N/U INVESTMENT FUND

Semester Report

-January 2026-

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Co-Founder and Fund Manager Statement – Oscar Peters

NUIF was founded with a clear objective: to give our students a real platform to learn equity research. We introduced the idea from within the Newcastle University Business School, and with the support of the Associate Dean, the belief of the business community, and the hard work of a dedicated team, we built the Fund piece by piece. We established its governance, defined its investment mandate and risk framework, and designed a training curriculum for the student cohort.

As head of the investment committee, I have coordinated five sector teams and reviewed fourteen stock pitches. It has been a real privilege to watch our students come into their own during these presentations – to see analysts present their research, defend their numbers, and thoughtfully work through tough questions from their peers.

Looking ahead, we hope NUIF will become a meaningful part of what distinguishes Newcastle University. We would be proud if prospective A-Level and equivalent international students viewed Newcastle University not only for the quality of its academic programmes, but also as a place where practical, real-world experience is embedded from the outset, through initiatives such as NUIF.

Our ambition is to deepen collaboration with faculty across the University, enabling students from different Schools to contribute as analysts, or within compliance and risk functions, and to explore how this applied learning model can complement academic study. We also aim to expand external engagement by participating in inter-university stock pitch competitions across the UK.

Our aim is to show that here, you can begin building professional skills alongside your academic ones. NUIF is our attempt to offer that practical edge within the safety of a learning environment. If we can help provide that for the next generation of students, we'll consider it a success. We are only just getting started, and we are keen to learn and see where this goes next.

Co-Founder and Fund Manager Statement – Fernando Mendoza

Serving as Co-Founder and Fund Manager of the Newcastle University Investment Fund has been a defining experience, driven above all by the people behind it. As the first student-led investment fund of its kind at Newcastle University, NUIF was created to give students a platform for hands-on learning – one where theory could be applied, talent developed, and professional standards upheld. What made this opportunity truly special was the team that came together to build it.

Over the past year, more than 40 students contributed across technical and operational teams. Together, we established governance structures, compliance and risk-management frameworks, and a disciplined investment process reflective of professional asset-management environments. With each research cycle, the quality of analysis, debate, and execution improved, and it was a privilege to chair Investment Committees shaped by such preparation and intellectual rigour. Any success achieved by the Fund is a direct reflection of the commitment and initiative shown by its members.

As I step down from my role to lead the University Capital Invitational (UCI) – the largest competition between student-led investment funds in the UK and Ireland – I do so with full confidence in the strength, culture, and direction of NUIF. While my role is changing, the foundation built by the team remains one of the Fund's greatest achievements, and my leadership has always been secondary to their excellence.

Looking ahead, NUIF is exceptionally well-positioned for continued success. With further recruitment, stronger training, and the structures now firmly in place, the Fund will continue to provide students with a platform to develop, refine, and demonstrate their skill sets in the years to come.

NUIF Applications

Application Overview

This semester, the Newcastle University Investment Fund (NUIF) experienced unprecedented interest, receiving a total of 103 formal applications. This high volume of applicants allowed us to be highly selective, ensuring that the final cohort of analysts represents the highest calibre of talent available at the university.

Academic Diversity

While Finance and Economics students naturally formed the bedrock of our applicant pool, we placed an emphasis on diversity this first cycle. We received a strong intake from Accounting & Finance (N400) and Economics (L100), but we were also encouraged many applications from STEM disciplines, including Mathematics, Computer Science, and Engineering.

Strategy

Moving forward, we aim to increase the proportion of STEM applicants. Their quantitative skill sets are invaluable for complex financial modelling and data analysis, which are increasingly relevant in modern equity research.

Stage of Study

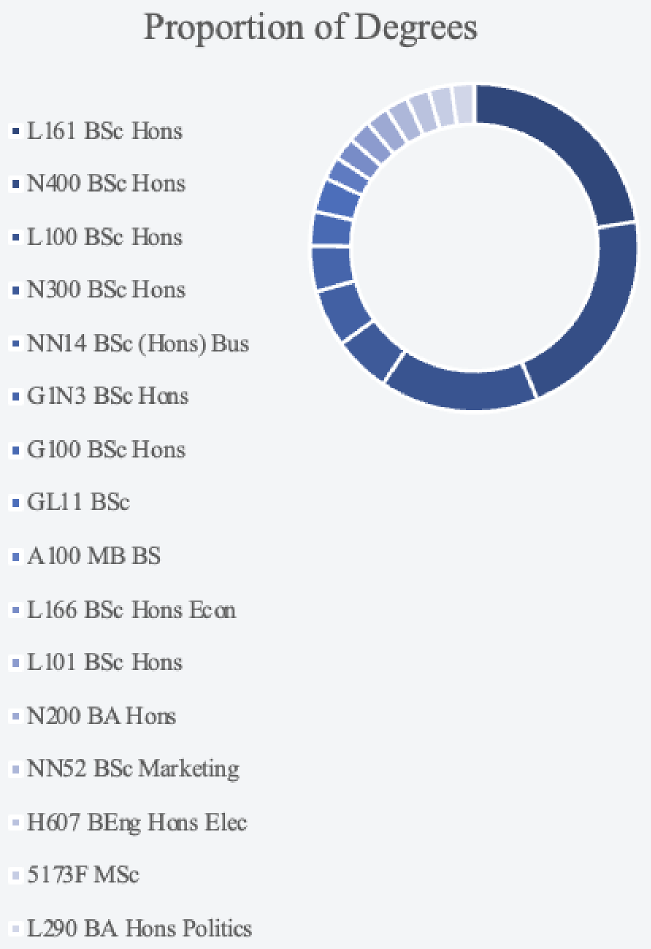
Our recruitment strategy focused on creating a sustainable talent pipeline.

