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U.S. Equity Stakes in Practice | Deep Dive

Continuing our work on industrial policy, this note is a deep dive on U.S. government equity investment: how deals work, fundamental and price impact, political outlook, and implications. **KTs: 1)** ~$27.6bn across 37 deals since 2025; **2)** Commerce (23) and Defense (7) lead; **3)** markets reward deals that de-risk, not those that dilute; **4)** equity deal structures will survive elections but face scrutiny; **5)** (+) critical minerals, AI HW, quantum, nuclear, defense.

I. The U.S. Government's Equity Playbook

Equity stakes have become a standing feature of U.S. industrial policy. Since Jan 2025, the federal government has announced ~$27.6bn across 37 deals involving equity or quasi-equity stakes in public and private companies. The deals span critical minerals, semis, quantum, and energy, with the first two accounting for 80%+ of total deal value. Commerce has been the most active, leading 22 of the 37 deals, executing primarily through CHIPS Act authority. DoD's deals are the most structurally complex, drawing on three authorities: the Office of Strategic Capital (OSC), the Defense Production Act, and Industrial Base Analysis and Sustainment. The fiscal impact of these stakes remains difficult to assess given limited details.

II. Do Fundamentals and Prices Follow? Mixed Evidence

The market rewards deals that genuinely de-risk a business and is skeptical of those that mainly dilute. We draw on four analyst calls across the sectors where these deals concentrate: quantum, steel, and critical minerals. Watch the **replays**:

- Glencore with Chris LaFemina
- MP Materials and Lithium Americas with Laurence Alexander
- Nippon Steel with Will Chou
- D-Wave and Rigetti Computing with Kevin Garrigan

III. A Durable Tool, with Selective Political Risk

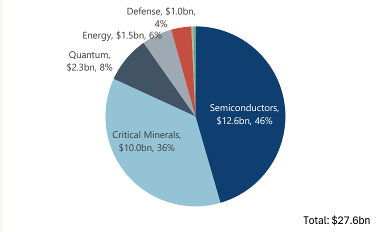
We expect continued equity-stake deals in the U.S. The November 2026 midterms could shift control of Congress, likely triggering investigations into specific deals and heightened oversight of terms, disclosure, and conflicts. But greater scrutiny is not a moratorium; the underlying structures should persist across administrations. We also expect deeper congressional involvement: the Senate's FY2027 National Defense Authorization Act creates a Treasury "Defense Equity Investment Account" and authorizes OSC's director to make equity investments through it.

IV. Implications: Underwrite the Structure, Not the Headline

Critical minerals, AI hardware, quantum, select energy (e.g., nuclear), and defense remain the focus. Across sectors, the key discriminator is whether a deal meaningfully de-risks the business. Fundamentals and equity performance diverge accordingly: structures with offtakes, price floors, or guaranteed cash flows tend to re-rate and hold, while stakes that merely dilute do not. A government stake is generally incrementally positive, but the deal structure matters more; read each deal on its terms.

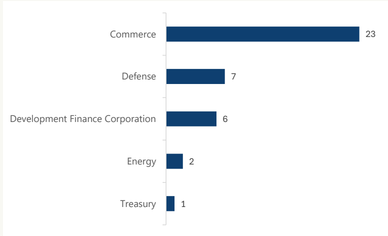
See inside for the full note and our related research.

Semiconductors and critical minerals account for 80%+ of the total deal value
US Government Deals, 2025 - Present



Source: Council on Foreign Relations; Jefferies.
The 37 deals encompass a range of instruments beyond direct common-stock ownership, including direct equity, warrants, loans, and a golden share.

The Department of Commerce has been the most active agency
Number of U.S. Government Deals, 2025 - Present



Source: Council on Foreign Relations; Jefferies.
Multi-agency deals are counted under each participating agency and may result in double-counting.

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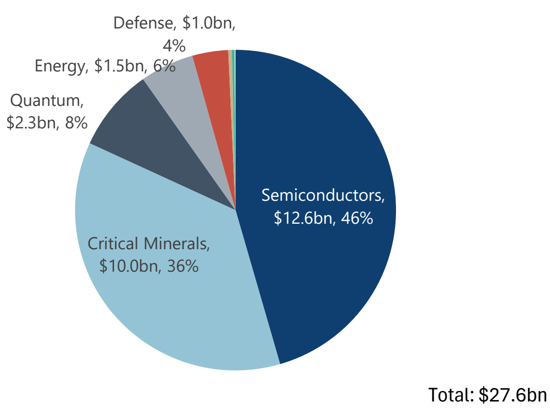
I. The Government's Equity Playbook

Trends

Equity stakes have moved from crisis tool to standing feature of U.S. industrial policy. Since January 2025, the federal government has announced ~$27.6bn across 37 deals involving equity or quasi-equity stakes in public and private companies. The deals span critical minerals, semiconductors, quantum, and energy, with the first two sectors accounting for 80%+ of total deal value.

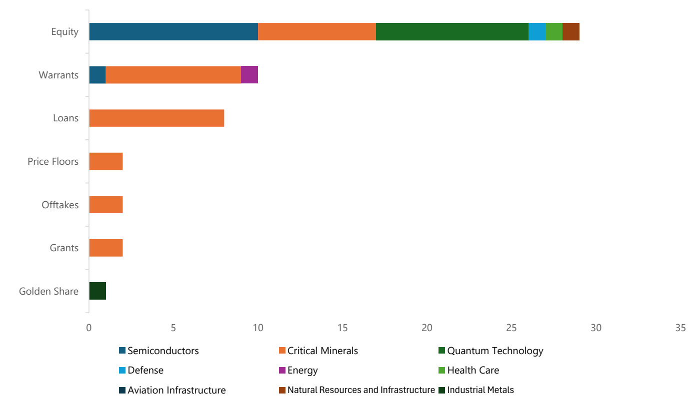
The current wave differs from prior government involvement in three respects. First, deals are being struck outside any acute emergency and framed as strategic investments to reduce foreign dependence in supply chains deemed critical to national security. Second, they are executed across multiple agencies rather than through a single Treasury-led vehicle, with Commerce leading, followed by the Department of Defense, the Development Finance Corporation, and the Department of Energy. Third, several deals bundle equity with price floors, offtake agreements, warrants, and golden shares, blurring the line between passive investor and active industrial partner.

