NIC

Nova Investment Club

Newsletter

Third Quarter 2026



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Foreword

This Quarter:

Welcome to the **Q3 2026 edition** of the **Nova Investment Club Newsletter**, where our analysts examine the major developments shaping global financial markets, investment banking and private equity.

In our **Macro Overview** section, analysts from the Financial Markets Division will cover broad macroeconomic themes while reviewing major economic developments throughout the third quarter of 2026. In our Deeper Dive section, Rafael Danner explores the growing political and economic challenges surrounding AI data centres in the US and Europe.

Our **Investment Banking Division** will guide you through Q3's overall M&A activity. Read about Uber acquiring Delivery Hero and Prologis acquiring SEGRO. Additionally, get a detailed overview of what happened to SpaceX following its landmark IPO, and read expert insights on how the AI investment boom is reshaping corporate financing and credit markets.

Our **Financial Markets Division** will present the quarterly results of the NIC Fund, an actively managed fund investing across three different asset classes: Equities, Fixed Income and Commodities. The analysts will also provide commentary on these asset classes, alongside Currencies, through an analysis of the quarter's major market movements. The overall performance of the NIC Fund in Q3 was positive, with a cumulative return of 0.65%.

Our **Private Equity Division** will cover global and European trends in private equity transactions and investments, followed by brief insights into some of the quarter's top deals. Read about the acquisition of Electronic Arts by a consortium led by Saudi Arabia's Public Investment Fund, Silver Lake and Affinity Partners, as well as Apollo's USD 9.0 bn investment in ONEOK.



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Nova Investment Club

Macro Overview

Quarterly

November 13th, 2026

Deeper Dive

Power Bills and Pushback: Data Centre Politics in the US and Europe

— p.2

Market Moves

% change

	Last Close	-1W	Q3	YTD
S&P 500	7,652	-0.71%	2.03%	11.77%
DJIA	50,906	-1.18%	-2.70%	5.91%
Nasdaq	26,861	-0.28%	2.47%	15.57%
MSCI World	4,731	-1.37%	-0.25%	7.04%
MSCI EM	4,671	-2.78%	-2.90%	3.78%
Russell 2000	2,797	-1.47%	-7.52%	12.69%
Euro Stoxx 50	6,269	-0.49%	-0.93%	8.25%
FTSE 100	10,606	-0.93%	1.04%	6.79%
Nikkei 225	66,754	2.67%	-4.72%	32.61%
Hang Seng	24,613	-0.89%	7.57%	-3.97%
Dollar Index	101.45	0.35%	0.26%	3.18%
EUR/USD	1.133	-0.46%	-0.81%	-3.54%
GBP/EUR	1.17	0.65%	0.83%	2.05%
GBP/USD	1.327	0.20%	0.02%	-1.56%
USD/JPY	157.410	-0.57%	-3.16%	0.45%
USD/CHF	0.84	1.28%	3.39%	5.45%
Brent Crude	103.530	0.44%	41.98%	70.14%
Gold	4,155.6	-3.02%	2.90%	-4.27%

Generic Bond Yields

change in bps

	Last Close	-1W	Q3	YTD
US 10Y Yield	5.285%	17.1	82.0	111.8
GER 10Y Yield	3.586%	3.1	72.6	73.1
JPY 10Y Yield	3.065%	7.6	38.2	99.9
UK 10Y Yield	5.424%	7.7	66.7	94.5
PT 10Y Yield	4.009%	6.5	76.6	85.9

**Source: Bloomberg, as of 2026-09-30*

In Focus

Q3 2026

Brent crude soared on fears of a renewed escalation in the Middle East. Brent crude rose 42.0% in Q3 to USD 103.5 per barrel, as the ceasefire agreed in mid-June collapsed and traffic through the Strait of Hormuz remained disrupted. In September, Saudi Arabia said it would shut its East-West pipeline to the Red Sea after drone attacks by Iran-backed militias, while the Houthis extended their control of the Bab al-Mandeb Strait. With US diesel prices at a record high, further attacks on energy infrastructure would push oil prices higher, weighing on growth across energy-importing economies.

Canada explores closer ties with the EU as US trade retaliation escalates. President Trump's latest retaliation against Canada includes bans on imports of dairy products and motorcycles, alongside other restrictions. Meanwhile, Prime Minister Mark Carney is exploring an "associate membership" with the EU, according to the Wall Street Journal, although analysts doubt this would extend to joining the single market. Carney has also urged financial executives to invest in Canada as a hedge against Trump's volatility.

Fed hikes rates for the first time since 2023 as the ECB tightens further. On the 16th of September, the Federal Reserve raised its target range by 25 bps to 3.75%-4.00%, its first hike since July 2023, in a unanimous 12-0 vote. With energy prices keeping inflation elevated, markets expect two to three quarter-point increases by the end of 2027. In Europe, the ECB raised rates by 25 bps on the 10th of September, its second hike of the year after June, and derivatives markets imply a high probability of another move in December.

Bessent's buybacks fail to calm Treasuries as yields hit 19-year highs. US borrowing costs surged in Q3, with the 10-year Treasury yield reaching its highest level since 2007 at over 5%. Treasury Secretary Bessent's decision to double long-dated buybacks only briefly lowered yields, as investors dismissed the move as "a band-aid on a bullet hole" amid mounting concerns over inflation and a debt burden now above USD 40.0 tn.

French debt comes under pressure but avoids Eurozone crisis territory. In Europe, French government bonds have come under growing pressure. While French yields remain below those of the US and UK, the gap is narrowing. Once differences in expected central bank rates are stripped out, investors demand a higher premium on French debt than on UK or German bonds. Still, the move is modest compared to the Eurozone crisis, when Portuguese 10-year bonds traded at 1,280 bps over Bunds. The IMF expects France's interest burden to rise, but to remain well below that of the US, although unrest in major cities and a polarising presidential campaign keep risks elevated.

Hyperscalers turn to debt markets to fund the AI build-out. Amazon, Alphabet, Meta, Microsoft and Oracle account for around USD 200.0 bn of the roughly USD 500.0 bn of AI-linked financing raised by August, and more than USD 1,000.0 bn of new debt is expected as they fund data centres and the power to run them. The issuance wave, with USD 215.0 bn of US corporate bonds sold in September after a record August, is increasingly competing with Treasuries for investor demand.

Karin Pernsteiner
Financial Markets Division

Deeper Dive

Power Bills and Pushback: Data Centre Politics in the US and Europe



Rafael Danner
Head of Investment Banking

"Tripling our data centre capacity cannot mean tripling the pressure on our grids, our water and our energy bills."

– Teresa Ribera, Executive Vice-President, European Commission

For most of the past two years, governments on both sides of the Atlantic competed to attract data centres, the physical backbone of the AI boom. Between July and September 2026, however, New York imposed the first statewide moratorium on hyperscale facilities, the US House of Representatives voted 417 to 3 on who should pay for their grid upgrades and Scotland froze approvals, while Brussels pressed ahead with its plan to triple European capacity. A zoning question has become a question of electricity bills, and therefore of electoral politics.

Amazon, Alphabet, Meta, Microsoft and SpaceX spent roughly USD 227.0 bn on capital expenditure in Q3 2026 alone, about 20.0% more than in Q2. The Federal Reserve Bank of Dallas estimates that data centre demand has already lifted US wholesale electricity prices by 6.9%, and by 15.0% in Northern Virginia. How much of the rise in household bills they cause is disputed, but opposition is widespread and crosses party lines: in a University of Massachusetts Amherst poll published in September, 65.0% of Americans opposed an AI data centre in their community, including 52.0% of Republicans.

State governments moved first. On 14th of July 2026, Governor Kathy Hochul signed Executive Order No. 62, pausing environmental permits for data centres of 50 MW or more for up to one year, softer than the legislature's own bill, which would have applied from 20 MW. On 3rd of August, Texas Governor Greg Abbott ordered regulators to audit every project in ERCOT's large-load connection queue before approving further ones, and on 18th of August Pennsylvania's Governor Josh Shapiro signed what his administration called the strictest data centre guardrails in the country. The backlash no longer follows party lines.

In Washington, the debate shifted from how to build faster to who pays. The bipartisan Ratepayer Protection Act, passed by the House on 16th of September, would require state regulators to consider tariffs under which large data centres bear the full incremental cost of the grid upgrades built for them. On 30th of September, however, the Senate blocked it by 57 votes to 43, short of the 60 needed, with most Democrats calling it toothless because states would only have to consider such rules. President Trump, meanwhile, called the Texas freeze "a mistake" and warned that communities rejecting data centres risk ending up "backwards and poor".

Europe starts from the opposite concern, fearing too little capacity rather than too much. The Cloud and AI Development Act, proposed on 3rd of June 2026, aims to triple EU data centre capacity within five to seven years. The grid, however, is just as tight, with connection queues in the main hubs stretching up to ten years. Q3 showed that this growth will come with conditions. On 25th of August, Spain fast-tracked a draft decree requiring data centres above 1 MW to cover at least 80.0% of their consumption with new renewable generation, matched hour by hour. On 16th of September, the Scottish Parliament backed a pause on hyperscale planning decisions until national guidance is in place, and on 21st of September the European Commission adopted an A to G efficiency rating for all data centres above 500 kW.

For investors, both regions point the same way: the scarce resource is no longer demand but grid access. Microsoft has already cut its 2026 capital expenditure guidance to around USD 170.0 bn, citing delays in third-party capacity, while STL Partners estimates that local opposition has disrupted about USD 42.0 bn of European investment. Sites with secured power connections should command a premium. The US midterm elections, in which voters rejected data centre projects in 40 of 41 local ballot measures, suggest the pressure will not fade. On both sides of the Atlantic, the right to build now depends on convincing voters that someone else will pay for the grid.

Rafael Danner
Investment Banking Division

Macro Overview

Economic Calendar

Economic and Political Events

APEC Summit in Shenzhen

APEC leaders meet in Shenzhen on the **18th** and **19th** of November, the first summit since Democrats won both chambers of Congress on the **3rd** of November. Focus is on the US-China trade truce, which runs until the **10th** of January 2027.

COP31 Closing Talks

COP31 in Antalya ends on the **20th** of November. With energy prices high after the Iran war, talks centre on energy security and climate finance, and a weak final deal would signal slower progress on emission targets.