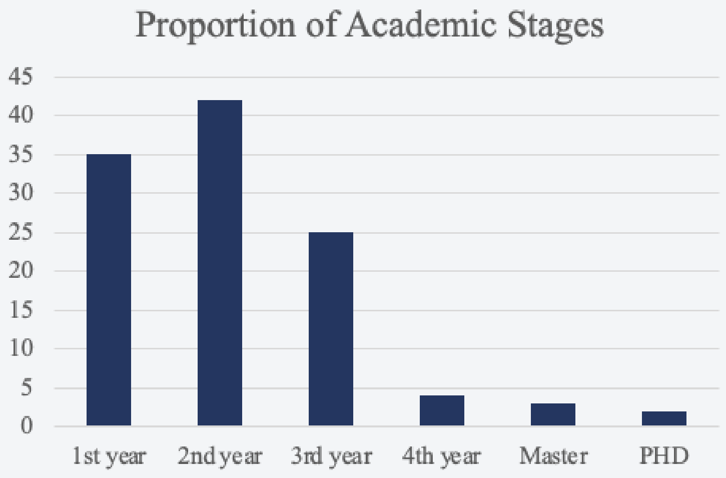
1st Stage:

We targeted high-potential first-year students to train them early, ensuring they can grow into Head Analyst or Fund Manager roles in future years.

2nd & 3rd Stages:

The 2nd and 3rd stage students provided immediate technical competency and maturity.





Postgraduates:

We saw significant interest from MSc and PhD candidates, who brought advanced research capabilities to the fund.

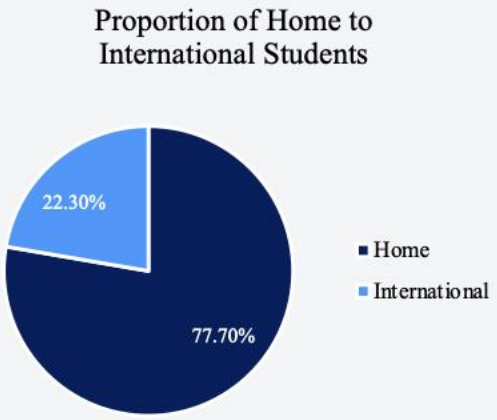
NUIF Applications

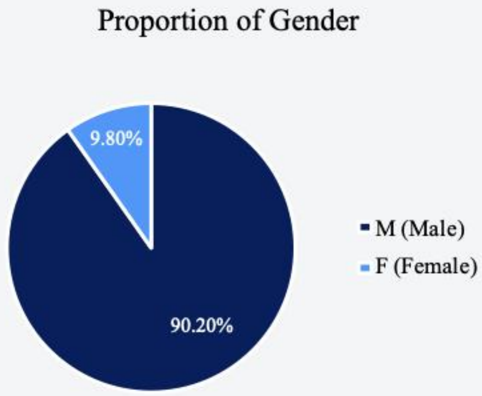
International & Home Student Balance
The fund thrives on diverse perspectives, particularly when analysing global equities. Our applicant pool reflected a mix of Home and International students.

Future Recruitment Goal
We aim to further increase the representation of international students. A globally diverse team allows us to better understand foreign markets (e.g., Asian tech sectors or European industrials) by leveraging the cultural and linguistic insights of our analysts. Next semester, we will actively engage with international student societies to broaden our reach.

Gender Diversity
The financial services industry has historically faced a gender imbalance, and our application numbers reflected this broader trend, with a heavily male-skewed applicant pool.

Future Recruitment Goal
Addressing this disparity is a primary objective for the next recruitment cycle. We are committed to increasing female representation within the fund.





Action Plan: To achieve this, we will launch targeted initiatives such as "Women in Finance" coffee chats and demystify the application process to show that NUIF is an inclusive environment where diverse perspectives are not just welcomed, but required for superior investment performance.

NUIF Bootcamp

To bridge the gap between academic theory and the practical realities of institutional investing, all selected analysts, risk, and compliance officers underwent the NUIF Bootcamp. This was an intensive, week-long training programme designed to standardise the technical skills of the team and instil the fund's investment philosophy.

The curriculum was delivered over six sessions, moving from qualitative thesis generation to complex quantitative valuation.

The Curriculum

Sessions 1 & 2: The Art of the Idea

Focus: "What is a Stock Pitch?" & Industry Analysis.

Analysts were taught to move beyond simply describing a company to forming a variant perception. We covered frameworks like PESTEL and Porter's Five Forces to understand the macroeconomic stage before looking at the players. The core takeaway was identifying a "Big Idea" – a non-consensus insight that drives alpha.

Sessions 3 & 4: Thesis & Benchmarking

Focus: Formulating the Investment Thesis & Comparative Analysis.

We trained analysts to distil complex data into a concise investment narrative. This was supported by Relative Valuation, teaching analysts how to construct relevant peer groups and interpret multiples (P/E, EV/EBITDA) to determine if a stock is trading at a dislocation to its competitors.

Session 5: Intrinsic Valuation

Focus: Discounted Cash Flow (DCF).

This was the technical anchor of the bootcamp. Analysts learned the mechanics of the DCF model, including projecting Free Cash Flow (FCF), calculating the Weighted Average Cost of Capital (WACC), and determining Terminal Value. This ensured our price targets are grounded in fundamental math, not just market sentiment.

Session 6: The Defence

Focus: Practice & Q&A Strategy.

The final session focused on soft skills and resilience. Analysts learned the "A-R-E" (Acknowledge, Respond, Evidence) framework to handle questioning from the Investment Committee. We emphasised intellectual humility – defending a thesis with evidence without becoming defensive.

Financial Sector Macro Overview

From 1946 to 1990, the ratio of United States public sector debt to GDP fell from 106% to 21.6%. Today it exceeds 100%. This precarious situation is compounded by a budget deficit over 6% of GDP – a level typically associated with recessions.

The issue extends beyond the US, with many developed nations facing similar challenges. Historically, high government debt has been addressed through several means: austerity, high real growth, default, hyperinflation, or financial repression.

