NIC

— Nova Investment Club —

Newsletter

May 2017

NIC

Nova Investment Club

Foreword

This Month:

In our Macro Overview section, Analysts from both divisions will cover broad macro themes while review major economics news from the past month. In our Deeper Dive section, Inês Montalvão Cunha evaluates what is happening to the US economy, while Robert Schröder discusses expectations for investment activities in Germany.

Our Investment Banking Division will guide you through April's M&A overall activity. Moreover, read about Tyson Foods' bid for AdvancePierre, JAB Holdings Company's bid for Panera Bread and Rockwell Collins' bid for B/E Aerospace. Additionally, read a detailed overview on the what happened to both Nokia Corporation and Church & Dwight Co., Inc. Lastly, get an insight on Maersk Oil's second and last planned organizational restructuring phase, written by our analyst Christian Reis.

Our Financial Markets Division will present the monthly results of the NIC Fund, an active relative return fund investing across four different asset classes: Equities, Fixed Income, Commodities and Currencies. In addition, the analysts will provide commentary on each of the four major asset classes through analysis of the past month´s major market moves.

Also, Bernardo Sousa Machado examines China's increasingly more important role in the world, as well as how it achieved the status of a "great power". Lastly, Lourenço Alves Pereira had the opportunity to interview Pedro Carvalho, a seasoned professional who has worked at Goldman Sachs, McKinsey and Apollo Global Management.

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Market Moves

	-1W	-3M	YTD
S&P 500	1.71%	0.86%	6.48%
DJI	1.75%	0.69%	6.04%
NASDAQ	3.80%	3.85%	12.39%
MSCI World	2.11%	2.89%	8.03%
MSCI EM	0.68%	3.92%	12.98%
Rusell 2000	3.60%	1.21%	3.41%
Euro Stoxx 600	3.35%	7.23%	8.18%
FTSE 100	-1.81%	-0.82%	0.86%
NIKKEI 225	-0.34%	0.41%	0.43%
HANG SENG	1.05%	3.68%	11.88%
US 10Y Yield	-0.11%	-3.69%	-5.83%
EU 10Y Yield	-21.34%	52.40%	52.40%
GER 10Y Yield	-21.34%	52.40%	52.40%
JPY 10Y Yield	-72.31%	-67.86%	-60.87%
UK 10Y Yield	-9.28%	-5.73%	-12.43%
PT 10Y Yield	-14.21%	-8.56%	-5.82%
JPY/USD	-0.12%	1.16%	4.96%
EUR/USD	0.86%	2.98%	3.56%
GBP/USD	3.77%	4.55%	4.89%
Brent Crude	1.36%	-7.38%	-9.38%
Gold	1.52%	1.08%	10.05%

***Source:** *Bloomberg*

In Focus

May

French Elections. Many people did not believe in polls anymore, but this time they got it right: Macron won the first round, with Le Pen coming in second. While many now believe that Macron has a clear win ahead of him, others are not as certain. Le Pen will put up a hard fight, having already ambushed her opponent on the campaign trail recently, and stepped down as her Party's leader in an attempt to look more presidential. Moreover, Le Pen's support base is much more solid than Macron's, suggesting that the Frenchman's supporters are much more likely to change allegiances. Will the banker make it?

How far up can it go? The NASDAQ index closed above 6,000 for the first time. The index had reached 5,000 right before the dotcom bust, and only reached the same level again in March 2015. Investors have been pouring money into tech companies due to their high growth, prompting the NASDAQ to outperform the S&P500 by nearly 6.15%. Some of the best performers were the usual suspects, such as Apple and Alphabet, which grew by 24.03% and 16.37%.

Trouble in Asia. Rex Tillerson, US secretary of state, asked for UN members to have a tougher stance on North Korea. Tension has increased dramatically, since the Pyongyang regime is increasingly closer to being able to hit the US with nuclear missiles. Donald Trump has said that he wants to resolve the issue through diplomacy, but that so far it had been "very, very difficult" to do so. China is perceived to be the key player is this geopolitical game, since it has strong economic leverage over North Korea. However, some countries are reluctant to cut their ties with the dictatorship, as they have economic interests in the peninsula.

Volatility measures signal a risk-free environment. Wall Street's "fear gauge" – the Chicago Board Options Exchange's Volatility index, also known as VIX - closed at a three-year low on Thursday, April 27th. Investor nerves were calmed by the French election and Trump's promise to slash corporate taxes. However there are some factors on the horizon that could upset markets: uncertainty regarding the details of Mr. Trump's tax plan, concerns over valuations, the timing of a proposed infrastructure bill and a possible US government shutdown if it fails to pass a new budget.

