NIC

— Nova Investment Club —

Newsletter

January 2026

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Foreword

This Month:

In our Macro Overview section, analysts from the Financial Markets Division will cover broad macro themes while reviewing major economic news from the past month. In our Deeper Dive section, Pape Abdou Diagne explores the impact of the Bayer AG's 2025 Revival Momentum and what that means for the economy and markets.

Our Investment Banking Division will guide you through October's overall M&A activity. Read about Netflix acquiring Warner Bros. Discovery. Additionally, get a detailed overview of what happened to Philip Morris International Inc. and read expert insights about BP's Strategic and Financial Reorganisation.

Our Financial Markets Division will present the monthly results of the NIC Fund, an active relative return fund investing across three different asset classes: Equities, Fixed Income, and Commodities. The analysts will also provide commentary on each of the three major asset classes including Currencies through an analysis of the past month's major market moves. The overall performance of the NIC Fund in December was positive, with a cumulative return of 0.92%.

Our Private Equity Division will cover global and European trends in private equity transactions and investments, followed by brief insights into some top deals. Read about Permira and Warburg Pincus acquiring Clearwater Analytics and Stonepeak acquiring Castrol.

NIC
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Macro Overview

Monthly

January 14th, 2026

Deeper Dive

Bayer AG's 2025 Revival Momentum

— p.2

Market Moves

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	6 846	-1,25%	2,35%	16,39%
DJIA	48 063	-1,37%	3,59%	12,97%
Nasdaq	23 242	-1,57%	2,57%	20,36%
MSCI World	4 420	-0,69%	2,22%	18,96%
MSCI EM	4 501	-0,08%	0,95%	22,32%
Russell 2000	2 482	-2,60%	1,86%	11,29%
Euro Stoxx 50	5 791	0,79%	4,73%	18,29%
FTSE 100	9 931	0,61%	6,21%	21,51%
Nikkei 225	50 339	-0,01%	12,03%	26,18%
Hang Seng	25 631	-0,73%	-4,56%	27,77%
Dollar Index	98,32	0,35%	0,56%	-9,37%
EUR/USD	1,175	-0,28%	0,10%	13,44%
GBP/EUR	1,147	0,07%	0,11%	-5,07%
GBP/USD	1,348	-0,22%	0,22%	7,66%
USD/JPY	156,710	0,50%	5,96%	-0,31%
USD/CHF	0,79	0,52%	-0,48%	-12,65%
Brent Crude	60,850	-2,23%	-9,21%	-18,48%
Gold	4 341,1	-3,11%	13,03%	64,37%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	4,167%	3,4	1,7	-40,2
GER 10Y Yield	2,855%	-0,7	14,4	48,8
JPY 10Y Yield	2,066%	1,7	41,8	96,5
UK 10Y Yield	4,479%	-2,8	-22,0	-8,9
PT 10Y Yield	3,150%	-0,2	3,3	30,2

**Source: Bloomberg, as of 2025-12-31*

In Focus

December

US Monetary Policy Shifts from Guidance to Commitment. The Federal Reserve cut rates by 25 bps at the December FOMC, taking the target range to 3.50%–3.75%, alongside an updated SEP and dot plot that narrowed expected policy paths. Officials retained a data-dependent stance while acknowledging improving inflation dynamics. Markets repriced the timing of future easing, keeping real rates as the primary transmission channel into year-end.

ECB Holds Restrictive Stance as Growth Weakens. The ECB held the deposit facility rate at 2.00% in December, maintaining a restrictive stance as euro area growth softened. Moderating headline inflation was offset by wage pressures and fiscal uncertainty. Tight credit conditions and persistent core-periphery divergence continue to weigh on the outlook.

Bank of Japan Signals Cautious Policy Normalization. The BOJ raised its policy rate by 25 bps to 0.75% in December, linking further moves to sustained wage growth. The 10-year JGB yield rose to around 2.1%, a multi-decade high. Higher Japanese yields spilled into FX and global rates markets, increasing volatility.

Rates Markets Reflect Policy Clarity and Technical Constraints. Rates markets entered December with clearer policy signals but tighter liquidity. The 10-year U.S. Treasury yield ended the month near 4.15%, while the estimated term premium rose to around 80 bps amid heavy issuance. Year-end technicals amplified moves alongside macro fundamentals.

Equity Performance Driven by Allocation Rather Than Earnings. By December, equity performance was driven more by allocation than earnings. In the S&P 500, the top constituents accounted for nearly 40% of index weight, increasing sensitivity to real rates. Defensive positioning gained traction as volatility rose modestly into year-end.

Credit Markets Tighten as Issuance Slows. Credit conditions turned more cautious as issuance slowed and liquidity thinned. US investment-grade issuance reached roughly USD 1.7 tn in 2025, with spreads widening from around 0.74% to above 0.8% later in the year. High yield pricing showed greater sensitivity to funding costs.

China's Recovery Remains Uneven. China's data continued to point to uneven recovery dynamics. Retail sales growth slowed to 1.3% YoY in November, despite ongoing policy support. Consumption and private investment remained subdued, limiting the impact of short-term stimulus.

Emerging Markets Face Policy Divergence. Emerging markets posted mixed performance in December, with the MSCI EM Index up 3.0% over one month. Dollar strength, with DXY near 98, continued to test external balances. Capital flows favoured economies with credible policy frameworks and sustainable carry.

December Frames the Transition into the Next Cycle. Year-end pricing reflected clearer policy paths but increasingly constrained liquidity conditions across asset classes. With the 10-year U.S. Treasury yield near 4.15% and the VIX around 15, markets entered the new year with reduced flexibility, greater sensitivity to early macro data, and lower tolerance for adverse surprises, particularly as positioning is heavier and balance sheet constraints remain binding following year-end.

Guilherme Natário Rio-Tinto
Financial Markets Division

Deeper Dive

Bayer AG's 2025 Revival Momentum

Pape Abdou Diagne
Investment Banking Division

"We're working at full force to put Bayer back on a profitable growth path. Our team has the right focus and the right plan."

– Bill Anderson, CEO, Bayer AG

"We achieved the revised outlook on all key financial metrics. We are fully focused on effectively managing what we control, adjusting to new realities around us quickly, and advancing in our transformation."

– Wolfgang Nicki, CFO, Bayer AG

2025 has proved to be a turnaround for the German pharmaceutical giant Bayer AG. In the fourth quarter of the year, the company emerged as a primary case study in corporate restructuring and liability management. After years of being weighed down by the Monsanto discount, Bayer's stock staged its best day in 17 years on December 2nd, surging as much as 15% following news from the US Solicitor General. Shares have skyrocketed 121.6% over the past year, significantly outperforming the industry's gain of 19.2% and the broader S&P 500 Index. This resurgence is a fundamental shift driven by CEO Bill Anderson's Dynamic Shared Ownership (DSO) model and a pivot toward innovative growth in the life sciences.

The recent announcement that the US Solicitor General supports a Supreme Court review of the Durnell case has triggered significant disruptions in the legal narrative surrounding the firm. The decision to advocate for this review has heightened optimism for a global settlement framework because it agrees with the company's arguments on federal pre-emption. Analysts project that a favourable ruling could significantly reduce future liability risks by establishing that federal labelling laws pre-empt state-based failure to warn claims. While the company continues to face thousands of ongoing claims, the broader market repercussions of this federal support have been swift and positive.

Financial markets have responded with heightened momentum. Major indices saw Bayer's shares break through key technical resistance, with the stock trading around EUR 33.85 in early December 2025, a marked recovery from the EUR 19.30 low seen in December 2024. The 14-day relative strength index indicated elevated momentum as traders sought to capitalize on the de risking of the balance sheet. Institutional sentiment has also shifted in a positive direction for equity holders. Client positioning was heavily weighted toward long exposure as of December 2025. Investors anticipate that the radical reduction of management layers, down to ~5,000 managers, will accelerate internal efficiency. By dismantling the leadership teams of sectors like pharmaceuticals and reducing them to as few as eight executives, Anderson has sought to bring business management closer to the customer and foster a culture of mission focused work.

One of the most pressing concerns for investors is the impact of patent expirations on corporate earnings. Companies like Bayer, with high exposure to the pharmaceutical market, are expected to face higher costs from generic competition for the blood thinner Xarelto, which saw a significant sales decline in late 2025. However, the success of newer blockbusters like Kerendia and Nubeqa is helping to mitigate these losses. Beyond the immediate financial turbulence, strategic priorities are on the rise. Despite the challenges, some sectors may find opportunities amid the disruption. Domestic production efficiency in the pharmaceutical unit could benefit from the shorter 90-day innovation cycles introduced under the DSO model. However, the extent of these gains remains uncertain, as ongoing settlement payments and restructuring costs could offset any competitive advantages.

The potential Supreme Court ruling on federal pre-emption represents the ultimate valuation catalyst; a victory could effectively cap Roundup liabilities and allow for a significant re rating of the company's equity. Operationally, the market will look for the full realization of the promised EUR 2.0 bn in savings as the DSO model matures. Finally, the ability of Kerendia and Nubeqa to achieve blockbuster status globally will be vital to navigating the 2026 patent cliffs. If these factors align, the valuation gap between Bayer and its global pharmaceutical peers could close significantly by year end.

