ISCAL INVESTMENT CLUB

IIC Monthly Newsletter

October 2026

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FOREWORD

Welcome to the IIC Newsletter

Welcome to the October edition of the ISCAL Investment Club Monthly Newsletter. Over the past month, financial markets have continued to offer plenty of topics worth following, from developments in the global economy to company performance and major corporate transactions. As always, this edition brings together some of the work carried out by our different teams throughout the month.

Our macroeconomic section looks at the United States and the Eurozone, covering the latest developments in economic activity, inflation, employment and monetary policy. We take a closer look at the events that shaped both economies during October and the topics that have remained at the centre of investors' attention.

In our equity research section, we turn our attention to two companies from very different industries: Nike and HCA Healthcare. Both teams have spent the month studying their respective businesses, looking at their financial performance, competitive position and future prospects. Alongside this, our M&A team presents a review of the Synopsys acquisition of Ansys, exploring the companies involved, the reasons behind the transaction and its financial aspects.

We also bring you the latest update on the IIC Fund, where we share the development of our portfolio and the work being carried out by our Portfolio Management team.

We hope you enjoy this edition and find our team's work interesting. Thank you for continuing to follow the ISCAL Investment Club.

MACRO OVERVIEW

United States - October 2026

Executive Summary

The US economy entered the final quarter of 2026 with strong economic activity, although some signs of pressure remained. Real GDP grew at an annual rate of 3.4 percent in the third quarter, supported by consumer spending, business investment and government spending. October business surveys also pointed to continued growth, particularly in manufacturing.

However, inflation remained above the Federal Reserve's target, with higher energy costs adding to price pressures. The Federal Reserve kept interest rates unchanged at its October meeting, while two members supported a further increase.

The labour market showed mixed signals, although the latest October employment figures pointed to stronger hiring.

Financial markets experienced a significant change in leadership during the month. Technology and communication stocks came under pressure, particularly companies linked to artificial intelligence, while energy and more defensive sectors performed better. This created a clear difference between the performance of the largest technology companies and the wider stock market.

Growth & Activity

However, exports declined during the quarter, partly limiting the overall increase in output.

Business activity also remained strong in October. The S&P Global Composite PMI stood at 55.9, down from 58.4 in September, but still well above the 50 level that separates growth from contraction. This indicates that companies continued to report higher activity, even though the pace of expansion became slightly slower.

Manufacturing was particularly strong. The ISM Manufacturing PMI increased to 55.5 from 54.5, while the production index reached 59.0. The ISM Services PMI also remained in expansion territory at 54.5, although it showed a slight slowdown.

Households were less confident than businesses. The University of Michigan Consumer Sentiment Index stood at 48.0 in October, almost unchanged from September and around 10 percent below its level a year earlier. Higher prices and concerns about purchasing power continued to affect consumer confidence. This difference between strong business activity and weaker household sentiment remains an important feature of the US economy.

Inflation

Inflation remained a major concern during October. The Consumer Price Index increased by 0.6 percent in September, bringing annual inflation to 3.7 percent, up from 3.4 percent in August.

Energy continued to be the main source of pressure. Gasoline prices increased by 9.1 percent during September, while the overall energy index was 20.4 percent higher than a year earlier. These increases affected household budgets and raised costs for businesses across several industries.

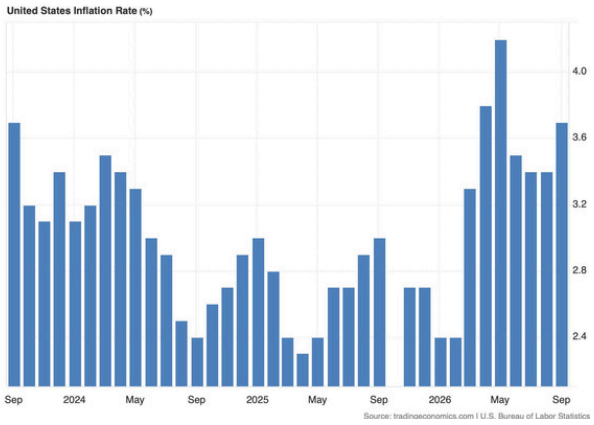
Core CPI, which excludes food and energy, increased by 2.6 percent over the year, compared with 2.4 percent in August. This suggests that price pressures were not limited to energy, although the main increase continued to come from fuel and related costs.

The Personal Consumption Expenditures price index, the Federal Reserve's preferred inflation measure, increased by 3.6 percent over the year in September. Core PCE stood at 3.1 percent.

MACRO OVERVIEW

United States - October 2026

At the same time, the University of Michigan survey showed that consumer inflation expectations increased to 4.7 percent for the year ahead and 3.5 percent over the longer term.
These figures show that inflation remains above the Federal Reserve's 2 percent target, making it difficult for monetary policy to become less restrictive.



Labour Market

The US labour market showed some mixed developments during the autumn. September payroll employment increased by only 60,000, while the unemployment rate stood at 4.2 percent, indicating a weaker pace of job creation.
However, the October employment report, released on November 6, showed an increase of 165,000 jobs, with unemployment at 4.1 percent. Employment gains were particularly visible in professional services, healthcare and transportation.
Business surveys also pointed to stronger hiring activity in October, especially in manufacturing and services.
This suggests that the labour market remained relatively stable, although monthly figures have shown some variation.
For the Federal Reserve, employment conditions remain important when deciding how to balance the risks of inflation against the need to support economic activity.

Monetary Policy

On October 28, the Federal Reserve decided to keep the federal funds target range unchanged between 3.75 and 4.00 percent. The decision was approved by a 10 to 2 vote, with both dissenting members supporting an increase of 0.25 percentage points.
The decision reflected the balance between strong economic activity and continued inflationary pressure. Economic growth remained solid, while the increase in energy prices continued to create risks for the inflation outlook.
The Federal Reserve also noted that economic activity was expanding at a strong pace and that inflation remained elevated. The decision therefore represented a pause in interest rate increases rather than a clear move towards monetary easing.
Future decisions will depend on incoming inflation and employment data, with investors closely watching whether price pressures begin to ease or remain above the central bank's target.

Energy & External Environment

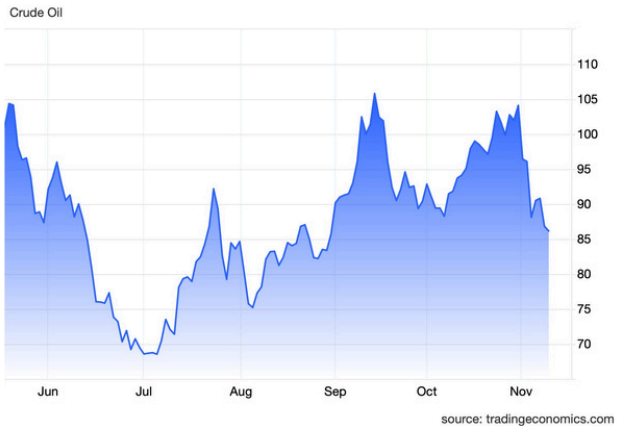
Energy markets remained an important source of uncertainty during October. The conflict involving Iran continued to affect global energy supply and contributed to higher oil prices.