European inflation picking up? The European Commission's statistics bureau reported that the annual rate of core inflation had shot up from 0.70% in March to 1.20% this month. Just 24 hours earlier, Mr. Draghi had insisted that inflation pressures in the Eurozone remained "subdued", as he fended off pressure to begin a discussion about ending the central bank's QE programme. However, others on the ECB council are likely to view this month's inflation data as a blip that owes more to the timing of the Easter holiday, when prices for goods such as package holidays rise, than underlying economic conditions.

US suffers weakest first-quarter growth in 3 years. The divergence between hard data on the real economy and soft data continues to widen. According to the Bureau of Economic Analysis, the US economy expanded at its weakest pace in the period of the last three years during the opening months of the year, dragged by a slowdown in growth of consumer spending. However, sentiment figures remain at the highest level since the financial crisis.

João Rato – Manuel Gonçalves
Financial Markets Division

Deeper dive

The downswing in the U.S. Economy

Inês Montalvão Cunha
Financial Markets Division

The Fed meeting on the 4th and 5th of May could change the course of interest rates in the US and impact financial markets around the world. However, and despite the fact that US central bankers still believe they are able to raise interest rates twice more this year, the latest data released on the US economy increased the chance of the Fed delaying a hike, at least, until the next meeting.

As President Trump got closer to his 100-day of presidency without any major legislative victory, he presented a new tax plan with ambitious cuts in personal and corporate tax.

During this week the Fed's meeting will decide if there is a new interest rate hike and Congress had until last Friday to avoid a Government shutdown that was in risk due to President Trump's eagerness in putting a stop on the funding that goes to Obamacare and in his willingness to increase spending on Defense. In addition to this, over the past few weeks, the US economy presented disappointing first-quarter reports in which the annualized GDP growth was only 0.50 per cent in the first three months of 2017 and US inflation fell to its lowest level since the election. Nonetheless, President Trump has proposed a new tax bill that he believes will change the course of the country's economic growth.

The American economy showed signs of a slowdown with GDP growth of just 0.50 per cent in the first quarter which, not only doesn´t correspond to the promised 4% growth by Trump, but is also below last year's growth rate. The US-private sector had its weakest growth rate after seven months of expansion, manufacturing activity along with housing starts dropped for the first time in seven months and corporate investment has remained flat. Also, Retail spending had its second month of declines as March was the slowest month for U.S. auto sales in two years and commercial and industrial bank loans fell at an 8.40 percent seasonally adjusted annual rate in March after a 1.30 percent decline in February.

The Fed meeting on the 4th and 5th of May could change the course of interest rates in the US and impact financial markets around the world, however and despite the fact that US central bankers still believe they are able to raise interest rates twice more this year, the latest data released about the US economy increased the chance of the Fed delaying a hike, at least, until the next meeting.

After President Trump saying that he was in favor of low rates and with the increase of geopolitical tensions, expectations for inflation over the next five years have declined below 1.80 per cent. The unemployment rate is at 4.5%, full-employment level, and inflation around the 2% inflation target, keeping interest rates this low represents a risk, yet it's important to underline that the US economy can still be headed to another weak quarter and not ready for a new hike.

As President Trump got closer to his 100-day of presidency mark without any major legislative victory, he presented a new tax plan with ambitious cuts in personal and corporate tax. It aims to create economic growth that would compensate for the fall in tax revenues, however, a reduction in taxation without spending cuts generally creates deficits and Trump is not planning to close loopholes, as promised, to compensate for the tax cuts. The overall American debt level already represents an enormous burden for the country and Trump will only increase it by increasing the deficit. It's estimated that the measures proposed in Trump's one-page plan, will decrease revenue by trillions of dollars over the next decade. In the end, the biggest winner with this tax plan is not the US economy, but the wealthy individuals that, according to the plan, can receive income as business revenues and only have a 15% taxation.

Financial markets haven't shown worries about the latest US economic data or about the lack of consistency in Trump's tax plan as the stock market remains strong, and despite weak employment and growth data, investors should hope that market optimism continues and that Trump can implement a consistent policy reform.