Pape Abdou Diagne
Investment Banking Division

Macro Overview

Economic Calendar

Economic and Political Events

Venezuela in Upheaval

After a U.S. military operation on the **3rd** of January removed President Nicolás Maduro from office, Venezuela, the world's largest holder of crude oil reserves, remains the smallest producer among major reserve holders. Greater political stability could boost investment, output and global oil markets.

Presidential Election in Portugal

Portugal's presidential election will take place on the **18th** January, with a runoff scheduled for the **8th** of February if required. Incumbent President Marcelo Rebelo de Sousa is term-limited, and polling suggests no candidate is expected to win an absolute majority in the first round.

World Economic Forum

From the **19th** to the **23rd** of January, government leaders, business executives, and representatives from civil society and academia will gather in Davos for the 56th Annual Meeting, held under the theme "A Spirit of Dialogue".

Central Bank Decisions

Bank of Japan Interest Rate Meeting

Following its rate increase to a 30-year high of 0.75%, the BOJ will meet on the **22nd** and **23rd** of January. Governor Kazuo Ueda has indicated that, should economic activity and price dynamics evolve in line with the central bank's projections, further rate increases would be warranted.

Fed Interest Rate Decision

The FOMC will meet on the **27th** and **28th** of January. After three interest rate cuts in 2025 at the September, October and December meetings, lowering the federal funds rate to the 3.50% to 3.75% range, the CME FedWatch Tool shows a 95% probability the target rate will remain unchanged.

Bank of Canada Policy Decision

The Bank of Canada is scheduled to announce its next monetary policy decision on the **28th** of January. After leaving the policy rate unchanged at 2.25% at its December meeting, following a 25 bps cut in October, economists at TD Canada Trust expect the BoC to keep rates on hold throughout 2026.

Inflation and Deflation

Canada Inflation Update

Canada will publish its December inflation figures on the **19th** of January. In November, headline inflation held steady at 2.2%. For 2026, Vanguard expects core inflation to remain in the mid-2% range, ending the year at around 2.3%.

UK Consumer Price Index

Inflation data for December will be released on the **21st** of January. Consensus forecasts expect headline CPI to remain unchanged at 2.6%, while core inflation is projected at 3.6%.

Japan's Inflation

Inflation figures are scheduled for release on the **24th** of January. In 2025, CPI hovered around 3%. Looking ahead to 2026, economists expect price pressures to ease, with headline inflation projected to fall below 2.0% and core inflation to converge towards 2.0%.

Labour Market

UK Employment Readings

The UK will publish fresh labour-market data on the **20th** of January. Goldman Sachs Research expects unemployment to rise to 5.3% by March, before stabilising for the rest of the year as economic growth gathers pace.

Australian Labour Market

On the **22nd** of January, Australia will release its December unemployment rate. In November, unemployment fell to 4.3%, while the participation rate held steady at 66.8%. Forecasts point to a gradual rise in unemployment, reaching around 4.5% by the end of 2026.

Euro Zone Unemployment Data

The Eurozone unemployment rate for December will be released on the **30th** of January. In November, the seasonally adjusted unemployment rate stood at 6.3% in the euro area and 6.0% in the EU.

Felix Neumann
Financial Markets Division

Investment Banking

M&A
Overall Activity

Global

Global M&A activity gained strong momentum in December 2025, with deal volume rising to USD 569.6 bn, representing a sharp 50.07% increase MoM and a 76.00% increase YoY. This upturn was primarily driven by a significant rise in deal values rather than by transaction count, which increased by only 18.90% MoM. The strong increase in total volume indicates a growing appetite for large scale transformational transactions, continuing the trend of elevated M&A activity observed earlier this year. Notably, the increase in global deal volume was primarily driven by higher activity in North America and Asia, while deal volume in the EMEA region declined sharply compared to the previous month. Two high profile transactions underline the renewed appetite for large scale deals: The ongoing bidding war between Netflix and Paramount Skydance for the acquisition of Warner Bros, highlighting the strategic importance of securing market position, as well as Nvidia's acquisition of Groq, reflecting strong confidence in the Technology sector and sustained investment in artificial intelligence–focused companies.

Selected Regions

North America
M&A activity in North America experienced a pronounced increase, with deal volume rising to USD 384.8 bn, representing a steep 36.21% increase MoM and a sharp 176.47% increase YoY. The strong increase in volume, while deal count remained stable both MoM and YoY, indicates an ongoing interest in executing mega deals in North America, particularly within the Technology sector.

EMEA
M&A activity in the EMEA region declined markedly in December 2025, with deal volume falling by 51.78% MoM to USD 63.1 bn. This downturn was primarily driven by lower average deal sizes in the EMEA region, while deal count increased slightly by 9.09% MoM to 1,104 deals in December 2025. On a YoY basis, both deal volume and deal count registered modest declines of 9.85% and 8.68%, respectively.

Asia
APAC's M&A activity saw a sharp increase in deal volume in December, with deal value rising to USD 108.1 bn, up 57.39% MoM, yet down 1.29% YoY. The strong MoM increase was largely driven by a small number of mega deals in markets such as China, while deal count rose by only 11.52% MoM, indicating more concentrated activity in large transactions rather than broad based market participation.

M&A
Deals of the Month

Announced Date	Target	Buyer	Target Region	Target Business	Value[1] (USD m)	Premium (%)
08 Dec 2025	Warner Bros Discovery Inc	Paramount Skydance Corp	US	Communications	103,566.2	27.95
05 Dec 2025	Warner Bros Discovery Inc	Netflix Inc	US	Communications	97,993.3	19.29
25 Dec 2025	Groq Inc	NVIDIA Corp	US	Technology	20,000.0	
08 Dec 2025	Cofluent Inc	International Business Machine (IBM)	US	Technology	10,898.3	36.58
24 Dec 2025	Burmah Castrol PLC	Stonepeak Partners LP	UK	Energy	10,100.0	
08 Dec 2025	Metallurgical Corporation of China (Asset Sale)	China Minmetals Corp	CN	Materials	8,579.6	
17 Dec 2025	Cinda Securities Co Ltd	China International Capital Corp Ltd	CN	Financials	8,333.8	1.75
21 Dec 2025	Clearwater Analytics Holding Inc	Temasek Holdings Pte Ltd, Warburg Pincus LLC, Permira Holdings LLP	US	Technology	7,892.9	13.41
23 Dec 2025	Armis Inc	ServiceNow Inc	US	Technology	7,750.0	
17 Dec 2025	Dongxing Securities Co Ltd	China International Capital Corp Ltd	CN	Financials	7,001.8	16.20

Note: 1. Sum of the announced equity value and net debt.

Felix Horeis
Investment Banking Division

M&A: Top Deals

Netflix to Acquire Warner Bros. Discovery

On 5th of December 2025, Netflix agreed to acquire Warner Bros. Discovery in a cash-and-stock transaction valued at USD 81.9 bn including net debt. Warner Bros. Discovery shareholders will receive USD 23.25 in cash plus 0.0376 Netflix shares per share, implying an offer price of USD 27.13 and a 10.6% premium to the one-day prior close and closing is expected in 12 to 18 months.

Buyer vs Seller

The deal combines Netflix's global streaming scale and data-driven distribution with Warner Bros. Discovery's portfolio of premium film and television content, including HBO and Warner Bros. Studios, creating a vertically integrated global media platform. The buy-side was advised by Moelis & Co and Wells Fargo, while the sell-side was advised by Evercore, J.P. Morgan, and Allen & Co.

Industry Overview

The global streaming and media market was valued at approximately USD 650 bn in 2024 and is expected to grow at a 6-7% CAGR through 2030, driven by rising digital content consumption, international subscriber growth, and demand for premium intellectual property. Scale, proprietary content, and global distribution are increasingly critical, while intensifying competition and rising production costs continue to drive sector consolidation.

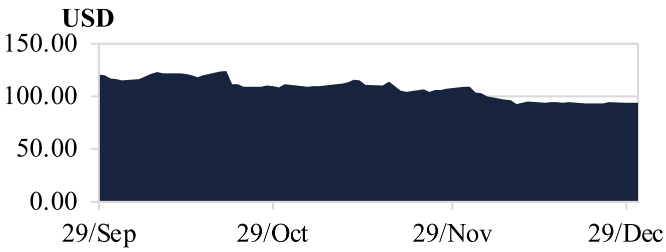
Peers	Currency	Market Cap (USD m)
Fox Corp	USD	31,729.70
Paramount Skydance Corp	USD	14,319.11
Walt Disney Co	USD	203,647.90
Netflix Inc	USD	417,926.02

Deal Rationale

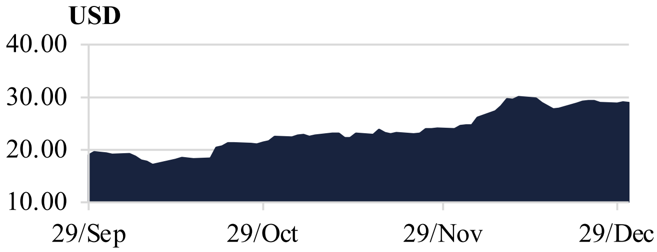
The deal is not expected to be immediately accretive, but Netflix aims to strengthen its competitive position by combining its global streaming platform with Warner Bros. Discovery's premium content library, deepening ownership of intellectual property and vertical integration. The acquisition is intended to enhance pricing power, reduce subscriber churn, and expand monetization opportunities across subscription and content licensing. In addition, the transaction provides greater scale and cost efficiency in content production and distribution, positioning the combined group as a leading global entertainment platform.