Semiconductors and critical minerals account for 80%+ of the total deal value
US Government Deals, 2025 - Present



Source: Council on Foreign Relations; Jefferies.
The 37 deals encompass a range of instruments beyond direct common-stock ownership, including direct equity, warrants, loans, and a golden share.

20+ out of 37 deals involve equity stakes
Number of Deals by Investment Tool and Sector

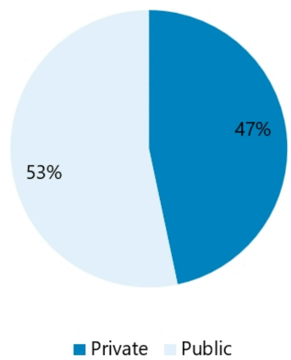


Source: Council on Foreign Relations; Jefferies.
The 37 deals encompass a range of instruments beyond direct common-stock ownership, including direct equity, warrants, loans, and a golden share. Multi-tool deals are counted under each investment tool used and may result in double-counting.

The 37 announced deals cluster around five agencies. Commerce has been the most active, leading 23 of the 37 deals and executing its stakes primarily through CHIPS Act authority across semiconductors and quantum. The Department of Defense follows, concentrated in critical minerals and defense-adjacent manufacturing. The Development Finance Corporation focuses on overseas critical-minerals platforms and infrastructure, while the Department of Energy participates through restructured loan authority. The Treasury holds a single governance-only golden share in U.S. Steel.

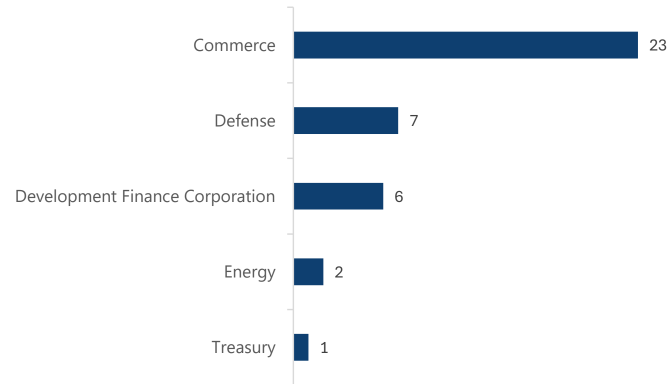
The 37 deals span a range of instruments beyond direct common stock, including equity, warrants, loans, and a golden share.

Equity stake deals are split almost evenly between private and public companies
Public vs. Private Companies with U.S. Government Equity Stakes



Source: Jefferies

The Department of Commerce has been the most active agency
Number of U.S. Government Deals, 2025 - Present



Source: Council on Foreign Relations; Jefferies.
Multi-agency deals are counted under each participating agency and may result in double-counting.

The fiscal impact of government equity stakes remains difficult to assess, due to limited information. As we highlighted here, standard federal budget rules record equity purchases as upfront outlays, while future dividends or sale proceeds are recognized only later. The structures also vary widely. The Nippon Steel "golden share" provides governance rights without a cash equity purchase, the Westinghouse deal is a profit-sharing arrangement, and Intel's $8.9bn CHIPS and DoD support package was converted into an equity position. Combined with limited disclosure on valuation and financing terms, these varied structures make the fiscal impact hard to evaluate.

Department of Commerce

Commerce is the lead agency for the current wave, executing 22 equity deals through CHIPS and Science Act authority. Originally enacted in 2022 to disburse ~$52.7bn in semiconductor manufacturing and R&D grants, CHIPS gave Commerce broad discretion over award structures. Under Secretary Lutnick, the department has converted previously awarded grants into equity stakes and extended CHIPS reach beyond logic and memory into quantum computing, lithography, and AI-driven materials discovery. Commerce stakes are typically minority, non-controlling, and passive on governance — Intel's terms explicitly prohibit board representation and require the USG to vote with the company's board.

Equity Stake Deals by the Department of Commerce

Agency	Authorities Used	Company	Sector	Tool	Deal Value ($bn)
Department of Commerce	CHIPS	Intel	Semiconductors	Equity, Warrants	11.10
Department of Defense, Commerce	OSC, CHIPS	Korea Zinc	Critical Minerals	Equity, Loans, Warrants, Grants	2.56
Department of Commerce, Energy	CHIPS	USA Rare Earths	Critical Minerals	Equity, Loans, Warrants	1.58
Department of Commerce	CHIPS	IBM	Quantum Technology	Equity	1.00
Department of Defense, Commerce	OSC, CHIPS	Vulcan Elements	Critical Minerals	Equity, Loans, Warrants, Grants	0.72
Department of Commerce	CHIPS	SandboxAQ	Semiconductors	Equity	0.50
Department of Commerce	CHIPS	GlobalFoundries	Quantum Technology	Equity	0.68
Department of Commerce	CHIPS	I-Pulse	Semiconductors	Equity	0.25
Department of Commerce	CHIPS	XLight	Semiconductors	Equity	0.15
Department of Commerce	CHIPS	Atom Computing	Quantum Technology	Equity	0.10
Department of Commerce	CHIPS	D-Wave	Quantum Technology	Equity	0.10
Department of Commerce	CHIPS	Infleqtion	Quantum Technology	Equity	0.10
Department of Commerce	CHIPS	PsiQuantum	Quantum Technology	Equity	0.10
Department of Commerce	CHIPS	Quantinuum	Quantum Technology	Equity	0.10
Department of Commerce	CHIPS	Rigetti	Quantum Technology	Equity	0.10
Department of Commerce	CHIPS	Diraq	Quantum Technology	Equity	0.04
Department of Commerce	CHIPS	Kepler	Semiconductors	Equity	0.25
Department of Commerce	CHIPS	Multibeam Corporation	Semiconductors	Equity	0.14
Department of Commerce	CHIPS	Extropic	Semiconductors	Equity	0.08
Department of Commerce	CHIPS	Thintronics	Semiconductors	Equity	0.05
Department of Commerce	CHIPS	OBSIDIA Semiconductors	Semiconductors	Equity	0.03
Department of Commerce	CHIPS	Aeluma	Semiconductors	Equity	0.03

