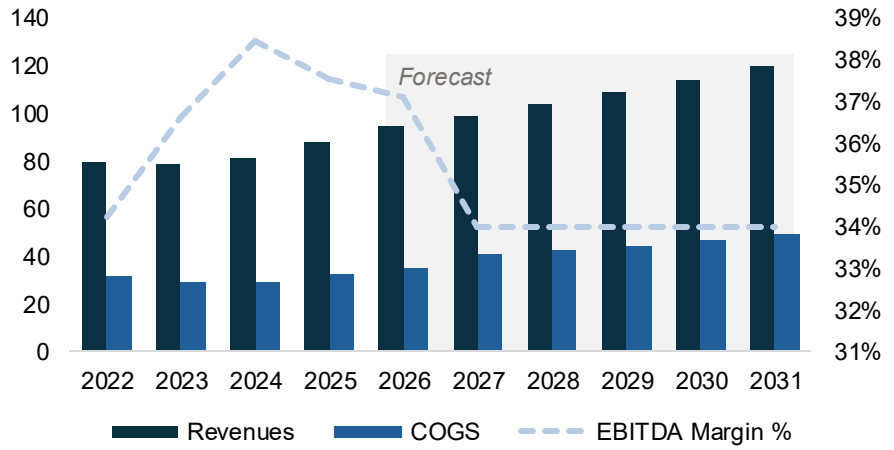
Strategy Analysis

T-Mobile is a **leader in a non-discretionary industry**, yet it is **trading at a discount and its historical premium to Verizon and AT&T has nearly vanished**, despite no significant changes in the core business. Recent concerns on Starlink do not present a near-term threat, as SpaceX holds c. 79 MHz of spectrum against 280–380 MHz for each major carrier, and would need **$100bn+ to deploy a competitive network** with estimated **speeds of c. 25% of T-Mobile's**, while recurring satellite replacement costs could constrain its ability to undercut prices sustainably**.** As of now, **satellites serve low-density areas** but offer **limited capacity, slower speeds** in cities and weak indoor coverage. Finally, rumors of a **merger with Deutsche Telekom** hurt sentiment, as investors feared swapping US growth for a less attractive European market at **no premium**. After opposition from T-Mobile's management, minority shareholders and the activist fund Elliott, the plan has been shelved.

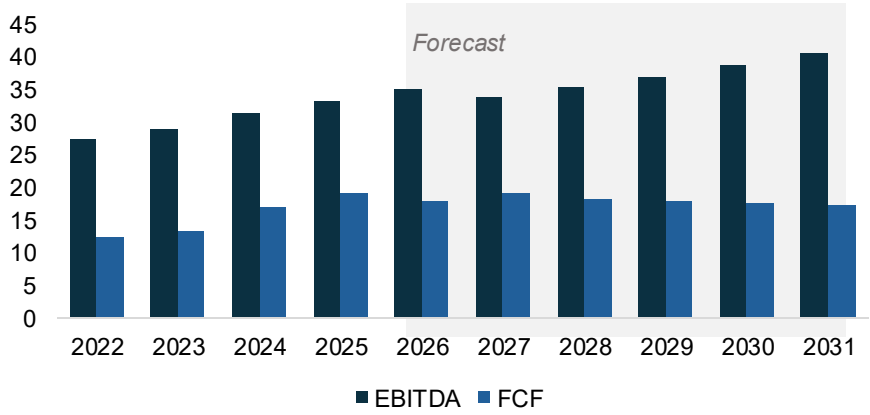
Final Investment Thesis and Position Suggestion

T-Mobile combines robust free cash flow with **multiples trading** well **below historical averages**, following a **sell-off** driven by **Starlink competition** fears and **Deutsche Telekom supply overhang** that we view as **overstated.** The **core business remains resilient**, with c. **40%+ Core Adjusted EBITDA margins** and $**18.7bn in annual adjusted FCF**. With EV/EBITDA at c. 7.9x versus 9x historical and P/E at c. 15x versus c. 20x pre-selloff, the shares offer an **attractive reinforcement point** as fundamentals continue to compound. We recommend, therefore, **reinforcing the position** ahead of **multiple re-rating** as these overhangs normalize.