While advances in artificial intelligence could spur a productivity boom, the scale of existing debt may limit its impact. Hyperinflation or default remain unlikely in developed economies, and austerity is politically difficult. This makes financial repression a plausible outcome, as exemplified by Japan since the 1990s.

Japan's approach has combined yield curve control, captive domestic savings, and regulatory pressure to absorb government debt at suppressed real yields. The result has been debt stabilisation alongside subdued growth, weak bank profitability, and eroded household purchasing power.

If similar policies emerge in the US and other developed economies, implications for financials would be material. Financial repression compresses net interest margins, particularly for banks reliant on maturity transformation. Regulatory incentives may also crowd out private credit in favour of government securities, lowering returns on equity.

However, effects would not be uniform. Systemically important banks with scale, diversified revenues, and funding advantages could be relatively insulated. Insurance and pension funds, however, face a structural mismatch as they are pressured to hold long-duration government assets at negative real yields, potentially leading to benefit reductions or increased risk-taking.

It remains possible that technological advances – including AI, quantum computing, and nuclear energy – could generate sufficient productivity gains to alleviate debt pressures. Ultimately, while macroeconomic outcomes are uncertain, sound investing principles endure. A well-run financial institution with a material cost advantage and strong risk culture can produce adequate returns across environments, provided it is acquired with an adequate margin of safety.

Team Atlas

Head Analyst: Ben Moore

BIGLARI HOLDINGS INC.

Biglari Holdings is an idiosyncratic conglomerate run by owner-operator Sardar Biglari. The firm operates across quick-service restaurants, property-casualty and commercial truck insurance, oil and gas, and publishing. Its origins date to the financial crisis, when Biglari's activist hedge fund took control of the failing Steak n Shake chain and conducted a complete operational overhaul.

Rather than seek an exit, Biglari redeployed Steak n Shake's capital into other businesses and marketable securities via The Lion Fund. This strategy proved successful: pretax operating earnings per share rose from $82 in 2008 to $103 in 2024, while investments per share grew from $4 to $1,273 over the same period.

The stock receives no analyst coverage and is largely shunned by institutional investors, due to its circular ownership structure and concerns over corporate governance. We believe these risks are more than reflected in the current valuation. With approximately $2,000 per share in liquid cash and investments against a share price around $1,500, the market is effectively valuing the operating subsidiaries – which generated $24 million in 2024 earnings – at less than zero. Continued share repurchases should help close this valuation gap.

Handelsbanken

Svenska Handelsbanken AB is Sweden's second-largest bank, holding 3.8 trillion kronor in assets. Although founded in 1871, its current decentralized and risk-averse culture was forged in the 1970s. This prudent approach has enabled the bank to avoid the worst losses of the Swedish housing bubble and the Great Financial Crisis while consistently outperforming peers on profitability.

While benign credit conditions have lifted European bank valuations, Handelsbanken currently trades in line with its peers. This valuation fails to account for its superior capitalization, asset quality, cheaper funding costs, and minimal maturity risk exposure. Post-pandemic interest rate rises have pressured Swedish house prices, raising concerns of a more severe housing correction. However, even under a dire scenario akin to 2009 – when credit losses reached just 0.21% of lending assets – the resulting 4.8 billion kronor loss would be manageable for a bank that earned 27 billion in 2024 and holds over 200 billion in equity capital.

Today, shares trade around 1.25 times book value. In the current rate environment, the bank's return on equity is likely to remain between 12% and 15%; even in the previous ultra-low-rate period, it never fell below 10%. At 10 times earnings and with a normalized dividend yield near 8% per annum, an investor does not need to rely on significant re-rating or rapid book value growth to achieve an attractive return.

Head Analyst: Alexander Telpov

WisdomTree

WisdomTree Inc. is an asset management firm offering exchange-traded funds and other investment products to retail and institutional clients and is now extending its capabilities into blockchain-enabled digital finance. It has operations in the US and Europe, with the US generating over 65% of revenue, Jersey nearly 30% and Ireland around 5%. While over 90% of revenue comes from managing ETFs, the firm is building out WisdomTree Prime, a blockchain-native digital wallet, and WisdomTree Connect, an institutional platform for its tokenised funds.

The ETF market is dominated by BlackRock, Vanguard and State Street, which together control around 60% of ETF assets. The market expects this concentration to limit growth for smaller issuers like WisdomTree, and views its digital strategy as early-stage and high-risk. Activist shareholders have also criticised the $415m convertible notes raised in 2025, arguing that capital is being directed towards unproven ventures rather than maximising shareholder returns.

We believe WisdomTree is mispriced because the market underestimates its ability to scale in a concentrated ETF industry and overlooks traction in its digital strategy. Assets under management have risen from around $110bn at end-2024 to $137bn by September 2025, a 25% increase driven by strong net inflows. At the same time, WisdomTree Connect already offers 13 SEC-registered tokenised funds, and the core business consistently generates cash and profits.

pathward

Pathward Financial Inc. is the holding company for Pathward National Association, a federally chartered savings bank offering traditional banking and financial services across the US. It also provides core financial infrastructure to fintech and enterprise partners through issuing, payments and deposit-holding services. Since October 2021, CEO Brett Pharr has focused on growing its partner-driven platform and building more sustainable fee-based revenue streams while strengthening the balance sheet.

The backdrop for US regional banks is challenging, with expected rate cuts set to narrow net interest margins while economic pressures increase credit risk. The market assumes that Pathward will be negatively affected by declining interest rates in the same way as other regional banks, overlooking the differences in its business model.

Our view is that Pathward is mispriced because the market is overestimating its sensitivity to falling rates. In FY2025, non-interest income accounted for 38.5% of total revenue and has grown consistently year on year, reducing reliance on rate-sensitive interest income. Around 62% of deposit balances are held under partner agreements where processing costs are directly indexed to the Effective Fed Funds Rate, creating a natural hedge as funding costs fall with policy rates. Approximately 97% of variable-rate loans have contractual rate floors and the bank holds a sizeable book of fixed-rate leases and equipment finance, which makes average loan yields sticky and limits margin compression.