Market Reaction

Netflix
Netflix shares fell modestly on announcement, moving away from recent highs and trading slightly lower as investors priced in deal size, leverage, and regulatory risk.



Warner Bros. Discovery
Warner Bros. Discovery shares rose on the news, trading near recent highs as investors welcomed the acquisition premium and improved deal certainty.



Future Challenges

Completion of the transaction is subject to regulatory and shareholder approvals, with heightened antitrust scrutiny given the scale of consolidation in the global streaming market. A key challenge is the competing hostile bid from Paramount Skydance, which could prolong uncertainty, pressure valuation, or force Netflix to improve its offer.

Nils Becherer
Investment Banking Division

What Happened To

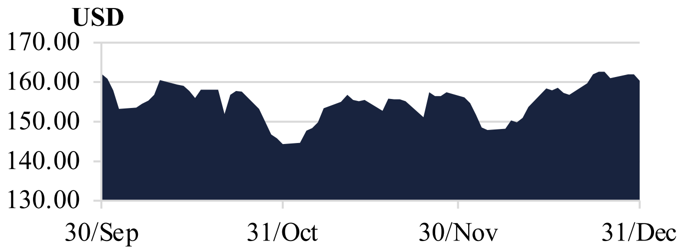
Philip Morris International Inc.

Philip Morris International is a US-based producer of nicotine products. As well as selling cigarettes under brands such as Marlboro and Parliament, the company sells ZYN nicotine pouches, VEEV nicotine-containing e-vapor products, and IQOS heated tobacco products. The company employs around 83,100 people and operates in approximately 170 markets worldwide.

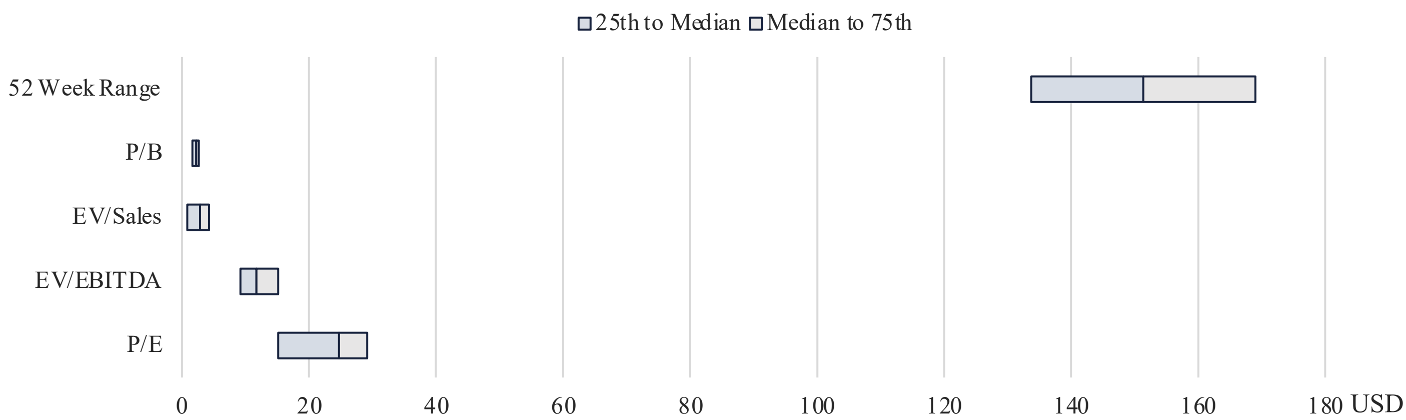
Corporate News

Following its acquisition of Swedish Match in 2022, Philip Morris successfully transitioned further towards delivering products that form part of its "smoke-free future" strategy. Initially relying on its in-house-developed heated tobacco product, IQOS, the strategy was launched in 2014 in an attempt to combat the decline in the legacy cigarette business. After launching the product successfully in over 100 markets over the past 11 years, the company now attributes 18.5% of its sales of heated and smoked products to heated tobacco products. The addition of nicotine pouch products from the Swedish Match Group further strengthens the strategy, with smoke-free products accounting for 38.7% of sales in 2024. Although sales consistently exceed analyst expectations, it remains unclear whether the success is sustainable, given the increasing regulatory pressure in the form of generation sales bans and tax burdens on the consumption of nicotine products.

Price (31 Dec 25, USD)	**159.86**
Target Price (USD)	180.00
3M Performance	-1.44%
Market Cap (USD m)	248,844.27
Enterprise Value (USD m)	296,819.27
**Target Price is for 12 months*	



Valuation Analysis



Since the IPO, the median stock price was USD 96.31. However, while its performance up to 2024 resembled that of a mature, dividend-paying company with moderate volatility, Philip Morris' share price has surged by more than 65% since the beginning of 2024. It reached a record high of USD 184.95 in June 2025, before closing at USD 159.86 on the last trading day of 2025. Analysts attribute this recent increase in the stock price to progress made in the smoke-free strategy.

As evident by the surge in its stock price, investors perceive and value Philip Morris as a growth platform rather than a traditional tobacco company. However, this perception is based on a complex reality. To rectify the current valuation, Philip Morris must successfully navigate intensifying regulatory headwinds on nicotine product marketing and endure potential tax hikes on heated tobacco products.

Peers	Currency	Market Cap (Cur m)
Hanjaya Mandala Sampoerna Tbk	IDR	88.983.328,83
Gudang Garam Tbk PT	IDR	27.081.538,60
Japan Tobacco Inc	JPY	11.294.000,00
Altria Group Inc	USD	94.509,21
British American Tobacco PLC	GBP	88.371,98

Johannes Schmidt
Investment Banking Division

NIC's View On

BP's Strategic and Financial Reorganisation

Julia Karaś
Investment Banking Division

"Our optimism for a fast transition was misplaced and we went too far, too fast … Oil and gas will be needed for decades to come."

– Murray Auchincloss, CEO, BP

After years of presenting itself as one of the energy transition's most committed advocates, BP, the UK-based global energy titan, has entered a period of strategic retreat and restructuring. On 24th of December 2025, the company agreed to sell a 65.00% stake in its Castrol lubricants business to US infrastructure investor Stonepeak, valuing the unit at USD 10.1 bn. The sale is expected to generate around USD 6.0 bn in net proceeds, all allocated to repayment of USD 26.1 bn debt.

The instability followed BP's green transformation launched in February 2020 under Bernard Looney, whose strategy assumed the transition would move faster, be cheaper and prove scalable. Those expectations became unsustainable as the global economy emerged from the pandemic into a period of elevated inflation in 2022, intensified by Russia's invasion of Ukraine, which triggered an energy crisis and lifted oil prices and industry profits. As execution failed, BP fell behind peers, with neither the valuation uplift of a successful transition leader nor the stability of a traditional oil and gas producer. Although market conditions played a role, management magnified the damage. Rapid strategic resets, abrupt organisational changes and internal disagreements ultimately led BP to abandon Looney's model. By early 2025, the company had scaled back investment in renewables, lifted oil and gas spending to USD 10.0 bn per year through 2027, and committed to USD 20.0 bn of asset sales. The arrival of Albert Manifold as chair and the appointment of Meg O'Neill as the fourth new chief executive in six years effective April 2026, marked a move towards restoring the company's financial credibility.

This strategic shift is clearly evident in BP's decision to monetise Castrol, one of its most valuable and stable assets. Although the transaction represents a significant milestone in BP's divestment programme, with disposals now exceeding half of the target, some analysts have warned that selling a high-quality, low-volatility cash generator may potentially compromise long-term earnings quality, lifting BP's oil price breakeven and harming dividend stability.

BP's recent course correction is not isolated. Shell has also retreated from aggressive renewable expansion, while Equinor has halved renewable investment to USD 5.0 bn over two years and increased oil and gas production, citing slow demand growth, high costs and weak financial viability. The question therefore confronting the sector is whether large-scale green investments can deliver the returns markets require within the timeframes investors demand.

For BP, the coming years will depend on how Meg O'Neill balances financial repair with long-term strategy. The Castrol sale provides balance-sheet support, yet does not resolve the challenge of sustaining returns in a changing energy system. Meanwhile, the transition to cleaner energy continues, even as its financial and operational limits become clearer for Europe's energy majors. The way in which BP navigates this reality will determine whether its reset enables financially sustainable participation in the transition or merely becomes another chapter in a long recalibration.