MACRO OVERVIEW

United States - October 2026

Higher energy costs affected both households and businesses, particularly through fuel, transportation and production expenses. These developments also increased uncertainty around inflation, as higher input costs can gradually be passed on to consumers.

The risks extend beyond energy markets. The International Monetary Fund also highlighted concerns around high levels of debt and the possibility of a correction in artificial intelligence related stocks. These factors added to the uncertainty surrounding the global economic outlook.



Sector Outlook & Opportunities

Recent tightening in energy markets, driven by declining crude inventories and geopolitical disruptions, has supported elevated oil-price expectations, creating potential opportunities within the Energy sector. Meanwhile, recent corrections in technology stocks have improved valuation prospects in parts of the Software industry, while continued AI adoption, cybersecurity spending and cloud demand provide long-term growth opportunities. Greater emphasis should be placed on companies with strong cash generation, sustainable earnings and credible AI monetisation strategies.

The pressure on technology stocks was particularly visible among companies linked to artificial intelligence and semiconductors. Around $5 trillion in market value was lost by a group of major companies since October 6, reflecting growing concerns about valuations and the level of investment required to support future growth. This change in market performance shows how investors began looking beyond technology, with greater interest in sectors offering more stable business performance.

Risks & Market Implications

The main challenge for the US economy remains the combination of strong economic activity and persistent inflation. Higher energy prices could keep inflation above the Federal Reserve's target for longer, making it more difficult for the central bank to reduce interest rates.

At the same time, weaker consumer confidence and concerns about purchasing power could eventually affect household spending. A slowdown in consumption would have important consequences for businesses, given its large contribution to US economic activity.

Financial markets also remain exposed to changes in interest rate expectations and company valuations. The recent decline in technology shares shows how quickly investor expectations can change, particularly when valuations depend heavily on future growth and continued investment in artificial intelligence.

MACRO OVERVIEW

Eurozone - October 2026

Executive Summary

The euro area entered the fourth quarter with a mixed outlook, combining stronger than expected economic growth with signs of weakening business momentum and rising financial risks. Preliminary Eurostat data showed that GDP expanded by 0.4 percent quarter on quarter in Q3, slowing from 0.6 percent in the previous quarter. Growth remained uneven across member states, with Spain and the Netherlands outperforming, while France contracted.

The S&P Global Eurozone Composite PMI fell to 51.7 in October, from 53.1 in September, indicating a slowdown in private sector activity. The Manufacturing PMI also declined from 52.9 to 52.7, while services lost momentum.

Against this backdrop, the European Central Bank kept its three key interest rates unchanged on October 29, balancing persistent inflationary pressures, particularly from energy, against increasing downside risks to growth.

France also emerged as a key source of financial risk. French 10 year government bond yields rose above 5 percent, reaching their highest level since July 2002, amid growing fiscal and political concerns.

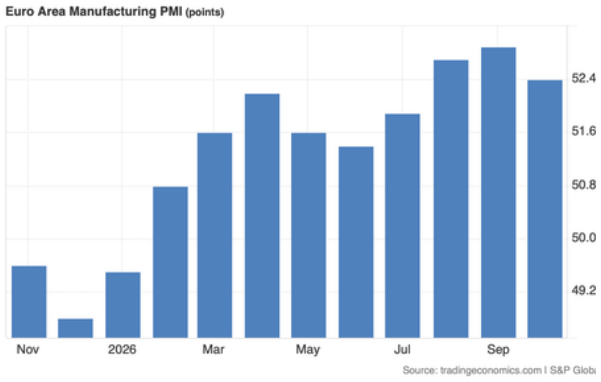
Growth & Activity

Private sector activity across the euro area lost momentum in October, with the S&P Global Eurozone Composite PMI falling from 53.1 to 51.7. The slowdown was particularly pronounced in France, where the Composite PMI fell from 51.1 to 46.6, returning to contractionary territory as both manufacturing and services weakened.

At the euro area level, the Manufacturing PMI declined from 52.9 to 52.7, while remaining in expansion.

Underlying indicators, however, pointed to increasingly defensive behaviour among manufacturers. Input purchasing accelerated to its joint fastest pace in nearly four and a half years, while stocks of purchases increased for the first time in almost four years, reflecting precautionary stockpiling amid the ongoing conflict in the Middle East.

Meanwhile, supplier lead times deteriorated at the sharpest rate in four months, while input costs recorded their strongest increase since May, driven by higher energy, fuel and transportation costs.



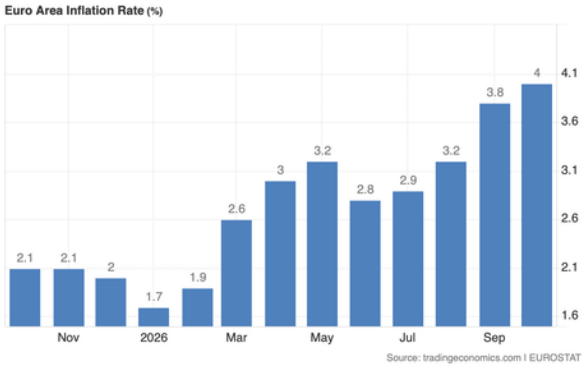
Inflation

Euro area annual inflation accelerated to 4.0 percent in October, up from 3.8 percent in September, according to Eurostat's flash estimate. Energy remained the main driver, with annual energy inflation rising from 18.9 to 20.8 percent. Services inflation increased slightly to 3.3 percent, while food, alcohol and tobacco inflation rose to 1.6 percent. Despite the increase in headline inflation, core inflation remained unchanged at 2.5 percent, suggesting that underlying price pressures have not accelerated significantly.

MACRO OVERVIEW

Eurozone - October 2026

Inflation developments also differed across member states, rising to 5.6 percent in Italy and 3.8 percent in France, while easing to 2.8 percent in Germany.
October's inflation data highlight persistent energy driven price pressures despite stable core inflation.



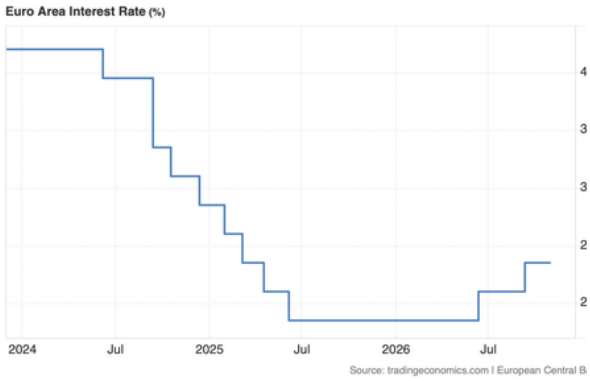
Labour Market

Labour market momentum weakened in October, with PMI data indicating that employment growth across the euro area came close to stagnation. Manufacturing employment declined slightly after two months of growth, while job creation in services also lost momentum. Meanwhile, the latest official unemployment rate remained at 6.5 percent in September.
Overall, October data point to softer labour demand rather than a sharp deterioration. Weaker hiring could weigh on household demand, while helping to contain wage pressures as firms face higher energy and operating costs.