Source: Department of Commerce; Council on Foreign Relations; Jefferies.
CHIPS = The CHIPS and Science Act; OSC = Office of Strategic Capital.

Department of Defense

DoD deals are the most structurally complex in the current wave, drawing on three distinct authorities:

1) Office of Strategic Capital (OSC)

The Office of Strategic Capital sits in the Department of Defense and was recently approved for $200bn in lending capacity, up from <$1bn. The office aims to identify and invest in critical technologies and assets that are important for national security and is led by Director David Lorch. It relies on: (1) debt financing, with direct loans available up to $150mn to finance projects within the US; and (2) investment fund financing, which offers fund-level leverage up to $175mn per fund through the Small Business Investment Company Critical Technologies Initiative (SBICCT). OSC is complemented by the Economic Defense Unit (EDU).

2) Defense Production Act (DPA)

Equity Stake Deals by the Department of Defense

Agency	Authorities Used	Company	Sector	Tool	Deal Value ($bn)
Department of Defense, Commerce	OSC, CHIPS	Korea Zinc	Critical Minerals	Equity, Loans, Warrants, Grants	2.56
Department of Defense, Commerce	OSC, CHIPS	Vulcan Elements	Critical Minerals	Equity, Loans, Warrants, Grants	0.72
Department of Defense	Procurement	L3 Harris (Rocket Motor Spinoff)	Defense	Equity	1.00
Department of Defense	Industrial Base Analysis and Sustainment Program	Atlantic Alumina	Critical Minerals	Equity	0.15
Department of Defense	OSC, DPA	Trilogy Metals	Critical Minerals	Equity, Warrants	0.04

Source: Department of Defense; Council on Foreign Relations; Jefferies.
CHIPS = The CHIPS and Science Act; OSC = Office of Strategic Capital; DPA = Defense Production Act.

The Defense Production Act (DPA) is a Cold War–era law that grants the president significant emergency authority to control domestic industries. The Defense Department has routinely used it since 1950 to prioritize fulfillment of its contracts, including for the president's plane, Air Force One, and armored vehicles. The current version of the law still confers substantial powers on the executive branch, allowing the president, largely through executive order, to direct private companies to prioritize orders from the federal government.

Pres. Trump issued Executive Order 14241, *Immediate Measures To Increase American Mineral Production*, which delegated to the Secretary of Defense the president's authority under Section 303 of the DPA. Under that delegation, the Secretary of Defense may use Section 303 authority, in consultation with the Secretaries of the Interior and Energy and other agency heads as appropriate, for the domestic production and facilitation of strategic resources deemed necessary to advance domestic mineral production in the U.S.

3) Industrial Base Analysis and Sustainment (IBAS):

The Industrial Base Analysis and Sustainment (IBAS) program is a Department of Defense initiative that strengthens the U.S. defense industrial base. It works by identifying critical vulnerabilities—fragile suppliers, outdated manufacturing, and workforce gaps—and then funding targeted projects to fix them. Traditionally, that funding has taken the form of smaller-dollar grants, and E.O. 14241 recently added mineral production as a priority area. Because IBAS was built for grants rather than balance-sheet equity, however, the FY27 National Defense Authorization Act (NDAA) proposes barring its use for equity stakes and shifting that authority to the Office of Strategic Capital.

Development Finance Corporation

The U.S. International Development Finance Corporation (DFC) is the U.S. government's development finance institution. It is often described as a market-oriented U.S. counterweight to China's Belt and Road Initiative. Under the FY26 NDAA reauthorization, DFC's Maximum Contingent Liability (MCL) cap increased to $205bn (from $60bn), and it gained additional flexibility to support strategic projects in higher-income countries, subject to statutory limits (including a 10% cap of MCL for high-income countries). DFC reports a $50bn+ active portfolio across 100+ countries, with the largest exposures in the Western Hemisphere and India. Its tools include debt financing (< $5.125bn per transaction), equity investments (up to 40% ownership, <$1bn per project), political risk insurance, and project development.

The DFC tends to deploy capital through funds and consortia, pooled vehicles that co-invest alongside private and foreign partners. This structure is visible across its portfolio: the Orion Critical Mineral Consortium, the U.S.-Ukraine Reconstruction Investment Fund LP, and the Somerset Indus Healthcare India Fund III are all fund- or consortium-level commitments rather than company-specific positions. Only Serra Verde, executed with unnamed U.S. agencies, resembles the layered, single-company structure common at DoD.

The Orion Critical Mineral Consortium (Orion CMC) and the U.S.-Ukraine Reconstruction Investment Fund are the DFC's two flagship programs under the second Trump administration. Orion CMC is a pooled vehicle capitalized at $1.8bn by DFC, ADQ, and Orion Resource Partners. Its first major deal is a non-binding MOU for a 40% stake in Glencore's DRC copper and cobalt assets (Mutanda and Kamoto), carrying ~$9bn combined enterprise value. The Ukraine fund, seeded with $75mn from DFC and matched by Ukraine for $150mn total, made its first investment in Sine Engineering, a Ukrainian UAV-communications firm, with roughly three more targeted by end-2026.