Energy Sector Macro Overview

The global energy transition has moved beyond a narrow debate about the cost competitiveness of renewables. Wind and solar are now among the cheapest marginal sources of new electricity in most regions. The central challenge today is systemic: can power systems absorb, distribute, stabilise, and finance a rapidly electrifying global economy? This challenge is unfolding unevenly across regions. In developed markets, the transition is constrained by infrastructure, regulation, and system complexity. In an emerging market, it is defined by scale, demand growth, and execution. Together, these forces shape the operating environment for non-fossil energy globally.

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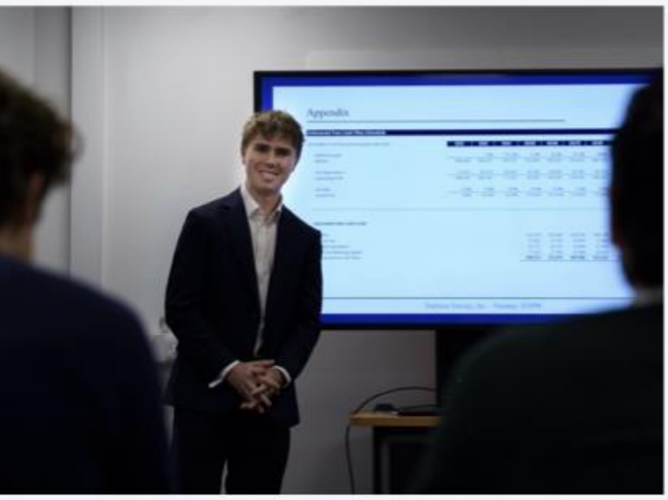
In the UK and Europe, the binding constraint has shifted decisively away from generation and towards, networks, connections, and flexibility. Large volumes of renewable capacity are approved but stranded in grid connection queues, reflecting decades of underinvestment and regulatory lag. As renewables penetration rises, electricity markets exhibit greater volatility, including an increasing number of hours with low or negative prices alongside sharp scarcity spikes.

This dynamic alters the economics of the sector. Value accrues less to pure megawatt builders and more to owners of bottlenecks: transmission and distribution networks, interconnectors, grid services, and technologies that increase utilisation and stability. Policy is adapting accordingly. UK and European frameworks increasingly emphasise accelerated grid investment, longer dated and inflation-linked contracts, and market mechanisms that reward flexibility rather than sheer capacity.

The result is a mature but capital-intensive environment where returns are shaped by regulation, contract design, and balance sheet resilience. Growth exists, but it is constrained by system optimisation rather than demand expansion.

In contrast, emerging markets represent the centre of gravity for global electricity demand growth. Countries such as India and Brazil illustrate a different transition path: one driven less by displacement of existing generation and more by the need to build vast amounts of new power to meet rising consumption.



Head Analyst: George Chatterton

Nexans

In analysing opportunities within the energy sector under NUIF's ESG framework, the renewables value chain emerged as one of the most attractive avenues for defensible long-term returns. Rather than focusing on conventional renewable producers, I examined the infrastructure enabling the global shift to electrification. Readings including Daniel Yergin's 'The Prize' and The Financial Times' "Electrification of Everything" prompted me to think about the energy transition through the lens of value chains rather than individual technologies, which in turn led me to focus on transmission and cabling.

Within this segment, Nexans SA stands out as a market leader in high-voltage subsea and terrestrial cabling. The industry's capital intensity and high barriers to entry provide durable competitive advantages, while global decarbonisation targets and offshore wind buildouts serve as multi-year structural demand drivers. Nexans' fundamentals reinforce this thesis: continued margin expansion from higher-value projects and restructuring, a strong pipeline of secured contracts, and additional installation capacity coming online with a new cable-laying vessel entering service in 2026.

To quantify the opportunity, I constructed a discounted cash flow analysis incorporating assumptions based on my analysts' research and long-term revenue growth aligned with both electrification trends and current management guidance. The valuation indicates a significant undervaluation, with a 44.6% upside to fair value.

Given this thesis is based on long-duration infrastructure investment, short-term share price fluctuations are not representative of the core value proposition. Our view is that Nexans is well positioned to capture disproportionate benefit from the global electrification cycle, and we therefore support a long recommendation.

ENPHASE

When thinking about renewable energy, many (myself included) instinctively think of solar. From utility-scale farms to residential rooftops, it's embedded in everyday life. Yet despite its structural importance in the future energy system, the sector is currently experiencing a deceleration in demand. It is precisely during these periods that mispricing and opportunity tend to emerge.

Lazard's Levelised Cost of Energy research highlighted solar's enduring competitive advantage versus other power generation sources, reinforcing that the long-term economics remain intact even if short-term demand has softened. On that basis, the industry warranted investment consideration; the challenge was identifying the right company. Enphase quickly surfaced as a high-conviction candidate, not only through analyst pitches, but through early due-diligence that revealed a business with strong historic revenue and free cash flow growth temporarily disrupted by lower solar installations, higher interest rates, and recent regulatory headwinds in the US. As one senior investment professional put it: sometimes the best opportunities come from 'great companies that have had a wobble'. Enphase fits that description.

Our financial modelling supported the qualitative thesis. Even under conservative assumptions on discount rate and terminal growth, the valuation indicated material upside, and recent results have already shown early signs of stabilisation, with Q3 earnings exceeding expectations. The investment case is not predicated on a short-term rebound in volumes, but rather on Enphase's positioning to benefit disproportionately as residential solar and storage adoption resumes its long-term upward trajectory. On that basis, we support a long recommendation for Enphase.