Inês Montalvão Cunha
Financial Markets Division

Regional View

Investment activities in Germany in the light of the monetary policy of the ECB

Robert Schröder
Investment Banking Division

The ECB desires to stimulate growth through higher investment activities by means of record-low interest rates leading to lower cost of debt of companies. In the case of Germany, the result could not meet expectations.

On April 27th 2017, the Governing Council of the ECB decided that the base rate remains unchanged at 0% in Europe and continues to expect that policy to remain at present or lower levels for an extended period of time. The same goes for the net asset purchases which were prolonged at EUR 60 bn per month.

The low interest rate environment, which more and more gets a long-term state in the Eurozone other than in the US, has many financial implications for the asset and capital structure of companies.

Most importantly, the interest burden of companies decreased significantly. In late summer 2016, German companies could benefit from the unique constellation, that they could earn money by issuing new bonds by having a negative effective interest rate. Also the non-publicly traded companies could take advantage from more favorable conditions for loans at their banks.

The low interest rate was intended to make way for higher CAPEX as company profits should directly benefit from the lower interest burden, according to the Keynesian view on the economy. However, the investment of companies did not respond as expected.

The current Bank Lending Survey of the ECB shows an increase in credit demand of companies which could indicate positive CAPEX evolvement. However, the reasons to demand more loans differ. Companies demand credit for purposes such as M&A and refinancing measures. Also, the cyclical credit cycle is in a downturn from a demand perspective already, signifying that monetary policy of the ECB does not lead to a stronger dynamics of investments as it is desired.

For example, the investment activity of the DAX 30 companies continuously decreased since the 2000s. In 2000, the 30 biggest companies in Germany from a market capitalization point of view, spent EUR 133 bn in CAPEX. This amount was reduced to EUR 97 bn in 2014. Regarding not only the inflation during 15 years and the growth of the companies that should lead to an increase of this number in absolute terms, the low cost of debt should have an immense impact on the growth of CAPEX.

However, we must ascertain that even though all these potential triggers of investment activity, expenditures went down. The decrease in CAPEX in absolute terms in Germany goes along with a sharp decrease in CAPEX ratio in the aforementioned time span. While capital investments accounted for 17.70% of revenues in 2000, they only accounted for 8.60% in 2014 with a continuous downward movement.

The most significant reason for the reluctant capital expenditures might be the uncertainty about global growth prospects. As growth especially in the emerging markets did not evolve as hoped, companies hesitate to make significant asset investments.

The second reason for declining CAPEX could be the cost of capital, which determines the return, potential capital investments achieve. Notably, the cost of capital (WACC) of the DAX 30 companies decreased from 7.50% after tax from the peak in 2008 only to 6.30% in 2014, while at the same time, the risk-free rate decreased from 4.40% to 2.30%. Thus, the monetary policy of the ECB is not reflected fully by companies calculating their cost of capital.

Conclusively, it is evident that the efforts of the ECB to increase investment and stimulating the economy the Keynesian way does not yield the desired result.

Robert Schröder
Investment Banking Division

Macro Overview

Economic Calendar

Economic and Political Events

French Elections
On May 7th, French voters will go to the polls in an election which has major consequences for the future of the European Union. Markets are currently pricing in an Emmanuel Macron victory after his first round victory with 23.7%

US Funding Deadline
After narrowly averting a government shutdown on April 28th, US lawmakers have until May 5th to work out their differences over roughly $1 trillion in funding to keep the US government open until September.

EU GDP (Preliminary)
On May 3rd, flash estimates for EU GDP growth will be released. The markets will look at this data as a way of assessing the strength of the recovery and also will look for any clues as to the path of ECB rates.

Central Bank decisions

FOMC Meeting Announcement
Despite weak US GDP growth and employment data in the first quarter, it is expected that the FOMC announcement on May 3rd will likely be consistent with their belief that the economy continues to recover.

BoE Meeting and Rate Decision
As the Bank of England's Monetary Policy Committee prepares to meet on May 11th, a small minority of members have grown more hawkish as Inflation has picked up and economic indicators look relatively solid.

BoJ Summary of Opinions Report
On May 10th, the Bank of Japan will publish the next Policy statement report release the Summary of Opinions report from their April 26th Monetary policy meeting during which they raised economic forecasts.

Inflation and Deflation

EU HICP (y/y)
May 17th will bring the release of year on year Harmonised Index of Consumer Prices. With strong readings coming out of Germany and Spain, some analysts expect a number greater than the previous reading of 1.90%

US Consumer Price Index (m/m)
After a month in which US Inflation fell by the largest amount in more than two years (-0.30%) market participants and policy makers will be looking for a significantly stronger reading when April CPI data is released on May 12th.