G20 Summit in Miami

The US hosts the G20 summit at Doral, Miami, on the **14th** and **15th** of December. Trade, tariffs and the Iran war are likely to dominate a narrower agenda, and any progress on Hormuz would weigh on energy prices.

Central Bank Decisions

Fed Minutes and December Meeting

Minutes of the October meeting, when two members voted for a hike, are released on the **18th** of November. After strong payrolls and October CPI of 0.4%, futures priced an 81.8% probability of a hike on the **9th** of December (as of the **9th** of November).

Bank of England Rate Decision

The Bank of England raised Bank Rate to 4.00% on the **5th** of November by eight votes to one, with one member preferring 4.25%. Markets priced a 51.3% probability of another hike on the **17th** of December (as of the **9th** of November).

ECB Rate Decision

The ECB meets on the **17th** of December with its deposit rate at 2.5%, and markets priced an 81.3% probability of a hike (as of the **9th** of November). Schnabel leaves on the **3rd** of January, Lagarde on the **7th** of February and Lane in May 2027.

Inflation and Deflation

UK Consumer Price Index

UK October inflation is released on the **18th** of November, after 3.5% in September and core inflation of 2.8%. The Bank of England expects energy costs to push inflation higher, so a strong print would support a hike in December.

Eurozone Flash Inflation

Euro area flash inflation for November is published on the **1st** of December. October's reading rose to 4.0% from 3.8%, with core stable at 2.5%, and a further rise would strengthen the case for an ECB hike in December.

US Consumer Price Index

October CPI, released on the **10th** of November, rose 0.4% on the month against 0.3% expected, with core at 0.3% against 0.2%. November CPI is due on the **10th** of December, the day after the Fed decision.

Labour Market

UK Labour Market

UK labour market data is published on the **17th** of November. Unemployment stands at 4.7% and pay growth at 3.7%, and after the Bank of England's hike, a weaker labour market would give it room to pause.

Euro Area Unemployment

Euro area unemployment for October is published on the **2nd** of December, after 6.50% in September. A stable labour market, with inflation at 4.0%, would leave the ECB free to focus on prices and hike in December.

US Employment Report

November payrolls are published on the **4th** of December, after October's 165,000 against 65,000 expected and unemployment of 4.1%. As the last jobs report before the Fed decision, another strong print would support a hike.

Francisco Monge
Financial Markets Division

Investment Banking

M&A
Overall Activity

Global

Global M&A activity reached USD 993.4 bn in Q3 2026, down 41.0% QoQ and the first quarter below USD 1.0 tn since Q2 2025. The slowdown was driven mainly by a pause in megadeals, with only 10 transactions above USD 10.0 bn announced compared with 26 in the previous quarter. Sponsor-backed and cross-border dealmaking also cooled during the quarter, although both remained well ahead of last year on a year-to-date basis. The macroeconomic environment weighed on activity, as rising US Treasury yields pushed up borrowing costs and made valuations and financing more difficult to agree. Despite the weaker quarter, year-to-date global M&A remained 28.0% higher YoY at USD 3.9 tn. Notable mega deals included Banca Monte dei Paschi's EUR 25.3 bn all-share offer for Banco BPM and Aon's USD 17.0 bn acquisition of USI Insurance Services.

Selected Regions

United States
US-targeted M&A value fell by 57.0% in Q3 2026, the sharpest decline among the major regions. Year-to-date US activity still reached an all-time high of USD 2.0 tn, up 38.0% YoY and more than half of global deal value. The largest US deals included Aon's USD 17.0 bn acquisition of USI Insurance Services and NVIDIA's USD 12.9 bn purchase of Hugging Face.

Europe
European M&A value fell by 36.0% in Q3 2026, although year-to-date activity reached a five-year high of USD 882.0 bn, up 54.0% YoY. Italian banking consolidation dominated the quarter, with Banca Monte dei Paschi launching all-share offers for Banco BPM (EUR 25.3 bn) and Banca Generali (EUR 8.7 bn). Interest from North American buyers remained strong, with Prologis agreeing a GBP 14.0 bn offer for SEGRO and Couche-Tard launching a USD 8.6 bn tender offer for Poland's Żabka.

Asia Pacific
M&A activity in Asia Pacific totalled USD 242.0 bn in Q3 2026, up 8.0% QoQ and 34.0% YoY, making it the only major region to grow during the quarter. Year-to-date activity reached a five-year high of USD 613.0 bn. Among the quarter's ten deals above USD 10.0 bn was Gold Fields' unsolicited AUD 38.7 bn (USD 27.1 bn) proposal for Northern Star Resources, which the Northern Star board rejected.

M&A
Deals of the Quarter

Announced Date	Target	Buyer	Target Region	Target Business	Value[1] (USD m)	Premium (%)
21 Aug 26	Banco BPM	Banca Monte dei Paschi	Italy	Financials	29,610.2	N/A
04 Aug 26	SEGRO	Prologis	United Kingdom	Real Estate	18,824.3	39
31 Aug 26	USI Insurance Services	Aon	United States	Financials	17,000.0	N/A
16 Jul 26	Delivery Hero	Uber Technologies	Germany	Consumer Discretionary	14,800.0	108
03 Sep 26	Hugging Face	NVIDIA	United States	Technology	12,930.3	N/A
08 Sep 26	Consolidated Precision Products	GE Aerospace	United States	Industrials	11,750.0	N/A
21 Aug 26	Banca Generali	Banca Monte dei Paschi	Italy	Financials	10,201.5	10
06 Jul 26	Crinetics Pharmaceuticals	Vertex Pharmaceuticals	United States	Health Care	10,000.0	102
31 Jul 26	Żabka Group	Alimentation Couche-Tard	Poland	Consumer Staples	8,600.0	9
28 Sep 26	World Labs	AMD	United States	Technology	8,200.0	N/A

Note: 1. Equity value (listed targets) or purchase price (private targets). Premium to last undisturbed close.

Natalia Świder
Investment Banking Division

M&A: Top Deals

Uber To Acquire Delivery Hero

On 16th of July 2026, Uber announced a takeover offer for Delivery Hero at EUR 41.50 per share in cash, valuing the company at EUR 13.0 bn (USD 14.8 bn) on a fully diluted basis. The offer is about 108% above Delivery Hero's unaffected closing price of 8th of May 2026. Acceptance runs until 5th of November 2026 and completion is expected in H2 2027.

Buyer vs Seller

Uber is a mobility, delivery and freight platform active in 79 markets. Delivery Hero, based in Berlin and listed in Frankfurt, operates food delivery brands such as Baemin, Talabat, HungerStation and Glovo, and sells 14 markets with USD 11.0 bn of 2025 Gross Bookings to SSW Partners for about USD 1.6 bn. Uber holds about 25% of the shares plus about 12% via derivatives. Morgan Stanley and Deutsche Bank advised Uber, while J.P. Morgan advised Delivery Hero.

Industry Overview

The global online food delivery market is estimated at about USD 1.5 tn in 2026 and is forecast to grow 6.2% p.a. to 2031 (Statista). Uber's Delivery Gross Bookings grew 26% to USD 27.5 bn in Q2 2026. Quick commerce is a growth driver, at 18% of Delivery Hero's Q1 2026 GMV. Recent M&A: DoorDash/Deliveroo (GBP 2.9 bn) and Prosus/Just Eat Takeaway (EUR 4.1 bn), cleared only if Prosus cut its Delivery Hero stake.

Peers	Currency	Market Cap (USD m)
DoorDash Inc	USD	77,724.98
Eternal Ltd	INR	30,839.61
Maplebear Inc (Instacart)	USD	13,395.10
Grab Holdings Ltd	USD	11,414.73
Swiggy Ltd	INR	4,868.53

Deal Rationale

Uber expects the deal to be accretive to non-GAAP EPS upon closing and high-single-digit accretive by year three, supported by more than USD 1.2 bn of annual run-rate synergies within 18 months, implying about 8x EV to 2027E Adjusted EBITDA including synergies. The combination takes Uber from 79 to 99 markets and raises markets offering both mobility and delivery from 34 to 58, where cross-platform users generate 3x more Gross Bookings than single-business users. Pro forma 2025 Gross Bookings would reach USD 236.0 bn. Funding is existing cash and new debt, with gross leverage expected to stay below 2x.

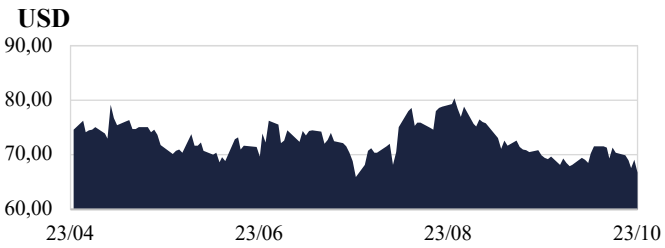
Market Reaction

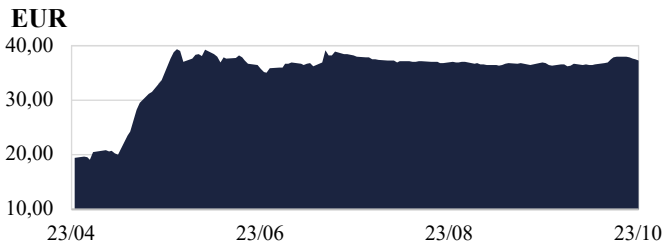
Uber

Uber rose 1.9% to USD 74.04 on announcement day (16th of July 2026) and has since fallen 9.9% to USD 66.70 (23rd of October 2026), near its six-month low of USD 65.94.

Delivery Hero

Delivery Hero closed at EUR 38.20 on announcement day, 8.0% below the offer and 91% above 8th of May 2026. On 23rd of October 2026 it closed at EUR 37.31, 10.1% below.





Future Challenges

Completion needs acceptance of more than 50% of shares; Uber (about 25%) and Prosus (about 17%, irrevocable) cover about 42%. Merger control clearances are required, with the European Commission in pre-notification talks on the SSW sale and Spain most sensitive. A EUR 700.0 m break fee is reported. Integration and Uber's weak share price add risk.

Noah van Raay
Investment Banking Division

M&A: Top Deals

Prologis To Acquire SEGRO

On 4th of August 2026, Prologis and SEGRO announced a recommended offer of 1,032.0p per SEGRO share (0.0920 new Prologis shares each), valuing SEGRO at GBP 14.0 bn in equity. Consideration is mostly shares, with a cash alternative capped at GBP 3.5 bn. The offer is a 39.0% premium to the unaffected close of 23rd of June 2026; completion is expected in H1 2027.

