ISCAL INVESTMENT CLUB

IIC Monthly

Newsletter

April 2026

Table of Contents

FOREWORD

Welcome to the IIC Newsletter

Welcome to the April edition of the ISCAL Investment Club Monthly Newsletter. The IIC was founded in 2026 with a clear mission: to bridge the gap between the theory taught in classrooms and the realities of financial markets. Each month, this newsletter covers three pillars: a macroeconomic overview, an equity research section with detailed stock analysis, and an IIC Fund update tracking our simulated virtual portfolio with full transparency.

This April 2026 edition is published during a period of central bank divergence. The Federal Reserve maintained its target range at 3.50 to 3.75 percent, although internal division is growing after Governor Mims voted for a rate cut. Over in Europe, the ECB kept its key interest rates unchanged. President Christine Lagarde signaled the central bank is moving away from its holding stance, even as the region faces weak growth. France reported flat GDP and Germany managed only a modest 0.3 percent gain.

Against this unpredictable backdrop, our research team presents a buy recommendation on Novo Nordisk and a hold recommendation on Rio Tinto. Finally, we break down how these market dynamics impacted the monthly performance of the IIC Fund.

MACRO OVERVIEW

United States - April 2026

Executive Summary

The US economy expanded at an annual rate of 2.0 percent in the first quarter of 2026, according to the advance estimate from the Bureau of Economic Analysis, rebounding sharply from the 0.5 percent pace recorded in the fourth quarter of 2025. Inflation continued to accelerate, with the CPI rising 0.6 percent on a monthly basis in April, pushing the annual rate to 3.8 percent, the highest since May 2023. The Federal Reserve held rates steady at its late-April meeting amid growing internal division. The labor market remained stable but showed signs of fatigue. Manufacturing held firm at 52.7. The overall picture is one of resilient but increasingly uncomfortable growth, with energy shocks driving inflation higher while consumer spending decelerates and the Fed faces a narrowing window for easing.

Growth & Activity

The US economy expanded at an annualized rate of 2.0 percent in Q1 2026, up from 0.5 percent in the previous quarter but below market expectations of 2.2 percent, according to a preliminary estimate. Government spending rebounded by 4.4 percent, recovering from a 5.6 percent contraction in Q4 2025, as activity resumed following the end of the government shutdown.

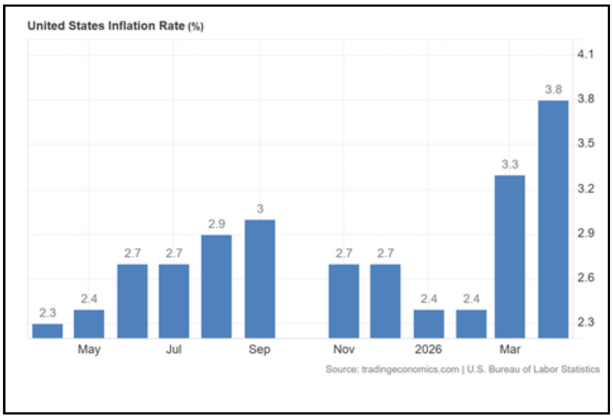
Gross private domestic investment increased by 8.7 percent, compared to 2.3 percent in the previous quarter, with business investment in equipment surging 10.4 percent, the fastest in nearly three years, driven in part by rapid spending on artificial intelligence technologies. Consumer spending, which accounts for roughly two-thirds of economic activity, rose at a slower pace of 1.6 percent in Q1, following a 1.9 percent increase in Q4, supported by demand for services.

Much of the growth was driven by one-time distortions, particularly businesses rushing to buy foreign goods before tariffs hit and the rebound from last year's government shutdown, while inflation surged to 4.5 percent on the Fed's preferred PCE gauge. The Q1 rebound, while technically solid, therefore reflects base effects and front-loading behaviour rather than a broad strengthening of underlying demand.

Inflation

The Consumer Price Index for All Urban Consumers increased 0.6 percent on a seasonally adjusted basis in April, after rising 0.9 percent in March. Over the last 12 months, the all items index increased 3.8 percent before seasonal adjustment. The index for energy rose 3.8 percent in April, accounting for over forty percent of the monthly all items increase.

Excluding food and energy, the core CPI increased 0.4 percent on the month and 2.8 percent annually, keeping inflation well above the Federal Reserve's 2 percent goal. The monthly core rate was the highest since January 2025. The April print was partly distorted by a statistical catch-up in shelter prices related to data gaps from the October government shutdown, but energy price pressures from the Iran war continue to compound longstanding affordability concerns.



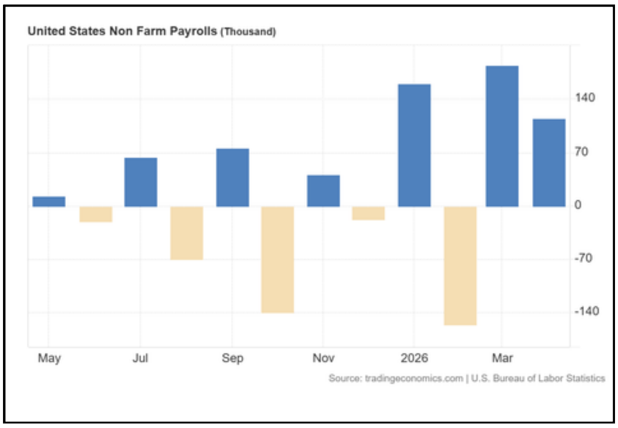
MACRO OVERVIEW

United States - April 2026

For the first time in three years, Americans' wages are no longer outpacing inflation.
Energy costs have surged, with oil running above $100 a barrel and gasoline averaging $4.50 a gallon nationally according to AAA. The combination of energy-driven headline pressure and stickier core dynamics severely constrains the Fed's room to manoeuvre.