Monetary Policy

The European Central Bank kept its three key interest rates unchanged on October 29, following September's 25 basis point increase. The deposit facility rate remained at 2.50 percent, the main refinancing rate at 2.65 percent and the marginal lending facility rate at 2.90 percent.

Although higher energy prices are pushing headline inflation upwards, there are still limited signs that these pressures are spreading more broadly across the economy. Underlying inflation remains relatively stable and wage growth has not accelerated significantly in response to higher inflation. At the same time, higher interest rates are already making borrowing more expensive and weighing on consumption and investment.
Rather than tightening policy further, the ECB chose to assess how existing rate increases are affecting the economy and whether the energy shock develops into broader second round inflationary effects. Future decisions will remain data dependent and taken on a meeting by meeting basis, with the ECB not committing to a predetermined interest rate path.



Energy & External Environment

Energy market pressures remained elevated in October amid continued geopolitical tensions in the Middle East. Disruptions to LNG flows tightened European gas supply, with EU storage standing at 75 percent of capacity on October 21 and spot gas prices approaching €90/MWh in mid October.
Lower LNG imports and reduced Qatari supply have increased Europe's reliance on alternative suppliers, particularly the United States.

MACRO OVERVIEW

Eurozone - October 2026

Pressure also extended to oil related markets. The European Commission reported that diesel and jet fuel supplies remained tight in October, although no physical shortages were observed, while diesel prices remained elevated amid global market tightness. Higher gas costs also contributed to rising electricity prices, increasing energy cost pressures on households and European industry.

Despite these pressures, the EU enters the winter in a more resilient position than during the 2022 energy crisis, supported by greater supply diversification, higher LNG import capacity and lower gas demand.

Risks & Market Implications

Risks to the euro area outlook increased in October. A prolonged energy shock could sustain inflationary pressures while weakening household purchasing power, consumption and investment.

Sovereign bond markets also showed signs of fragmentation. France remained a major concern amid political instability and fiscal uncertainty, with public debt reaching 119.1 percent of GDP in Q2 2026 and the 10 year government bond yield peaking at 5.13 percent on October 22. Pressure also extended to Italy, while German bonds benefited from safe haven demand and Spanish debt remained relatively resilient.

Higher sovereign yields increased pressure on European equities by raising financing costs and weighing on valuations. In France, political and fiscal uncertainty contributed to temporary declines in the CAC 40, particularly among banking stocks. The subsequent recovery indicated heightened volatility rather than a sustained sell off.

For investors, persistent energy pressures, widening sovereign spreads and political uncertainty remain key risks to European bond and equity markets in the final months of 2026.



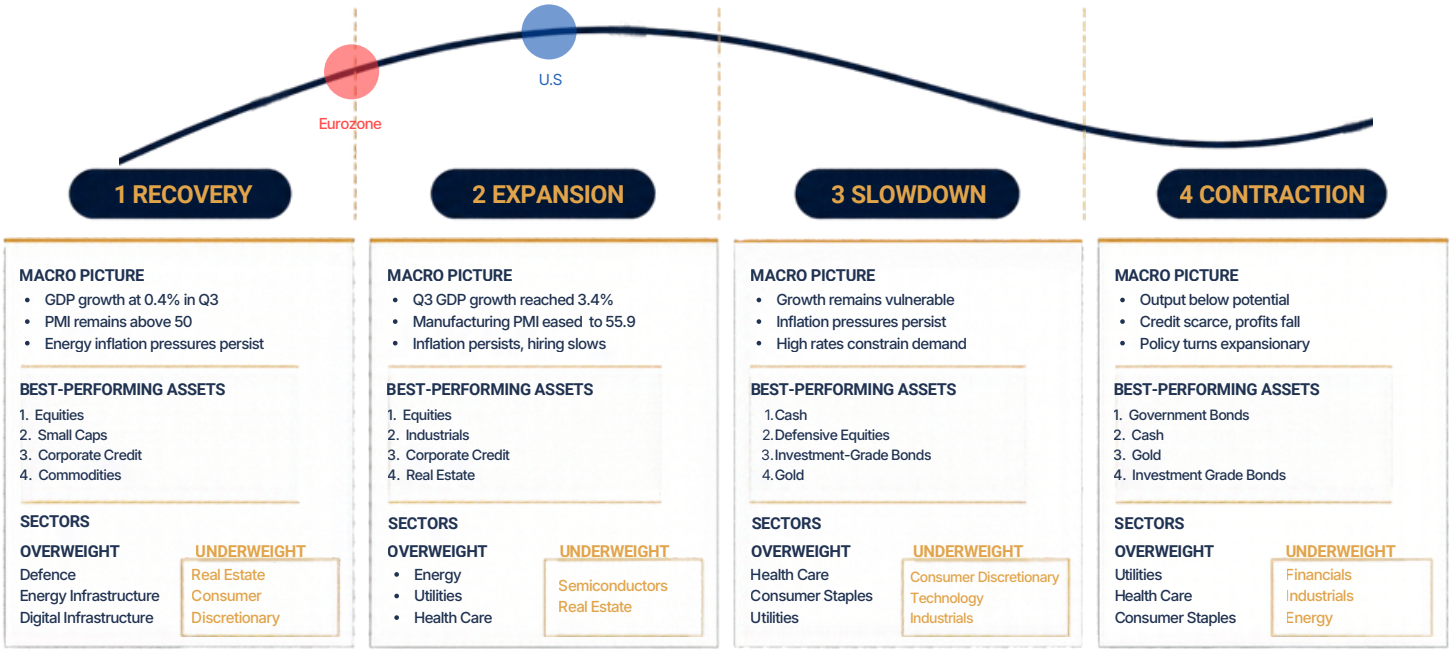
Sector Outlook & Opportunities

Despite slowing economic activity and persistent inflationary pressures, defence, digital infrastructure and energy infrastructure remain sectors with attractive long term growth prospects, supported by European investment priorities. Conversely, elevated energy costs and weaker household purchasing power could weigh on energy intensive industries and consumer discretionary sectors.

Against a backdrop of sovereign bond volatility and financing uncertainty, companies with strong balance sheets, resilient cash flows and pricing power may offer more attractive investment opportunities.

MACRO OVERVIEW

Market Cycle - October 2026



Source: Business Cycle Update by Fidelity

Future Sector Aloccation

Given current market conditions and the portfolio's existing sector exposures, the IIC Investment Club is evaluating potential capital allocation opportunities in the Energy and Software industries. The review focuses on how these sectors are positioned under current economic conditions, considering demand trends, business performance, earnings prospects and the main risks facing companies. The objective is to identify opportunities that could complement the existing portfolio while maintaining a balanced approach to risk and sector exposure.

According to Fidelity's Q4 2026 Business Cycle Update, the global economy remains in an unsynchronized expansion, with different regions moving through different stages of the business cycle. The US demonstrates solid mid cycle dynamics, supported by strengthening economic activity, improving labour market conditions and growing manufacturing optimism. Meanwhile, most developed market economies, including the Eurozone, continue to show resilient cyclical momentum despite persistent inflationary pressures and geopolitical uncertainty.

These differences in economic conditions are important when assessing investment opportunities across sectors. Energy and Software may respond differently to changes in economic growth, inflation and business investment. As a result, the IIC continues to assess how these industries fit within its existing portfolio and where new opportunities may arise.