UK Consumer Price Index (m/m)
After exceeding the BOE's 2% annualized target in March, many expected UK CPI to remain strong or even increase in April. The data, released on May 16th, may give policy makers reason to grow hawkish regarding rates.

Labour Market

Non-Farm Payrolls
After adding just 98K jobs in March, far below the consensus of 180K, Investors will be watching the April data closely. The report, to be released on May 5th could play a significant role in Fed policy if the consensus of 185K jobs is not met.

Average Hourly Earnings
Perhaps as important as the overall jobs number, Average hourly earnings which will also be released on May 5th will serve as an indicator as to the strength of the recovery and the level of jobs being created.

Italy Unemployment (y/y)
Not typically viewed as one of the most important global indicators, Italian unemployment, to be released on May 31st, has fallen substantially over the last 6 months and could prove crucial in upcoming elections.

Luis Zarate
Financial Markets Division

Investment Banking

M&A

Overall Activity

Global

In the first three months of 2017, due to several announced megadeals, global M&A deal value rose by 8.90% compared to the last year. The total deal value reached USD 678.5 bn, although the number of deals dropped sharply from 4,326 to 3,554. These two figures reflect a continued increase in megadeals worldwide, in combination with a greater sense of uncertainty among smaller buyers in the face of geopolitical instability. Currently many companies are taking a wait-and-see approach to M&A due to regulatory developments in the US, Europe, and Asia. North America is still the leading region in terms of M&A activities as a popular destination for acquirers, witnessing a 24.50% increase in value. The biggest deal announced in April was the acquisition of Bard by U.S. medical equipment supplier Becton Dickinson in a USD 24 bn cash and stock deal.
This month, we invite you to take a look at the top deals analysis made by our members, such as the JAB holdings acquisition on Panera Bread.

Selected Regions

North America
North America continued to hold its pole position globally, when it comes to M&A activity in the first quarter of 2017. The region had 1,226 deals worth a total of USD 334 bn in the quarter. These are 181 fewer deals compared to last year's quarter, but the deal value increased by 24.50%. The megadeals that drove this value were especially energy companies.

Europe
Europe's total deal value fell 1.50% behind the first quarter in 2016. The number of deals decreased from 1,726 to 1350, representing the lowest quarterly deal count since the first quarter of 2013 (1,341 deals). The region's total deal value still reached USD 170.5bn due to the record high of average deal sizes.

Asia
The M&A activity in Asia-Pacific (excl. Japan) for the first three months of 2017 reached 729 deals valued at USD 129bn. This corresponds to a decline of 7.40% in deal value, with 88 fewer deals compared to the last year's first quarter. Overall the deal value was the 3rd highest since 2001, showing that Asia-Pacific is still having a strong market in M&A, despite a global decline activity.

M&A

Deals of the Month

Announced Date	Target	Buyer	Target region	Target business	Value (USD bn)	Premium (%)
24 Apr 2017	Bard	Becton Dickinson	US	Healthcare equipment manufacturer	24.00	25.00%
5 Apr 2017	Jab Holdings	Panera Bread	US	Consumer goods	7.50	20.30%
18 Apr 2017	Medtronic (Supplies unit)	Cardinal Health	US	Healthcare	6.10	-
10 Apr 2017	Stada	Bain Capital & Cinven	Germany	Generic drug manufacturer	4.34	48.90%
24 Apr 2017	Akorn	Fresenius	US	Generic drug manufacturer	4.30	41.00%
25 Apr 2017	Nord Anglia	Canada Pension	Hong Kong	International schools operator	4.30	18.00%
6 Apr 2017	Sunoco	Seven & i	US	Convenience store & petrol station	3.30	-
25 Apr 2017	AdvancePierre	Tyson Foods	US	Consumer goods	3.20	9.80%
20 Apr 2017	Green investment bank	Macquarie	UK	Banking	3.00	-
21 Apr 2017	WS Atkins	SNC-Lavalin	UK	Engineering consultancy	2.70	35.00%

**Source: Mergermarket, Dealogic, Financial Times*

Patrick Pecher & Diogo Góis
Investment Banking Division

M&A: Top Deals

Tyson Foods to Buy AdvancePierre

Tyson Foods, the biggest American meat processor, announced at the end of the month it would buy pre packaged sandwich maker AdvancePierre. Tyson Foods is offering $40.25 per share, a 9.80% premium over last Monday's close, in a $3.2 bn cash deal.