Labour Market

Total nonfarm payroll employment edged up by 115,000 in April, and the unemployment rate was unchanged at 4.3 percent. Job gains occurred in health care, transportation and warehousing, and retail trade. Federal government employment continued to decline.



The April payroll figure was down from the 185,000 created in an unusually strong March but better than the 55,000 forecast. Average hourly earnings came in lower than expected, increasing 0.2 percent for the month and 3.6 percent on an annual basis. With inflation running at 3.8 percent year over year, real wages turned negative for the first time since April 2023.
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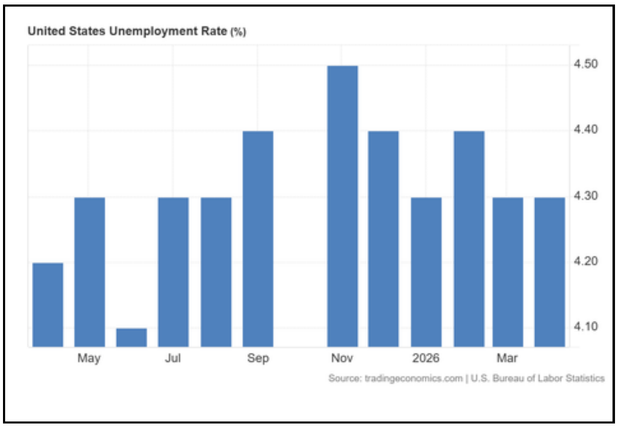
The labor force in April of this year is 1,059,000 smaller than a year ago, while the civilian population is 1,758,000 larger. The labor force is growing more slowly this year than in any of the past 15 years, including the pandemic year of 2020. This demographic erosion of the labor force means the unemployment rate is being held artificially stable by a shrinking participation base, not by robust hiring.



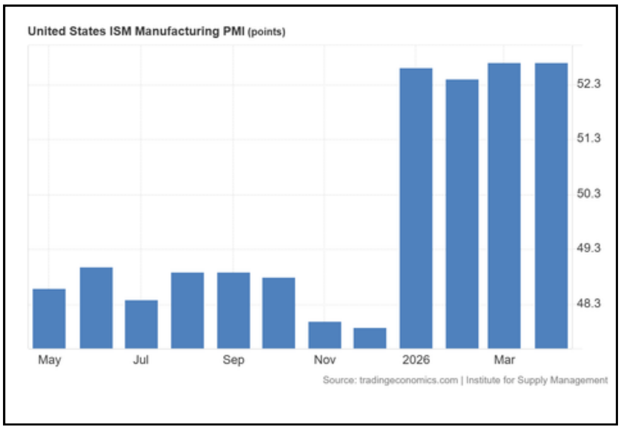
Manufacturing

The ISM Manufacturing PMI registered 52.7 percent in April, the same reading as March. The overall economy continued in expansion for the 18th month in a row. The New Orders Index expanded for the fourth straight month, registering 54.1 percent, up 0.6 percentage point compared to March's figure of 53.5 percent.
However, the Prices Index surged to 84.6 percent in April, a dramatic rise and the highest level since April 2022, driven by steel, aluminum, petroleum-based products, tariffs, and energy volatility. Employment contracted further to 46.4 percent, down 2.3 points, marking the 31st consecutive month of employment contraction in manufacturing.

MACRO OVERVIEW

United States - April 2026

Sentiment among panelists remains heavily skewed negative, with the Iran war cited in 47 percent of all comments.



Monetary Policy

The Federal Reserve maintained the target range for the federal funds rate at 3.50 to 3.75 percent at its April 28–29 meeting. The Committee noted that inflation is elevated, in part reflecting the recent increase in global energy prices, and that developments in the Middle East are contributing to a high level of uncertainty about the economic outlook.

The April CPI report arrives at a crossroads for the Fed, which has kept its benchmark interest rates steady all year amid misgivings among policymakers both on where the central bank should be heading and how it should communicate its intentions. In late April, the Fed voted to hold but saw four dissents, the highest since 1992. Governor Miran voted for a cut; three regional presidents opposed any language implying the next move would be an easing. Incoming Chair Kevin Warsh has advocated for lower rates, a position that will be difficult to square with the burst of inflation since the fighting in Iran began. Futures traders do not expect any rate cuts at all in 2026.

Risks & Scenarios

A bearish scenario involves a prolonged escalation of the Iran conflict that keeps oil prices sustainably above $100 per barrel, significantly increasing energy and transportation costs across the economy. In this environment, headline CPI could rise toward 4.5 to 5.0 percent while core inflation remains sticky due to broader price pressures in services and wages. Higher inflation would compress real household income, weaken consumer spending, and further tighten financial conditions. This combination of slowing growth and persistent inflation would place the Federal Reserve in a severe stagflationary dilemma, with policymakers forced to balance supporting economic activity against controlling inflation. Financial markets would likely face higher volatility, rising Treasury yields, and weaker equity performance.