STOCK ANALYSIS

NIKE, Inc. (NKE)

SELL	$38.67	$28.82	25.5%
Recommendation	Current Price	Price Target	Implied Downside

Business Details

Nike designs, markets and sells athletic footwear, apparel, equipment and accessories under three main brands: Nike, Jordan and Converse. Headquartered in Beaverton, Oregon, the company operates through wholesale partners and Nike Direct, which includes its own stores and digital channels. Its main geographical markets are North America, EMEA, Greater China and Asia Pacific and Latin America.

In FY2026, Nike generated $46.4bn in revenue, with gross profit of $19.9bn and an EBIT margin of 8.2%. In the first quarter of FY2027, revenue reached $11.2bn, down 4% year on year, while gross margin increased to 42.8%. Net income stood at $712m and diluted EPS was $0.48.

Investment Thesis

Nike remains one of the most recognised brands in the global sportswear industry, but its financial performance has weakened over recent years. Revenue declined from $51.4bn in FY2024 to $46.4bn in FY2026, while EBIT fell from $6.3bn to $3.8bn. EBIT margin also decreased from 12.3% to 8.2%, reflecting weaker sales and lower profitability.

The latest quarter showed two different sides of the business. Nike Performance grew at a high single digit rate, supported by running, football, tennis and golf. However, Sportswear and Jordan continued to face difficulties, while Greater China remained under pressure.

Management is focusing on product innovation, a stronger connection with sport and rebuilding wholesale relationships through its Sport Offense strategy. The new Pace programme aims to deliver approximately $2.5bn in cumulative savings through FY2031, although implementation is expected to involve around $1bn in costs.

Despite these efforts, management expects revenue to decline by a high single digit percentage in FY2027. Our analysis therefore focuses on whether the expected recovery in sales and margins is sufficient to support Nike's current market valuation.



STOCK ANALYSIS

Valuation

Forecasts & Income Statement Summary

Revenue projections reflect the expected decline in FY2027, followed by a gradual recovery over the following years. The model forecasts revenue growth returning in FY2028, reaching $45.8bn by FY2030.

Gross margin is expected to remain around 42.0% during FY2027 and FY2028, before improving as the benefits of the Pace programme begin to take effect. EBIT margin is forecast to recover from 7.3% to approximately 9.1% by FY2030, remaining below the 12.3% recorded in FY2024.

($m)	FY2023A	FY2024A	FY2025A	FY2026A	FY2027P	FY2028P	FY2029P	FY2030P
Revenue	**51,217**	**51,362**	**46,309**	**46,398**	**43,150**	**43,582**	**44,453**	**45,787**
YoY Growth	9.7%	0.3%	(9.8%)	0.2%	(7.0%)	1.0%	2.0%	3.0%
Gross Profit	22,292	22,887	19,790	19,911	18,123	18,304	19,504	20,064
Gross Margin	43.5%	44.6%	42.7%	42.9%	42.0%	42.0%	43.9%	43.8%
EBITDA	**6,618**	**7,107**	**4,477**	**4,544**	**3,840**	**3,879**	**4,790**	**4,908**
EBITDA Margin	12.9%	13.8%	9.7%	9.8%	8.9%	8.9%	10.8%	10.7%
NOPAT	**4,714**	**5,030**	**2,950**	**3,026**	**2,511**	**2,536**	**3,251**	**3,328**
NOPAT Margin	9.2%	9.8%	6.4%	6.5%	5.8%	5.8%	7.3%	7.3%
D&A	703	796	775	747	690	697	711	733
CapEx	(969)	(812)	(430)	(684)	(761)	(767)	(778)	(795)
Delta WC	(513)	716	(787)	(1,678)	(565)	(571)	(582)	(600)
FCFF	**3,935**	**5,730**	**2,509**	**1,411**	**1,875**	**1,895**	**2,602**	**2,666**

The DCF model uses a two stage approach, with an explicit forecast period from FY2027 to FY2030, followed by a terminal value calculated using the Gordon Growth Model.

The model applies a WACC of 8.68% and a terminal growth rate of 2.5%. The present value of projected free cash flows is $9.42bn, while the present value of the terminal value reaches $31.45bn, resulting in an enterprise value of $40.87bn. After adjusting for debt, cash and other non operating assets, the model produces an implied equity value of $41.96bn, equivalent to $28.33 per share.

Terminal Growth Rate	2.5%	Net Cash & Other Assets ($m)	1,085
WACC	8.68%	**Implied Equity Value ($m)**	**41,955**
Sum of PV of FCFF ($m)	9,422	Diluted Shares (m)	1,481
PV of Terminal Value ($m)	31,449	**Implied Share Price**	**$28.33**

STOCK ANALYSIS



The comparable company analysis benchmarks Nike against five global footwear and apparel companies: Adidas, Deckers Outdoor, On Holding, Crocs and Birkenstock.
These companies provide exposure to athletic footwear, sportswear and lifestyle products, although differences in business mix, growth and profitability should be considered when comparing their valuation multiples.

Company	Price ($)	Mkt Cap ($m)	EV ($m)	EV/Sales	EV/EBITDA	P/E
Adidas (ADS.DE)	168.55	28,495	32,145	1.20x	13.2x	17.6x
Deckers Outdoor (DECK)	81.99	10,944	10,274	1.80x	7.6x	10.3x
On Holding (ONON)	33.78	10,192	9,515	3.00x	16.0x	24.8x
Crocs (CROX)	150.52	6,883	8,380	2.00x	8.3x	10.4x
Birkenstock (BIRK)	33.43	5,520	6,757	3.00x	10.0x	16.4x
Peer Mean	—	—	—	**2.20x**	**11.02x**	**15.90x**
Nike (NKE)	38.67	57,270	57,649	1.24x	12.69x	18.43x

Key Risks

Turnaround Execution

Nike's recovery depends on the successful execution of its operating plan. Delays in product innovation, inventory management or the rebuilding of wholesale relationships could extend the period of weak financial performance.

Greater China and Competition

Greater China, Sportswear and Jordan remain important areas of weakness. Strong competition from Adidas, On, Hoka, Asics and local brands in China could make the recovery more difficult and put further pressure on sales and margins.

Cost Savings and Margin Recovery

The Pace programme aims to generate approximately $2.5bn in cumulative savings through FY2031, but also involves around $1bn in expected pre tax charges. Delays, higher costs or reinvestment of savings could reduce the expected improvement in margins.

Conclusion

Based on our DCF and comparable company analysis, we assign Nike a SELL (Underweight) recommendation, with a price target of $28.82, representing a potential downside of 25.5% from the October 30 closing price of $38.67.
Nike remains one of the strongest brands in the sportswear industry, but weaker sales in Sportswear, Jordan and Greater China, together with reduced margins, continue to weigh on earnings. While the Pace programme and product innovation provide opportunities for recovery, we expect this process to take time.
At the current share price, we believe the market already reflects a stronger recovery than our forecasts support. Our recommendation is therefore based on valuation rather than the long term quality of the business.