Equity Stake Deals by the Development Finance Corporation

Agency	Authorities Used	Company	Sector	Tool	Deal Value ($bn)
Development Finance Corporation	-	Orion Critical Mineral Consortium (Orion CMC)	Critical Minerals	Equity, Loan	1.5
Development Finance Corporation, unnamed U.S. agencies	-	Serra Verde	Critical Minerals	Loans, Warrants, Offtakes, Price Floors	0.565
Development Finance Corporation	-	U.S.-Ukraine Reconstruction Investment Fund LP	Natural Resources and Infrastructure	Equity	0.075
Development Finance Corporation	-	Somerset Indus Healthcare India Fund III	Health Care	Equity	0.025

Source: DFC; Council on Foreign Relations; Jefferies.

Department of Energy

DoE has taken equity not by deploying new cash but by restructuring pre-existing loans and attaching warrants. Lithium Americas is the clearest example. In 2024, LPO closed a $2.23bn loan supporting the company's Thacker Pass project, a joint venture with General Motors targeting ~40,000 tonnes/year of battery-grade lithium carbonate. Notably, ahead of the government's move, Lithium Americas management had stated it did not need equity stakes or additional financing. Nonetheless, in restructuring the existing loan, DoE took warrants for 5% of the company plus a 5% economic stake in the Thacker Pass JV, without committing any new cash. The transaction illustrates DoE's distinct posture: its equity exposure is a byproduct of renegotiating legacy loan commitments rather than fresh capital deployment.

Equity Stake Deals by the Department of Energy

Agency	Authorities Used	Company	Sector	Tool	Deal Value ($bn)
Department of Energy	DOE LPO Loan	Lithium Americas	Critical Minerals	Loans, Warrants	2.3
Department of Commerce, Energy	CHIPS	USA Rare Earths	Critical Minerals	Equity, Loans, Warrants	1.6

Source: Department of Energy; Council on Foreign Relations; Jefferies.
LPO = Loan Program Office; CHIPS = The CHIPS and Science Act.

Department of Treasury

Treasury's involvement is limited to a single deal, executed through the Committee on Foreign Investment in the U.S. (CFIUS) and its authority under the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA). CFIUS is the interagency committee, chaired by Treasury, that reviews foreign investments in U.S. businesses for national security risk. As a condition for approving Nippon Steel's acquisition of U.S. Steel, the administration required a "golden share" giving the president veto power over plant closures, headquarters relocation, name changes, and other core corporate decisions, plus the right to appoint one board director. The golden share is not a direct economic stake, but it is the most governance-intensive instrument in the current portfolio.

Equity Stake Deals by the Department of Treasury

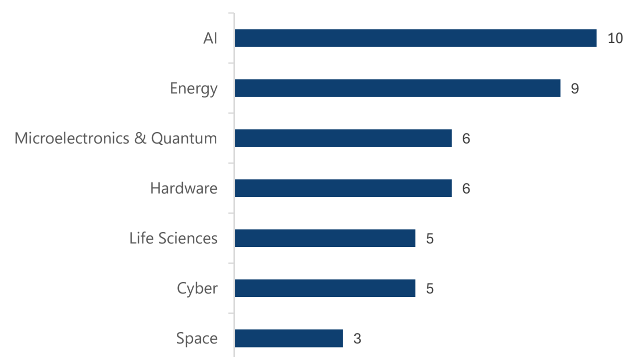
Agency	Authorities Used	Company	Sector	Tool	Deal Value ($bn)
Department of Treasury	CFIUS/FIRRMA	U.S.-Nippon Steel	Industrial Metals	Golden Share	0.0

Source: The Department of Treasury; Council on Foreign Relations; Jefferies.
CFIUS = The Committee on Foreign Investment in the U.S.; FIRRMA = The Foreign Investment Risk Review Modernization Act of 2018.

In-Q-Tel

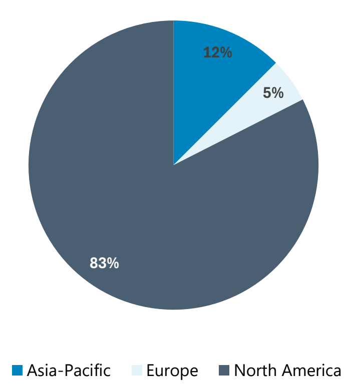
In-Q-Tel is a not-for-profit venture capital firm established by the Central Intelligence Agency (CIA) in 1999. The firm uses CIA-supplied funds to make strategic investments in startups developing commercially focused technologies of interest to the CIA and the broader intelligence community. As of 2024, In-Q-Tel had ~$1bn in assets, a fivefold increase since 2011, and has made 800+ investments to date, including 40+ new deals in 2025 across emerging technologies such as AI, energy, and quantum. It meets with over 1,000 companies a year globally, focusing on Asia-Pacific, Europe, and North America.

AI and energy top In-Q-Tel's 2025 deals
In-Q-Tel Investments Since 2025 by Sector



Source: In-Q-Tel; Jefferies.

North America dominates In-Q-Tel's 2025 investments at 83%
In-Q-Tel Investments Since 2025 by Region



Source: In-Q-Tel; Jefferies.