A bullish scenario assumes a meaningful easing of Middle East tensions during the second half of 2026, allowing energy prices to stabilize and inflation pressures to moderate. Under this outcome, the PCE inflation gauge could move closer toward 2.5 percent by year-end while economic growth remains supported by resilient consumption and AI-driven productivity gains. This environment would give the Federal Reserve greater flexibility to begin a cautious easing cycle, potentially delivering one rate cut in Q4 while maintaining a soft landing scenario. However, the probability of this outcome has declined since early April following stronger inflation data and continued geopolitical uncertainty.

MACRO OVERVIEW

Eurozone - April 2026

Executive Summary

Seasonally adjusted GDP increased by 0.1 percent in both the euro area and the EU in the first quarter of 2026, compared with the previous quarter, according to a preliminary flash estimate from Eurostat. In the fourth quarter of 2025, GDP had increased by 0.2 percent in both areas. Inflation jumped sharply, with the euro area recording 3.0 percent in April, well above the ECB's 2 percent target, while the Composite PMI fell into contraction territory for the first time in 16 months. The ECB held rates unchanged at its April meeting but signalled growing concern about second-round effects. The outlook increasingly resembles stagflation, with growth stalling and energy-driven inflation accelerating simultaneously.

Growth & Activity

The Eurozone GDP expanded by 0.1 percent from the previous quarter in the first quarter of 2026, missing the market consensus of a 0.2 percent expansion and slowing from the 0.2 percent increase from the earlier period. The data reflected pressure from the tight supply of energy essential for major economies in the currency bloc, after the outbreak of war in the Middle East halted flows of oil, its byproducts, and liquified natural gas.

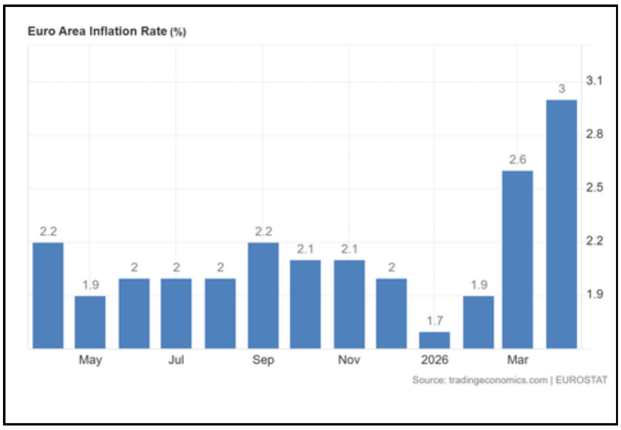
The regional divergence widened further. Among the Member States for which data are available, Finland recorded the highest increase at 0.9 percent, followed by Hungary at 0.8 percent and Spain at 0.6 percent. Declines were recorded in Ireland at negative 2.0 percent, Lithuania at negative 0.4 percent, and Sweden at negative 0.2 percent. France posted flat GDP growth. Germany managed a modest 0.3 percent gain driven by defence and infrastructure spending, even as its industrial base continued to face structural pressures.

The S&P Global Eurozone Composite PMI declined to 48.8 in April, falling below the 50 expansion threshold for the first time in 16 months. The downturn was especially visible in the services sector, where the activity index fell to 47.4, a 62-month low. Manufacturing proved more resilient, with the Eurozone Manufacturing PMI climbing to 52.2 in April from 51.6 in March, surpassing expectations and marking the strongest improvement in business conditions since mid-2022. However, this manufacturing resilience appears partly driven by inventory building ahead of potential supply disruptions, rather than genuine demand strength.

Inflation

Inflation across the 20-country bloc came in at 3.0 percent in April, while core inflation, which strips out energy and food costs, held at 2.2 percent. This represents a further acceleration from the 2.6 percent recorded in March and the 1.9 percent in February, marking three consecutive months of sharp upward pressure driven almost entirely by the energy shock.

Input cost pressures in the composite economy continued to rise substantially in April, with the rate of inflation accelerating further to a 40-month high, reflecting broad-based quickening at the sector level.



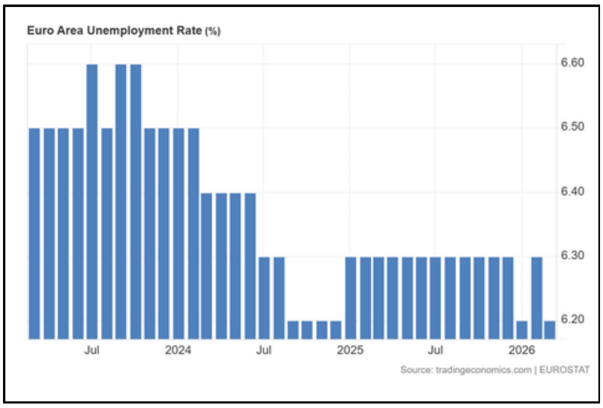
MACRO OVERVIEW

Eurozone - April 2026

Output prices were subsequently raised more aggressively. In the manufacturing sector specifically, output charge inflation accelerated to a 39-month record in April.

Labour Market

On the labour market, the unemployment rate edged up to 6.3 percent in February from the historical low of 6.2 percent in January, and this trend has extended into the first quarter as companies have become increasingly cautious about hiring. While overall new orders decreased for the second month in a row, employment decreased only marginally, with staffing levels in the services sector remaining broadly resilient. The labour market, while not deteriorating sharply, is no longer providing the buffer against consumption slowdown that it had in previous quarters.