Financial Analysis – Operational ($bn)



Financial Analysis – Cash Conversion ($bn)



Sources: Annual Report 2025, Q3 Earnings Release, Yahoo Finance

Position Revaluation

VICI Properties Inc (VICI)

Position Revaluation

VICI Properties Inc (VICI)

Business Description

VICI Properties Inc. is an S&P 500 **experiential real estate investment trust** that owns one of the largest portfolios of market-leading gaming, hospitality, wellness, entertainment and leisure destinations, including Caesars Palace Las Vegas, MGM Grand and the Venetian Resort Las Vegas, three of the most iconic entertainment facilities on the Las Vegas Strip. **VICI Properties owns 103 experiential assets across a geographically diverse portfolio consisting of 63 gaming properties and 40 other experiential properties across the United States and Canada.** The portfolio is comprised of c. 130m square feet and features c. 66,000 hotel rooms and over 700 restaurants, bars, nightclubs and sports books. Its properties are occupied by industry-leading gaming, **leisure and hospitality operators under long-term, triple-net lease agreements.**

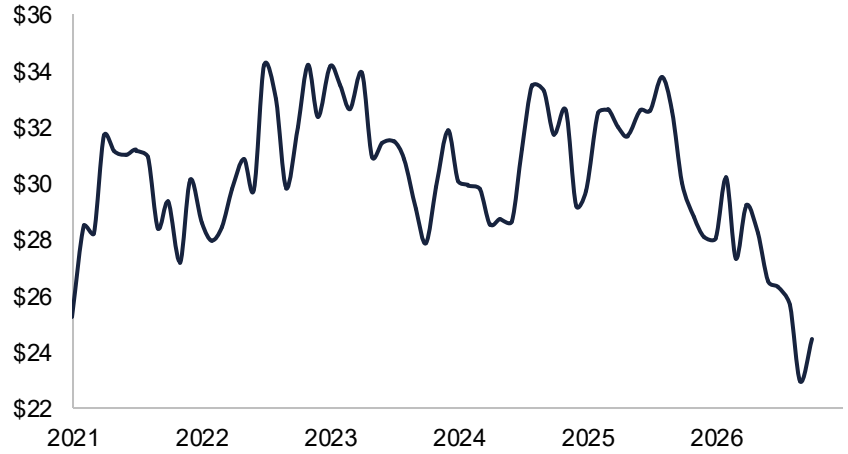
Previous Investment Thesis

VICI was viewed as an opportunity to **introduce real estate exposure through a high-quality REIT** and **diversify** the NIC Fund beyond traditional asset classes. The investment thesis was built around VICI's exposure to experiential hospitality and gaming, providing diversification while maintaining strong resilience. We believed the company's **predictable cash flows**, supported by **triple-net leases averaging over 40 years** and CPI-linked escalators, offered strong downside protection. Despite these fundamentals, VICI was trading at a **discount to market peers**, creating potential for upside through modest cap-rate compression and lower financing costs. With a **5.6% dividend yield**, the investment offered an attractive combination of predictable income, resilience and potential valuation re-rating.

Current Situation

VICI is facing an **unusual period of uncertainty**, with its **two largest tenants** representing c. 70% of rental revenue **undergoing potential changes in ownership**. Caesars, VICI's largest tenant at c. 38% of total rent, with c. 13% of VICI's revenue tied specifically to its regional master lease, is **subject to a proposed take-private bid by Fertitta Entertainment**, while MGM Resorts, VICI's second-largest tenant at c. 32% of rent, has also faced a **potential take-private bid**. This uncertainty has contributed to a **c. 21% decline** from the stock's 52-week high. At c. 9.5x P/AFFO versus c. 13x earlier in the year, the current valuation provides an **opportunity to reassess whether the market has accurately priced in these risks**.

VICI share price performance



Comparable Analysis

		EPR Properties	Realty Income	Host Hotels & Resorts	VICI
P/AFFO	9.4x	10.2x	12.7x	15.2x	9.5x
EV/EBITDA	11.8x	12.3x	15.2x	11.4x	12.6x
Dividend yield	8.4%	6.5%	5.8%	3.4%	7.7%
Net debt/EBITDA	4.9x	5.0x	5.5x	2.0x	4.8x

Sources: Yahoo Finance

Position Revaluation

VICI Properties Inc (VICI)

Financial Analysis

VICI remained resilient over the past year, with Q3 2026 **revenue up 5.8%** and **AFFO/share up 4.3% YoY**, alongside continued dividend growth. Since September 2025, portfolio diversification has improved through new acquisitions, but AFFO growth has remained c. 4–5% and **higher financing costs limit upside**. Overall, fundamentals have strengthened, but the **underlying growth profile has not materially changed.**