Head Analyst: Charles Crewe-Read

In the first half of the semester, I led a team of three analysts in producing a full equity research report on KPI Green Energy, an Indian renewable energy company. As Head Analyst, I coordinated the research process from initial idea to the final investment recommendation, setting clear timelines and dividing responsibilities across industry research, financial modelling and valuation.

Our team built a detailed DCF model alongside complementary valuation cross-checks (including multiples and scenario analysis) to test whether the market was under-appreciating KPI Green's growth runway. We focused on its project pipeline, improving utilisation of existing assets and the structural tailwinds behind India's renewable energy build-out.

Through this process, we deepened our understanding of cash-flow forecasting, capital expenditure assumptions and sensitivity analysis, while always tying the numbers back to a coherent investment narrative.

We ultimately recommended a long position, arguing that the market was mis-pricing the company's growth and return profile. In the days following our presentation, KPI Green

Energy's share price rose by roughly 25%, validating both the direction of our thesis and the robustness of our analytical framework. Beyond the performance, the project showcased our ability to work as a cohesive team: debating assumptions, challenging each other's views and converging on clear, well-supported convictions.

In the second project, I again acted as Head Analyst for a fresh team of three, this time focusing on Sao Martinho, a Brazilian biofuel producer. We began by building a strong qualitative narrative around Brazil's biofuel policy, sugar price dynamics and Sao Martinho's positioning as a vertically integrated, cost-efficient operator. From there, we translated the story into numbers through a full DCF model and supporting financial analysis.

The team improved its modelling skills by forecasting revenue drivers (crush volumes, mix between sugar and ethanol), margin evolution and capex needs, while explicitly thinking about how market expectations were embedded in the current share price. Our investment case highlighted a disconnect between Sao Martinho's quality, cash-generation potential and its valuation, supporting a long recommendation at an entry price of $2.53. Since our proposal, the stock has moved around 10% above that price, reinforcing our belief that we identified a genuine mispricing.

Across both projects, we consistently strove to combine rigorous financial analysis with compelling narratives. Working with two different teams of analysts pushed me to lead by example, structure the research process clearly and create an environment where everyone contributed. The strong performance of both ideas, alongside the quality of the presentations, underlines that we did a genuinely good job, both analytically and as a collaborative investment team

Industrials Sector Macro Overview

The industrials sector is widely recognised as one of the most cyclical areas of the economy, reflecting its dependence on capital expenditure, labour availability, and prevailing interest-rate conditions. Sector performance has therefore historically tracked broader economic momentum. In the period following the Covid-19 pandemic, extensive fiscal support and expansionary monetary policy stabilised output and employment, but also contributed to elevated inflation. Central banks subsequently responded by tightening monetary policy, increasing borrowing costs and materially altering investment conditions for capital-intensive industrial businesses.

During 2024–2025, persistently high inflation across developed economies contributed to a prolonged cost-of-living crisis, placing sustained pressure on margins through higher input costs, wage inflation, and elevated financing expenses. Alongside these cyclical pressures, the sector experienced meaningful structural change. Increased adoption of automation and artificial intelligence, evolving global trade relationships, and a shift towards more protectionist economic policies reshaped how industrial firms approached production, sourcing, and capital allocation. This period marked a clear transition away from pre-pandemic, cost-optimised growth models towards strategies emphasising resilience, localisation, and productivity gains.

Macroeconomic indicators such as Purchasing Managers' Index (PMI) data highlighted growing regional divergence but did not fully capture the uneven impact of policy-driven shocks across subsectors. While PMI readings below the 50 thresholds across much of Europe reflected broader weakness in manufacturing and construction activity, specific industries were also affected by changes in tariff regimes, trade barriers, and geopolitical realignments. In parts of Southeast Asia, including Thailand (where PMI trended up to 58), industrial firms exposed to global trade flows experienced both challenges and opportunities as supply chains adjusted. For example, manufacturers such as Bangkok Sheet Metal, operating within export-oriented value chains, have been directly influenced by tariff changes, shifting demand patterns, and increased regional manufacturing activity linked to supply-chain diversification away from higher-cost markets.

As the sector moves beyond 2024–2025, the legacy of this period continues to shape current conditions. Industrial firms are operating in an environment characterised by more disciplined capital allocation, heightened sensitivity to financing costs, and increased exposure to policy-driven risks such as tariffs and trade restrictions. At the same time, regional manufacturing hubs that benefit from favourable cost structures, strategic trade positioning, or government-supported industrial policy have emerged as relatively more resilient.

From an investment perspective, these dynamics suggest a more selective and differentiated approach to the industrials sector. Rather than broad-based cyclical exposure, greater emphasis is placed on identifying companies and regions with structural advantages, resilient demand drivers, and the ability to adapt to shifting trade and policy environments. Indicators such as PMI trends remain useful for gauging short-term momentum, but they are increasingly complemented by analysis of trade exposure, tariff sensitivity, balance-sheet strength, and alignment with longer-term themes such as infrastructure renewal and the energy transition.

Head Analyst: Sam Bundy

Our pitch on Royal BAM Group centred on showing that what the market sees as structural weakness is mostly short-term cyclical noise. Investors continue to fixate on UK execution issues and Dutch permitting delays, which keeps BAM stuck in an outdated low-quality narrative. Our work pointed in the opposite direction. Backlog quality is improving, the business mix is moving toward regulated civil frameworks, and multi-year infrastructure programmes across the Netherlands, the UK and Ireland give BAM a level of revenue visibility that is not reflected in the current valuation.

We also noted that peers with similar framework-heavy portfolios convert 70 to 90 percent of FCF to EBITDA. BAM trades at a discount only because investors still anchor to legacy fixed-price problems that are steadily rolling off. As cash generation normalises, we expect the gaps in EV to EBITDA and FCF yield to close toward sector norms.

Our valuation work supported a €9.7 base-case target, roughly 18 percent above current levels, with further upside if margins hold above 5 percent and public-infrastructure spending strengthens. Public-capex risk remains, but BAM's selective order-book strategy and early-involvement contracting limit downside.