Monetary Policy & Credit

The ECB Governing Council decided to keep the three key interest rates unchanged at its April 30 meeting. The deposit facility remained at 2.00 percent, the main refinancing rate at 2.15 percent, and the marginal lending rate at 2.40 percent. The bank noted that while the incoming information had been broadly consistent with its previous assessment of the inflation outlook, the upside risks to inflation and the downside risks to growth have intensified.

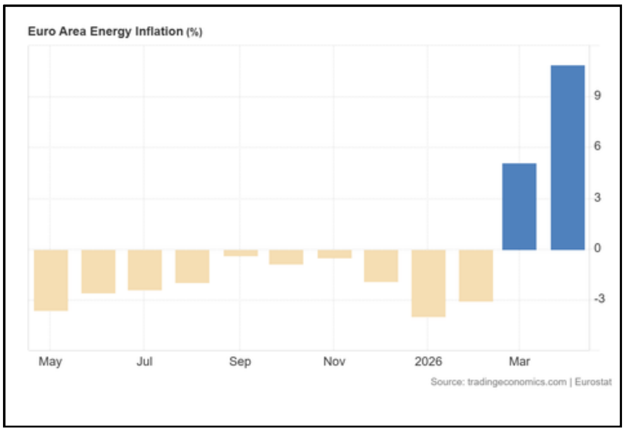
ECB President Christine Lagarde said the decision to hold rates was unanimous, though policymakers debated various options including a possible hike. She added that the discussion centred on the fact that the ECB is "certainly moving away" from its baseline scenario.

The June meeting is now the critical one to watch. Some economists see the potential for a rate increase in the near term.

Some analysts believe the bank's June meeting will be the one to watch, with a potential 25-basis-point increase to take the key interest rate to 2.25 percent, while others insist the central bank must tread carefully before hiking rates at a time when the economy appears to be stalling. The majority of market traders currently expect the ECB's key rate to reach at least 2.5 percent by year-end.

Energy & External Environment

The energy shock remains the dominant driver of the eurozone macro outlook. Brent oil prices have moved above $100 per barrel and Dutch TTF gas has risen above 45 euros per MWh, signalling an increase in the risk of a prolonged disruption to global energy markets following the collapse of ceasefire talks in Islamabad.



MACRO OVERVIEW

Eurozone - April 2026

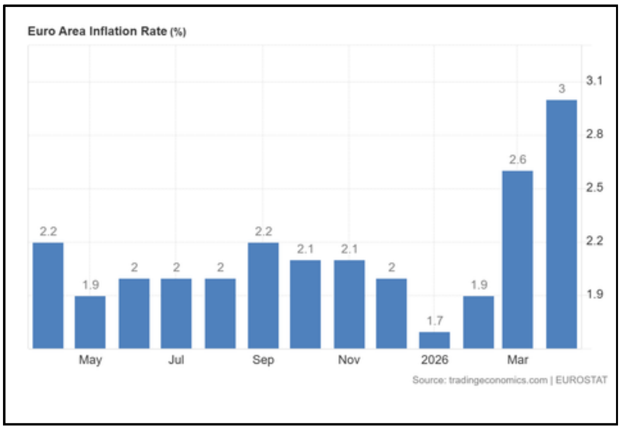
Questions around the reopening of the Strait of Hormuz are at the centre of ECB uncertainty, with Bundesbank President Nagel labelling the critical waterway "the heel of the world economic system."
The euro has continued to depreciate against the dollar as the energy import burden widens the region's current account deficit and safe-haven flows into dollar assets persist. Currency weakness adds a secondary inflationary channel through import prices, compounding the direct energy effect.

Risks & Market Implications

The ECB itself acknowledged that "the longer the war continues and the longer energy prices remain high, the stronger is the likely impact on broader inflation and the economy," noting that the implications for medium-term inflation and activity will depend on the intensity and duration of the energy price shock and the scale of its indirect and second-round effects.
The primary risk is a stagflationary entrenchment: sub-0.5 percent quarterly GDP growth persisting through H2 2026 while inflation remains structurally above 2.5 percent, forcing the ECB to choose between hiking into a weakening economy or tolerating above-target inflation. France's GDP unexpectedly stalled in Q1, and Italy revised its projection lower, hinting it may not meet its fiscal projections. These fiscal pressures will widen sovereign spreads, particularly in the periphery.
A milder scenario involves a Strait of Hormuz resolution that allows energy prices to correct and inflation to fall back toward 2.3 to 2.4 percent by Q3, enabling the ECB to maintain the current rate level through year-end without a hike. This would allow the composite PMI to recover above 50 and GDP growth to stabilise near 0.2 percent per quarter.

Analysts Overview

Investors should maintain a cautious, defensive posture in European markets. The stagflationary configuration is now more clearly established than it was in March: growth is not just slowing but contracting in composite terms, while inflation has surged 110 basis points in two months. The June ECB meeting represents a critical binary event for markets: a rate hike would weigh on equity valuations and peripheral spreads, while a hold combined with dovish signals could temporarily stabilise risk assets but risks being read as permissiveness on inflation.
In equities, a defensive sector tilt remains appropriate, favouring energy, utilities, and healthcare over consumer discretionary and rate-sensitive real estate. For fixed income, core duration offers limited appeal until there is clarity on the ECB's next move, while peripheral sovereign debt remains under material spread pressure. Now, we believe currency-hedged positions remain preferable given continued euro weakness, and staying data-driven ahead of the June ECB meeting and further energy market developments is essential.