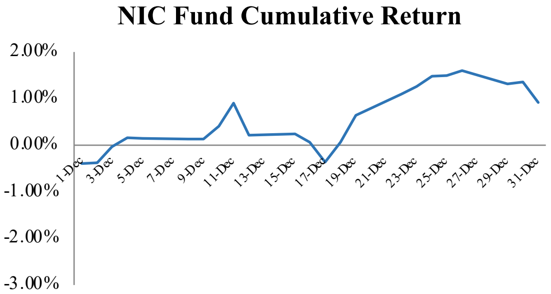
Date	Recent News
24 Dec 25	BP agreed to sell 65.00% of Castrol to Stonepeak as part of its asset divestment plan ***Source:*** *bp.com*
18 Dec 25	Appointment of Meg O'Neill as the next chief executive officer, effective April 2026 ***Source:*** *cnbc.com*
21 Jul 25	Appointment of Albert Manifold as the new chairman ***Source:*** *theguardian.com*
27 Feb 25	Announcement of USD 10.0 bn annual oil & gas spending and USD 20.0 bn asset-sale target ***Source:*** *reuters.com*

Julia Karaś
Investment Banking Division

NIC Fund

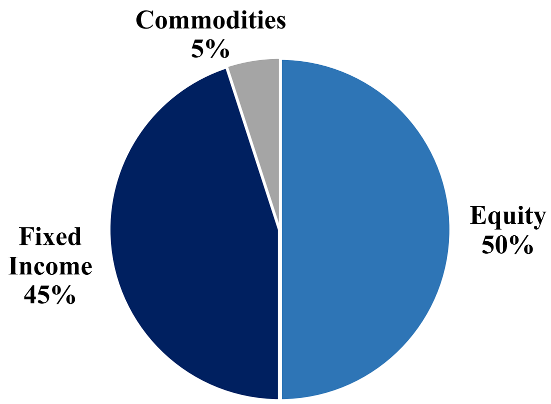
NIC Fund

Portfolio Overview



Portfolio Snapshot

In December, the NIC Fund remained invested in Equities, Fixed Income and Commodities. Specifically, 50% of the fund remained devoted to Equities, 45% to Fixed Income and 5% to Commodities. More than half of Equity was allocated to individual stocks using an equally weighted strategy, while the remaining part was allocated to ETFs as well as the FTSE 100 INDEX. For Commodities, over half was allocated to Gold via the Goldman Sachs Physical Gold ETF.

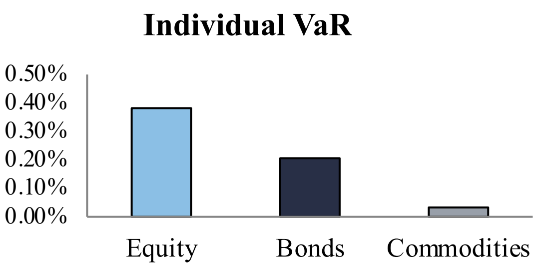


Portfolio Statistics	
Cumulative Return	0.92%
Annualized Return	10.99%
Daily St. Dev	0.33%
Period St. Dev	1.52%
Annualized St. Dev	5.26%
Info Sharpe	2.09
Skew (Monthly)	-0.36

Benchmark	
iShares 3-7 Year Treasury Bonds	40%
SPDR S&P 500 ETF Trust	40%
Invesco DB Commodity Index	10%
iShares J.P. Morgan USD Emerging	10%

Return Metrics

The portfolio's overall performance was positive in December, with a cumulative return of 0.92%. The best performers were Equities, contributing with a positive return of 0.67%, followed by Commodities, which contributed a return of 0.26%. Fixed Income contributed with a return of -0.09%. The Equity portfolio consists of 37 individual stocks such as Mercado Libre Inc. (MELI US), Amazon.com Inc. (AMZN US), Ferrari NV (RACE MI) and Rolls-Royce Holdings PLC (RYCEY US). The top-performing stocks were Tapestry Inc. and BNP Paribas with returns of 17.32% and 10.96%, respectively, while Celestica Inc. had the worst performance, with a return of -14.17%. The remaining part of the Equity portfolio is invested in funds such as the MSCI World Index Fund, as well as other ETFs. The best performing ETFs were the Goldman Sachs Physical Gold ETF and the ISHARES MSCI Emerging Market ETF with returns of 2.25% and 2.17%, respectively.



Risk Metrics

In terms of risk, the portfolio registered a relatively low daily VaR of 0.62%. This metric remained significantly below the maximum established threshold of 2.5%. Equities were the asset class with the highest individual VaR, which was around 0.38%, while the VaR of Bonds in the portfolio was approximately 0.21%.

Davide Romeo
Financial Markets Division

NIC Fund

Assets in Brief

Asset Class	Symbol	Comments
EU Equity	**NOVO**	Novo Nordisk's shares rose 20% since the FDA's approval of its oral weight-loss drug Wegovy on the 22th of December. The stock had previously fallen 70% from its June 2024 peak after losing ground to Eli Lilly in the GLP-1 injectable market. The newly approved oral option opens a separate addressable market that could exceed USD 100 bn annually by 2030, positioning the Danish drugmaker at the forefront of this high-growth segment.
EU Equity	**SIE**	Siemens shares fell around 13% over four days after earnings on the 13th of November missed expectations, particularly in the industrial segment. Since then, the stock has rebounded strongly, rising about 18% to a new all-time high following the announcement of a partnership with Nvidia to develop an industrial AI operating system.
EU Equity	**ASML**	ASML shares are up around 15% so far this year and have been named a top pick for 2026 by several equity research teams. The stock broke out in mid-September and has since gained about 58%, driven by upward revisions to fiscal-year 2026 and 2027 forecasts amid stronger demand for EUV, DRAM, and DUV lithography, as well as expected capacity expansion by its largest customer, TSMC.
EU Equity	**HEI**	Heidelberg Materials has benefited from renewed optimism around potential peace between Russia and Ukraine, which has boosted investor interest in European infrastructure firms expected to gain from Ukraine's reconstruction and Germany's EUR 500 bn infrastructure fund that was first announced in March 2025. The stock rose 88% in 2025 and started the 2026 campaign in positive territory, gaining nearly 5% over the first five trading days.
US Equity	**NFLX**	Netflix shares fell over 13% after announcing a bid to acquire Warner Bros.' studio and streaming assets for around USD 82 bn in enterprise value on the 5th of December, amid uncertainty over regulatory approval and competing takeover interest from Paramount. Despite the deal-related pressure, Netflix's core streaming business continues to show strong growth prospects, with further insight expected at its earnings call on the 20th of January.
US Equity	**FCX**	Freeport-McMoRan, one of the world's largest copper miners, is up around 35% since mid-November and reached a new all-time high in early January amid copper's strong rally, alongside other metals such as silver and platinum. Copper's momentum, driven by demand from EVs, AI infrastructure, and renewable energy, delivered the metal's strongest annual performance in decades, directly benefiting the mining company's earnings outlook.
US Equity	**MU**	While the AI boom propelled many chipmakers' stocks higher, rising demand for memory capacity was largely overlooked during the first three quarters of 2025. Since November, however, this dynamic has shifted, with Micron, one of the world's largest DRAM producers, benefiting from renewed focus on memory demand, lifting its shares by over 50% in Q4 2025.
US Equity	**GOOG**	Alphabet's shares gained over 60% in the second half of 2025, pushing the Google parent to a new all-time high on the 8th of January and making it the world's second-largest company after Nvidia. The rally was driven by the launch of its Gemini 3 language model, strong growth in YouTube and cloud services, and progress in other bets such as Waymo and in-house chip development.
US Equity	**MSTR**	Strategy, the Bitcoin-accumulating company led by its controversial CEO Michael Saylor, has been hit hard by Bitcoin's roughly 29% decline from its October 2025 all-time high. Over the same period, Strategy's shares fell by more than 55%, reflecting investor concerns over the firm's high leverage and its growing difficulty in servicing the convertible senior notes used to finance its Bitcoin purchases.