Buyer vs Seller

Prologis is a NYSE-listed logistics REIT with a market cap of about USD 138.0 bn at announcement. SEGRO is a FTSE 100 owner of urban warehouses and data centres, with a GBP 18.7 bn portfolio and EPRA NTA of 902p. Prologis approached SEGRO in 2024; a 925.0p proposal (GBP 12.6 bn) was rejected in June 2026. Rothschild & Co, J.P. Morgan, Eastdil Secured, BofA and Citi advised Prologis; Evercore, Morgan Stanley, UBS and Goldman Sachs advised SEGRO.

Industry Overview

Logistics real estate is driven by e-commerce, reshoring and AI-related data-centre demand. European logistics rents grew 5.7% p.a. from Q4 2020 to Q4 2025, but only 1.9% p.a. is forecast through 2030. CBRE reports Q2 2026 European take-up 30% above the prior year, with record-low completions. SEGRO's 3.0 GVA data-centre power bank makes it a hybrid play. Recent M&A: Prologis/Duke Realty (2022) and Liberty Property (2019).

Peers	Currency	Market Cap (USD m)
Goodman Group	AUD	36,517.86
LondonMetric Property	GBp	5,904.43
Warehouses De Pauw	EUR	5,661.95
Tritax Big Box REIT	GBp	5,606.16
Montea	EUR	1,666.50

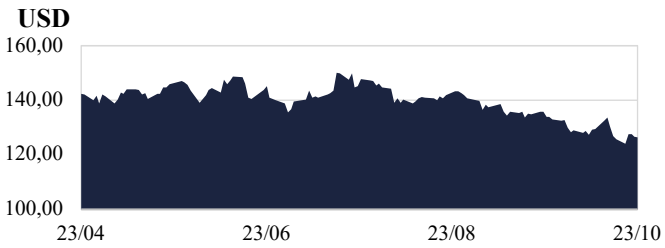
Deal Rationale

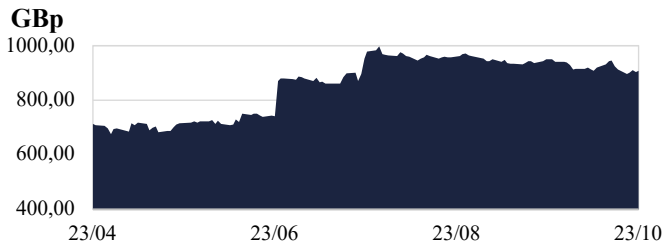
The combined platform has about USD 269.0 bn of assets under management and a European portfolio of 368.0 m sq ft, expanding Prologis's European presence by 47%. SEGRO's data-centre platform, with 3.0 GVA of potential power capacity, adds growth to Prologis's logistics base. Prologis said SEGRO shareholders could be 36.5% better off had SEGRO engaged in March 2024. SEGRO shareholders would own about 8.9% to 11.5% of the combined group. Synergies are unquantified; the deal is expected to be broadly neutral to minimally dilutive to Core FFO and AFFO per share in year one.

Market Reaction

Prologis
Prologis shares fell 3.5% to USD 139.05 on announcement day. At USD 126.45 on 23rd of October 2026 they are 9.1% lower and 15.7% below the July high.

SEGRO
SEGRO jumped 17.4% to 871.40p on 24th of June 2026 and closed at 974.80p on announcement day. At 908.20p on 23rd of October 2026 it is 4.4% above the 869.70p implied value.





Future Challenges

Shareholders approved the scheme on 28th of September 2026 (98.12% at the Court Meeting, 98.14% at the General Meeting), but antitrust and regulatory clearances are still required and no break fee is disclosed. The share component moves with Prologis's share price. Integration, leverage and SEGRO's data-centre returns remain the key risks.

Noah van Raay
Investment Banking Division

What Happened To

Space Exploration Technologies Corp. (SpaceX)

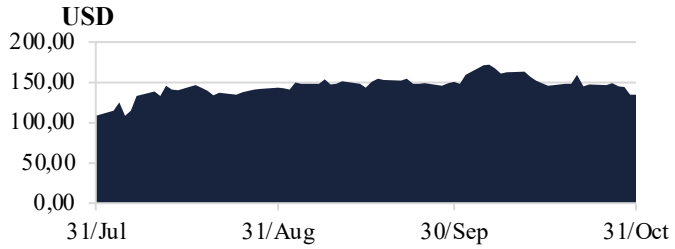
SpaceX is a US-listed space and AI company with three segments: Space, Connectivity (Starlink) and Super Intelligence. It priced the largest IPO on record on 11th of June 2026, raising USD 75.0 bn at USD 135.00 a share. The shares rose two-thirds above the issue price, then fell below it by mid-July, erasing over USD 1.0 tn from the June peak, as investors focused on AI spending.

Corporate News

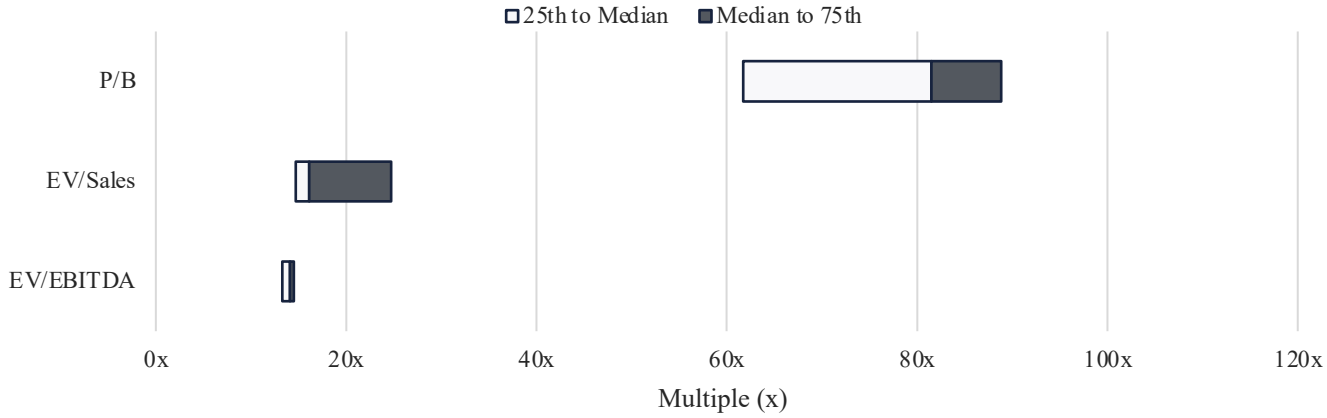
Following the IPO, SpaceX raised USD 25.0 bn in its first bond sale primarily to refinance the bridge loan from its xAI purchase. On bond launch day, 22nd of June, the stock fell 16.4%. It then acquired AI coding tool Cursor for USD 60.0 bn, closing on 14th of August. Results show both sides: first figures on 4th of August put capital spending at USD 18.4 bn, about USD 16.0 bn for AI, against USD 13.2 bn expected. In Q3, AI revenue, driven by cloud contracts, Cursor and Grok, reached USD 7.6 bn, exceeding Starlink, while revenue rose 161% to USD 14.6 bn, and SpaceX posted its first quarterly profit as a listed company, USD 4.4 bn, and Musk disclosed merger talks with Tesla. In space, Flight 13 of Starship, the world's largest rocket, aborted at ignition on 16th of July, but a retry eight days later met its main goals, and Flight 14 later reached orbit, a first for Starship. On 30th of October, after weak Intel guidance and AI spending doubts, SpaceX fell 6%.

Price (30th of October 2026, USD)	**134.72**
Target Price (USD)	240.00
3M Performance	24.31%
Market Cap (USD m)	1,905,318.81
Enterprise Value (USD m)	1,854,681.81

**Target Price is for 12 months*



Valuation Analysis



On 5th of August 2026 the stock closed at its low of USD 108.27, about 52% below its June high of USD 225.64, which cut its market value to about USD 1.5 tn, then rose 35% in five sessions as the first lock-up of 911.5 m shares passed without heavy selling. It ended October at USD 134.72, just below the issue price. Listed space peers fared worse and have lost about half their value since the IPO. At an EV of USD 1.85 tn, SpaceX trades at about 32 times annualised Q3 revenue.

The market has repriced SpaceX from a rocket and Starlink company into a bet on AI infrastructure. That bet pays off only if AI revenue keeps growing faster than the spending behind it: capex is guided at USD 35.0 to 40.0 bn for Q4, and a USD 40.0 bn GPU lease with Apollo funds chips from 2027. The next tests are the end of the lock-up on 8th of December (up to 797.6 m shares), Q4 results and the terms of any Tesla merger.

Peers	Currency	Market Cap (Cur m)
International Business Machines	USD	242,499.10
Tencent Holdings Ltd	HKD	3,651,606.16
Amazon.com Inc	USD	2,911,491.55
Oracle Corp	USD	398,583.39
Microsoft Corp	USD	4,116,116.85

Hannah Sladic
Investment Banking Division

NIC's View On

Who Pays for AI, and Who Pays More



Christo Genchev
Head of Corporate Relations

"Whatever the weakest link is will actually start to deteriorate the system."

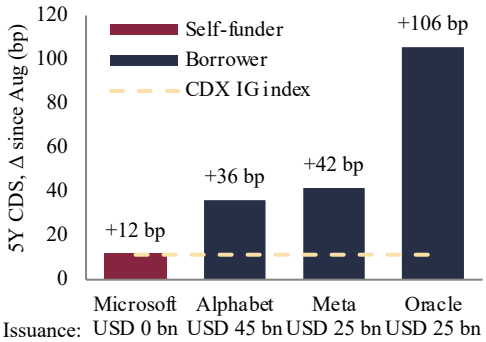
– Robert Dafforn, CIO, Polus Capital

In March, NIC's View On looked at the semiconductor capital expenditure supercycle. Now, the question is who is paying for it. For a long time, Alphabet, Amazon and Meta funded their investment from operating cash flow, but that model has broken down. In Q3, all three spent more on capital expenditure than their operations generated. Long-term debt at the three companies more than doubled from USD 171.0 bn at the end of 2025 to USD 379.0 bn at the end of September. AI-related bond issuance has reached USD 466.0 bn this year, against USD 101.0 bn a year earlier, according to Morgan Stanley. It seems the build-out is no longer self-funded, and debt markets are carrying most of the load.