STOCK ANALSYS

Novo Nordisk A/S (NVO)

novo nordisk®

BUY	**$43.61**	**$71.05**	**62.93%**
Recommendation	Current Price	Price Target	Implied Upside

Business Details

Novo Nordisk is a Danish multinational biopharmaceutical company and current global leader in the development and commercialisation of treatments for diabetes and obesity. With over 100 years of history, the company has evolved from a specialised insulin manufacturer into the dominant force in the GLP-1 market. In 2025, the company reported record net sales of over DKK 309 billion. Continuous net income growth and margin expansion reflect a highly profitable business, with net profits exceeding DKK 102 billion in 2025.

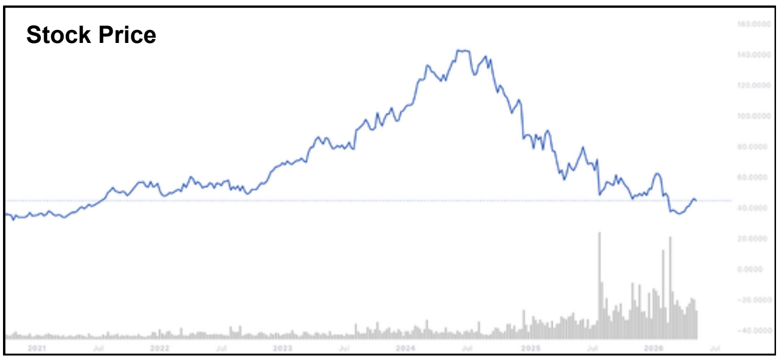
The company operates primarily through three segments: Diabetes, Obesity and Rare Diseases. While the diabetes segment remains the primary revenue driver, the rare diseases segment generated approximately DKK 20 billion of total sales in 2025. Geographically, Novo Nordisk has a strong dependence on the North American market, which accounted for 56 percent of total sales in 2025. Supporting its market leadership through heavy investment in R&D, the company spent over DKK 52 billion on research and development in 2025, a figure that has more than tripled since 2020.

Investment Thesis

The investment thesis rests on three core pillars. The first is the transformational growth of the obesity market: the global economic impact of excess weight is estimated to represent nearly 3 percent of world GDP by 2035, with the obesity treatment market expected to grow tenfold by that date. Novo Nordisk is perfectly positioned to capture a significant share of this value. In 2025, the obesity segment's share of sales grew from 9 percent in 2022 to 27 percent, driven by Wegovy, whose annual sales reached DKK 79 billion in 2025, growing 36 percent versus 2024.

The second pillar is the uncontested dominance of the GLP-1 portfolio. GLP-1 drugs are the company's Economic Moat: in 2025 they generated nearly DKK 152 billion in diabetes sales, surpassing insulin revenues of DKK 53 billion. Ozempic holds a 45.8 percent value share in the global GLP-1 diabetes market as of 2025, and its consistent sales growth since 2020 demonstrates the strong retention and perceived efficacy among both patients and physicians.

The third pillar is the scale advantage and operational reinvestment capacity. With gross margins consistently above 80 percent, the company is able to channel substantial cash flows into intellectual property protection and leadership reinforcement. Its specialisation in cardiometabolic conditions, unlike more diversified peers such as Pfizer or AstraZeneca, gives Novo Nordisk a critical advantage in the peptide and injectable pen supply chain.



STOCK ANALSYS

Valuation

Forecasts & Income Statement Summary

Revenue projections assume a 5 percent annual growth rate for FY2026P through FY2030P, based on analyst research suggesting a slowdown in the pharmaceutical sector to between 4 and 6 percent. The gross margin is projected at 80 percent, slightly below the company's historical average of 82 percent but significantly above the industry average of 72 percent. Depreciation and amortization is projected using a fixed ratio of 7 percent of net revenue. The tax rate is calculated as the average of the previous three years at 20.73 percent. And finally, the WACC of 6.42 percent was estimated using CAPM with a risk-free rate of 4.30 percent, an equity risk premium of 4.23 percent (Damodaran) and a levered beta of 0.60.

(DDK m)	FY2023A	FY2024A	FY2025A	FY2026P	FY2027P	FY2028P	FY2029P	FY2030P
Revenue	**232,261**	**290,403**	**309,064**	**324,517**	**340,743**	**357,780**	**375,669**	**394,453**
YoY Growth	N/A	25.0%	6.4%	5.0%	5.0%	5.0%	5.0%	5.0%
Gross Profit	196,496	245,881	250,276	259,614	272,594	286,224	300,535	315,562
Gross Margin	84.6%	84.7%	81.0%	80.0%	80.0%	80.0%	80.0%	80.0%
EBIT	**102,574**	**128,339**	**127,658**	**120,558**	**144,100**	**151,305**	**158,870**	**166,814**
EBIT Margin	44.2%	44.2%	41.3%	37.2%	42.3%	42.3%	42.3%	42.3%
Net Income	**83,683**	**100,988**	**102,434**	**91,613**	**110,275**	**115,987**	**121,984**	**128,281**
Net Margin	36.0%	34.8%	33.1%	28.2%	32.4%	32.4%	32.5%	32.5%
D&A	9,413	19,107	21,982	22,716	23,852	25,045	26,297	27,612
CapEx	38,896	51,309	90,113	58,413	61,334	64,400	67,620	71,001
Delta WC	-17,850	-13,515	10,901	-6,821	-6,821	-6,821	-6,821	-6,821
FCFF	**70,371**	**83,213**	**21,141**	**66,693**	**83,570**	**87,407**	**91,437**	**95,668**

The DCF model employs a two-stage approach: an explicit projection period from 2026 to 2030, followed by a terminal value calculated using the Gordon Growth Model. Free cash flows to the firm are discounted using the mid-year convention (periods 0.5 to 4.5) and the WACC. A terminal growth rate of 2.5 percent is applied, reflecting Novo Nordisk's long-term growth potential supported by the continued expansion of the obesity market, the dominance of the GLP-1 portfolio and its growing global presence.