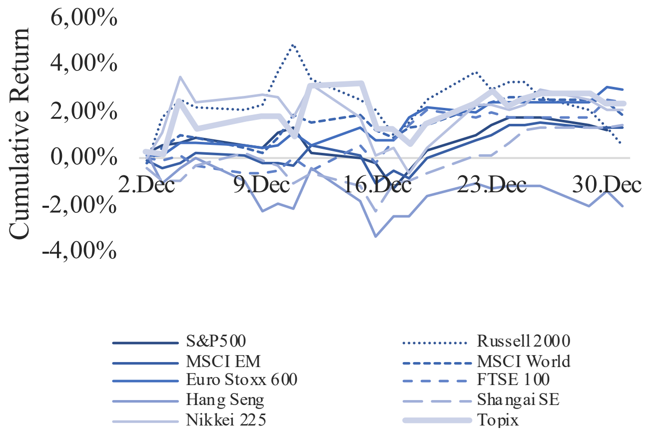
Brian Riebandt
Financial Markets Division

NIC Fund

Equities

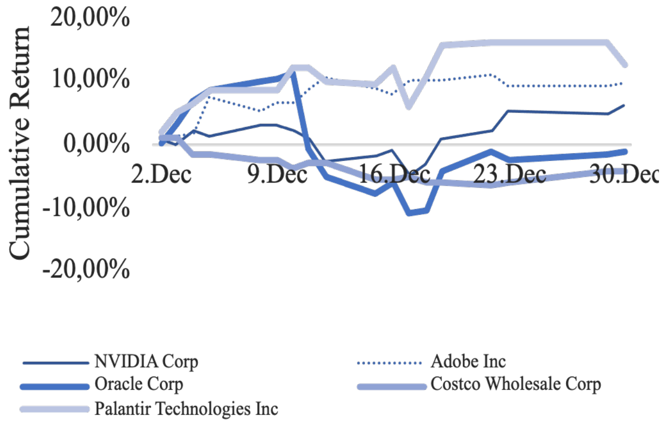
World Equities

Global equities advanced in December 2025, buoyed by year-end optimism and improving risk sentiment. The MSCI World Index rose 1.85%, reflecting broad-based gains across developed markets. US equities posted solid returns, with the S&P 500 up 1.23%, while small-cap stocks also participated, lifting the Russell 2000 by 0.52%. European markets outperformed, as the Euro Stoxx 600 climbed 2.94% and the FTSE 100 advanced 2.36%, supported by strength in financials and energy. Emerging markets ended the month higher overall, though performance was mixed: the MSCI EM rose 1.31%, while Chinese equities lagged, with the Hang Seng falling 2.05% despite a 1.40% rise in the Shanghai Composite. Japanese equities extended their rally, with the Topix and Nikkei 225 gaining 2.31% and 2.10% respectively.



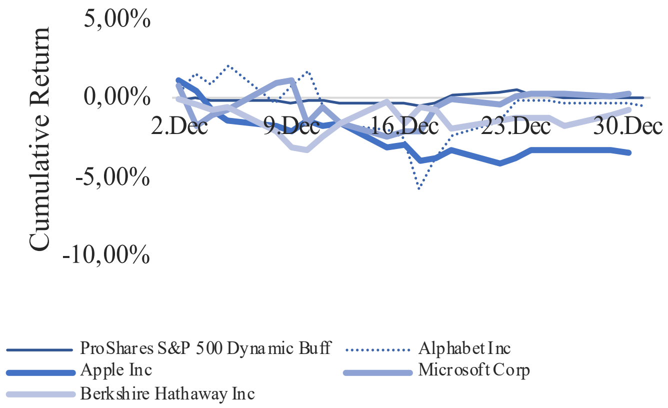
In Depth: AI and Select Stock Performance

December saw a more selective equity environment, with performance increasingly differentiated across growth and technology stocks. Nvidia delivered a 4.24% total return, supported by its central role in AI infrastructure spending, even as investors grew more discriminating after a strong year-to-date rally. Adobe outperformed, rising 9.19%, as progress in AI-driven monetisation across creative workflows was received positively. By contrast, Oracle fell 2.77%, as concerns over near-term cloud growth visibility and competitive pressures outweighed its longer-term positioning in enterprise AI. Beyond technology, defensive and data-driven narratives also diverged. Costco declined 5.08%, reflecting profit-taking after strong prior gains and more cautious consumer-spending expectations heading into 2026, despite its resilient operating model. Palantir, meanwhile, gained 7.97%, buoyed by continued enthusiasm for AI-enabled analytics and improving visibility on government and commercial contracts. Overall, the month highlighted a shift toward stock-specific fundamentals, with investors rewarding clear earnings and AI visibility while trimming positions where near-term growth confidence was less certain.



Our Performance

December delivered a modestly negative performance, reflecting mild pressure across core holdings amid a more selective equity environment. Core technology positions detracted slightly: Alphabet fell 0.60%, Apple declined 3.54%, and Microsoft eased 0.64%, as consolidation followed a strong run and investors grew more cautious towards large-cap technology late in the year. Berkshire Hathaway slipped 0.84%, while exposure to the ProShares S&P 500 Dynamic Buffer ETF declined marginally by 0.11%. Overall, the month was characterised by consolidation across core large-cap positions after robust prior performance. In summary, returns were weighed down by broad-based consolidation rather than negative fundamentals, as investors locked in gains following strong performance earlier in the year.



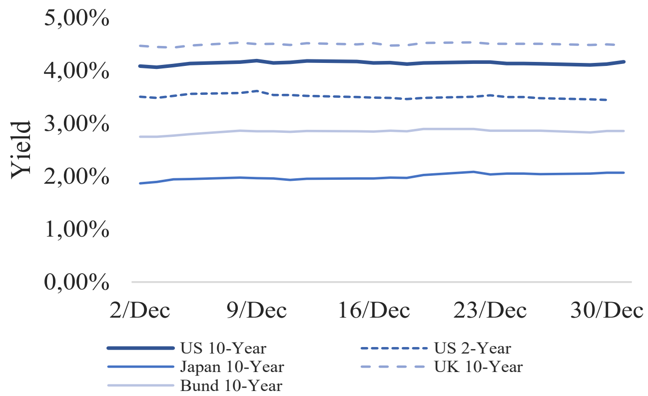
Vivien Scaife Gibson
Financial Markets Division

NIC Fund

Fixed Income

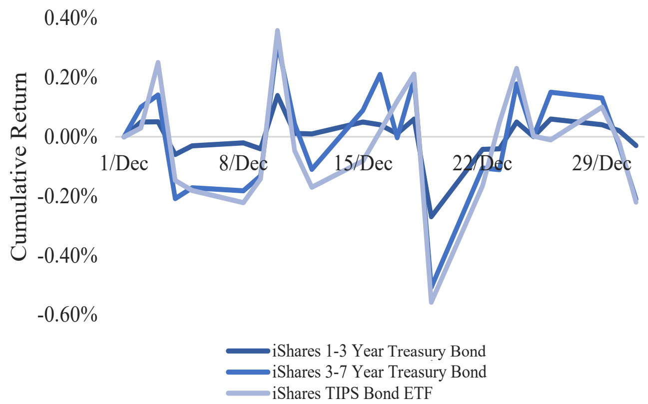
World Yields

Notable shifts occurred across major sovereign yields towards the end of 2025. In the US, the 10-Year Treasury finished the year around 4.18%, up from 4.02% in November, as markets absorbed mixed economic data, a lower-than-expected inflation print, and the impact of the Fed's latest rate cut, which lowered the policy rate by 25 bps to the 3.50%-3.75% range. The reduction in the Fed Funds Rate kept the yield curve relatively steep, with the 2-Year Treasury closing around 3.47%, reflecting a balance between persistent recession risks and resilient growth expectations. In the UK, the 10-year Gilt ended the year at 4.48%, a modest rise as softer growth indicators were offset by still-elevated inflation and uncertainty over the BOE's policy path. Japan's 10-Year yield rose through 2025, closing the year at around 2.07%, its highest level in decades, as the Bank of Japan further reduced monetary stimulus and raised policy rates amid sticky inflation and fiscal concerns. In Europe, the German 10-Year Bund ended the year at 2.89%, up by 20 bps from its November close, mainly due to a repricing of European rate expectations and lingering inflation pressures.



In Depth: Venezuela - Restructuring Hopes

Around the turn of the year, an unusual move caught investors' attention in emerging market bonds, led by Venezuela. Venezuelan government bonds, which have been in default for several years, rallied sharply after major political developments increased hopes for a future debt restructuring and a possible easing of international sanctions, following the capture of President Nicolás Maduro. Prices rose across the curve, with some longer-dated bonds trading close to 40 cents on the dollar, levels not seen in years. The move highlighted how quickly sentiment can change in distressed sovereign debt, with investors also showing interest in bonds issued by the state oil company PDVSA, despite the high risks still surrounding the country's outlook.



Our Performance

In December, the IEI ETF, which tracks 3-7 year U.S. Treasury bonds and represents over 13% of our portfolio, delivered a 0.16% return. Our second-largest bond holding, the iShares TIPS Bond ETF (11% of the portfolio), which invests in inflation-protected Treasuries, returned -0.61% for the month. The iShares 1-3 Year Treasury Bond ETF (SHY), which holds short-maturity U.S. Treasuries, posted a modest positive return of 0.30%. By year-end, these three bond holdings generated annual returns of 6.96%, 6.76%, and 4.95%, respectively.