So far, debt markets have absorbed the supply with relative ease. In March, Amazon sold USD 37.0 bn of bonds across 11 tranches stretching to 2076, then added a EUR 14.5 bn debut in the euro market, together the largest corporate bond sale on record, with the dollar portion drawing around USD 126.0 bn of orders. The five largest hyperscalers now account for about 11% of US investment-grade supply, up from under 2% in 2023, according to Bloomberg data. Investors are still buying, yet a growing share of the investment-grade market rests on a single theme.

The same investors are now paying to protect themselves. Weekly trading in credit default swaps on large AI borrowers rose from under USD 2.0 bn in July to over USD 9.0 bn in September, according to Morgan Stanley. Pricing follows how each company funds its build-out. Microsoft, which still pays from operating cash flow, cost 58 bp to insure at the end of October, below the 62 bp investment-grade index. Alphabet and Meta, now regular bond issuers, hit records of 91 bp and 125 bp, with Alphabet jumping 13 bp after reporting another USD 9.1 bn cash burn. Oracle, which has borrowed heavily to build capacity for OpenAI, sits at 296 bp after S&P cut it to BBB-, one notch above junk, while CoreWeave, a debt-funded AI cloud provider whose interest bill is five times its adjusted operating income, traded around 1,090 bp in mid-October. Credit markets no longer price AI as a single risk, and are separating the self-funders from the borrowers.

The borrowers are the ones being repriced



For investment banks, that split is already shaping the work. In DCM, pricing now depends on the issuer. Even Amazon, rated AA, paid a new issue concession of 10 bp to 12 bp in March, against a 2026 average of about 4 bp, according to Bloomberg, and issuers are spreading deals across the euro, sterling and Swiss franc markets to reach more buyers. In ECM, equity has returned as a funding source. Alphabet raised USD 49.6 bn in June, Meta plans to sell up to USD 95.0 bn of stock, and Oracle sold USD 20.0 bn last quarter. At the weakest end, the relevant work is liability management. CoreWeave's bonds already trade at distressed levels, and the options open to a stretched borrower, from debt exchanges and maturity extensions to rescue financing, all run through restructuring advisers. In March, the question was how much the AI build-out would cost. Now it is who can afford it without the bond market, and credit investors have started to charge for the difference.

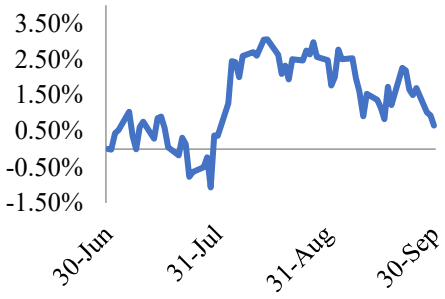
Christo Genchev
Investment Banking Division

NIC Fund

NIC Fund

Portfolio Overview

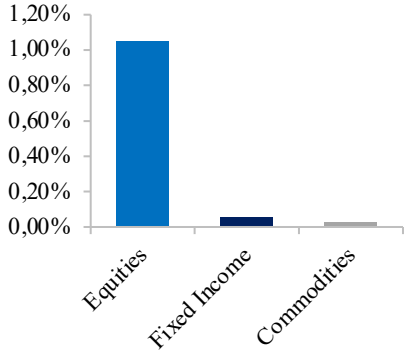
NIC Fund Cumulative Return



Portfolio Statistics	
Cumulative Return	0.65%
Annualized Return	2.62%
Daily St. Dev	0.51%
Period St. Dev	4.02%
Annualized St. Dev	8.03%
Sharpe Ratio (rf = 0%)	0.33
Skew (Daily)	0.57
Kurtosis (Daily)	0.03

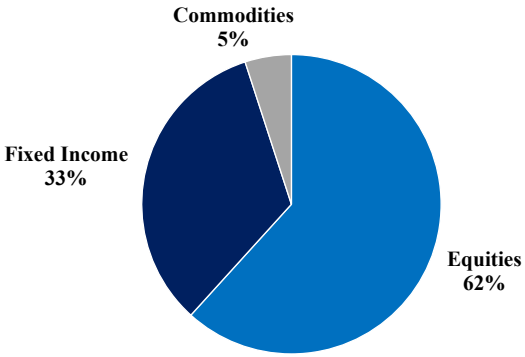
Benchmark	
iShares 3-7 Year Treasury Bonds	40%
SPDR S&P 500 ETF Trust	40%
Invesco DB Commodity Index	10%
iShares JP Morgan USD Emerging Markets Bond Index ETF	10%

Contribution to VaR



Portfolio Snapshot

During the third quarter, the NIC Fund remained invested in Equities, Fixed Income and Commodities. At quarter-end, 62% of the fund was devoted to Equities, 33% to Fixed Income and 5% to Commodities. Around two-thirds of the Equity allocation was invested in 39 individual stocks using an equally weighted strategy, with the remainder in ETFs and the FTSE 100 Index.
For Commodities, around 60% was allocated to gold via the Goldman Sachs Physical Gold ETF.



Return Metrics

The overall performance of the portfolio was positive in the third quarter, with a cumulative return of 0.65%. Equities were the largest contributor, adding 1.14 percentage points (pp) to the portfolio's return, followed by Commodities, which added 0.45 pp. Fixed Income was the only detractor, subtracting 0.94 pp.
The Equity portfolio consisted of the iShares MSCI World ETF and other ETFs, as well as 39 individual stocks such as Microsoft Corp. (MSFT US), Nvidia Corp. (NVDA US), Advanced Micro Devices (AMD US), Visa Inc. (V US) and Netflix Inc. (NFLX US). The top-performing stocks were Palantir Technologies and CrowdStrike Holdings, with returns of 60.3% and 38.8%, respectively, while Tapestry Inc. had the poorest performance, with a return of -21.45%. The best-performing ETFs were the Invesco DB Commodity Index Tracking Fund and the Goldman Sachs Physical Gold ETF, with returns of 21.2% and 3.5%, respectively.

Risk Metrics

In terms of risk, the portfolio registered a daily VaR of 1.13%, which remained well below the maximum established threshold of 2.50%.

Equities accounted for most of this risk, contributing around 1.05% to the total VaR. On the other hand, Fixed Income and Commodities contributed considerably less, at 0.05% and 0.03%, respectively.

Patricia Puente Esteban
Financial Markets Division

NIC Fund

Assets in Brief

Asset Class	Symbol	Comments
US Equity	PLTR	Palantir surged 60.3% in Q3 2026, rising from USD 116.7 to USD 187.1. Results on the 3rd of August showed revenue up 93.0% YoY to USD 1.9 bn and full year guidance raised to USD 8.2 bn from USD 7.7 bn, while 149.0% growth in US commercial revenue shows enterprise AI adoption converting into sales.
US Equity	CRWD	CrowdStrike gained 38.8% in Q3 2026, rising from USD 190.8 to USD 264.8 on a split-adjusted basis. Results on the 26th of August showed revenue up 26.0% YoY to USD 1.5 bn and annual recurring revenue of USD 5.8 bn, while a sector-wide rally in September on AI safety warnings underlined AI's role in expanding cybersecurity demand.
US Equity	MSFT	Microsoft rose 37.5% in Q3 2026, from USD 373.0 to USD 512.9, including a 15.5% jump on the 30th of July, its largest one-day gain since 2008. Results showed quarterly revenue of USD 90.0 bn and Azure growth of 43.0%, both ahead of expectations, with 45.0% guided for the next quarter, evidence that its heavy AI capex is translating into revenue.
US Equity	TMO	Thermo Fisher Scientific gained 34.6% in Q3 2026, rising from USD 501.4 to USD 675.1. Results on the 23rd of July showed revenue of USD 12.0 bn and adjusted EPS of USD 6.0, both above consensus, and full-year guidance was raised, as improving biotech and pharma spending signalled a recovery in life sciences tools demand.
US Equity	ADBE	Adobe gained 14.1% in Q3 2026, rising from USD 205.0 to USD 234.0 as concerns over AI competition eased. Results on the 10th of September beat consensus with revenue of USD 6.8 bn, and full-year guidance was raised to USD 26.6 bn. The appointment of Anil Chakravarthy as CEO from the 1st of December, with Shantanu Narayen becoming Executive Chair, ended the succession uncertainty, though the internal choice drew a 6.7% fall.
US Equity	NXPI	NXP Semiconductors declined 15.5% in Q3 2026, falling from USD 281.0 to USD 237.5, including an 18.5% drop in July as the semiconductor sector posted its worst month since 2008. Results on the 28th of July showed revenue up 19.0% YoY to USD 3.5 bn, but the low end of the next-quarter outlook fell below consensus, and the stock dropped 7.0% the following day. With over half of revenue from automotive, NXP lacks the AI exposure supporting peers.
US Equity	CVS	CVS Health declined 17.2% in Q3 2026, falling from USD 103.5 to USD 85.7. Despite adjusted EPS of USD 2.6 against consensus of USD 1.9 on the 5th of August, the stock fell 5.1% as the first 2027 outlook only matched consensus and management expected Caremark membership to decline, pointing to continued pressure on pharmacy benefits.
US Equity	GEV	GE Vernova declined 19.1% in Q3 2026, falling from USD 1,174.9 to USD 950.5. Results on the 22nd of July showed EPS of USD 2.5, below expectations, and an EBITDA loss of USD 275.0 m in the wind segment, with the stock down 8.7% on the day. A further 8.6% drop on the 14th of September followed calls from Anthropic's CEO to slow AI development, raising doubts over the data centre power demand supporting its valuation.
US Equity	TPR	Tapestry declined 21.4% in Q3 2026, falling from USD 146.4 to USD 115.0, the fund's weakest single stock. Results on the 13th of August beat estimates on adjusted EPS, but revenue guidance of USD 8.4-8.5 bn for the new fiscal year disappointed, sending the stock 16.5% lower. Coach grew 14.0% while Kate Spade sales fell 7.0%, leaving the group reliant on one brand.
FR Equity	MC	LVMH declined 19.4% in Q3 2026, falling from EUR 484.1 to EUR 390.0. First-half revenue fell 3% to EUR 38.6 bn on a reported basis, while Fashion & Leather Goods grew only 1.0% organically, below expectations, as the Middle East conflict reduced tourist spending in Europe. In September, LVMH dropped out of Europe's 10 largest companies by market value for the first time since 2017, reflecting the depth of the luxury slowdown.