STOCK ANALYSIS

HCA Healthcare, Inc. (HCA)

BUY Recommendation	$463.22 Current Price	$468.97 Price Target	1.2% Implied Upside

Business Details

HCA Healthcare is one of the largest private hospital operators in the United States. The company manages a broad network of hospitals, outpatient surgery centres, emergency departments and specialised care facilities. Its revenue comes from providing medical services to patients covered by commercial insurers, Medicare, Medicaid and private payments.

At the end of 2025, HCA operated 190 hospitals and approximately 2,400 outpatient care locations across 19 US states and England. Its scale allows the company to benefit from centralised purchasing, operational efficiency and a strong presence in local healthcare markets.

In the third quarter of 2026, revenue increased by 3.6% to $19.85bn, while Adjusted EBITDA rose by 1.2% to $3.92bn. Net income declined by 3.9% to $1.58bn, showing some pressure on profitability despite continued growth in patient activity.

Investment Thesis

HCA benefits from a strong market position in the US healthcare industry, supported by its extensive hospital network and the essential nature of its services. Its scale allows the company to improve purchasing conditions, optimise hospital capacity and maintain strong relationships with insurers and healthcare providers.

Demand for healthcare services is supported by an ageing population and the increasing need for specialised treatment. The expansion of outpatient services also creates opportunities for HCA to increase patient volumes and improve the use of its facilities.

Financially, revenue increased from $64.97bn in 2023 to $75.60bn in 2025, while EBITDA reached $15.49bn and its margin increased to 20.5%. The company's ability to generate consistent cash flows supports continued investment in facilities, technology and expansion.

Although the company's valuation requires consideration of debt, capital expenditure and reimbursement risks, we believe HCA remains a strong business with attractive long term prospects.



STOCK ANALYSIS

Valuation

Forecasts & Income Statement Summary

Revenue projections reflect continued growth in HCA's hospital and outpatient services, with annual growth expected to increase from 4.7% in 2026 to 7.2% in 2030. This outlook is supported by demographic trends and increasing demand for specialised healthcare.

Gross margin is expected to remain above 41%, while EBITDA margin gradually declines from 20.4% to 19.9% over the forecast period. Despite this slight reduction, EBITDA is projected to reach $20.08bn by 2030, supported by revenue growth and continued operational efficiency.

($m)	FY2023A	FY2024A	FY2025A	FY2026P	FY2027P	FY2028P	FY2029P	FY2030P
Revenue	**64,968**	**70,603**	**75,600**	**79,161**	**83,380**	**88,341**	**94,145**	**100,914**
YoY Growth	7.9%	8.7%	7.1%	4.7%	5.3%	6.0%	6.6%	7.2%
Gross Profit	25,579	28,678	31,374	33,728	35,310	37,183	39,383	41,953
Gross Margin	39.4%	40.6%	41.5%	42.6%	42.3%	42.1%	41.8%	41.6%
EBITDA	**12,704**	**13,859**	**15,488**	**16,125**	**16,886**	**17,787**	**18,845**	**20,082**
EBITDA Margin	19.6%	19.6%	20.5%	20.4%	20.3%	20.1%	20.0%	19.9%
NOPAT	**7,317**	**8,016**	**9,093**	**9,367**	**9,792**	**10,363**	**10,960**	**11,658**
NOPAT Margin	11.3%	11.4%	12.0%	11.8%	11.7%	11.7%	11.6%	11.6%
D&A	3,077	3,312	3,523	3,800	4,002	4,152	4,425	4,743
CapEx	(5,379)	(5,141)	(5,341)	(5,383)	(5,691)	(6,051)	(6,472)	(6,963)
Delta WC	(457)	(106)	418	(79)	(83)	(88)	(94)	(101)
FCFF	**4,558**	**6,081**	**7,693**	**7,705**	**8,020**	**8,375**	**8,818**	**9,337**

The DCF model forecasts free cash flows from 2026 to 2030, followed by a terminal value using the Gordon Growth Model.

Using a WACC of 7.68% and terminal growth of 2.85%, the model estimates an enterprise value of $171.22bn and an implied equity value of $118.38bn, resulting in a DCF price of $494.88 per share.

DCF is an important valuation tool, but its results depend on long term assumptions and should be considered alongside other methods.

Terminal Growth Rate	2.85%	**Enterprise Value ($m)**	**171,223**
WACC	7.68%	**Implied Equity Value ($m)**	**118,382**
Sum of PV of FCFF ($m)	33,790	Diluted Shares (m)	239
PV of Terminal Value ($m)	137,433	**Implied Share Price**	**494.88**

STOCK ANALYSIS

The comparable company analysis benchmarks HCA against five publicly traded healthcare operators: Tenet Healthcare, Encompass Health, DaVita, Universal Health Services and The Ensign Group.

The selected companies operate across different areas of healthcare, including hospitals, rehabilitation, dialysis and post acute care. Their valuation multiples provide a reference point for assessing HCA's market valuation, although differences in business models should be considered.

Company	Price ($)	Mkt Cap ($m)	EV ($m)	EV/Sales	EV/EBITDA	P/E
Tenet Healthcare (THC)	273.25	22,002	33,082	1.52x	6.84x	9.82x
Encompass Health (EHC)	135.9	13,359	16,083	2.54x	10.58x	21.29x
DaVita (DVA)	187.5	11,963	24,786	1.75x	8.70x	13.37x
Universal Health Services (UHS)	176.05	10,376	16,388	0.89x	6.18x	7.11x
The Ensign Group (ENSG)	181.52	10,610	12,508	2.21x	20.13x	26.58x
Peer Mean	—	—	—	**1.78x**	**10.48x**	**15.63x**
HCA Healthcare (HCA)	463.22	96,763	146,348	1.86x	9.19x	14.28x

Key Risks

Debt and Capital Requirements

HCA carries substantial debt of approximately $50.5bn, with cash and equivalents of around $0.9bn at September 30, 2026. The hospital business also requires continuous investment in facilities, equipment and technology, limiting financial flexibility.

Labour Costs and Reimbursement

Healthcare operations depend heavily on specialised medical staff. Wage inflation and difficulties in recruiting and retaining nurses could put pressure on operating margins. Changes in Medicare, Medicaid and commercial insurance reimbursement rates also represent important risks.

Geographic and Regulatory Exposure

HCA has a significant presence in states such as Texas and Florida. This concentration exposes the company to regional regulatory changes, local competition and operational disruptions caused by severe weather events.

Conclusion

Based on our DCF and comparable company analysis, we assign HCA a BUY recommendation with a price target of $468.97, representing 1.2% upside from its October 28, 2026 market price of $463.22.

We remain positive on HCA's long term prospects, supported by its strong market position, extensive hospital network and consistent cash flow generation. Its scale supports purchasing efficiency and better hospital capacity utilisation.

Although the DCF indicates $494.88 per share and comparables $365.34, we believe valuation should also reflect HCA's business quality and growth prospects. The limited upside makes monitoring debt, capital expenditure and operating margins important.

M&A TRANSACTION ANALYSIS

Synopsys x Ansys

Transaction Overview

Announced on January 16, 2024 and completed on July 17, 2025, Synopsys' acquisition of Ansys was valued at approximately $35 billion. The transaction combined two complementary engineering software providers, bringing together Synopsys' electronic design automation (EDA) software and semiconductor intellectual property (IP) with Ansys' simulation and analysis tools.