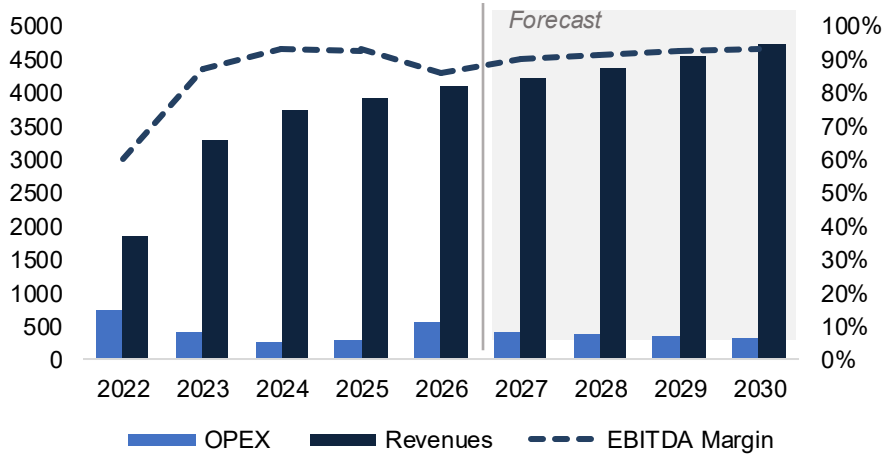
Strategy Analysis

VICI's **tenant concentration remains its main strategic vulnerability**, with Caesars and MGM accounting for c. 70% of rental revenue. However, the risks differ as Caesars is the primary concern, representing 38% of contractual rent (including c. 13% of total revenue under the regional master lease), with $11.7bn of debt, weakening operating performance and the proposed $17.6bn Fertitta acquisition **potentially increasing financial leverage**. This is reflected in VICI's **$313m Caesars-related credit-loss allowance in Q3**. Consequently, **management is evaluating the Caesars Regional Master Lease along two dimensions: whether to modify its lease structure and whether to retain, partially sell or dispose of the portfolio entirely**. No decision has been announced. MGM presents a more nuanced situation. Although its diversified international and digital operations provide some protection, Q3 Adjusted EBITDA fell 20% YoY to $403m. Meanwhile, People Inc. withdrew its $18bn acquisition proposal, but an **amended voting agreement now facilitates a potential future change of control**, with no transaction currently contemplated. Thus, both tenants introduce uncertainty, but Caesars poses the more immediate credit risk, while MGM adds operating and ownership uncertainty.

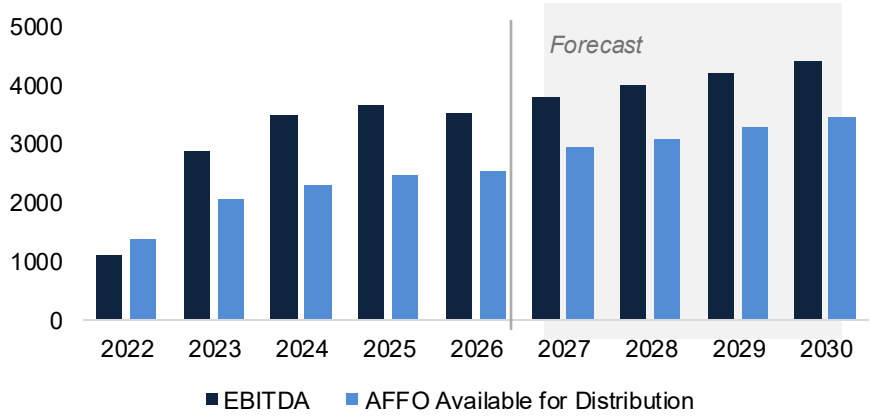
Final Investment Thesis and Position Suggestion

A **HOLD** is recommended. VICI remains a well-managed business, with high-quality real estate, long-term leases and **consistent AFFO/share growth of 4–5% YoY**. However, the concentration in Caesars and MGM, **particularly Caesars' deteriorating credit profile, represents a material risk**. At c. 9.5x P/AFFO and a 7.7% dividend yield, much of this **uncertainty appears priced in**. While these risks prevent us from recommending a buy, the strength of the underlying business and its recurring cash flows make **selling at current valuations equally unattractive**.

Financial Analysis – Operational ($m)



Financial Analysis – Cash Conversion ($m)



Sources: VICI Properties Inc. Form 10-Q

Position Revaluation

Mersen (MRN)



Position Revaluation

Mersen (MRN)

Business Description

Mersen S.A. is a Courbevoie, France-based industrial group that supplies **specialty materials and electrical components to high-tech industries**. It operates through two segments. **Advanced Materials** produces graphite and carbon solutions, such as high-temperature parts for semiconductor manufacturing, anticorrosion equipment for chemicals and pharmaceuticals, and carbon brushes for electric motors. **Electrical Power** provides fuses, circuit protection, laminated busbars and cooling systems for power electronics and electrical distribution. **FY2025 revenue of €1.2bn** was split between Advanced Materials (c. 52%) and Electrical Power (c. 48%), with North America, Europe and Asia-Pacific representing the group's core markets. Of sales, c. 59% are linked **to the energy transition**, including semiconductors, electric vehicles, renewables and electrification. The group operates more than 50 industrial sites and 24 R&D centres across 32 countries. **In H1 2026, sales grew 3.9% organically to €611.5m**, driven by data-centre demand for Electrical Power, and Mersen raised its 2026 guidance to a 16.0–16.5% EBITDA margin.