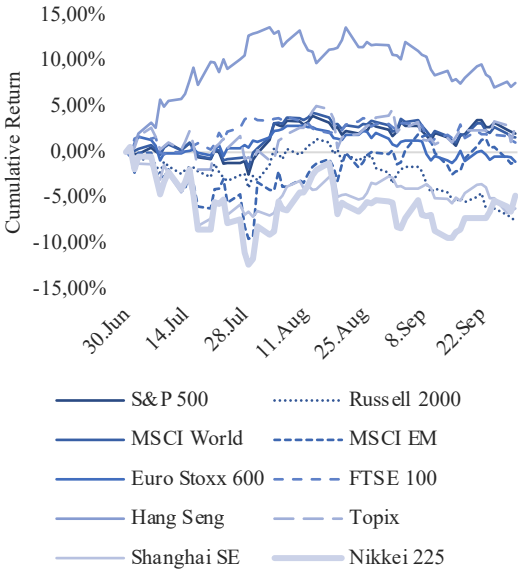
Can Uca
Financial Markets Division

NIC Fund

Equities

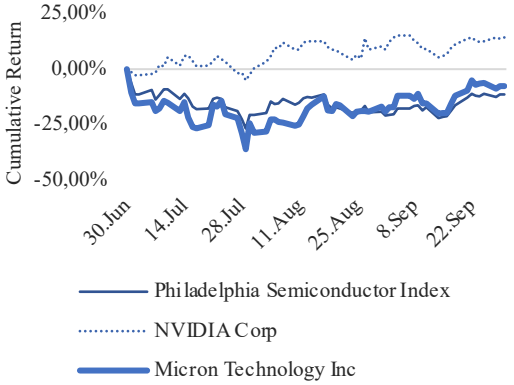
World Equities

Global equities posted modest gains in Q3, with the MSCI ACWI returning 1.7% in USD terms. The main driver was the return of the Iran war. Military strikes resumed on the 7th of July, and attacks on tankers and Gulf energy infrastructure in September lifted Brent from USD 72.9 at the start of the quarter to a peak of USD 108.8 on 15th of September. The oil shock revived inflation pressure and pushed global bond yields sharply higher. On 16th of September, the Federal Reserve raised rates by 25 bps to 3.75%-4.00%, its first hike since 2023, and its median projection pointed to a further increase this year. Higher yields weighed on long-duration assets, and value stocks outperformed growth. In the US, the S&P 500 rose 2.0% and the Nasdaq Composite 2.5%, while the Dow Jones fell 2.7% and the Russell 2000 lost around 7.0%. Gains were highly concentrated. Energy was the best-performing sector, up more than 16.0%, while Microsoft, Nvidia, Apple and Meta together contributed more than twice the S&P 500's total gain. Asian markets diverged sharply. South Korea's KOSPI fell 19.3%, its worst quarter since early 2020, as the July sell-off in memory-chip stocks hit a market dominated by Samsung and SK Hynix. Japan's Nikkei 225 lost 4.7%, while the broader TOPIX rose 2.9%, reflecting the Nikkei's heavier weighting in chip-related names. Hong Kong's Hang Seng gained 7.6%, whereas the Shanghai Composite fell 6.2%. European equities were broadly flat. The STOXX 600 set a record in August but ended the quarter slightly lower after a weak September, while the FTSE 100 rose 1.0% and the DAX 0.8%.



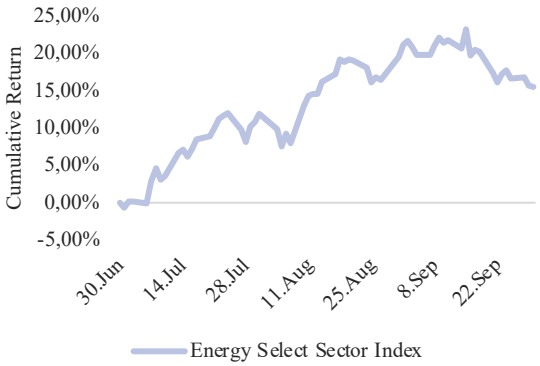
In Depth: The Semiconductor Sell-Off

Semiconductors were the main source of equity volatility in Q3. After an 88.0% gain in Q2 and a record high on 22nd of June, the Philadelphia Semiconductor Index fell 20.6% in July, its worst month since October 2008. The decline erased around USD 2.2 tn in market value. Losses were concentrated in memory and foundry names: Micron fell 29.0% and TSMC's ADRs 15.0% in July, while Nvidia and Broadcom ended the month higher. Four pressures drove the sell-off: (i) doubts over the scale and financing of hyperscaler AI spending, (ii) concerns about circular funding between chipmakers and AI developers, (iii) rising expectations of Fed tightening, (iv) threats of Chinese competition. The index rebounded 9.5% in September but still ended the quarter down 11.4%. The episode showed how concentrated AI exposure has become across markets. It leaves the sector more dependent on earnings delivery than on momentum.



Our Performance

In Q3, Palantir, CrowdStrike and Microsoft were our top performers, rising 60.3%, 38.8% and 37.5% respectively. All three were lifted by strong results or raised guidance. Microsoft posted its best quarter since 1998. Tapestry, LVMH and GE Vernova were the biggest detractors, falling 21.4%, 19.4% and 19.1%, on weak guidance, pressure on luxury demand from the Iran war, and an earnings miss respectively.



Louis Blondeau
Financial Markets Division

NIC Fund

Fixed Income

World Yields

Q3 brought broad losses for government bonds, building each month. July was driven by oil after US strikes on Iran, firmer inflation expectations and heavier sovereign supply; in August all 18 benchmark 10-year yields rose, and the US 30-year topped 5.3%; September was the worst month as central banks turned. The Fed hiked 25 bps to 3.75%-4.00% on 16th of September, its first increase in three years, the ECB raised its deposit rate to 2.50% on the 10th, and the BoJ lifted its rate to a 30-year high of 1.25% on the 18th, while the BoE held at 3.75% and set out a quarter path. Over the quarter, the US 10-year rose 82 bps to 5.29% (highest since 2007), the 2-Year 74 bps to 4.88%, the Bund 72 bps to 3.58%, the Gilt 67 bps to 5.42% and the JGB 38 bps to 3.06%.

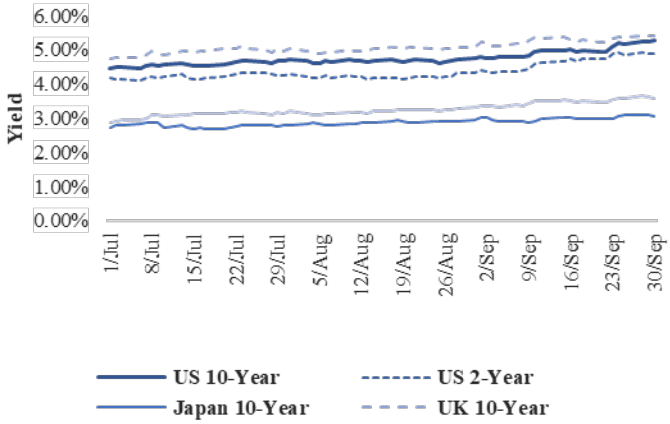
France was the outlier. The 10-Year OAT rose 118 bps to 4.84%, overtaking Italy (4.63%) and widening the OAT-Bund spread from about 80 bps to 126 bps. Public debt reached 119.0% of GDP at the end of Q2, the 2026 deficit is projected at 5.4% of GDP, and a divided Assembly is struggling to pass a 2027 budget of roughly EUR 54 bn in tax rises and spending cuts, amid protests over living costs. Fitch affirmed A+ with a stable outlook in August (it moved to negative on 30th of October), but the market is demanding a term premium: by 2nd of October the spread had reached about 140 bps.

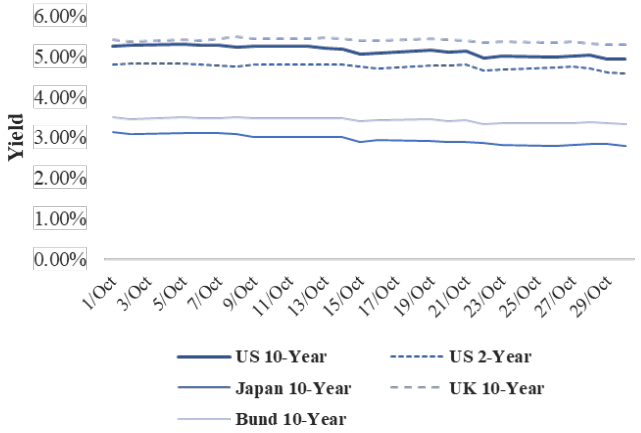
In Depth: European Markets

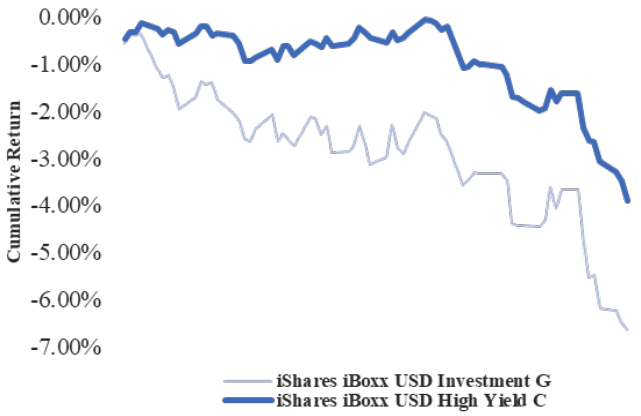
Q4 has so far confirmed the message. October brought a partial reversal (the US 10-Year fell 35 bps to 4.94%) as an AI-led equity sell-off revived safe-haven demand, but this was risk-off buying, not easing. The Fed held on 28th of October with two dissenters favoring a hike, the BoE raised Bank Rate to 4.00%, and strong October payrolls pushed the 10-year back to about 4.86%. Traders are expecting another 25 bps increase by the Fed, where a hike has roughly four-in-five odds. Risks for the coming month: energy-driven inflation and hawkish Fed overshoot; heavy long-end supply keeping term premia high; a French downgrade or budget bypass pushing the OAT-Bund spread beyond 170 bps; and a reversal of the AI-driven safe-haven bid. The Democratic midterm sweep may ease political uncertainty.