The combined portfolio covers chip design, verification and system-level simulation, allowing customers to evaluate both electronic and physical performance throughout product development. The transaction aimed to address the growing complexity of semiconductors and AI-powered products.

Strategic Rationale

The acquisition expanded Synopsys' engineering capabilities through three main areas:

Silicon-to-Systems Integration

Synopsys' chip design and verification tools complement Ansys' system-level simulation capabilities, allowing customers to connect semiconductor design with full product validation. This integration reduces prototyping costs and accelerates time-to-market by enabling earlier-stage simulation of chip-environment interactions.

Multiphysics Simulation

Ansys adds capabilities in structural, fluid, thermal and electromagnetic simulation, broadening Synopsys' offering beyond semiconductor design. This allows customers to validate the physical behavior of complete systems, not just the chip itself.

Market Expansion and Cross-Selling

The combination strengthens Synopsys' presence across automotive, aerospace, industrial, energy and healthcare markets, while creating opportunities to sell integrated solutions to a broader customer base. Synopsys gains access to Ansys' vertical clients, and Ansys gains access to Synopsys' semiconductor customers.

The combination also positions the company to benefit from rising demand for advanced packaging, chiplets and increasingly complex AI-driven systems. These technologies require tightly coupled design and simulation capabilities, exactly what the combined entity offers.

Deal Terms

Synopsys offered $390.19 per Ansys share, representing a 28.7% premium over Ansys' unaffected closing price of $303.16 on December 21, 2023. The announced transaction value was approximately $35 billion.

The original consideration was structured as approximately 50.5% cash and 49.5% stock. At closing, the final consideration was adjusted to $199.91 in cash plus 0.3399 Synopsys shares for each Ansys share.

This balanced structure gave Ansys shareholders immediate liquidity through the cash component while allowing them to share in the upside of the combined company via Synopsys stock. The adjustment at closing reflects Synopsys' share price movement between announcement and completion.

M&A TRANSACTION ANALYSIS

Valuation and Transaction Structure

Valuation Approach

The IIC analysis assesses the transaction through three methods: precedent transactions, trading comparables and a standalone discounted cash flow (DCF) valuation.

Precedent Transactions

This analysis benchmarks the Synopsys/Ansys transaction against historical M&A deals in the Electronic Design Automation (EDA) and Computer-Aided Engineering (CAE) sectors. By examining transactions involving major industry consolidators such as Siemens, Dassault Systèmes, and Hexagon, this method captures the control premiums and strategic synergies that are not reflected in trading comparables. The table below summarizes the selected transactions and their implied multiples, providing a clear benchmark for the valuation of Ansys.

Acquirer	Target	Announcement Date	Percentage Acquired	TEV ($m)	TEV/LTM Revenue	TEV/LTM EBITDA
Ansys	Fluent	16/02/2006	100%	$565.00	4.63x	16.14x
Siemens	Mentor Graphics	14/11/2016	100%	$4,500.00	4.05x	28.05x
Dassault Systèmes	Medidata Solutions	12/06/2019	100%	$5,800.00	9.12x	67.17
Hexagon	MSC Software	02/02/2017	100%	$834.00	3.63x	N/A
Keysight	ESI Group	29/06/2023	100%	$990.65	6.80x	N/A
Dassault Systèmes	Accelrys	30/01/2014	100%	$627.50	3.78x	N/A
Mean	—	—	—	**$2,219.53**	**5.34x**	**37.12x**
Synopsys	**Ansys**	**16/0.1/2024**	**100%**	**$35,000.00**	**16.21x**	**51.43x**

The Synopsys/Ansys deal implies 16.2x LTM Revenue and 51.4x LTM EBITDA, standing well above the historical means of 4.33x and 25.0x respectively. This premium is justified by the scarcity of large-scale simulation platforms and the strategic necessity of integrating EDA and CAE capabilities. Historical transactions, such as Siemens/Mentor Graphics and Dassault/Medidata, confirm the sector's consolidation trend but at significantly lower multiples. The gap reflects not only the unique scale of Ansys' asset base but also the $400 million in expected synergies and the critical role of multiphysics simulation in emerging technologies like AI and advanced packaging.

M&A TRANSACTION ANALYSIS

Valuation and Transaction Structure

Trading comparables

Trading comparables, including Synopsys, Dassault Systèmes, Siemens and Autodesk, produce an implied share price range of $188.70 to $274.17, with a median of $250.09. The $390.19 offer price stands significantly above this range.

Company	Price ($)	Mkt Cap ($m)	EV ($m)	LTM EV/Sales	LTM EV/EBITDA	LTM EV/EBIT	LTM P/E
Dassault Systèmes	46.15€	61,744.84€	61,366.84€	10.4x	32.6x	49.0x	58.89x
Siemens	160.94€	257,986.82€	294,498.82€	3.8x	20.8x	27.9x	30.25x
Autodesk	$284.64	$53,457.00	$54,231.60	10.1x	44.1x	49.8x	58.3x
Peer Mean	—	—	—	**8.1x**	**32.5x**	**42.2x**	**49.1x**
Ansys	**$303.16**	**$26,496.18**	**$26,610.65**	**12.33x**	**39.10x**	**48.10x**	**54.79x**

An analysis of the peer group reveals that Ansys trades at a premium to the peer average across all metrics, standing at 12.33x LTM EV/Sales compared to the peer mean of 8.1x, and 39.1x LTM EV/EBITDA compared to 32.5x. Dassault Systèmes and Autodesk represent the closest pure-play software comparables, trading at 10.4x and 10.1x EV/Sales respectively. Siemens acts as a diversified industrial outlier with a low 3.8x EV/Sales multiple. Even when benchmarked against the higher-multiple software peers like Autodesk (44.1x EV/EBITDA) and Dassault (32.6x), the $390.19 offer price implies a multiple that exceeds current standalone market valuations.

Discounted Cash Flow (DCF) Analysis

The DCF analysis applies a WACC of 9.29% and a terminal growth rate of 3.00%, resulting in an implied value of $200.97 per share. The model estimates an enterprise value of $17.45 billion and an equity value of $17.56 billion. A sensitivity analysis produces a valuation range of $158.31 to $383.05 per share.

The WACC reflects Synopsys' cost of capital, incorporating a risk-free rate of 3.95%, an equity risk premium of 4.60%, and a levered beta of 1.19. The 3.00% terminal growth rate assumes long-term GDP-aligned growth, supported by structural demand in AI, automotive, and industrial applications. The model projects free cash flows over a ten-year forecast (2024–2032), with revenue growth tapering from 12.5% to 8.5%, and EBIT margins stabilizing around 25%.

The terminal value represents the majority of the implied enterprise value, which is typical for high-growth software companies. A 1% change in the growth rate or WACC can shift the implied share price by over $50. The base-case DCF value of ~$201 per share sits well below the offer price.

Overall, the offer of $390.19 per share exceeds the DCF standalone valuation, indicating the transaction price relies heavily on strategic benefits. The wide sensitivity range underscores the model's dependence on discount rate assumptions, with only the most optimistic scenarios approaching the offer price.

M&A TRANSACTION ANALYSIS

Valuation and Transaction Structure

Expected Synergies

The transaction targets $400 million in annualized cost synergies and $400 million in annualized revenue synergies, acting as the initial foundation for value creation.