Terminal Growth Rate	**2.5%**	**Implied Enterprise Value (DDK m)**	**2,192,087**
WACC	6.42%	Less: Net Debt (DDK m)	103,996
PV of Terminal Value (DDK m)	1,830,684	Shares Outstanding (m)	4,448
Sum of PV of FCFF (DDK m)	361,403	**Implied Share Price**	**DDK 469.48**

STOCK ANALSYS

The comparables analysis benchmarks Novo Nordisk against its closest listed peers in the global pharmaceutical sector: Eli Lilly, AstraZeneca, Pfizer and Sanofi. The peer set reflects companies with exposure to the development and commercialisation of pharmaceuticals, though significant differences in scale, geography and profitability exist. The comparables-implied price was calculated using the EV/EBITDA, EV/Sales and P/E medians. Market data is reported as of 01/05/2026 and Novo Nordisk's figures were converted from DKK to USD using an exchange rate of 6.3751.

Company	Price ($)	Mkt Cap ($m)	EV ($m)	EV/Sales	EV/EBITDA	P/E
Eli Lilly and Company (LLY)	961.84	860,000	896,370	13.75x	28.28x	34.22x
AstraZeneca PLC (AZN)	184.74	287,000	313,400	5.34x	16.76x	27.96x
Pfizer Inc. (PFE)	26.33	149,817	203,867	3.26x	9.99x	19.42x
Sanofi (SNY)	46.08	117,500	134,190	2.54x	13.65x	12.70x
Peer Median	—	—	—	**4.30x**	**15.21x**	**23.69x**
Novo Nordisk A/S (NVO)	43.61	193,952	210,264	4.34x	8.96x	13.94x

Key Risks

Aggressive Competition from Eli Lilly: The primary threat to the investment thesis lies in the established duopoly with US-based Eli Lilly. The competing drug Mounjaro had already secured 23 percent of the global market share in Q1 2025. Furthermore, driven by a very strong drug development pipeline, Eli Lilly briefly became the global leader among large pharmaceutical companies by market capitalisation, momentarily surpassing one trillion dollars in November 2025.

Dependence on the North American Market and Pricing Pressures: Since 56 percent of sales come from North America, Novo Nordisk is highly exposed to changes in US public health policies. The introduction of legislation allowing the US government to directly negotiate the price of publicly funded drugs represents a significant regulatory risk that could negatively pressure profit margins going forward.

Revenue Concentration: In 2025, the vast majority of Novo Nordisk's revenue came from the diabetes segment, though this fell to 67 percent of the total in favour of obesity growth. Should long-term studies reveal serious adverse side effects associated with the GLP-1 drug class, the company would be severely impacted due to its lack of deep portfolio diversification relative to peers such as Sanofi.

Conclusion

Based on our DCF model, projecting a cost of capital (WACC) of 6.42 percent and a terminal growth rate of 2.5 percent, we arrived at an implied share price of DKK 469.48 (approximately $73.64). The comparable company analysis, comprising peers Eli Lilly, AstraZeneca, Pfizer and Sanofi, suggests a different pricing framework. The peer group median trades at EV/Sales of 4.30x and EV/EBITDA of 15.21x, and after converting from DKK to USD at a rate of 6.3751, applying these multiples yields an average implied price of $68.45. Blending both approaches, we arrive at a final price target of $71.05, reflecting an equal weighting of the DCF and the comparables. Against the current share price of $43.61 (DKK 278), this represents an upside potential of approximately 62.93 percent, supporting a BUY recommendation for investors with a long-term investment horizon.

STOCK ANALSYS

Rio Tinto Group (RIO)

HOLD Recommendation	**$100.58** Current Price	**$101.53** Price Target	**-0.94%** Implied Downside

Business Details

Rio Tinto Group is one of the world's largest diversified mining companies, founded in 1873 and listed on the NYSE under the ticker RIO. The group operates in more than 35 countries, supplying essential raw materials for the global energy transition, with operations organised across three main segments: Iron Ore, Copper, and Aluminium & Lithium. Strategy under CEO Simon Trott centres on operational simplification, project execution and capital discipline. In FY2025, Rio Tinto reported revenue of $57.6 billion, EBITDA of $23.0 billion and net income of $10.2 billion.