Our Performance

Over Q3, the iShares 1-3 Year Treasury Bond ETF (SHY, duration 1.8 years) returned -0.2%; the iShares 3-7 Year Treasury Bond ETF (IEI, 4.2 years) lost 2.5%; and the iShares TIPS Bond ETF (TIP, 6.2 years) lost 3.2%, as rising real yields on its longer duration outweighed inflation accruals. September alone cost -0.6%, -2.0% and -2.6% respectively. Year to date, on 30th of September, SHY was +0.4%, IEI -2.6% and TIP -2.1% (NAV total returns).







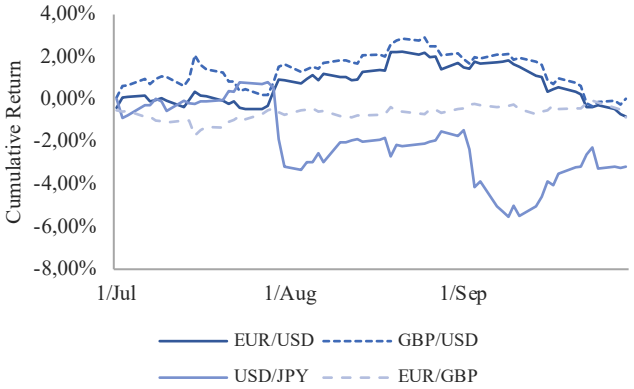
Marco Moretti
Financial Markets Division

NIC Fund

Currencies

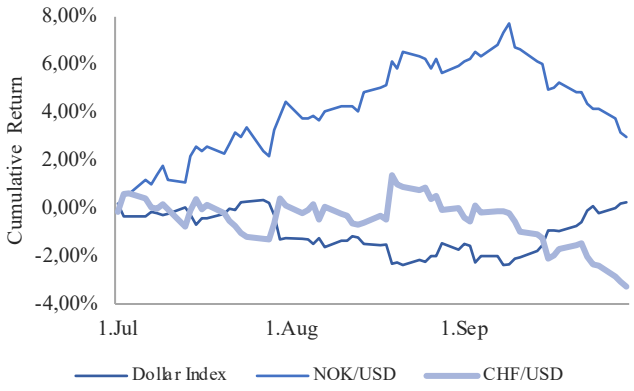
World Currencies

The defining currency story of Q3 was the first joint US-Japanese intervention to support the yen since 1998. Acting on behalf of the US Treasury, the New York Fed sold euros to buy yen alongside Japan, which spent an estimated USD 87.0 bn over two days, exceeding its previous record campaign of USD 73.0 bn in April and May. Washington's involvement was partly aimed at preventing Tokyo from selling US Treasuries. USD/JPY dropped 3.7% in two days, from 163.4 on the 29th of July to 157.4 on the 31st of July. However, the yen gave up roughly half of these gains by early September, as investors pointed to the lack of a unified voice among central banks, with the ECB not even informed in advance. Expectations of a rate hike by the Bank of Japan then pushed USD/JPY to a low of 153.6 on the 9th of September, before the Fed's first hike since 2023 on the 16th of September put renewed pressure on the yen. Over the quarter, the yen still gained 3.3% against the US dollar. EUR/USD rose to a high of 1.17 on the 21st of August but closed the quarter at its low of 1.13 (-0.8%), as US yields rose faster than German ones. GBP/USD ended virtually unchanged at 1.33 (+0.02%), while EUR/GBP fell 0.84% to 0.85.



In Depth: Our Currency Picks for Q4

Despite geopolitical ruptures, currency volatility remained at multiyear lows in Q3, and the euro has traded in a range of USD 1.13-1.20 since mid-2025. Against this backdrop, we highlight three currencies for the fourth quarter. First, the US dollar: the Dollar Index ended the quarter 0.3% higher at 101.5. With markets pricing a further Fed hike in December and the 10-year Treasury yield at 5.3%, solid US growth and the carry trade should continue to support the dollar. Second, the Norwegian krone, which gained about 3.0% against the US dollar in Q3. With Brent crude up 42.0% to USD 103.5 per barrel and supply through the Strait of Hormuz still disrupted, Norway's role as a major oil exporter makes the krone a natural beneficiary of elevated energy prices. Third, the Swiss franc as a hedge. Low Swiss interest rates have made it a popular funding currency in carry trades, which helps explain its 3.3% decline against the US dollar over the quarter. However, the Swiss National Bank has warned that a renewed escalation in the Middle East would intensify upward pressure on the franc as a safe haven. The main risks for Q4 are the fallout from the US midterm elections and the December meetings of the Fed and the ECB. A de-escalation in the Middle East would weigh on oil prices and the krone, while renewed intervention by Japanese authorities could trigger further sharp moves in the yen.



Our Performance

We currently hold no currency related assets in our portfolio.

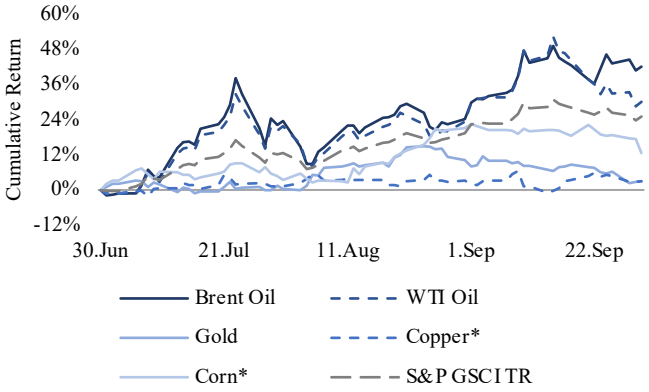
Karin Pernsteiner
Financial Markets Division

NIC Fund

Commodities

Round-Up: War & Inflation

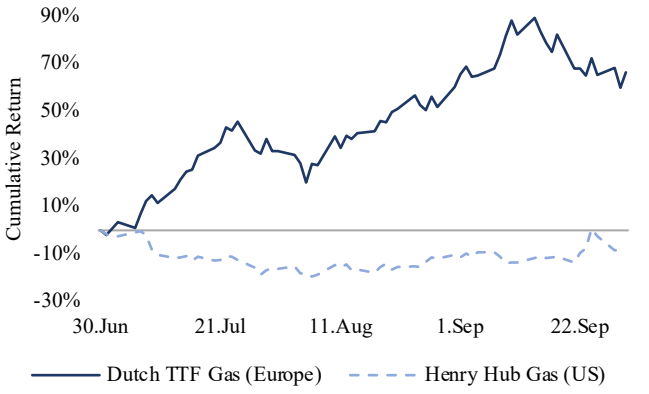
Between 30th of June and 30th of September, the S&P GSCI Total Return Index rose 25.1%, driven by two engines: war and inflation. **Energy** led by a wide margin. Brent rose 42%, peaking at USD 108.75 on 15th of September, as Iranian attacks disrupted flows through the Strait of Hormuz. European diesel climbed 57% as Ukrainian drone strikes on Russian refineries deepened the shortage, while Dutch TTF gas soared 66% and US Henry Hub fell 8%: Europe depends on seaborne LNG, whereas US export terminals are already running close to capacity. **Precious metals** gave back most of their summer gains: gold was up 16% at its 25th of August peak, but hot US inflation led the Fed to hike rates on 16th of September, and it ended the quarter up 3.7%, with silver up 3.1%. **Grains** rallied, with corn up 12.5%, while copper rose 3.0%.



* Copper and corn are adjusted for futures contract rolls, which would otherwise overstate their rise. Charts show Q3 performance only; the outlook includes developments up to 11th of November. Source: Bloomberg, 30th of June to 30th of September 2026.

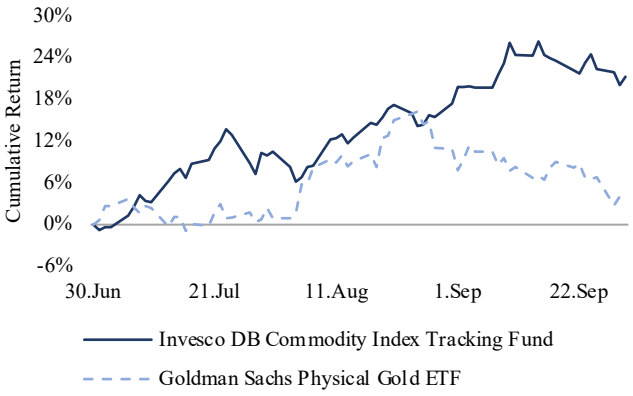
Outlook for Q4

The charts above cover Q3 only; since then, energy has swung sharply. Brent touched USD 117.45 on 23rd of October after daily tanker flows through Hormuz fell from about 21 million barrels on 8th of October to 2.9 million on 11th of October (Kpler), and TTF rose a further 43.0% in October. Gold fell 6.8% and silver 19.0% as markets priced another Fed hike, and US CPI, released on 10th of November, rose 0.4% on the month against 0.3% expected. Peace hopes then reversed the oil move: Brent fell 7.6% on 2nd of November and traded near USD 92.0 by 11th of November, as Gulf exports recovered through alternative routes. **For Q4, European gas is our main call**: EU storage was only 74.0% full in early November, against a five-year average of 90.0%, and Qatari LNG, shipped through Hormuz, is still far below pre-war levels. A peace deal is the main downside risk for oil, while a December Fed hike would keep pressure on gold.



Our Performance

Our two commodity holdings mirrored this split. The **Invesco DB Commodity Index Tracking Fund gained 21.2%** between 30th of June and 30th of September, carried by its heavy energy weighting, and peaked on 15th of September, the same day as Brent, although it trailed the S&P GSCI Total Return Index. The **Goldman Sachs Physical Gold ETF returned 3.5%**, in line with spot gold: it was up 16.2% at its 25th of August peak, before the Fed's hawkish turn erased most of these gains. The gap of almost 18 percentage points between the two shows that the energy shock, not safe-haven demand, drove commodity returns. Looking ahead, the energy-heavy fund is the more exposed of the two to the US-Iran talks and would give back part of its gains if Hormuz reopens, while gold will hinge on the December Fed decision after a hotter-than-expected October CPI.