- **Cost Synergies (Operational Efficiencies):** The savings stem from consolidating overlapping general and administrative (SG&A) functions, optimizing R&D infrastructure, and eliminating duplicate public company costs. Synopsys expects to fully realize these $400 million in cost synergies by fiscal 2027 one year ahead of the original schedule having already implemented workforce reductions to accelerate the process.
- **Revenue Synergies (Cross-Selling and Integration):** These are driven by cross-selling Ansys' simulation tools to Synopsys' semiconductor clients (and vice versa) and offering integrated "Silicon-to-Systems" solutions. The company targets over $100 million in annualized revenue synergies exiting fiscal 2027, reaching the $400 million base target by fiscal 2029.

Long-Term Upside: The $1 Billion Target

While the $400 million figures represent the initial integration milestones, management expects total synergies to grow to more than approximately $1 billion annually in the longer term. This substantial upside is driven by the joint multiphysics fusion products, which are expected to begin contributing revenue from FY2027 onwards. As the integration deepens and the combined platform captures demand in physical AI, digital twins, and advanced packaging, analysts expect the annual revenue synergies alone to eventually reach the $1 billion mark.

Phasing and Realization Risks

The realization of these synergies is modeled to be gradual. Cost synergies have a faster timeline (FY2027), while revenue synergies ramp up more slowly (FY2029) due to the complexity of integrating deep-tech software roadmaps and aligning go-to-market strategies. Achieving the long-term $1 billion target depends heavily on effective integration, minimizing customer attrition due to vendor overlap, and the successful commercial adoption of the combined multiphysics solutions.

Regulatory Approval

The transaction faced regulatory scrutiny in the United States, Europe and the United Kingdom. The European Commission granted conditional approval in January 2025, requiring divestitures in optics, photonics and power analysis software.

The UK Competition and Markets Authority accepted divestiture commitments in March 2025, while the US Federal Trade Commission also required the sale of overlapping software assets to Keysight Technologies. The FTC order specifically mandated the divestiture of Synopsys' optical and photonic software tools alongside Ansys' PowerArtist tool, with a ten-year prohibition on Synopsys reacquiring these assets .

The acquisition was completed on July 17, 2025, with the agreed divestiture commitments continuing after closing. China's SAMR also granted conditional approval in July 2025, requiring the parties to comply with additional interoperability and non-bundling obligations for a period of ten years .

M&A TRANSACTION ANALYSIS

Post Acquisition Performance

Following the acquisition, Ansys began contributing to Synopsys' consolidated financial results. In fiscal year 2025, Synopsys reported revenue of $7.05 billion, an increase of approximately 15% compared with the previous year. Ansys contributed $756.6 million following the completion of the acquisition in July 2025.

In the third quarter of fiscal year 2026, Synopsys reported revenue of $2.48 billion, compared with $1.74 billion in the same period a year earlier. Management highlighted broad-based strength in Design Automation and a strong quarter from Ansys, while Design IP returned to year-on-year growth.

Synopsys subsequently raised its fiscal year 2026 revenue outlook to approximately $9.72 billion at the midpoint, including an expected $2.98 billion contribution from Ansys. Part of the reported growth reflects the consolidation of Ansys and should not be interpreted entirely as organic growth.

Key Takeaways

Strategic Expansion: The acquisition strengthens Synopsys' position by combining semiconductor design with system level simulation. The launch of Multiphysics Fusion, integrating thermal analysis into chip design workflows, has already shown early validation with customers like NVIDIA, Cisco, MediaTek and Samsung Foundry reporting up to 10x faster design closure. This positions the combined entity to capture demand in physical AI, digital twins and advanced packaging.

Valuation and Financial Impact: The $390.19 offer price stands well above standalone DCF and trading comparables valuations. The IIC model estimates initial EPS dilution of 22.2%, with pro forma EPS of $6.16 compared with $7.92 standalone. This dilution is partly driven by the amortization of acquired intangibles, which weighed heavily on GAAP earnings in the first year post closing. However, management has raised non GAAP EPS guidance, signaling confidence in the underlying business and its ability to generate sustainable cash flows.

Integration and Synergies: Long term benefits depend on successful integration, customer retention, cross selling and the realisation of the announced $400 million in synergies. Synopsys is currently ahead of schedule on cost synergy commitments. The company expects joint multiphysics products to begin contributing meaningfully to EDA revenue growth only from fiscal 2027 onwards, reflecting the longer timeline for revenue synergies and the complexity of aligning two distinct software ecosystems.

Conclusion

Synopsys' acquisition of Ansys represents a transformative expansion of its engineering software business, with early revenue contributions validating the strategic logic of the merger.

While the premium paid is undeniably demanding, the ultimate financial justification will not come from historical standalone multiples, but from the successful execution of the integration strategy. Investors must weigh short term accounting impacts against the long term industrial logic of the combination.

Ultimately, the success of the transaction hinges on Synopsys' ability to cross-sell effectively, realize the full billion dollar synergy potential, and convert its expanded portfolio into sustainable growth. The critical test will be the commercial scaling of joint multiphysics solutions from fiscal 2027 onwards. If executed successfully, this deal will redefine the boundaries of engineering software and create a truly end-to-end platform for the AI era.

IIC FUND

Portfolio Overview

This edition covers the IIC Fund from the October 13 snapshot reported in the September newsletter to the close on November 10, 2026. The fund remains a simulated portfolio with initial capital of €50,000, set on October 9. CSPX continues to serve as the broad market benchmark proxy. All figures exclude transaction costs and commissions.

At the latest refresh (November 10, 2026), the portfolio was valued at €50,727.62, up €727.62, or 1.46 percent, since the October 9 reset, and 1.50 percent above the October 13 value of €49,979.10. Over the same period CSPX returned approximately −1.32 percent in EUR, which implies outperformance of about 2.8 percentage points.

With 22 trading sessions elapsed, this remains an early record rather than a trend, and the October 9 starting point is still the only reference for performance.

50,000€ Initial Capital	50,728€ Current Value	382€ Cash	4 Active Positions
88.83% Equity Allocation	9.42% US Treasury Bills	CSPX · 74.49% Largest Position	99.25% USD Exposure

Current Holdings

Security	Sector	Qty	Entry Price	Value (EUR)	Weight
CSPX	Broad Market ETF	51	$831.55 (average)	37,786.76€	74.49%
HCA Healthcare (HCA)	Health Care	16	$463.22	7,299.93€	14.39%
Amazon (AMZN)	Technology	2	$262.43	479.96€	0.95%
US3M	Treasury Bill	53	$98.96	4,778.48€	9.42%
EUR	Cash	-	-	382.49€	0.75%

iIC FUND

Risk Rules

Rule	Limit	Current	Status
Max Weight - Stock	≤ 15%	14.39%	**OK**
Max Weight - Sector	≤ 25%	14.39%	**OK**
Minimum Defensive Allocation	≥ 10%	10.17%	**OK**

All rules are met, but with very thin margins. The defensive allocation (US3M plus cash) is only 0.17 percentage points above the minimum, so any new purchase would have to be matched by a reduction elsewhere. HCA is 0.61 percentage points from the single stock limit. CSPX, as an index ETF, is not subject to the 15 percent single stock limit.