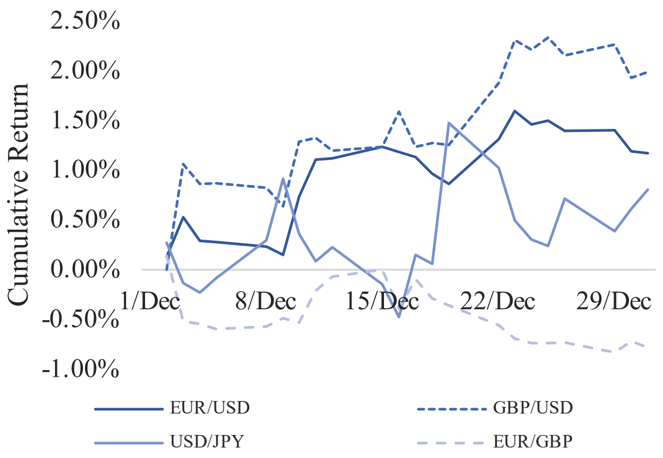
Diego Gozzi
Financial Markets Division

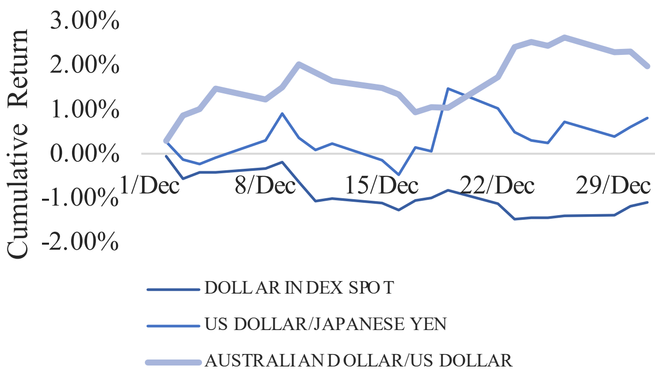
NIC Fund

Currencies

World Currencies

The euro strengthened steadily through December, with EUR/USD rising from 1.1591 on the 1st of December to 1.1738 by month-end, reaching its strongest level since mid-year. The move was driven primarily by relative monetary policy expectations, as markets continued to price a more restrictive ECB stance against a gradually softening US policy outlook, despite increasingly weak euro area growth indicators. Positioning also played a role in year-end, as reduced volatility and thinner liquidity amplified directional moves. In parallel, broader dollar weakness supported the advance, with the US dollar index (DXY) falling from 99.41 to 98.32 over the month as real yields stabilized and risk sentiment remained orderly. Sterling also advanced in December, with GBP/USD rising from 1.3218 to 1.3455, supported by comparatively resilient UK activity data and expectations that the Bank of England will lag the Federal Reserve in delivering rate cuts. However, the pound underperformed the euro on the crosses, reflecting lingering concerns around domestic growth, fiscal constraints, and sensitivity to global risk conditions. In Japan, the yen remained weak despite higher domestic yields, with USD/JPY ending December at 156.85, up from 156.05 at the start of the month, as wide rate differentials and persistent carry demand continued to outweigh rising expectations of further Bank of Japan policy normalization.





In Depth

EUR/GBP weakened modestly over the course of December, declining from 0.8761 to 0.8724, as the euro outperformed sterling on relative policy pricing despite softer economic momentum across the euro area. The move reflected market expectations that ECB policy will remain restrictive for longer than that of the Bank of England, even as both economies face slowing growth and tightening financial conditions. Volatility in the cross remained contained, reinforcing the dominance of interest rate differentials and positioning over near-term macro surprises. Commodity-linked currencies struggled to gain sustained traction during the month. AUD/USD rose from 0.6537 at the start of December to 0.6673 by month-end, but failed to hold early gains as commodity prices softened and concerns around global demand persisted, particularly in China. More broadly, developed market FX performance in December was driven less by growth differentials and more by policy clarity, positioning, and year-end liquidity dynamics. With DXY remaining below 100 throughout the month, currency moves reflected gradual adjustment rather than abrupt repricing, leaving FX markets sensitive to early-year data releases and shifts in rate expectations as the new year begins.

Our Performance

We currently hold no currency related assets in our portfolio.

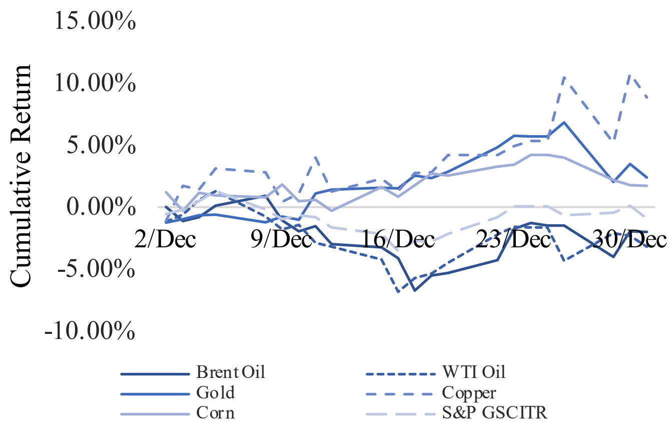
Guilherme Natário Rio-Tinto
Financial Markets Division

NIC Fund

Commodities

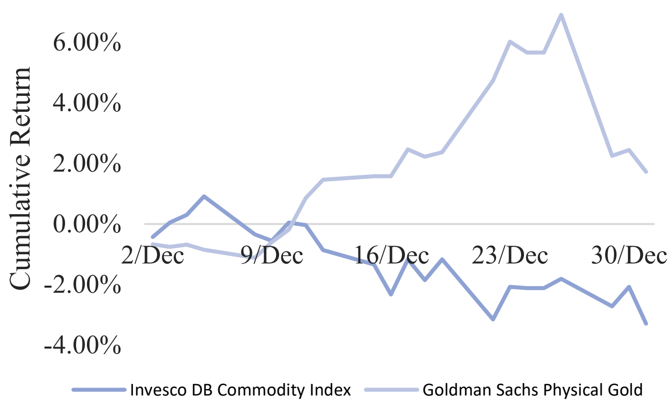
December Round-Up

In December, the S&P GSCI Total Return Index, which tracks 24 commodities, was broadly flat, declining 1.78% over the month and mirroring the largely range-bound performance seen over the year. Metals posted an exceptional performance in 2025, with gold rising 64.58%, silver up 147.95%, platinum gaining 127.04%, and palladium advancing 77.51%. Oil prices ended 2025 with their steepest annual decline since 2020, with WTI settling at USD 57.42 per barrel at year-end, representing a 20% fall over the year. Global LNG exports are estimated to have risen by 4% in 2025 to 429 million tonnes, marking the largest annual increase in three years, a supply expansion that has weighed on prices, with Asian spot LNG near a one-year low and European gas futures down more than 40% since the start of the year.



Commodities in 2026: a broad-based assessment

Oil prices are expected to soften as abundant supply contributes to a market surplus, though geopolitical uncertainty in oil-rich countries such as Russia, Venezuela, and Iran may add volatility. Analysts from Goldman Sachs project Brent and WTI prices of USD 56 and USD 52, respectively, in 2026, before a gradual recovery to USD 58 and USD 54 in 2027. Rising supplies of LNG are set to dampen global gas prices. J.P. Morgan forecasts that TTF prices will average 28.75 EUR/MWh in 2026, easing further to 24.75 EUR/MWh in 2027. Resilient demand and modest price gains for industrial metals look likely into 2026, as global growth stabilises and infrastructure and renewable investment continues. After a blockbuster year that saw gold and silver reach record highs, precious metals are likely to remain well supported in 2026, benefiting from safe-haven demand amid easing monetary policy and continued geopolitical uncertainty. Strong central-bank purchases and falling real interest rates continue to underpin investor appetite for the sector. J.P. Morgan forecasts that gold prices will exceed USD 5,000/oz by year-end. Agricultural markets have settled into a period of relative stability after the pronounced volatility of the early 2020s. Strong harvests, improved logistics and ample inventories have anchored prices, keeping food costs broadly affordable. Looking ahead, demand for agricultural commodities should continue to expand, driven by population growth and rising incomes.



Our Performance

In December, the Goldman Sachs Physical Gold Fund returned 2.25%, lifting its gain for 2025 to over 64%. Over the same period, our commodities benchmark, the Invesco DB Commodity Index, rose 0.19% in December and about 8% for the year.

Felix Neumann
Financial Markets Division

Private Equity

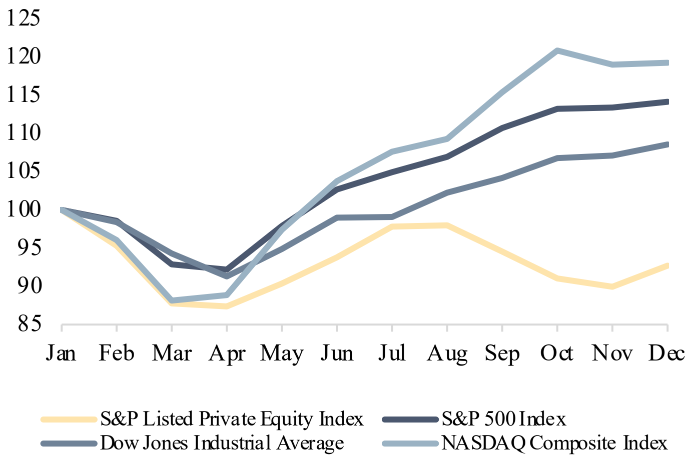
Transactions & Investments

Overall Activity

Global

At a Glance

Global private equity deal activity in December totalled USD 159.2 bn, representing a 50.53% increase from November. Activity remained concentrated in the Technology sector, supported by continued demand for digital infrastructure and software. Dealmaking continues to be driven by a number of large-scale transactions, while broader market activity remains subdued amid persistent macroeconomic uncertainties. The S&P Listed Private Equity Index increased by 3.07% in December, outperforming public benchmarks. Year-to-date, the index fell by 0.83%, lagging the S&P 500 Index by 18.08 pp, the Dow Jones Industrial Average by 14.52 pp, and the NASDAQ Composite Index by 22.10 pp.