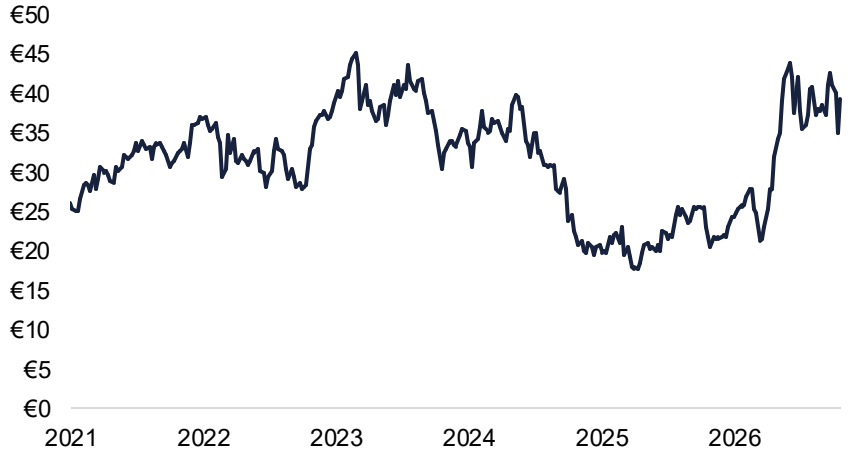
Previous Investment Thesis

When Mersen joined the portfolio in 2023, it was seen as a **quality industrial temporarily mispriced by the market**. The share price had been dragged down by the slowdown in EV and renewable energy, and by investor concerns over an **ambitious capex**. We believed this pessimism overlooked Mersen's **leading position in Europe** and its long-term partnerships with industrial clients, supporting a **5-year revenue CAGR of 6.6%**. With the stock trading at a **39% P/E discount to peers**, we set an **implied share price of €37.2**. The investment was a bet that, once the expansion plan concluded in 2025, **Advanced Materials (45% of revenues) would become the engine of growth,** and the market would re-rate the company accordingly.

Current Situation

The thesis has not materialised as expected. Advanced Materials, meant to drive growth, saw **revenue fall 11% in 2025** on weak solar and semiconductor demand, and the growth in Electrical Power was not enough to offset it. Impairments **eroded profitability**, with net income falling to €14.1m, while the investment cycle left the company with **higher leverage**. Despite a stronger Q3 and raised guidance, the recovery remains at an early stage. Even so, the stock is **up 65% YTD** and already trades **above our €37.2 implied price**.

MRN share price performance



Comparable Analysis

	Morgan Advanced Materials	sgl carbon	Littelfuse	nVent	MERSEN
ROIC	0.9%	(6.7%)	(21.1%)	8.3%	1.8%
EBITDA Margin	8.8%	4.6%	8.0%	22.0%	11.6%
P/E	12.9x	15.1x	17.9x	20.1x	12.6x
EV/EBITDA	7.2x	5.8x	11.1x	14.5x	6.4x

Sources: Mersen, Financial Report MRN, ABC bourse

Position Revaluation

Mersen (MRN)

NIC Undergraduate Division Fund

Financial Analysis

Mersen grew revenue from €923m (2021) to €1,186m (2025), a **6.5% CAGR** led by Electrical Power (+38%), while Materials grew only 21% after an **11% decline in 2025**. EBITDA margin held steady at **16%**, but non-recurring charges cut the reported EBIT margin from 9.5% to 4.7%. The expansion plan pushed **capex to a 17.4% peak of sales in 2024**, leaving unlevered FCF negative between 2023 and 2025. Our base case projects revenue of **€1,611m by 2030**, with EBITDA margin improving to **17.0%** and capex normalising at 7% of sales. Discounting at an **8.4% WACC and 2% terminal growth**, the Terminal Growth Model yields **€34.4/share (−12.4% vs. €39.3 current)**, while the Exit Multiple (6.4x EV/EBITDA) gives **€42.6 (+8.5%)**. Even with margin expansion assumed, the valuation **does not support the current share price**.