Francisco Monge
Financial Markets Division

Private Equity

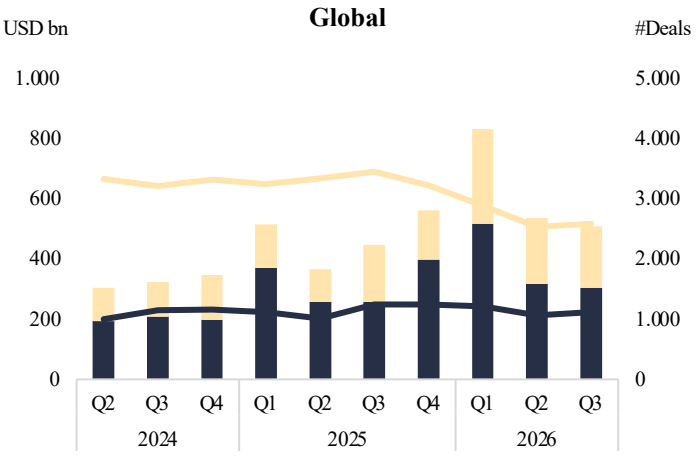
Transactions & Investments

Overall Activity

Global

At a Glance

Global private equity activity remained resilient in Q3 2026, with total deal volume of USD 508.9 bn across 3,698 transactions. While value eased 4.8% compared with Q2 2026, deal count rose 2.8%, and volume stood 13.8% above Q3 2025. M&A accounted for USD 304.1 bn across 1,112 deals, led by Blackstone's USD 25.3 bn acquisition of HSBC's Australian loan book, while investments totalled USD 204.8 bn, with Technology capturing 56.1% amid continued AI funding. Renewed escalation in the Middle East pushed oil prices above USD 100.0 per barrel, prompting rate hikes by the ECB and the Fed in September, which tightened financing conditions towards quarter-end.



Selected Regions

North America

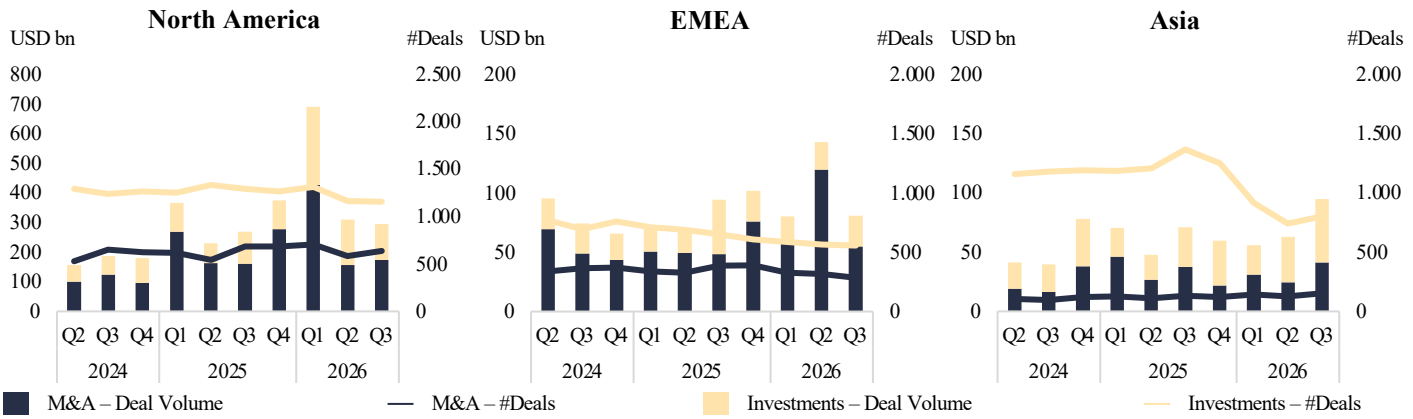
In North America, M&A deal volume rose 12.1% quarter-on-quarter to USD 174.9 bn in Q3 2026, accounting for 57.5% of global M&A volume, while the number of deals increased 8.9% to 635. Technology (22.7%), Financials (18.9%) and Industrials (17.9%) were the main sectors, with Aon's USD 17.0 bn acquisition of USI from KKR. Investment volume fell 21.30% to USD 121.0 bn across 1,157 transactions, with Technology accounting for 54.5%.

EMEA

In EMEA, M&A deal volume declined 54.2% quarter-on-quarter to USD 54.9 bn in Q3 2026, normalising after an exceptionally strong Q2, while the number of deals fell 9.5% to 285. Energy (20.6%) and Industrials (15.1%) led activity, and the UK accounted for 61.4% of regional M&A volume, supported by KKR and ECP's USD 9.0 bn acquisition of DCC Energy. Investment volume rose 10.8% to USD 26.1 bn across 557 deals, with Technology contributing 60.1%.

Asia

Asia was the standout region in Q3 2026, with total deal volume of USD 94.8 bn, its highest level in two years. M&A volume rose 67.2% quarter-on-quarter to USD 41.4 bn, while deal count rose 21.4% to 153. Energy (42.7%) led the region, including CPP Investments' USD 8.9 bn ReNew deal. Investment volume grew 40.2% to USD 53.4 bn across 802 deals, led by Technology (57.2%) and DeepSeek's USD 14.9 bn funding round.



Note: Summary of announced transactions.

Niklas Müller
Private Equity Division

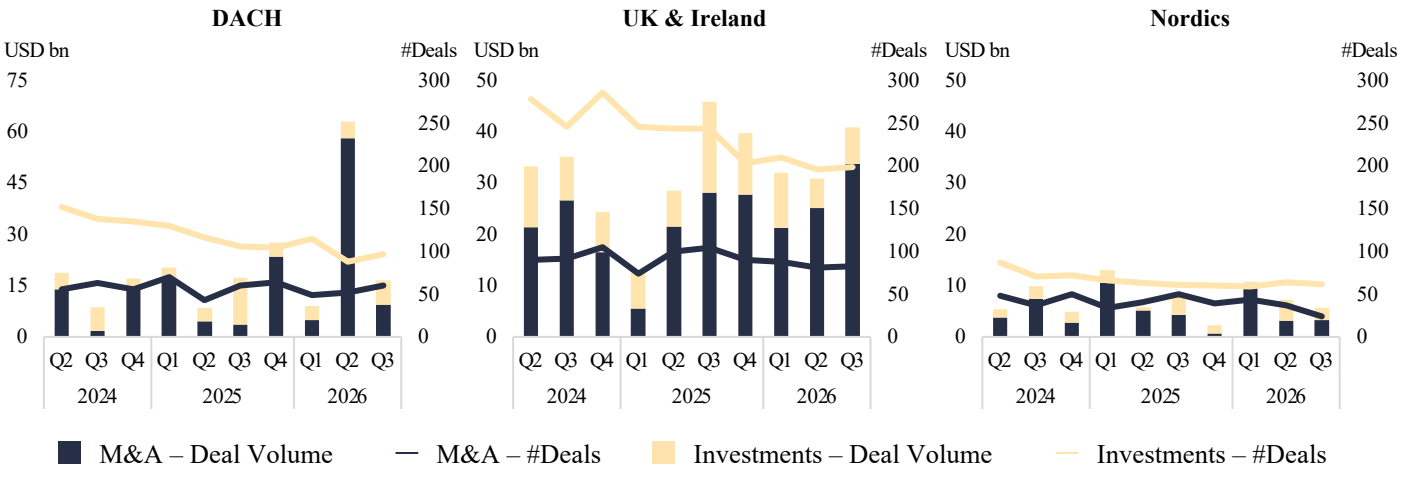
Transactions & Investments

Europe Focus

Overall European Activity

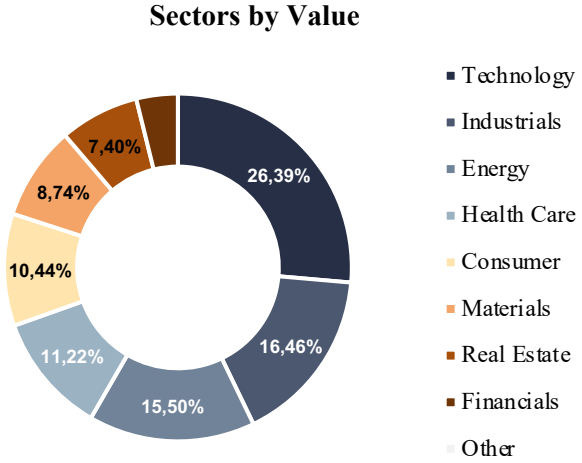
In Q3 2026, the European private equity market recorded a total of 812 transactions, below the H1 2026 quarterly average of 873 deals. The total deal value in Europe reached USD 80.4 bn, which also fell short of the H1 2026 quarterly average of USD 111.7 bn. Globally, there were 3,698 deals with a combined value of USD 508.9 bn, indicating a relative slowdown in Europe. So far this year, Europe has accounted for an average of 17.41% of global private equity deal volume; however, in Q3, the region contributed only 15.8% of the global volume, signalling an underperformance relative to the year-to-date trend. This development was largely shaped by the macroeconomic environment, as the European Central Bank raised interest rates in June and September to counter energy-driven inflation linked to the conflict in the Middle East, increasing financing costs for leveraged transactions. Despite these obstacles, certain areas remained active. For instance, 50.84% of European deal volume was concentrated in the UK and Ireland, supported by continued take-privates of listed companies, and the Technology sector dominated with 26.39% of total deal value.
The largest transaction of the quarter was the USD 9.0 bn take-private of DCC Energy plc by KKR and Energy Capital Partners, announced on 27th of July 2026, a cross-border private equity-backed deal in the Energy sector. This selective activity within specific sectors and regions underscores the caution with which private equity investors are approaching the European market, as many await more favourable financing conditions before committing to larger transactions.

Selected European Regions



Europe by Sectors

The Technology sector continues to be a key focus for private equity investors. In Q3, the industry saw 61 M&A transactions and 283 investment deals with a total value of USD 21.2 bn, accounting for 26.4% of European deal value. Notably, the biggest investment in this sector was the USD 3.4 bn funding round of Mistral AI, while the largest M&A transaction was the USD 2.4 bn sale of BioCatch by London-based Permira to Visa, reflecting sustained interest in artificial intelligence and software. The Industrials sector ranked second with USD 13.2 bn, contributing 16.5% of total deal value. The biggest deal here was the USD 2.4 bn take-private of Bodycote PLC by Veritas Capital. The sector has maintained strong deal activity due to continuous interest in aerospace, defence and industrial technology, especially in the UK market. Combined, those two sectors account for 42.9% of the European deal value.