List of Companies with In-Q-Tel Investments Since 2025

Company Name	Category	Location
Bifrost AI	AI	North America
EdgeCortix	AI	Asia-Pacific
Eridu	AI	North America
Rune Technologies	AI	North America
Sakana	AI	Asia-Pacific
Sedai	AI	North America
Sygaldry	AI	North America
Syntiant	AI	North America
Armadin	AI; Cyber	North America
Lila Sciences	AI; Life Sciences	North America
Cylake	Cyber	North America
EchoMark	Cyber	North America
SkySafe	Cyber	North America
thatDot	Cyber	North America
Factorial	Energy	North America
General Matter	Energy	North America
Inertia	Energy	North America
Noble Gas Systems	Energy	North America
Prometheus Hyperscale	Energy	North America
Radiant	Energy	North America
Rincell	Energy	North America
South 8	Energy	North America
Glimpse Engineering	Energy; Hardware	North America
Firestorm	Hardware	North America
HavocAI	Hardware	North America
Neros	Hardware	North America
Xarion Laser Acoustics	Hardware	Europe
Starcloud	Hardware; Space	North America
Atlas Data Storage	Life Sciences	North America
bitBiome	Life Sciences	Asia-Pacific
Elegen	Life Sciences	North America
Synchron	Life Sciences	North America
Diraq	Microelectronics & Quantum	Asia-Pacific
Efficient	Microelectronics & Quantum	North America
EUV Tech	Microelectronics & Quantum	North America
Fonontech	Microelectronics & Quantum	Europe
Multibeam	Microelectronics & Quantum	North America
Syenta	Microelectronics & Quantum	Asia-Pacific
TRL11	Space	North America
Vast	Space	North America

Source: In-Q-Tel

II. Do Fundamentals and Prices Follow? Mixed Evidence

Impact on Fundamentals

We draw on four analyst calls across the sectors where these deals concentrate: quantum, steel, and critical minerals. Together they illustrate that the market rewards deals that genuinely de-risk a business and is skeptical of those that mainly dilute.

1) Glencore (LaFemina, GLEN): The proposed partnership between Glencore, Orion Resource Partners, and the U.S. International Development Finance Corporation (DFC) highlights the growing role of government-backed capital in securing critical mineral supply chains amid intensifying U.S.-China competition. The DFC initially committed roughly $600mn and was recently considering an additional ~$900mn commitment to Orion CMC, indicating growing government support. The transaction would provide the U.S. with access to strategically important copper and cobalt assets in the DRC while materially de-risking Glencore's exposure through government partnership and a $9bn implied asset valuation. Investors should monitor finalization of the deal (which is anticipated in August), potential follow-on DFC investments, and whether similar public-private partnerships emerge across critical minerals. **REPLAY**

2) MP Materials (Alexander, MP) and Lithium Americas (Alexander, LAC): MP Materials' DoD-backed structure, including a $400mn government investment and a 10-year offtake agreement that guarantees at least $140mn of annual EBITDA, provides rare visibility into cash flows, supports domestic rare earth processing and magnet production, and may enhance the company's ability to invest countercyclically and consolidate assets. By contrast, Lithium Americas' government stake was tied to the restructuring of a prior $2.3bn DOE loan and was viewed largely as a dilution event, raising investor questions about whether future government loans could carry similar conditions. Investors should monitor whether these transactions become a standard template for government support, as broader adoption could reduce financing risk for domestic critical mineral projects while increasing federal influence over capital allocation, governance, and long-term industry structure. **REPLAY**

3) Nippon Steel (5401-JP). After an 18-month political and regulatory review, Nippon Steel completed its acquisition of U.S. Steel in June 2025 following commitments for ~$11bn of U.S. investment and a government-held golden share to address national-security concerns. The $26bn Nippon Steel–U.S. Steel deal suggests golden shares may become a repeatable framework for foreign investment in strategic U.S. sectors. While the structure introduces government oversight, the discussion highlighted limited market pushback to date, potentially paving the way for broader use across projects linked to the $550bn U.S.-Japan investment initiative. This appears to reflect the deal's successful closing, U.S. Steel's share-price convergence toward the offer price, and limited evidence so far that investors view the golden share as a deal-breaker. Investors should monitor whether increased government involvement becomes a standard feature of U.S.-Japan industrial cooperation in critical minerals, AI, semiconductors, and advanced manufacturing. **REPLAY**

4) D-Wave Quantum (Garrigan, QBTS) and Rigetti Computing (Garrigan, RGTI). The U.S. government's ~$2bn quantum funding package, including $1bn for IBM, $375mn for GlobalFoundries, and $100mn each for D-Wave and Rigetti, reinforces quantum computing as a bipartisan strategic priority and could reduce financing risk for a largely pre-revenue industry. With developers facing significant capital requirements before commercialization, government funding, procurement support, and domestic manufacturing investment may help bridge the sector toward broader adoption around 2030. Investors should also watch the pending renewal of the National Quantum Initiative Act (NQI Act), which Garrigan highlighted as a key policy catalyst for the sector. **REPLAY**

Impact on Price Performance

Prices usually jump initially on the deal announcement, but longer-term performance is mixed. Intel leads at +329% since August 2025, with Trilogy Metals (+65%) and MP Materials (+58%) also strong, consistent with structures that genuinely de-risked the business. But a government stake does not guarantee a positive return: Lithium Americas is down 46%, USA Rare Earth 30%, and Korea Zinc 28%. The May 2026 quantum cohort is also mixed, though only weeks old. This implies that the announcement premium is real but can fade, and durable outperformance tracks whether the deal improves cash-flow visibility.