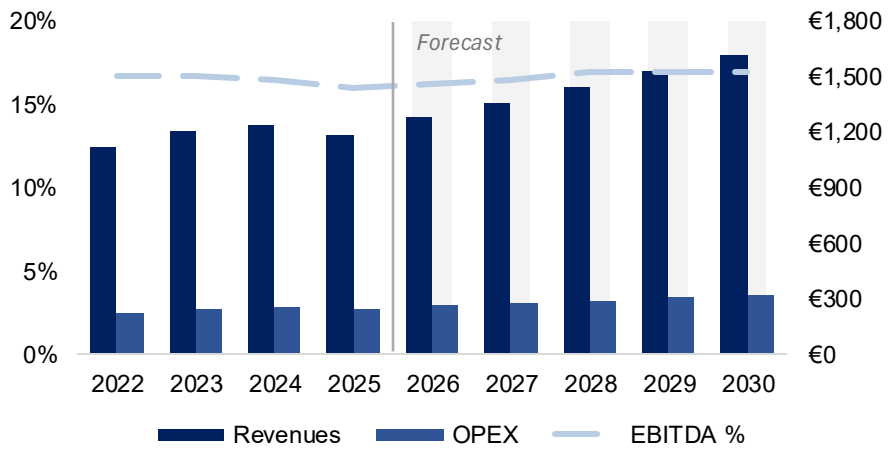
Strategy Analysis

Mersen's strategy is built on being **embedded in its clients' equipment**: once its graphite parts and fuses are qualified into semiconductor furnaces, EV powertrains or power grids, they are **hard to replace**. Between 2023 and 2025, Mersen invested **€550m**, mostly in graphite capacity for **SiC semiconductors and solar**. Instead, solar overcapacity and the EV slowdown hit Materials just as this capacity came online, leaving part of it **underutilised**. Electrical Power is now carrying growth, driven by **data centres and grid investment**, but Mersen has **spent ahead of demand** and needs Materials to recover before that investment pays off.

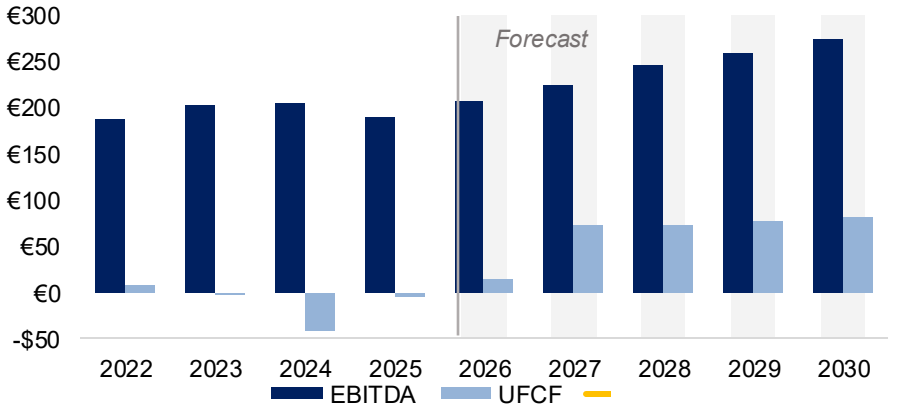
Final Investment Thesis and Position Suggestion

A **sell is recommended** at current levels. Our **DCF values Mersen at €34.4 per share** against a price of €39.3, a downside of c. 12%. Revenue growth slowed every year from 2022 to 2025, falling from +21% to −5%. The 2026 recovery depends largely on a **single driver, data centres**, and our model has growth easing again to 5.5% by 2030. Meanwhile, Advanced Materials is still struggling with **weak demand in SiC**, solar and chemicals. Mersen also spends **heavily on capex**, so little of its profit turns into free cash flow. **Net debt rose to €400m in H1 2026**, at 2.3x EBITDA, above most of its peers, which leaves less room if conditions worsen. With more room for the share price to fall than to rise, we do not think the current risk/reward justifies holding the position.

Financial Analysis – Operational (€m)