Portfolio Activity - October 30

On October 30 the committee repositioned the portfolio, reducing US3M from 264 to 53 units and Amazon from 27 to 2 shares, adding 24 units of CSPX and opening a position of 16 shares in HCA Healthcare (research recommendation: Buy). Equity allocation rose from 53.07 percent in the September edition to 89.83 percent. The US3M position had acted as a buffer during the month, when CSPX fell 2.5 percent and Amazon 8.4 percent between October 9 and October 30.

Trade	Asset	Qty	Price (USD)	Amount (EUR)
SELL	AMZN	25	$259.30	5793.41€
SELL	US3M	211	$99.30	18,725.07€
BUY	HCA	16	$463.22	6,623.68€
BUY	CSPX	24	$820.51	17,598.95€

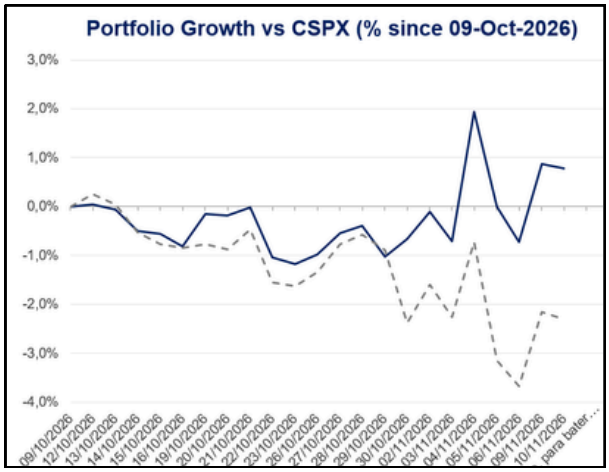
These transactions were executed specifically to enhance the portfolio's Sharpe ratio while strictly adhering to our established portfolio guidelines and risk limits. Moving forward, our core strategy remains focused on continuously rebalancing and optimizing the Sharpe ratio as we gradually build out a more diversified and complete portfolio.

iIC FUND

Performance Review

The €728 gain since the reset breaks down as follows:

Source	Contribution (EUR)
HCA (unrealised gain)	+676€
US3M (unrealised gain)	+97€
Closed trades (sale of AMZN and US3M)	+27€
AMZN (residual position)	+12€
CSPX (unrealised result)	−84€
Total	+728€



The USD appreciation against the euro since purchase (0.8925 to 0.9016 EUR/USD, about 1 percent) also supported returns, but it affects CSPX in EUR in the same way, so the comparison with the benchmark proxy is like for like. For reference, the S&P 500 index fell 2.48 percent in USD over the same period.

HCA was the best performer among the holdings after the rebalance and Amazon the worst in October, before it recovered 10.7 percent after the earnings sell-off. US3M figures are based on trade prices and the latest price, as the model holds no price series for it.

Holding in Focus

HCA Healthcare (14.39 percent). HCA reported third quarter results on October 27: revenue of $19.85 billion (+3.6 percent), above consensus, adjusted EBITDA of $3.92 billion, same facility equivalent admissions up 3.0 percent and guidance moved to the upper half of the 2026 range, with $2.97 billion of shares repurchased in the quarter.

A shift toward uninsured patients after the expiry of enhanced ACA premium tax credits cost about $400 million of pretax income. The shares fell 3.3 percent on the day and rose 6.2 percent over the next two sessions. On November 4 the stock rose 10.3 percent to $510.70 as hospital stocks rallied after the midterm elections on expectations of subsidy relief, a close above the average analyst target of about $475 cited by 24/7 Wall St. That rally assumes legislation that has not yet passed, so it carries policy risk in both directions.

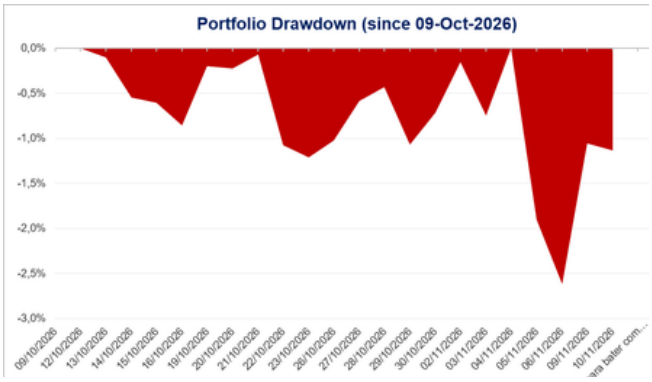
IIC FUND

Risk Metrics

Metric	Value
Sharpe (historical, rf 5%)	0.74
Historical max drawdown (current weights)	−22.4%
Max drawdown since reset	−2.86%
1-month VaR 95%	−6.1% (≈ −2,801€)
Expected Shortfall	−7.8% (≈ −3,547€)
Beta	0.77
Alpha (22 sessions)	3.30%

Our Sharpe ratio increased from 0.34 (last newsletter) to 0.74 with our capital optimization.
CSPX and HCA move very closely together (correlation 0.91), while Amazon has moderate correlation with the index (0.52) and low correlation with HCA (0.21). In practice, diversification comes mainly from the T-Bill position and Amazon, and less from HCA.

	CSPX	AMZN	HCA
CSPX	1	0.517	0.909
AMZN	0.517	1	0.213
HCA	0.909	0.213	1



Portfolio Watchpoints

- HCA and US health policy. The November rally assumes ACA subsidy relief that still needs legislation.
- Federal Reserve, December 8 and 9. The October vote had two dissents in favour of a hike, so inflation data and energy prices will drive the next decision.
- AI spending and cash flow. For Amazon, watch AWS growth near 40 percent, the pace of capital expenditure and the fourth quarter sales guidance of $240 to $247 billion.
- Portfolio construction. Defensive allocation of 10.17 percent against the 10 percent minimum, and new research ideas outside Health Care and Consumer Discretionary, currently the only sectors with exposure.

CLOSING - WHAT TO WATCH NEXT MONTH

Looking Ahead - November 2026

As November progresses, several key developments are likely to shape market performance and the IIC Fund's trajectory. Our team will monitor the following closely:

US Economic Data and Inflation. Recent US labour market and inflation releases will provide important signals about the strength of the economy and the direction of monetary policy. Investors will also monitor the October Import and Export Price Indexes on November 17 and State Employment and Unemployment data on November 20. These figures will help assess whether cost pressures are easing and how resilient the labour market remains.

European Growth and Monetary Policy. The Eurozone's third quarter GDP and employment flash estimates, released on November 12, provide an updated picture of regional economic activity. Full October inflation data, scheduled for November 18, will offer further insight into price pressures. Investors will assess whether the combination of economic growth and inflation supports the European Central Bank's current policy stance ahead of its December meeting.

Energy Markets and Geopolitical Risks. Oil markets will remain in focus as OPEC+ members continue to assess global supply and demand conditions. A meeting of seven OPEC+ countries is scheduled for November 29, where production levels and market stability will be reviewed. Geopolitical developments and the security of international maritime routes will also remain important factors, with potential implications for energy prices, inflation and corporate costs.

IIC Team

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