Overall, the pitch demonstrated a clear variant view. BAM is still priced like a low-quality cyclical even though it is starting to deliver the steadier cash profile of a compounder. The recent move toward €8.40 shows the market has begun to recognise this shift, but the valuation still carries a structural risk premium that no longer matches BAM's improving mix, margin trajectory and cash conversion. In our view, the rerating is only beginning, and the remaining upside should come through as legacy fixed-price exposure fades and framework-based earnings dominate.

Our second pitch addressed a market dislocation driven far more by sentiment and technical factors than by fundamentals. Bangkok Sheet Metal trades at distressed levels, with an 82 percent P/B discount to peers, largely because of US–Thailand tariff concerns, 2025 warrant dilution, and broader pessimism surrounding Thai manufacturing. Our analysis showed that these fears are overstated and do not reflect the structural improvements taking place in BM's cost base and export positioning.

We highlighted two advantages that the market has largely overlooked. The first is the Free-Zone facility, which allows duty-free raw material imports and VAT exemptions. This directly reduces input costs and strengthens liquidity. The second is the company's growing export diversification, with a rising share of revenue coming from non-US markets. With tariff levels now more predictable and the policy backdrop becoming more stable, BM is positioned to shift further into higher-value product categories through its Nitto Kogyo partnership and to take share within ASEAN industrial manufacturing.

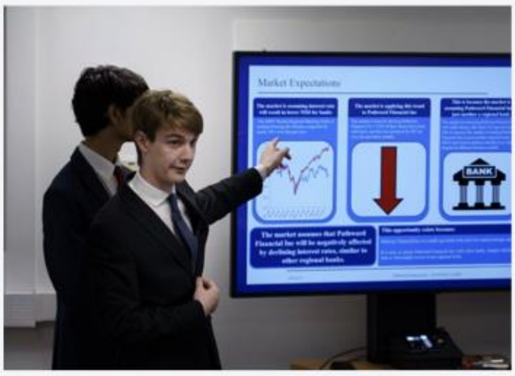
Although the market continues to treat BM as a commodity-driven, steel-sensitive cyclical, our variant view sees an integrated producer with emerging pricing power, improving unit economics and a clear set of catalysts linked to trade-deal progress and export momentum. We set a target price of ฿2.36, which implies roughly 121 percent upside and illustrates the extent of sentiment-driven undervaluation relative to the company's fundamentals. While the upside case is ambitious, it remains an attractive opportunity for an investor with appropriate risk appetite, as the probability-weighted outcomes across macro scenarios still point to a compelling expected return.

Consumer Staples and Discretionary Sector Macro Overview

The consumer staples and discretionary sectors cover a lot of industries. I do not wish to make a sector overview when I do not understand in great detail all the parts that make up this whole. Instead, I will make a few observations within industries which we have looked at in some detail at Team Vega.

As part of the analysis into Jet2, we compared operations with competitors like EasyJet and Ryanair. Aircraft purchases are vast capital expenditures and we had concerns that Jet2 was getting less value out of these crucial investments than competitors. We can derive from indirect data that Jet2 aircraft fly on average ~2.5 short haul flights per day compared with ~4.9 for Ryanair and similar values for Wizz & EasyJet. Superficially, this means Jet2 is getting half as much use out of their purchases than others over the approximately 22 year economically useful lifespan of a Boeing 737-800. However, we've realised that the lifespan of these aircraft are exhausted by the amount of flying hours and flight cycles rather than the mundane passing of time. Therefore, if Jet2 uses its aircraft half as intensively, they will last twice as long before needing to be retired. While it's not quite that simple due to obsolescence induced retirement and some calendar based maintenance, it's not as if Jet2 is getting half as much out of a new jet as Ryanair. This alleviates some of our concern about effective use of retained earnings at Jet2.

Burberry was recently trading at just below 10x earnings, largely because of a failed upmarket push by the outgoing CEO which alienated aspirational consumers. We found this depressed price to be a potential opportunity to buy into an amazing brand about to be brought back on track, at a bargain.



With the entrance of Shulman a year ago as the new CEO, we had high hopes that the brand would start playing to its strengths again, namely timeless British outwear. However, despite more than a year since Shulman's entrance, Burberry's shops in London have not returned trench coats, quilted coats & outwear to a prominent position in the retail space. The introduction of scarf bars is a small positive step in bringing back aspirational consumers with sub £300 items. However, trainers, jeans and handbags with ambitious pricing are still in prominent places in flagship stores. This makes limited sense to us as there are brands who have produced these ancillary product categories better and for much longer than Burberry. The stock has recently become more expensive, FY25 saw poor performance from Burberry and the implementation of the promised strategy is yet to come so we're giving this equity a miss.

Heading into the new year, we've taken an interest in Reach PLC who own the Mirror, Daily Express and other publications. The company is trading at a low 3.5x earnings with a dividend yield of 13.4%, largely because their physical paper sales have declined significantly and are likely to continue doing so. If Reach is able to continue transitioning to online without shedding too much of its earnings, it could present an interesting opportunity. Subtracting physical newspaper sales, we infer that the company is trading at 7.8x of online earnings alone. Reach PLC does however have a £100m+ pension deficit liability and their future prospects are as of yet unclear to us.