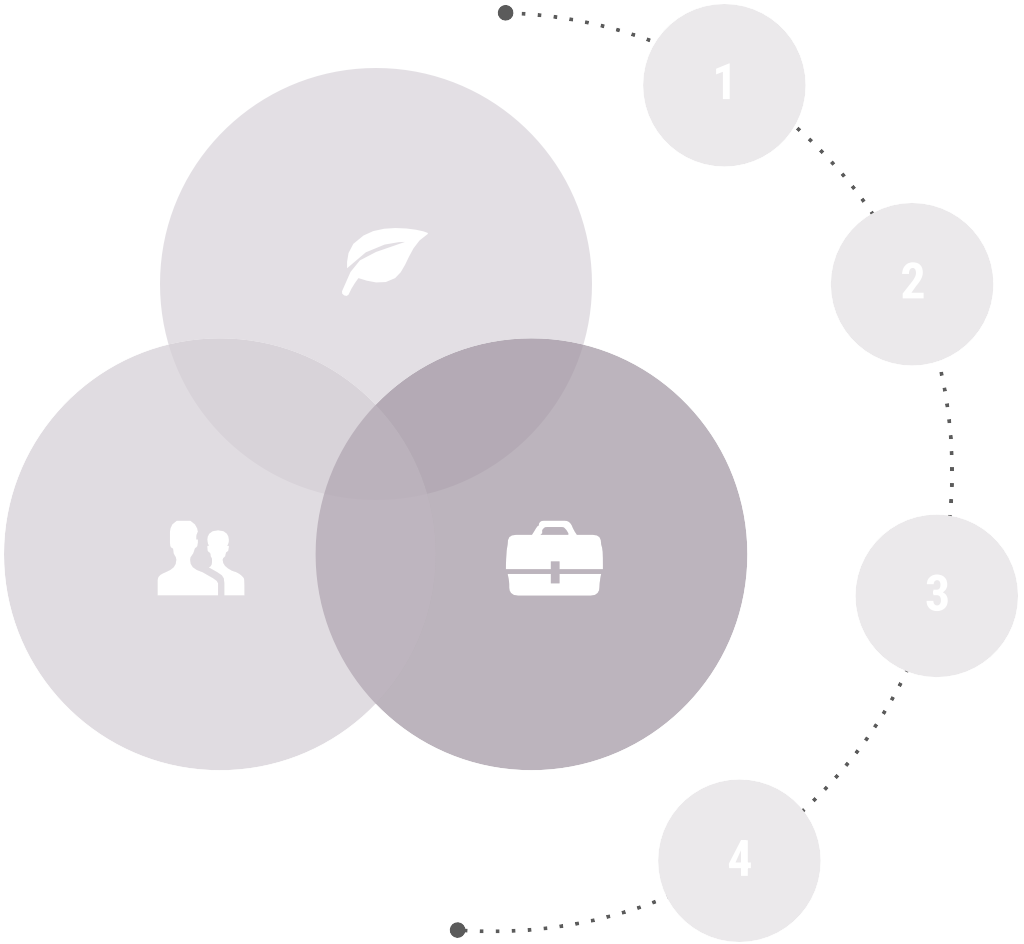
Financial Analysis – Cash Conversion (€m)



Sources: Mersen, H1 2026 results, Zone bourse

ESG Analysis

Our commitment for a better tomorrow



Whilst the NIC-UD Fund does not prioritise 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 criterion for investment decisions** with the goal that this will positively translate to higher returns and lower risk, improving our Sharpe Ratio

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

ESG Analysis

NIC Undergraduate Division Fund

Importance of ESG & Company qualitative evaluation

Importance of ESG

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

ABB Qualitative Evaluation

ABB
MSCI Rating: AAA
Sustainalytics ESG Risk Rating: 17.4 (Low)

ABB, a global leader in **electrification and automation**, has placed sustainability at the core of its business model through its **2030 Sustainability Agenda**. On the environmental front, the company has cut **Scope 1 and 2 GHG emissions by 79% since 2019**, almost reaching its **80% reduction target for 2030** ahead of schedule. It now expects to reach **86% by 2030** and full reduction by 2050. In 2025, **98% of ABB's electricity came from renewable sources**. ABB also aims to cut **Scope 3 emissions by 25% by 2030 and 90% by 2050**, which is its biggest challenge, since most of these emissions come from customers using its products. Socially, **serious safety incidents fell by 58% year-on-year**, and ABB **recommitted to the UN Women's Empowerment Principles**. On governance, **the Board oversees the sustainability strategy**, and **executive pay is linked to sustainability targets**. ABB's strong performance is also recognised outside the company, with **CDP "A" scores for both Climate and Water**.

Mission to Zero Programme

Through this programme, ABB uses its own technology to turn factories carbon-neutral. This combines on-site solar, smart energy management and energy-efficient equipment. Its flagship site in **Lüdenscheid, Germany** was ABB's **first CO_2-neutral, energy self-sufficient factory**. It saves c. 630 tonnes **of CO_2 per year** and produces c. 14% **more energy than it consumes**. It has since expanded to **Porvoo, Finland** (**−636 tCO_2** in year one).