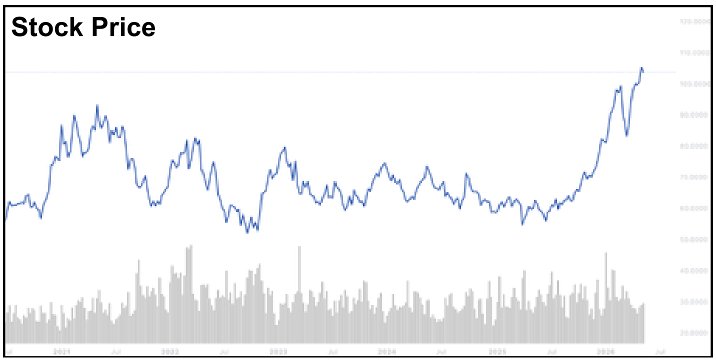
Iron Ore remains the largest contributor, accounting for approximately 50 percent of group revenue. The Pilbara operations in Western Australia continue to generate consistent cash flows, complemented by the Simandou project in Guinea ($6.2 billion investment), which delivered its first shipments in Q4 2025. The Copper segment is the key growth driver: Oyu Tolgoi in Mongolia grew production 11 percent YoY in 2025 and is on track to become the world's fourth-largest copper mine before 2030. The Aluminium & Lithium segment was transformed by the $6.7 billion acquisition of Arcadium Lithium in March 2025, placing Rio Tinto among the top three global lithium producers.

Investment Thesis

The investment thesis rests on three core pillars. The first is energy transition positioning: the acquisition of Arcadium Lithium transforms Rio Tinto's exposure to the battery materials supply chain. Combined with the ramp-up of Oyu Tolgoi, the group is building a copper and lithium portfolio that directly benefits from electrification and clean energy infrastructure investment. Copper output is projected to grow materially through 2030, supporting a structural shift in revenue mix away from iron ore dependency.

The second pillar is the copper growth catalyst. Oyu Tolgoi is expected to reach nameplate underground capacity before 2030, becoming the fourth-largest copper mine globally. Copper segment revenues are projected to grow from $13.7 billion in 2025 to $23.0 billion by 2030, representing a CAGR of approximately 11 percent. This growth is underpinned by existing infrastructure and contracted offtake, rather than speculative exploration.

The third pillar is capital discipline and shareholder returns. Management targets a 60 percent dividend payout ratio and has committed to $650 million in productivity improvements. With FCFF recovering from a CapEx peak of $12.3 billion in 2025 to a projected $8.7 billion by 2030, as the Simandou and Arcadium investment cycles mature, the group is well positioned to sustain distributions while self-funding its growth pipeline.



STOCK ANALSYS

RioTinto

Valuation

Forecasts & Income Statement Summary

Revenue projections assume growth of 8.9 percent in FY2026P, driven by Simandou first shipments and the Oyu Tolgoi copper ramp-up, decelerating to 3.0 percent per annum from FY2028P onwards. The gross margin is held constant at 64.2 percent, in line with the three-year historical average. The EBIT margin converges gradually to 29.9 percent by 2030, with SG&A held at 24.8 percent of revenue and R&D at 1.0 percent. The tax rate is projected at 28.0 percent and the WACC of 7.04 percent was estimated using CAPM with a risk-free rate of 4.38 percent, an equity risk premium of 4.50 percent (Damodaran) and a levered beta of 0.64.

($m)	2023A	2024A	2025A	2026P	2027P	2028P	2029P	2030P
Revenue	**54,041**	**53,658**	**57,638**	**62,745**	**63,924**	**65,842**	**67,817**	**69,852**
YoY Growth	N/A	-0.7%	7.4%	8.9%	1.9%	3.0%	3.0%	3.0%
Gross Profit	34,794	34,061	37,241	40,251	41,007	42,238	43,505	44,810
Gross Margin	64.4%	63.5%	64.6%	64.2%	64.2%	64.2%	64.2%	64.2%
EBIT	**15,498**	**16,491**	**16,414**	**18,460**	**18,912**	**19,560**	**20,218**	**20,886**
EBIT Margin	28.7%	30.8%	28.5%	29.4%	29.6%	29.7%	29.8%	29.9%
Net Income	**9,953**	**11,574**	**10,249**	**12,112**	**12,385**	**12,799**	**13,220**	**13,649**
Net Margin	18.4%	21.6%	17.8%	19.3%	19.4%	19.4%	19.5%	19.5%
D&A	5,334	5,918	6,577	7,216	7,351	7,572	7,799	8,033
CapEx	7,086	9,621	12,335	12,549	12,785	13,168	13,563	13,970
Delta WC	-292	-312	-598	-400	-400	-400	-400	-400
FCFF	**9,730.00**	**8,832.00**	**6,388.00**	**8,358**	**8,584**	**8,887**	**9,192**	**9,500**

The DCF model uses a two-stage approach: an explicit projection period from FY2026P to FY2030P, followed by a terminal value using the Gordon Growth Model, with FCFFs discounted at the mid-year convention. A terminal growth rate of 2.5 percent is applied, reflecting the long-term nominal growth potential of a globally diversified mining group benefiting from energy transition demand tailwinds.

Terminal Growth Rate	**2.5%**	**Implied Enterprise Value ($m)**	**190,270**
WACC	7.04%	Less: Net Debt ($m)	14,362
PV of Terminal Value ($m)	152,703	Shares Outstanding (m)	1,638
Sum of PV of FCFF ($m)	37,567	**Implied Share Price**	**$107.39**

STOCK ANALSYS

RioTinto

The comparable company analysis benchmarks Rio Tinto against its closest listed peers in the diversified mining sector: BHP Group, Vale S.A., and Teck Resources. The peer set reflects companies with overlapping commodity exposure (iron ore, copper, base metals), though significant differences in scale, geography and business mix exist. Market data is as of 01/05/2026. The comparables-implied price was calculated using the EV/Sales, EV/EBITDA and P/E medians, with each methodology yielding an implicit price. The final blended price of $101.53 reflects an equal weighting between the DCF-implied price ($107.39) and the comparables-implied price ($95.67).