Head Analyst: Philipp Andréewitch

Airlines have historically suffered low margins with large capital demands for limited growth prospects. Carriers operating traditional business models have seen this continue. However, Jet2 initially caught our eye because their package holiday segment enjoys higher margins and because it is trading at six times earnings. Further analysis of the business revealed a good track record of management withholding and redeploying shareholders earnings with significant growth in earnings power over the past ten years to show for it. With the new CEO being an inside hire with an already long tenure, we expect good management to continue. We also like the uncharacteristic honesty of management, with the CFO acknowledging that the new Gatwick Base won't be operationally profitable till at least FY28. We can see that there are Billions in capital expenditure ahead for fleet expansion and ground operations but also that new bases being set up in Liverpool, London and the South present unique opportunities for significant and permanent increases in earnings power. Observing customers comparing Jet2 directly with providers like TUI and speaking with them directly has shown us that Jet2 has a customer experience edge, substantiated by a prodigious rebooking rate. We have also noticed their outsized advertising spend and disproportionate social media presence in memes well beyond the scope of ad spend. Despite this heavy capital expenditure, the company maintains an industry leading debt to equity and has recently repurchased and cancelled 10% of outstanding shares. Having just committed to a further 5% and promising to buy even more if the share price continues to fall means that further short-term dips in the price will be cushioned by increased earnings per share resulting from buybacks. The short-term market jitters about customers booking later have led to these depressed prices and Team Vega has been more than happy to take advantage of the situation.

Graham Holdings became interesting for us because their portfolio largely comprises highly defensive business models, often with limited localized competition in the case of their healthcare and car dealership businesses. The conglomerate was trading at a seemingly discounted price of six times earnings, so it warranted further analysis. The cashflow of the businesses within Graham Holdings were not sufficiently broken down for us to properly understand what we were buying. We were unable to isolate corporate expenditure. We also found that the company has a vastly oversized pension fund which was artificially inflating the book value and earnings for FY24. After accounting for convoluted accounting practices, our reassessment found the company to be trading much closer to sixteen times earnings and three times book value. If we were going to pay such a high price, it would need to be for a capex light company with promising growth prospects and transparent accounting. Graham Holdings meets none of these criteria.

Technology Sector Macro Overview

Over the coming year or two, the technology sector is likely to operate in a more compliance heavy and controlled environment due to tighter regulations and practical infrastructure limits, that collectively rewards scale, compatibility and operational resilience. On the political and legal side, many governments are treating technology as a piece of critical infrastructure which means more regulation around data safety and competition and artificial intelligence. These regulations come with increased costs and cause delays to businesses in the sector in turn slowing down product launches meaning that larger established firms in the industry will likely cope better than smaller new players. While interest rates are expected to slowly ease, companies in the sector remain careful with technology budgets and spending decisions are more focused on clear business value such as security and reliability. This environment benefits enterprise software, cloud services and cybersecurity-oriented businesses whereas more discretionary consumer technology may remain weaker. Similarly, growth in the sector is limited by access to electricity and data centre capacities. In the UK and Europe, grid connections grow increasing constrained and slow, giving established companies that already own, or control these data centres a major advantage.

Artificial intelligence (AI) also reinforces these trends. AI is not spreading value across the sector evenly and instead is strengthening the position of companies controlling key building blocks. Companies that own core infrastructure such as data centres, chips and widely used software platforms such as Gemini, ChatGPT and Perplexity AI gain a competitive advantage as they already have millions of daily users allowing them to roll out new features and models at scale and recover costs more easily. Whereas smaller firms often rely on the same cloud services, data and models as their competitors making it harder for them to stand out and protect their margins. Changing regulations also come into play here, as new rules in areas such as Europe with the introduction of the AI ACT requiring firms using AI in areas such as hiring or customer verification to explain how their systems work, document where all training data comes from, demonstrate ongoing risk controls and show proof of human oversight. Meeting these requirements introduces new costs, slows launches and increases the need for governance which larger established firms are better suited to handle. For now, AI is more likely to improve operational efficiencies rather than creating new sources of demand which can be seen in the fact that many firms are using AI to improve and automate internal processes, speed up software development and reduce service costs rather than to launch entirely new products.

Overall, the sector is likely to become more divided with infrastructure providers and rusted or established platforms and their providers gaining strength whereas less differentiated software firms face margin pressure because of the global economy and changing regulatory and political landscape.

Head Analyst: Deniz Erkovan

Allegro Microsystems is a US based Semi-conductor manufacturer founded and headquartered in New Hampshire in 1990, who specialise in the production of magnetic sensors and power management integrated circuits (PMIC or PIC) used in electric vehicles, clean energy systems and data centres, with a sales focus in the USA and Asia.

In their most recent earnings (Q2 FY2026), Allegro reported sales of $214 million (up 14% YOY) which shows a rebound in sales but also serves as evidence of the cyclical and volatile nature of Allegro's operations. Furthermore, Allegro's GAAP operating margin was only 2.9%, and GAAP net income attributable to Allegro was just $6.2 million, meaning that after paying off normal operating expenses (i.e. research & development/selling, general and administrative expenses), the company is barely profitable on a GAAP basis. Much of Allegro's profitability relies on heavy non-GAAP adjustments, such as stock compensation and restructuring charges being added back on. This is clear in the Q2 FY2026 earnings release as their non-GAAP operating income was reported as $29.7 million, but this result relies heavily on the $23.5 millions of exclusions in just Q2.

We decided to pitch a short position for Allegro Microsystems because we believe that the company's underlying financial performance is weaker than its headline growth portrays it to be. Allegro's cash balances have continued to decline whilst debt levels remain high, which points towards high operational strain despite positive revenue growth. We believe that Allegro's fundamentals do not support the valuation typically given to high-margin semiconductor companies and the market is pricing Allegro Microsystems as such, as a high-margin, fast-growth semiconductor company, whereas their own financial results show a weaker business that struggles to turn revenue into real profit.

CAPCOM is a Japanese game software developer based in Osaka, viewed as a leading player within the gaming industry since its founding in 1983. Their most notable titles include Resident Evil, Monster Hunter and Streetfighter.

CAPCOM recently reported another very strong first half for the fiscal year ending March 31st, 2026, driven primarily by digital content and the recurring revenue

from their IP-protected games. In H1 FY2025 Unit sales jumped to 23.85 million units across 246 titles, up from 20.02 million units sold in the first half of the previous fiscal year, with net sales generating 81,152 million yen (up 43.9% YOY).