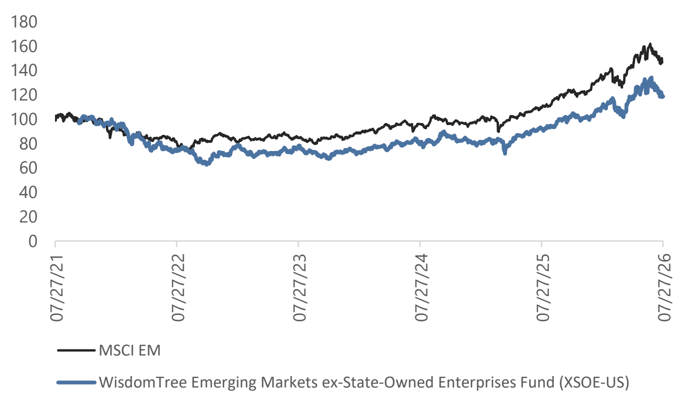
The announcement premium is real but can fade
Price Performance Since Equity-Stake Announcement

Company	Equity Stake Announcement	Price Performance Since
Intel (INTC)	22-Aug-25	329%
Trilogy Metals (TMQ)	6-Oct-25	65%
MP Materials (MP)	10-Jul-25	58%
Glencore (GLEN-GB)	3-Feb-26	10%
Nippon Steel (5401-JP)	18-Jun-25	12%
IBM (IBM)	21-May-26	5%
Quantinuum (QNT-US)	21-May-26	-4%
D-Wave Quantum (QBTS)	21-May-26	13%
Rigetti Computing (RGTI)	21-May-26	3%
Infleqtion (INFQ)	21-May-26	3%
GlobalFoundries (GFS)	21-May-26	-26%
Korea Zinc (010130-KR)	15-Dec-25	-28%
USA Rare Earth (USAR)	26-Jan-26	-30%
Lithium Americas (LAC)	1-Oct-25	-46%
Aeluma	29-Jul-26	28.5%

Source: FactSet; Jefferies.

Over the longer term, state ownership does not necessarily mean weaker equity performance. Over the five years since July 2021, the WisdomTree Emerging Markets ex-State-Owned Enterprises Fund (XSOE) has underperformed the broader MSCI EM index, which includes state-owned enterprises. Both moved together through the 2022 decline, but the SOE-inclusive MSCI EM index pulled ahead in 2024 and 2025, ending the period well above its ex-SOE counterpart. USG equity stakes and traditional SOEs work differently: US stakes are usually minority, passive, and tied to specific goals, while EM SOEs often involve majority control and broad policy mandates. Even so, the chart offers a useful takeaway: state ownership is not automatically a drag on returns, and in EM over this period, exposure to state-linked companies actually helped rather than hurt performance.

Ex-SOEs underperformed broader EMs since 2021
EM ex-SOE vs. Broad EM Index, Indexed to 100 (Jul 2021 = 100)



Source: FactSet; Jefferies.

III. A Durable Tool, with Selective Political Risk

Congress is moving to institutionalize the practice on a bipartisan basis. The Senate's FY2027 National Defense Authorization Act (NDAA) creates a Treasury "Defense Equity Investment Account" and authorizes OSC's director to use that account to make equity investments. It also requires congressional notification of investments, mandates conflict-of-interest reviews before disbursement, and bars the industrial-base fund from equity use. Under the text, direct equity investments would be limited to 40% of the total amount of all equity investments made in the entity and capped at $500mn.

Expect closer scrutiny of companies with potential conflicts of interest. On February 2, 2026, three Democratic ranking members — Jared Huffman, Robert Garcia, and Martin Heinrich — sent letters to the Defense, Energy, Commerce, and Interior departments demanding the legal basis for the stakes, conflict-of-interest safeguards, clarity on how taxpayer gains and losses are handled, and whether Congress will be notified of future deals. The letters also asked whether administration officials, their families, or campaign donors hold stakes in the backed firms — concerns already surfacing around deals with personal or political ties to the administration.

Both parties are also pushing to expand government ownership, but these bids are largely symbolic given weak passage odds. Rep. Warren Davidson (R-OH)'s Defense Production Act (DPA) Modernization Act would codify and broaden the practice, lifting the DPA Fund cap from $750mn to $2bn and capping ownership at 15%. On the left, Sen. Bernie Sanders has proposed an American AI Sovereign Wealth Fund requiring any AI firm earning over $200mn to deposit 50% of its shares into a public fund. All face steep legislative odds, signaling a shift in appetite rather than imminent law.

Litigation risk exists. In April 2026, an Intel shareholder filed a derivative suit in Delaware's Court of Chancery (*Paisner v. Tan et al.*) alleging the board and CEO Lip-Bu Tan breached their fiduciary duties by handing the U.S. government ~$11bn in stock for "no meaningful consideration," and seeking to void the deal. An adverse ruling could set a precedent limiting future deals, though the case is early and the companies themselves have not challenged their stakes.

IV. Implications: Underwrite the Structure, Not the Headline

1) Expect continued equity-stake deals. The toolkit is being institutionalized, not wound down. The November 2026 midterms could shift control of Congress, likely triggering investigations into specific deals and heightened oversight of terms, disclosure, and conflicts. But greater scrutiny is not a moratorium; the underlying deal structures should persist across administrations, even if individual transactions face renegotiation or divestiture pressure.

2) The action stays concentrated in five sectors. Critical minerals, AI hardware, quantum, select energy (nuclear, LNG, lithium), and defense remain the focus. Strategic competition with China will keep industrial policy flowing into these sectors regardless of which party holds power, making them the primary hunting ground for both government capital and the equity and supply-chain names positioned around it.

3) Underwrite the structure, not the headline. The most important discriminator is whether a deal meaningfully de-risks the business. Fundamentals and equity performance diverge accordingly: structures with offtakes, price floors, or guaranteed cash flows (MP Materials) tend to re-rate and hold, while stakes that merely dilute (Lithium Americas) do not. Investors should read each deal on its terms before assuming a government stake is supportive.