Women in Leadership Strategy

As part of its **Global Diversity & Inclusion Strategy 2030**, ABB aims to **double the share of women in senior management to 25% by 2030**, compared with 2019. In 2025, the share **reached 22.6%**. ABB backs this with partnerships with the **Society of Women Engineers**, Special Olympics and Workplace Pride. It also runs **SEED**, a global upskilling programme that builds sustainability into employees' everyday roles.

ESG Analysis

Implied Temperature Rise



Portfolio's Weighted Average Implied Temperature Rise:

2.81°C

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

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

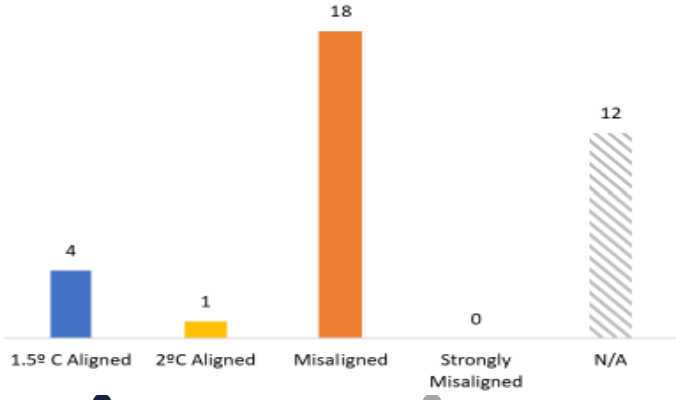
The NIC-UD portfolio's implied temperature rise remained stable at 2.81°C, practically unchanged from 2.80°C in the previous quarter. With **no positions added or removed** and **no significant changes** in the **implied temperature rise of individual companies**, the 0.01°C difference likely reflects minor changes at the second decimal place in holdings' temperature scores or in position weights. The portfolio's climate profile therefore remains **unchanged**, and it continues to sit in the misaligned range (>2.0°C – 3.2°C).

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

Quick look at: Meta

Meta is aligning its growth with climate goals, **targeting net-zero emissions across its entire value chain by 2030**. It has been **net zero in its own operations since 2020**, matching **100% of its electricity use with renewable energy**. It also plans to **cut Scope 1 and 2 emissions by 42% by 2031** from a 2021 baseline. Meta is also tackling its supply chain, where most of its emissions arise: **48% of suppliers (by emissions)** have already set science-aligned targets. On water, Meta aims to become **water positive by 2030**, and its restoration projects returned **over 1.6bn gallons** to water-stressed regions in 2024.

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	0,55	1	
S&P Global	0,38	0,40	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 **Sustainalytics ratings, converted to the MSCI scale,** as the source of analysis, given that its rating system already takes into consideration a company's relative performance compared to its peers.

Ticker	Weight in Portfolio	Sustainalytics (Converted)
META	2.6%	4
ESPO.L	2.3%	N/A
BA.L	2.3%	4
EPD	3.1%	7
MRN.PA	5.0%	4
ITX.MC	1.7%	2
G.MI	3.4%	2
VOW3.DE	1.4%	4
ATEN	2.4%	4
ABBNY	3.4%	2
VDTA.L	2.5%	N/A
IKOR.L	4.7%	N/A
JNJ	2.3%	2
GOOGL	6.1%	2
TMUS	2.2%	4
MELI	3.1%	2
AZN	1.7%	2
EQB.TO	2.3%	2
LEA	2.1%	2
INGR	0.8%	4
MC.PA	1.3%	2
ARW	4.8%	1
ZBH	2.4%	4
GDX	3.5%	N/A
NVO	3.3%	2
RENE	2.6%	4
DECK	2.1%	2
VICI	2.4%	2
SN	4.8%	4
BFIT	2.4%	4
BKNG	2.9%	2
CVSA	3.2%	2
TPFG.L	3.4%	2
LDOS	3.2%	2
DOX	2.5%	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, 4 out of 35 positions in our portfolio were not eligible for analysis. However, their combined percentage of total investment in NIC-UD's portfolio is c. 13%, which we consider to be a relatively low percentage and the best achievable from the 3 ratings, that would not significantly impact our conclusions.

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

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

ESG Analysis

Opportunities and Improvements

Near-Term Improvements

In the last quarter, NIC-UD's Fund saw its **implied temperature rise remain broadly stable at 2.81°C**. While some holdings maintained strong ESG performance, the overall stability reflects **changes in portfolio composition and the ESG performance of individual holdings.** We remain committed to aligning with the Paris Agreement and integrating ESG metrics at the core of our investment process. Setting clear goals has been crucial in guiding us towards more sustainable portfolio choices.

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

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 1.5°C or below but also to achieve an MSCI rating of AAA. We believe that investing in companies with strong sustainability commitments will enable us to make more informed decisions, reduce **sustainability risks**, and position ourselves advantageously for **future regulatory environments**.