We selected CAPCOM because they operate with very low financial leverage and hold a sizeable net cash position whilst maintaining operating margins above 30% on a consistent basis, amongst other very strong financial indicators which materially reduce the risk of insolvency. On the qualitative side of things, CAPCOM has shown a strong alignment between management and their long-term strategy and has built a culture of operational discipline, focusing on using small yet efficient teams in developing their games and building internal tools.

Outside of video game sales, CAPCOM is also active in the transmedia industry with notable partnerships such as their most recent 3-year deal with Paramount, Skydance and Legendary Entertainment beginning with the production of a 'Street Fighter' Movie Co produced by CAPCOM, who are the developer of the hit video game franchise. Also, their partnership with Netflix to create the TV show 'Devil May Cry', which aired on April 3rd, 2025, further monetised the company's IP outside of games. The 8-episode series 'Devil May Cry' landed in the Top 3 TV shows on Netflix a day after it had aired (Forbes).

INVESTMENT FUND

Head of Risk: Rhys Jones

The key focus of the risk team is to verify valuation models developed by analysts and research risks that could impact the thesis of the proposed investments. The team works alongside analyst teams to incorporate risk perspective throughout the lifetime of a pitch. Eventually, officers develop a report on key valuation risks identified and provide insight on their research during pitches.

This year marked the start of the fund and of building the risk team, below is the summary of a very successful first semester for risk.

Retrospective: Key Achievements & Reflection

1. Standardisation of Reporting Frameworks

One of the primary challenges identified early in the cycle was the lack of a consistent reporting structure in the risk industry.

Action Taken: We successfully developed a standard format for formatting research.

Outcome: A template was developed and implemented, incorporating risk matrices and subcategorising risk. This has streamlined research and ensured consistency across the "pitch cycle".

2. Identifying risks in pitches

The team has worked alongside analyst teams to identify areas of risk in their proposals and verify the valuation models used. This culminating in risk officers producing a report of identified risks and providing an input on identified risks at investment committee.

3. Emphasis on Qualitative Risk

Recognising the limitations of many valuation models, the team made a conscious effort to focus on nuances that numbers often miss.
Focus: We prioritised qualitative risks – factors that are notoriously difficult to capture in traditional models but are critical for holistic decision-making about an equity’s prospects.

Strategic Outlook: Future Objectives

1. Dynamic Risk Understanding

Moving forward, we aim to shift our philosophy from a static view of risk to a more temporal approach. This entails understanding the profile of risks over time rather than a more isolated focus on “present risks”.

2. Integration of Quantitative Elements

While the previous term focused on the qualitative, the next phase seeks balance.
Action: We will actively incorporate more quantitative elements and hard metrics where possible to validate our qualitative findings and assess the impact on valuation.

3. Organisational Growth: Portfolio Risk Team

As the fund starts to acquire positions, it becomes necessary to optimise allocation and prevent overexposure.

Key Initiative: We plan to develop and recruit a dedicated team specifically for Portfolio Risk, distinct from general operations, to ensure focus on this crucial area.

Head of Compliance: Ben Hobbs

Following months of preparation, the Newcastle University Investment Fund was launched in September 2025. Within its founding student cohort, a dedicated Compliance team was established, led by first-year undergraduates Ben Hobbs and Janna Jameel. This team's mandate was to ensure all investment activities adhered strictly to the university's ethical and financial criteria.

Our primary function is to verify all proposed investments align with the Newcastle University Investment Criteria. This is done through an initial approvals process and the subsequent creation of a detailed Narrative Document for each approved investment.

Reflection on Semester: Key Achievements
As this was the fund's inaugural year, no prior compliance framework existed. In partnership with operational lead Fernando Mendoza, we developed a triple-layered authentication system to screen every investment. Janna Jameel also created a diagram to visually summarise the Investment Criteria for all Head Analysts.

Upon receiving investment proposals, the Compliance team conducted an initial approval. This involved AI screening of company revenue streams and a manual review of annual reports against ethical criteria. For complex cases, we consulted with Head Analysts and fund managers. The team consistently worked under significant time pressure to deliver approvals within 24-hour deadlines.

Following initial approvals, we produced in-depth Narrative Documents for each proceeding investment. These reports detailed the firm's revenue streams, sustainability stance, and public reputation, ensuring continued alignment with criteria. A standardised template was created for consistency. In Semester One, the team completed 16 narrative documents.

The team also maintained a presence at all Stock Pitches. This allowed us to directly identify and communicate compliance-related risks or issues to Head Analysts during the investment committee process.

Future Objectives
We aim to strengthen our screening framework by collaborating with the Digital Infrastructure team to enhance accuracy and streamline our verification workflows.

To manage the fund's growth and maintain high verification standards, we have begun recruiting to expand the Compliance team for future semesters.

Semester One Members:

Fund Managers:

Oscar Peters

Fernando Mendoza

Head Analysts:

Ben Moore

Alexander Telpov

George Chatterton

Charlie Crewe-Read

Sam Bundy

Philipp Andréewitch

Deniz Erkovan

Analysts:

Adam Vigh-Vecsey

Amaan Mughal

Amy Morrish

Aneesh Avvari

Charlie Stevens

Elliot Monk

Emy Chen

Ethan Wood

Finlay Ritchie

Henri Allen

Isaac Rodrigues

Jack Stevens

Jaime Allen

Jamie Setch

Josh Schofield

Louis Hart

Mannik Bhambhu

Marcus Tsang

Max Flanagan

Digital Infrastructure:

Samraat Jain

Risk Officers:

Amir Tsoy

Andrii Vorobiov

Callum McGrath

Hrik Datta

J.P. Dunphy

Marcus Tejero Mehmi

Rhys Jones

Theodore Kolawole

Abdulrahman Adetunbi

Compliance Officers:

Aishath Janna Jameel

Ben Hobbs

Welfare Officer:

Audrey Mumtaz Aqila Fuad