V. Our Related Research

1. $2bn Quantum Bet Extends U.S. Equity Stake Strategy
2. Canada's First National Sovereign Wealth Fund is Here
3. Japan's Growth Strategy Update: Policy Direction and Key Pillars
4. Former METI Min. Nishimura on PM Takaichi's Policy Outlook | Conference Recap
5. US China Tech Rivalry — Strategic Industries of Tomorrow & Current Market Cap
6. Defense Production Act for Grid Expansion — Implications & Potential Winners
7. Open for Business: Chinese Investment Fueling Europe's Energy Transition
8. U.S. National Security Investment Vehicles Putting $1T+ to Work
9. U.S.-Japan Ties Remain Strong Post-Takaichi's Visit
10. US Japan — Strategic Energy Cooperation. NextEra, GEV, & AEP Initial Winners
11. DFC-Chubb Reinsurance Could Mitigate Shipping Risk in the Strait of Hormuz
12. The New Era of US Industrial Policy: Latest Updates | REPLAY
13. JPM Security and Resiliency Initiative In-Person Leadership Q&As | RECAP
14. US-Japan $550bn Investment Initiative Moves into Execution Phase
15. US–China Tech Rivalry: The Race of Our Lives Begins w/ Genesis Mission
16. xLight's CHIPS Act Deal: Key Test for US Tech Comeback
17. DEEP DIVE: Big Government is Here, Globally
18. DEEP DIVE—JEF Industrial Policy Summit | Washington Strategy Series
19. Governments Are Becoming One of the Market's Biggest Players
20. Who Might Be the Next Targets for the US State Capitalism?
21. State Capitalism in Support of US Nuclear Renaissance
22. Investing in the US-Japan Alliance: Sector Allocation & Implementation Outlook
23. Five Takeaways from FT-Nikkei Investing in America Summit
24. Government Involvement in Critical Minerals, Metals & Mining | Recap
25. Mining Gets a Policy Boost
26. America First Investment Policy Is Gaining Full Momentum
27. Big Government Is Here—Pres. Trump Will Direct $550bn of Japanese Investments
28. A New Era of Industrial Policy @ Princeton University
29. Can the US Bring Back Jobs in Manufacturing?
30. When Are Industrial Policies Effective?
31. Global Trade and Industrial Policy Trends with Global Trade Alert
32. The MP-DoD Deal & Direction of the US Industrial Policy
33. Sovereign AI—Big Government Meets AI & Implications
34. Window on Washington: Critical Minerals in the US Under Pres. Trump
35. Tariffs: A Stepping Stone Toward Reinvigorated US Industrial Policy?
36. How Trump Would Retool & Claw Back DOE LPO Funds
37. US Sovereign Wealth Fund: Rationale and Possible Ways Forward
38. MP & DoD Deal: A Manifestation of Trump's Big Government Strategy
39. US-Japan Innovative Financing Mechanism May Be a De-Facto US SWF

Company Valuation/Risks

D-Wave Quantum Inc

Price Target of $45 implies 80x our CY30 revenue of $432M discounted back.

Risks:

- **Uncertain path to mainstream adoption:** Quantum computing remains formative, and the timeline to broad commercial use is unclear. A protracted adoption curve could push out industry cash flows, compress valuation multiples, and delay investor returns across the sector.
- **Scale disadvantage versus hyperscalers:** Large tech platforms, such as IBM, Google, Amazon, Microsoft, are investing heavily with access to significant capital, talent, and global cloud distribution. These incumbents could set de-facto standards and outpace or crowd out specialized vendors such as D-Wave as the market matures.
- **Pilot-to-production conversion risk:** D-Wave's current revenue is concentrated in a small set of enterprise and government pilots. The growth trajectory hinges on converting pilots into recurring, production-grade QCaaS contracts with formal SLAs. Slippage or low conversion rates would materially weaken revenue visibility and extend the path to profitability.
- **Gate-model execution risk:** D-Wave's long-term plan includes developing and commercializing gate-model systems. Technical, manufacturing, or schedule setbacks in gate-model R&D could limit competitiveness versus gate-based peers, constrain market capture beyond annealing, and slow revenue diversification.

Glencore

Our price target is NPV-based. Key risks include macro, operational, and geopolitical.

MP Materials

Our 12-month price target of $85 equates to 42x 2028E EBITDA. Primary risks to our rating and price target include: 1) delays in stage III ramp; 2) rising prices or limited access to chemical reagents used to process REOs; 3) diminished access to water and rising wildfire risks; 4) fluctuations in REO demand or pricing.

Nippon Steel

Our PT is based on EV/EBITDA multiple, which is in line with Nippon's historical price range. Upside macroeconomic risks including a global macro improvement, depreciating currency rates, and improving Chinese steel S/D. Upside company specific risks are lack of plant outages, cheap acquisitions, and effective cost cuts.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