Note: Summary of announced transactions.

Anna Crestani
Private Equity Division

Transactions & Investments: Top Deals

Deals & Transactions

Acquiring USI

USD 17.0 bn

Aon has agreed to acquire USI Insurance Services, a New York-based insurance brokerage, from KKR and other shareholders for USD 17.0 bn. The acquisition expands Aon's presence in the US middle market, particularly in commercial insurance and the Excess & Surplus segment.

Blackstone Acquiring HSBC

USD 25.3 bn

Blackstone is acquiring HSBC's Australian mortgage and personal loan portfolios, with a book value of c. AUD 36.0 bn. The acquisition expands Blackstone's presence in the Australian private credit market. Pepper Money will manage the loans, with completion expected in H1 2027.

KKR ECP Acquiring DCC

USD 9.0 bn

KKR and Energy Capital Partners are acquiring DCC Energy, an Irish energy distribution company, through Dragon Bidco Limited. The transaction will take the company private, with completion expected in Q1 2027, subject to regulatory approvals.

Warburg Pincus Acquiring PANTHERx Rare

USD 7.0 bn

Warburg Pincus acquired a controlling stake in PANTHERx Rare, a Pittsburgh-based pharmacy specialising in rare diseases. The investment aims to expand access to rare disease therapies, with ADIA participating as a minority investor.

KKR Acquiring Integer

USD 5.7 bn

KKR is acquiring Integer Holdings, a Texas-based medical device manufacturer, for USD 5.7 bn in enterprise value. The acquisition will take Integer private, supporting further investment in its operations and technology.

Blackstone T.RowePrice COATUE Invested in databricks

USD 5.0 bn

Databricks, a San Francisco-based data and AI company, raised USD 5.0 bn at a USD 190.0 bn valuation. The funding round was led by Coatue, alongside Blackstone, MGX, T. Rowe Price and Sixth Street Growth, to support further development of its AI and data platforms.

Rebecka Grapenmyr
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Transactions & Investments: Deep Dive

PIF, Silver Lake and Affinity Partners Take Electronic Arts Private

On 4th of August 2026, PIF, Silver Lake and Affinity Partners (the Consortium) completed the acquisition of Electronic Arts at USD 55.0 bn, following stockholder approval in December 2025. EA shareholders received USD 210.0 per share in an all-cash merger, a 25.0% premium to the unaffected share price, funded by Consortium equity and USD 20.0 bn of committed debt.

Buyer vs Target

PIF is Saudi Arabia's USD 900.0 bn sovereign wealth fund, Silver Lake a leading technology investor known for Dell, and Affinity Partners a firm founded by Jared Kushner and itself backed by PIF. Electronic Arts is an interactive entertainment leader with franchises such as EA SPORTS FC. PIF had built a 9.9% stake for USD 3.0 bn since 2022, rolled over into the equity portion. J.P. Morgan advised the Consortium and solely underwrote the USD 20.0 bn debt, while Goldman Sachs advised EA.

Industry Overview

Global gaming software revenue reached USD 202.0 bn in 2025 and is forecast to grow by about 3% annually to USD 232.0 bn by 2029, excluding hardware, advertising and esports. Growth is no longer broad-based: demand is fragmented, with no single experience type preferred by over 26.0% of players, while the top 20% of spenders generate about 73% of total spending and the most engaged 20% account for almost 60% of playing time. For investors, value sits in studios that own a defined core audience, in direct distribution, with nearly half of players already buying from developers rather than app stores, and in AI resetting cost bases. The risks are AAA budgets that rose over 300% from 2017 to 2023, layoffs and studio closures, regulatory pressure from the DSA, DMA and loot box bans, and AI scaling weak bets as fast as strong ones. Consolidation is accelerating around state-backed and sponsor capital, led by the USD 55.0 bn EA buyout, Savvy Games Group's USD 6.0 bn purchase of Moonton and Alibaba's exit from Lingxi Games, even as quarterly deal value stayed modest at USD 2.4 bn across 45 transactions in Q3 2026.

Date	Buyer	Target	Currency	Total Value (USD bn)
18/08/2026	Trustar Capital	Lingxi Games (Alibaba)	USD	1.5
20/03/2026	Savvy Games Group	Shanghai Moonton Technology	USD	6.0
19/02/2026	Scopely	Loom Games	USD	1.0
12/03/2025	Scopely	Niantic games division	USD	3.5

Deal Rationale

The transaction is primarily a PIF-led acquisition, with Silver Lake and Affinity Partners as minority partners. A Brazilian regulatory filing made during the antitrust review indicates PIF holds 93.4% of the equity, Silver Lake 5.5% and Affinity Partners 1.1%. Silver Lake contributes technology operating experience and a long record in software buyouts under co-CEO Egon Durban, while Affinity Partners holds only a small minority stake. For PIF, EA advances Vision 2030 by diversifying revenues away from oil and positioning the Kingdom as a global hub for games and esports, while extending cultural influence and soft power. The deal builds on Savvy Games Group's USD 4.9 bn purchase of Scopely in 2023 and Scopely's acquisition of Niantic's games division, moving PIF beyond mobile (15.6% of EA's FY25 net bookings) into console (64.5%) and PC (19.8%). Silver Lake's sector network should support a refocus on console and US expansion, lifting growth from 2% on average between 2023 and 2025 towards 5% through 2030, while EA's USD 2.6 bn operating cash flow covers the interest step-up from 2027.

Future Challenges

The clearest risk is price, with EA taken out at about 21x adjusted FY2025 EBITDA, broadly in line with Microsoft's Activision Blizzard deal, and a 25% premium. Leverage amplifies that bet, as funded debt rose from USD 2.2 bn to USD 18.0 bn of a USD 20.0 bn commitment against FY2026 net bookings of USD 8.0 bn, with interest near USD 1.8 bn claiming a large share of operating cash flow before any game is funded. Execution therefore depends on live services holding up, on the USD 700.0 m cost-reduction target set for lenders, not deepening studio attrition after the 2026 layoffs, and on integrating EA with Savvy and Scopely, while Saudi state ownership of player data stays politically contested in the US.

Elias Mayer
Private Equity Division

Transactions & Investments: Deep Dive

Apollo Invests USD 9.0 bn in ONEOK

On 10th of September 2026, Apollo-managed funds closed a USD 9.0 bn nonvoting minority equity investment in ONEOK Holdings, L.L.C., announced on 30th of August 2026. The all-cash proceeds fund ONEOK's USD 4.4 bn purchase of Brazos Midstream's Midland Basin assets (closed on 6th of October 2026) and a planned USD 5.0 bn of debt reduction.

Buyer vs Target

Apollo is a global alternative asset manager with over USD 1.0 tn of assets under management and a growing hybrid capital business, including the USD 11.0 bn Intel Fab 34 joint venture of 2024. ONEOK is an S&P 500 midstream operator running a c. 60,000-mile pipeline network for natural gas, natural gas liquids (NGLs), refined products and crude oil. RBC Capital Markets advised Apollo, while Barclays and Lazard advised ONEOK.

Industry Overview

US midstream connects growing upstream supply with domestic demand and export markets. Permian marketed natural gas production rose by 60% from 17.2 billion cubic feet per day (Bcf/d) in 2021 to 27.6 Bcf/d in 2025, as gas-to-oil ratios increased, and the US Energy Information Administration (EIA) expects record US gas output in 2026 and 2027. The basin supplied 23% of record US marketed gas output of 118.5 Bcf/d in 2025 and about half of that year's growth. To move these volumes, developers plan c. 44.9 Bcf/d of new US pipeline capacity in 2026 and 2027, two-thirds of it originating in Texas. For investors, gathering and processing assets offer acreage dedications and long-term fixed-fee contracts, which limit direct commodity exposure. The main risks are lower oil prices, which reduce drilling and therefore associated gas, and periodic takeaway bottlenecks. The basin is consolidating quickly: large listed operators are buying private platforms built by PE sponsors such as EnCap Flatrock, Five Point and Stonepeak, providing exit opportunities, as the comparable transactions below show.

Date	Buyer	Target	Currency	Total Value (USD bn)
06/05/2026	Western Midstream	Brazos Delaware	USD	1.6
01/12/2025	Targa Resources	Stakeholder Midstream	USD	1.3
31/07/2025	MPLX	Northwind Midstream	USD	2.4
28/05/2024	Energy Transfer	WTG Midstream	USD	3.3

Deal Rationale

For ONEOK, the structure replaces new debt and dilutive common equity. Apollo's Class B interest is expected to receive 15.0% of quarterly operating cash flow, subject to board discretion, with its IRR capped at 7.0% for nine years, below ONEOK's public cost of equity, stepping up to 7.4% in year 10 and 7.9% in year 15. ONEOK can buy back the interest from the eighth anniversary, all value above the cap accrues to common shareholders, and ONEOK expected the investment to receive full equity credit. ONEOK ultimately retired nearly USD 5.5 bn of debt in September 2026, after which S&P and Fitch upgraded ONEOK to BBB+. Brazos adds c. 700 miles of gathering pipe, 1.2 Bcf/d of processing capacity once its Cassidy II plant is complete, and c. 600,000 dedicated acres under fixed-fee contracts with over 12 years of remaining term. This more than doubles ONEOK's Midland processing capacity to c. 2.3 Bcf/d at c. 7.5x 2027E EBITDA, including USD 80.0 m of synergies, and ONEOK expects it to be immediately accretive to earnings and FCF per share. For Apollo, the deal creates a large income-generating investment backed by essential infrastructure, which Bloomberg reported it plans to repackage into investment-grade debt for investors.

Future Challenges

Apollo's upside is capped, while its capital is subordinated to all ONEOK senior debt, with no liquidation preference or board seat. Distributions are at the discretion of the operating company's board and may fall below the target return without penalty. For ONEOK, the Class B interest is a long-term claim on cash flow: c. 7% of the remaining balance is allocated to Apollo each year, reducing net income attributable to ONEOK, and Apollo holds limited consent rights over certain HoldCo actions. ONEOK must also integrate Brazos and complete the Cassidy II plant by Q3 2027. Weaker oil prices or Permian takeaway constraints could slow the volume growth behind the c. 6.0x 2028E EBITDA multiple.

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Thank you!

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