Short-term goals

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

AA

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

Long-term goals

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

AAA

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

Final Remarks

Going Forward

Mistakes:

- We were not as consistent with Monthly Fund Meetings, which reduced discussion around portfolio performance and positions' developments.
- The QSR ultimately took longer to complete than expected due to portfolio tracking updates.

Lessons Learned / Key takeaways:

- The importance of tracking macroeconomic news was incorporated, by discussing its impact on a new coverage group.
- Coverage groups are now more connected with the morning calls, as the new weekly summaries are a useful way to present important news about our fund.

Going forward:

- Three coverage groups now present at the Monthly Fund Meeting, explaining the important changes in their sectors and their impact on the portfolio.
- Weekly summaries in each coverage group: an assigned coordinator discusses the week with the team and sends a short paragraph of key takeaways.
- We created the NIC Terminal, an online platform to follow the fund's positions, news and movements in one place. It centralises key information from previous stock pitches and revaluations, complemented by a current "need for revaluation" rating.

Final Remarks

Letter to Shareholders

Quarter highlight



Share Price decreased (**2.5%), underperforming** the benchmark by **5.2 pps**



Following position revaluation, we propose to sell **Mersen**, reinforce **T-Mobile** and hold **VICI**.



Implied temperature **stayed at 2.8°C**, with no positions added or removed

Letter to shareholders:

Dear all,

We are pleased to present our Q3 2026 Quarterly Shareholders Report, marking a more challenging quarter for the fund following the strong performance recorded in Q2.

The fund achieved a total quarterly return of −2.5% in USD (−1.7% in EUR), compared with the MSCI World which rose 2.7%, representing an underperformance of 515 basis points. While we fell short of the benchmark this quarter, we remain committed to the portfolio's long-term investment strategy and rigorous investment analysis.

The quarter was marked by contrasting performances across the portfolio. Our top performers were Meta (+28.7%), Leidos (+18.3%), and SharkNinja (+18.3%). Meta benefited from strong revenue growth and earnings ahead of expectations, while Leidos delivered record revenues and raised its full-year guidance. SharkNinja maintained its strong growth trajectory, supported by international sales and an improved outlook. Conversely, A10 Networks (−27.4%), Deckers (−21.3%), and LVMH (−20.1%) were the quarter's key detractors. A10 Networks struggled to meet elevated market expectations, while Deckers faced slowing HOKA growth and margin pressure, and LVMH continued to experience weakness in its Fashion & Leather Goods division.

Total equity decreased during the quarter, principally driven by capital losses representing c. 2.6% of equity, partially offset by dividend income.

As we continue our first full year of leadership, we remain committed to the fund's core objectives: disciplined portfolio construction, rigorous investment analysis, and the development of our members into well-rounded investors. In particular, we are strengthening our focus on regular position revaluations to ensure our investment theses remain aligned with company fundamentals and evolving market conditions.

We look forward to the quarters ahead.

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

Final Remarks

QSR Team

NIC Undergraduate Division Fund

Q3'26 QSR Team



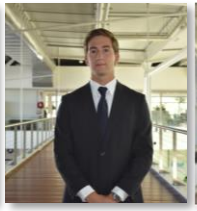
Final Remarks

Investment Team

Heads


Francisca Mora
Co-President


Lucas Faísca
Co-President


João Catroga
Investment Manager


Diogo Pereira
Investment Manager


Arthur Canellas
Co-Head of Operations


Yash Chauhan
Co-Head of Operations


Joana Bonecas
Head of Corporate Relationships


Miguel Moura
Head of Meeting Content


Inês Albuquerque
Social Media Manager

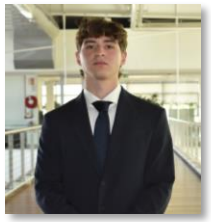

Gastão Feliz
NUR Editor-in-Chief

Associates


Mateus Nascimento
Associate


Francisco Almeida
Associate


Maria Costa
Associate


João Pereira
Associate

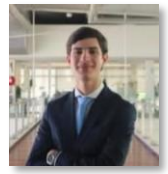

Guilherme Santos
Associate


Joana Santos
Associate

Analysts


Raquel Mitras
Analyst


Pedro Santos
Analyst


Tomás Barriga
Analyst


Marta Spratley
Analyst


Tomás Francisco
Analyst


David Charters
Analyst


Diogo Leitão
Analyst


Lara Lopes
Analyst


Jamila Portilha
Analyst


Manuel Maia
Analyst


Martim Lopes
Analyst


Fernando Granado
Analyst


André Gomes
Analyst