Selected Regions

North America

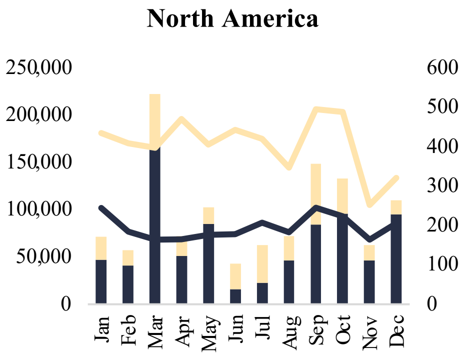
North America dominates the global private equity landscape. Private equity deal volume increased to USD 95.4 bn in December, representing a 107.24% increase from November. M&A activity was mainly driven by the Technology sector, which accounted for 45.11% of deal volume. Private equity investments in the region amounted to USD 14.8 bn, marking an 11.51% month-on-month decline. The Technology sector remained the primary driver of investment activity, accounting for 39.96% of deal volume.

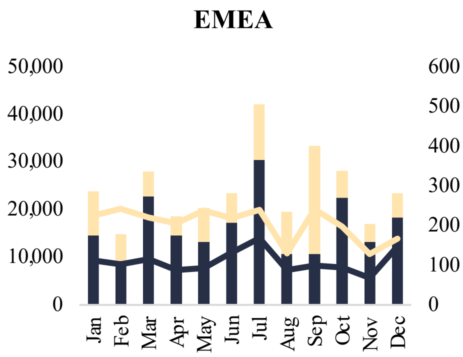
EMEA

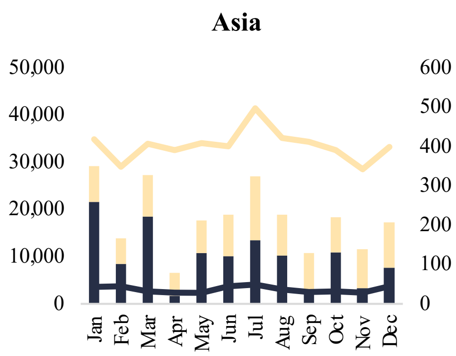
Private equity deal volume in EMEA increased to USD 18.3 bn in December, representing a 37.55% increase from November. M&A activity was mainly driven by the Energy and Financials sectors, which accounted for 56.59% and 20.22% of deal volume, respectively. Private equity investments in EMEA totalled USD 5.2 bn, marking a 40.01% month-on-month increase. The Technology sector emerged as the main contributor to investment activity, accounting for 47.90% of deal volume.

Asia

Private equity deal volume in Asia increased to USD 7.7 bn in December, representing a 128.10% increase from November. M&A activity was mainly driven by the Health Care and Technology sectors, which accounted for 28.20% and 28.18% of deal volume, respectively. Private equity investments in the region amounted to USD 9.6 bn, marking a 16.64% month-on-month increase. The Technology sector was the main contributor to investment activity, representing 33.97% of deal volume.







M&A – Deal Volume — M&A – #Deals — Investments – Deal Volume — Investments – #Deals

Note: Summary of completed transactions.

Lara Ziegler
Private Equity Division

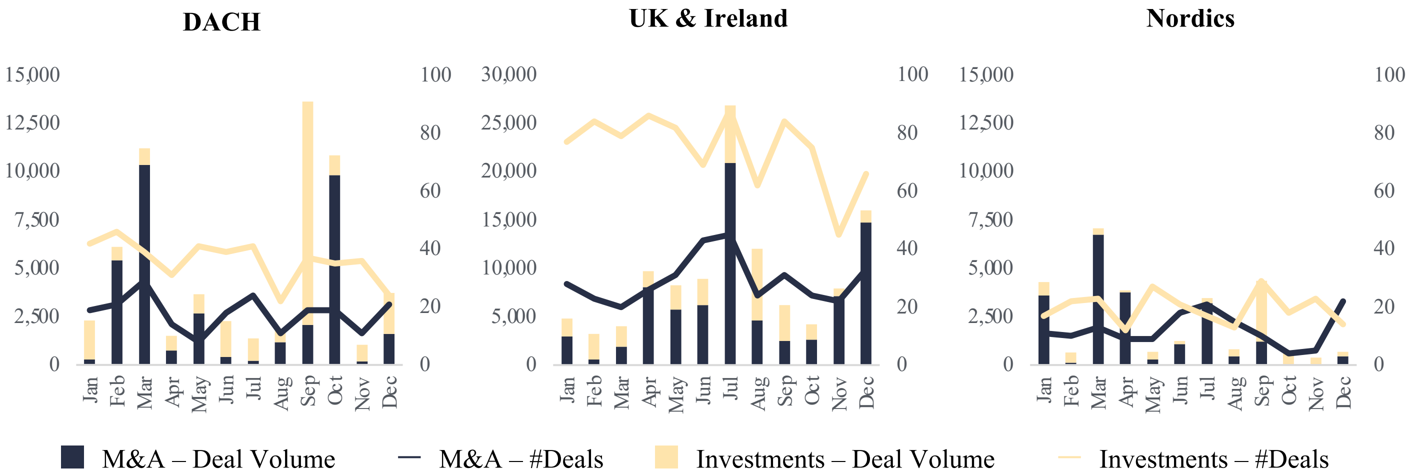
Transactions & Investments

Europe Focus

Overall European Activity

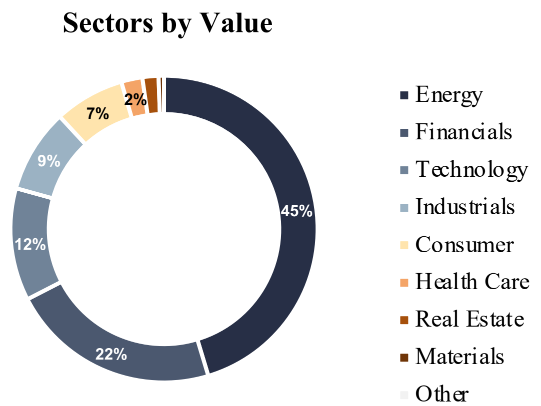
In December, European private equity activity remained below year-to-date norms, with 300 transactions recorded compared with a monthly average of around 304 deals. Aggregate deal value in Europe totalled USD 23.4 bn, broadly aligned with the YTD monthly average of USD 24.0 bn. At the global level, the market saw 1,338 transactions representing a combined value of USD 159.2 bn. On a year-to-date basis, Europe has contributed 17.62% of global private equity deal volume; however, the region's share declined to 14.68% in December, highlighting a degree of underperformance relative to longer-term trends. This gap reflects the continued impact of macroeconomic uncertainty, geopolitical tensions, and region-specific challenges. Nonetheless, dealmaking remained comparatively robust in certain markets. Activity in the UK and Ireland continued to lead the European market in December, generating USD 16.0 bn in deal volume, while volumes in the DACH region and the Nordics reached USD 3.7 bn and USD 0.7 bn, respectively. While private equity activity in Europe remains restrained, forward-looking sentiment is gradually improving. Financing conditions are becoming more supportive, large-cap transactions are regaining momentum, and investor focus is shifting toward growth-oriented sectors such as infrastructure, energy, and defence, aided by government initiatives and ongoing technological innovation. At the same time, competition for high-quality assets remains intense, with elevated valuations persisting despite a softer overall market environment.

Selected European Regions



Europe by Sectors

The Energy sector was the strongest contributor in December, recording USD 10.6 bn of deal volume and accounting for 45.34% of all European private equity activity. Momentum was driven by continued investment in renewable energy and energy infrastructure, supported by regulatory tailwinds, decarbonisation targets, and strong investor appetite for stable, cash-generative assets. The Financials sector ranked second with USD 5.2 bn, accounting for 22.10% of deal volume in Europe. Deal flow was supported by ongoing consolidation across financial services and the continued digital transformation of banking, insurance, and wealth management. The Technology sector followed with USD 2.8 bn, accounting for 11.86% of deal volume. Activity remained anchored by strong interest in software and technology-enabled platforms, with investors focusing on scalable models and resilient growth.



Note: Summary of completed transactions.