Company	Price	Mkt Cap ($m)	EV ($m)	EV/Sales	EV/EBITDA	P/E
BHP Group Limited	$79.06	200,600	214,810	3.98x	7.40x	19.62x
Vale S.A.	$16.18	69,280	86,190	2.18x	8.09x	24.52x
Teck Resources Limited	$57.95	28,200	31,370	2.53x	6.13x	21.00x
Median	—	—	—	**2.53**	**7.40**	**21.00x**
Rio Tinto Group (RIO)	$100.58	164,750	179,112	3.11x	7.79x	16.54x

Key Risks

Iron Ore Price Volatility: Iron Ore remains approximately 50 percent of group revenue, making the group highly sensitive to price movements driven by Chinese steel demand. A sustained slowdown in Chinese construction activity or a structural shift in steel production methods could materially impair cash generation, as evidenced by the revenue decline from $54.0 billion in 2023 to $53.7 billion in 2024.

Geopolitical Risk in Guinea and Mongolia: The Simandou project in Guinea and Oyu Tolgoi in Mongolia are the two pillars of Rio Tinto's long-term growth story, yet both operate in jurisdictions with elevated political and regulatory risk. Any material disruption to either project would directly undermine the group's forward projections.

China Concentration Risk: Rio Tinto derives a disproportionate share of revenues from Chinese customers, making it highly exposed to US-China trade tensions, potential tariffs on Australian exports, and any structural shift in Chinese steel or energy policy.

Conclusion

Based on our DCF model (WACC 7.04 percent, terminal growth rate 2.5 percent), we arrive at an implied share price of $107.39. The comparable company analysis, using peers BHP Group, Vale S.A. and Teck Resources, yields a weighted implied price of $95.67, applying a 40 percent weight to EV/Sales, 40 percent to EV/EBITDA, and 20 percent to P/E. Blending both approaches equally, we arrive at a final price target of $101.53. Against the current share price of $100.58, this represents a downside of approximately 0.94 percent, supporting a HOLD recommendation. The investment case is structurally sound as the energy transition exposure, copper growth and capital discipline are genuine long-term value drivers, but the current valuation appears to reflect these positives fairly, leaving limited margin of safety at current levels.

IIC FUND

Portfolio Overview

Welcome to the second edition of the IIC Fund section. The ISCAL Investment Club continues its pursuit of generating alpha through rigorous, member-driven equity research, combining discounted cash flow and comparable company analysis. The S&P 500 Index remains our performance benchmark and default vehicle for uninvested capital, ensuring idle cash stays exposed to broad market returns.
This month marks our first active portfolio reallocation. We initiated a new position in the healthcare sector by acquiring 100 shares of Novo Nordisk (NVO), financed by liquidating a fraction of our S&P 500 holdings. This rotation reflects our strategy of moving funds from the broad market into high-conviction opportunities as they arise. All figures exclude transaction costs and commissions.

EUR 50,000 Initial Capital	EUR 48,188 Invested Capital	EUR 9,268 Cash	4 Active Positions
0.73 Sharpe Ratio	-7.38% VaR (95%, 1-day)	-21.89% Max Drawdown	1.09 Portfolio Beta

Current Holdings

Security	Sector	Qty	Entry Price	Value (EUR)	Weight
S&P 500 Index	Broad Market	5	USD 6,816.89	EUR 31,944	55.60%
Oracle (ORCL)	Technology	60	USD 146.38	EUR 10,035	17.47%
Novo Nordisk (NVO)	Health Care	100	USD 43.61	EUR 3,954	6.88%
Uber (UBER)	Consumer	36	USD 71.89	EUR 2,254	3.92%

Risk Rules

Rule	Limit	Current	Status
Max Weight - Stock	≤ 15%	55.60% *	**OVER ***
Max Weight - Sector	≤ 25%	21.39%	**OK**
Minimum Cash Holding	≥ 10%	16.03%	**OK**

* S&P 500 triggers the single-stock rule as a single instrument. In practice this is the benchmark parking vehicle - not a concentrated bet. Weight decreases naturally as new equity positions are added.

CLOSING - WHAT TO WATCH NEXT MONTH

Looking Ahead - May 2026

As we look into May 2026, several key events will shape market performance and the IIC Fund's trajectory. Our team will monitor the following closely:

Federal Reserve Transition. With Chair Powell's term officially expiring this month, the market is bracing for the leadership handover. We will closely monitor the incoming Chair's early communications and policy framework, as these signals will formally dictate the pace of easing and serve as the primary catalyst for institutional flows heading into H2 2026.

Retail Earnings & Consumer Health. Following the major tech and financial reports in April, May shifts the focus to Q1 earnings from major retailers. These reports will serve as a crucial barometer for consumer resilience amidst sticky inflation and will offer vital forward guidance on discretionary spending trends.

Inflation Prints & Energy Spillover. With geopolitical tensions continuing to pose a risk to global oil trade, upcoming CPI and PCE prints will be heavily scrutinized. Any upward inflation surprises driven by sustained Brent prices above $90/barrel could force central banks to further delay easing timelines, directly impacting equity valuations and our portfolio's duration strategy.

IIC Team

Our Team

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