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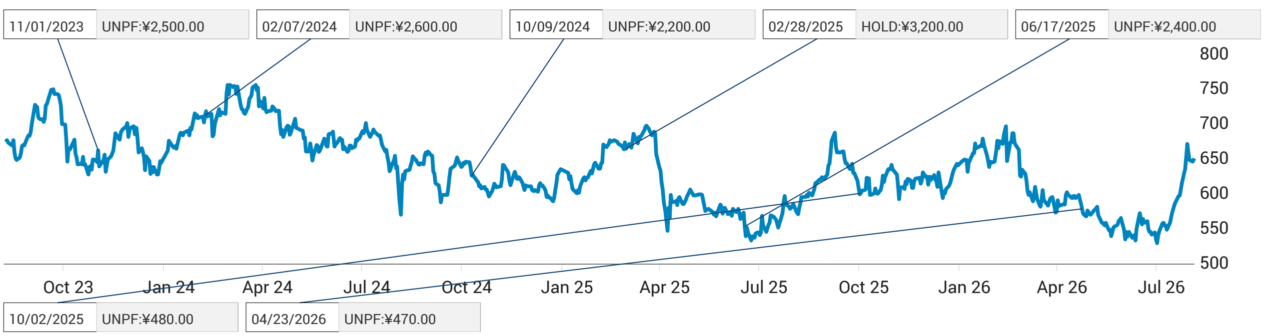
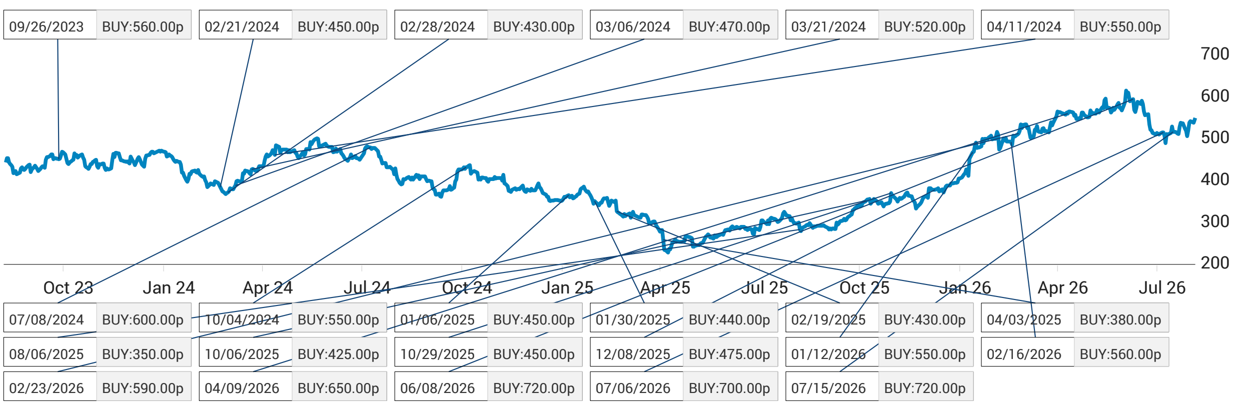
Other Companies Mentioned in This Report

- D-Wave Quantum Inc (QBTS: $21.39, BUY)
- Glencore (GLEN LN: p573.30, BUY)
- MP Materials (MP: $47.91, BUY)
- Nippon Steel (5401 JP: ¥672, UNDERPERFORM)

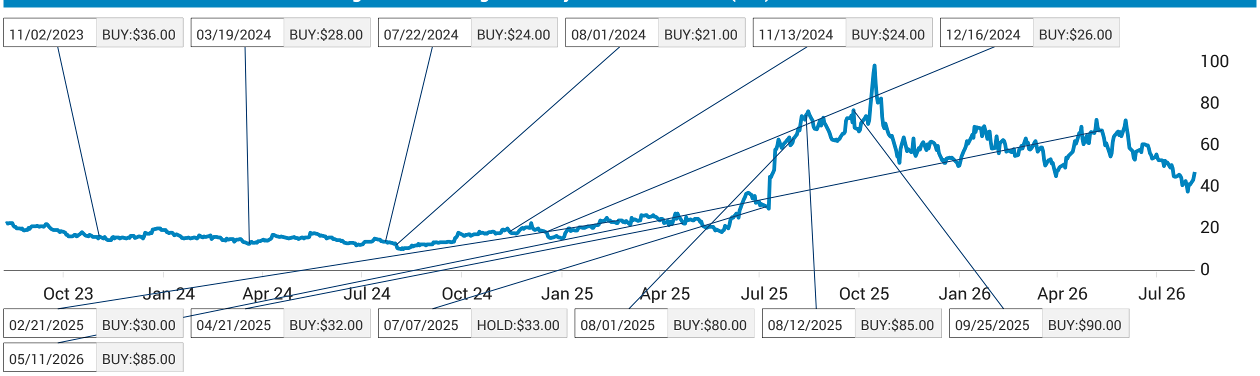
Rating and Price Target History for: Nippon Steel (5401 JP) as of 08-04-2026



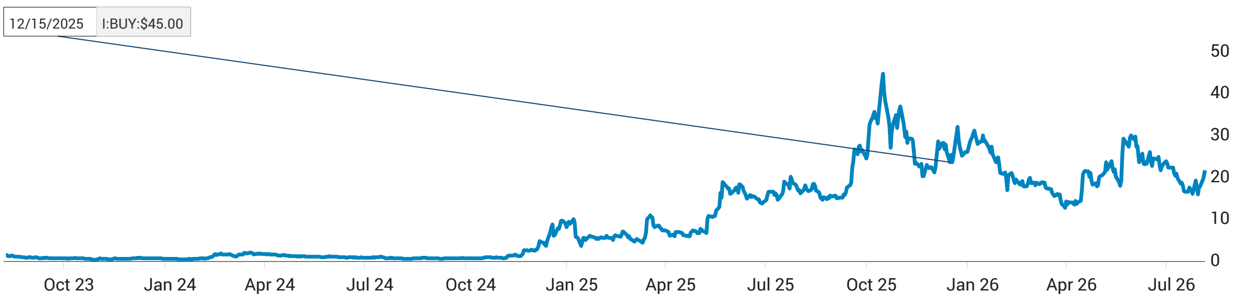
Rating and Price Target History for: Glencore (GLEN LN) as of 08-04-2026



Rating and Price Target History for: MP Materials (MP) as of 08-04-2026



Rating and Price Target History for: D-Wave Quantum Inc (QBTS) as of 08-04-2026



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Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

Distribution of Ratings

			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	2227	62.35%	391	17.56%	116	5.21%
HOLD	1187	33.23%	92	7.75%	14	1.18%
UNDERPERFORM	158	4.42%	0	0.00%	0	0.00%

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