Amelie Conzelmann
Private Equity Division

Transactions & Investments : Top Deals

Deals & Transactions

NVIDIA
Acquiring
groq
USD 20.0 bn

Nvidia is agreeing to buy assets from Groq, a designer of high-performance artificial intelligence accelerator chips, while entering a non-exclusive licensing agreement. Nvidia's rationale is to strengthen low-latency inference and expand real-time AI workload capabilities.

Permira, Warburg Pincus, Temasek
Acquiring
Clearwater Analytics
USD 8.4 bn

The consortium led by Permira and Warburg Pincus is acquiring Clearwater Analytics, a Boise-based investment software firm, in an all-cash take-private transaction. This deal supports an accelerated platform expansion across institutional investment management.

servicenow
Acquiring
ARMIS
USD 7.8 bn

ServiceNow is acquiring Armis, a US-based cybersecurity exposure-management company, in an all-cash transaction. This deal strengthens ServiceNow's security operations and device discovery capabilities globally and is expected to more than triple ServiceNow's market opportunity.

Trian Partners, General Catalyst
Acquiring
Janus Henderson Investors
USD 6.0 bn

Trian and General Catalyst are acquiring Janus Henderson, a global asset manager, in an all-cash transaction. Trian held a 20.6% stake pre-deal. The acquisition will enhance the company's operations and customer value proposition with AI to drive growth and transform the business.

MARVELL
Acquiring
celestial AI
USD 3.4 bn

Marvell is acquiring Celestial AI, a US-based optical interconnect technology company for data centres, in a cash-and-stock transaction. The acquisition accelerates Marvell's connectivity and networking strategy for AI and cloud infrastructure.

Brookfield, GIC
Acquiring
National Storage
USD 2.7 bn

Brookfield and GIC are acquiring National Storage REIT, a self-storage operator across Australia and New Zealand. The consortium aims to scale a defensive real-assets platform, leveraging institutional expertise in the storage sector.

Filip Plociennik
Private Equity Division

Transactions & Investments: Deep Dive

Permira and Warburg Pincus to Acquire Clearwater Analytics

An investor group led by Permira and Warburg Pincus agreed to acquire Clearwater Analytics, a SaaS provider of an investment management software, for an enterprise value of USD 8.4 bn. Stockholders will receive USD 24.55 per share in cash. Closing is expected in the first half of 2026, subject to customary regulatory and shareholder approvals.

Buyer vs Target

Permira, a private equity firm with EUR 80.0 bn in AUM, and Warburg Pincus, a global growth investor with USD 87.0 bn in AUM, are partnering to take Clearwater Analytics private. Clearwater Analytics provides a cloud investment accounting platform, managing over USD 10 tn in assets for financial services clients. Both firms were shareholders prior to Clearwater Analytics' IPO in 2021. J.P. Morgan advised Clearwater Analytics, while Goldman Sachs advised the investor consortium.

Industry Overview

The global financial analytics and investment management software market is growing steadily, with an expected CAGR of approximately 11.25% from 2025 to 2032. This growth is driven by rising regulatory complexity amid tightening global reporting, solvency, and data-governance requirements, increased demand for real-time portfolio and risk analytics, and the continued migration to cloud-based platforms among asset managers, insurers, and pension funds. Key opportunities include AI-enabled analytics, automation of investment accounting, and consolidation of fragmented point solutions into integrated platforms, while challenges remain around pricing pressure, long sales cycles, cybersecurity risk, and sensitivity to market volatility. The market is moderately fragmented but consolidating, with heightened private equity and strategic M&A activity, as sponsors target scaled, recurring-revenue platforms such as Clearwater Analytics that benefit from structural growth in data-driven financial decision-making.

Date	**Buyer**	**Target**	**Currency**	**Total Value** (bn)
15/10/2025	S&P Global	With Intelligence	USD	1.8
21/04/2025	Clearwater Analytics	Enfusion	USD	1.5
26/02/2025	BlackRock	Preqin	GBP	2.6
25/11/2024	Bain Capital	Envestnet	USD	4.5

Deal Rationale

The take-private acquisition of Clearwater Analytics by Permira and Warburg Pincus reflects a strategic move to scale a high-growth SaaS platform in investment accounting and risk analytics. The company's strong performance provides a solid foundation, with third-quarter revenue up 77.10% year-over-year to USD 205.1 m and adjusted EBITDA rising 84.50% to USD 70.7 m. The deal aligns with the sponsors' broader strategy of investing in recurring-revenue, cloud-based financial technology platforms with high client retention. Operational improvements are expected through technology investment, accelerated product development, and potential cross-selling across its global client base, while revenue synergies may come from geographic expansion and adjacent asset management segments. Clearwater Analytics' scale and SaaS model enhance value creation potential via subscription revenue growth, margin expansion, and long-term strategic exits. The transaction positions Clearwater Analytics to compete effectively with competitors such as SS&C, Envestnet, and SimCorp, while the sponsors aim to accelerate growth, deepen market penetration, and generate attractive returns.

Future Challenges

Key challenges to completing the Clearwater Analytics deal include regulatory approvals and potential scrutiny from financial authorities due to the size of the transaction. Execution risks may arise from retaining key personnel and management during the transition to private ownership. The competitive investment management SaaS market could pressure client acquisition and retention thus limiting growth. Integrating the company into the sponsors' operational oversight requires careful planning to maintain product quality and customer satisfaction. Financing and market conditions could impact deal execution or valuation. Finally, broader macroeconomic or investment market volatility could influence client usage and subscription revenue growth.

Lena Claeys
Private Equity Division

Transactions & Investments: Deep Dive

Stonepeak to Acquire Castrol

Stonepeak agreed to acquire a majority controlling interest in Castrol, a global leader in lubricants, from BP p.l.c. The transaction values Castrol at an enterprise value of approximately USD 10.1 bn. BP will retain a 35.00% minority interest in Castrol while CPP Investments will invest up to USD 1.1 bn, acquiring an indirect interest. The transaction is expected to close by end of 2026.

Buyer vs Target

Stonepeak is a leading alternative investment firm specialising in infrastructure and real assets, with approximately USD 80.0 bn in assets under management, and a strong focus on essential, cash-generative businesses across energy and industrial value chains. Castrol is a global leader in lubricants, operating across 150 countries, serving automotive, industrial, marine, and energy end markets with premium engine oils, fluids, and greases. UBS served as the financial advisor to Stonepeak.

Industry Overview

The global lubricants market is a large, mature, and resilient industry, valued at over USD 175.5 bn in 2024, with low-single-digit long-term growth expected. Demand is underpinned by the mission-critical role of lubricants in transportation, manufacturing, power generation, and industrial processes. Key growth drivers include industrial automation, data centres, renewable energy infrastructure, and electric vehicles, which require advanced thermal and specialty fluids. Technological innovation, premiumisation, and longer service intervals are increasingly shaping customer purchasing decisions. Sustainability requirements and emissions regulation are accelerating product reformulation and R&D investment. The industry faces risks from electrification reducing internal combustion engines demand, raw material price volatility, and tightening environmental regulation. Political and regulatory pressures continue to influence cost structures. The market is moderately consolidated, dominated by a small number of global players with strong brands and distribution networks.

Date	Buyer	Target	Currency	Total Value (USD bn)
02/01/2024	Shell	MIDEL and MIVOLT	USD	Not disclosed
01/03/2023	Aramco	Vavoline Global Operations	USD	2.7
21/09/2020	TotalEnergies	Lubrilog	USD	Not disclosed
23/10/2019	FUCHS	Nye Lubricants	USD	Not disclosed

Deal Rationale

The acquisition aligns with Stonepeak's strategy of investing in defensive, essential-service businesses with stable and predictable cash flows. Castrol's strong global brand, scale, and diversified exposure across automotive, industrial, and energy end markets provide downside protection and pricing power, while the transaction complements Stonepeak's broader energy and industrial portfolio by increasing exposure to infrastructure-adjacent assets. Value creation is expected through operational enhancements, including supply-chain optimisation, procurement efficiencies, manufacturing rationalisation, and greater digitalisation of operations. Stonepeak is also expected to support targeted capital investment and geographic expansion in higher-growth markets. Additional revenue upside stems from structurally growing segments such as electric vehicle fluids, data-centre cooling, and energy-transition applications, while bp's retained minority stake ensures strategic continuity and technical expertise. Overall, the transaction offers attractive risk-adjusted returns, combining resilient cash generation with selective long-term growth. This positioning enhances long-term value creation and resilience across varying macroeconomic and energy-transition scenarios.

Future Challenges

Completion of the transaction remains subject to multi-jurisdictional regulatory approvals, which could result in delays to closing. Looking ahead, Castrol faces structural demand shifts as the global mobility landscape transitions away from internal combustion engines. While new growth opportunities are emerging in electrification and data-centre cooling, successfully scaling these applications entails execution risk. Margin performance may also be challenged by volatility in input costs and raw material prices. At the same time, tightening environmental regulation is likely to increase compliance burdens and R&D expenditure. Finally, intense competition within the global lubricants market may constrain pricing power and limit margin expansion.

Hanna Luu
Private Equity Division

Thank you!

Visit **www.novainvestmentclub.com** for more updates.

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