Buyer vs Seller

Based in Arkansas, Tyson Foods is the biggest American food processor. The company employs 115,000 people and has a market cap in excess of $25 bn. Since the turn of the century, Tyson Foods has grown mostly through acquisitions, and it now manages blockbuster brands like Jimmy Dean, Hillshire Farm and Sara Lee. AdvancePierre is a leading US meat pre packaged sandwich maker. Tyson Foods is being advised by Morgan Stanley, with Credit Suisse Securities and Moelis on the other side.

Industry Overview

The meat/food industry in the US has seen a constant, steady concentration, with the biggest players looking for acquisition targets which can broaden their portfolio, according to the latest trends in consumer demand. Recently, the US has been witnessing a growing demand for meat-based snacks, as consumers shift away from sugary and overly processed food, leading to a stark increase in buyouts of meat snack producers.

Peers	Currency	Market Cap (CUR m)
Aramark	USD	9,014.75
SSP Group Plc	GBp	2,090.93
Elior Group	EUR	3,954.92
Saudi Airlines Catering Co	SAR	7,592.38
Sodexo SA	EUR	17,634.11

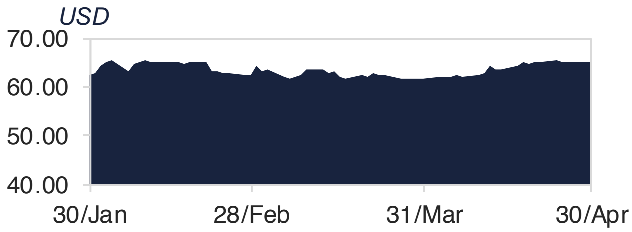
Deal Rationale

Tyson Foods, who has recently appointed a new CEO, is in the middle of a small restructuring. The company is decided to focus its product portfolio on protein rich food offerings, and sees AdvancePierre as having the perfect product range to complement its own. Along with this takeover, Tyson has also said it would be spinning-off three of its non-protein brands. These two moves clearly tell us how Tyson is perceiving the shift towards meat-based snacks. The company also said the deal would lead to synergies of around $200 million, which would be accomplished over a three year period.

Market reaction

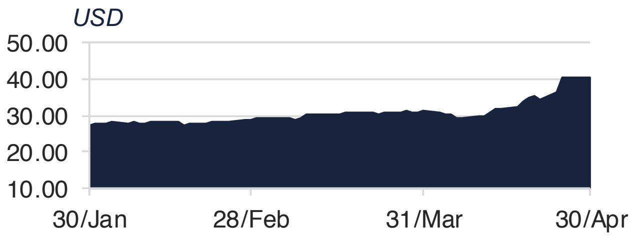
Tyson Foods

Tyson investors were skeptical of the deal. The stock dropped 0.40% on Tuesday, and kept on the same path on Wednesday with a 0.92% decrease.



AdvancePierre

On the contrary, AdvancePierre, which was trading at $36.65 on Monday, opened Tuesday's session at $40.13, a 9.50% one day increase.



Future Challenges

One important challenge Tyson will have to tackle is to successfully integrate AdvancePierre's products on their portfolio. Cost savings can certainly be achieved by producing the meat-based snacks with Tyson's own meat. The challenge is to assure that value is being created along the process for both players which now become one. Another challenge the company will face is keeping both eyes on the market and spotting what consumers want next, especially when the interest around heathy food is increasing so much.

Gonçalo Aguiar
Investment Banking Division

M&A: Top Deals

JAB Holdings Company on Panera Bread

In April, JAB Holdings, a privately held European investment company, announced the acquisition of the American bakery chain Panera Bread, for USD 7.5bn, with a 20.3% premium on the seller's stock closing price on the day prior to the announcement.

Buyer vs Seller

JAB Holdings invests mainly in premium brands and luxury goods, coffee and healthcare sectors. Although European-based, it has been increasingly focused on American food chains. The seller, Panera Bread, has been growing its chain, already accounting for 2,000 bakery cafes in the US. Also, its fresh offerings, that appeal to health-conscious consumers, and its successful tech-driven restaurant experience, after launching Panera 2.0 (ordering from a mobile app), have been strong sources of value growth.

Industry Overview

Food chains are experiencing a changing consumer's mind set. As the industry in general is changing, it becomes very difficult to increase the market share, resulting in a high number of mergers and acquisitions within this food world. Burger's King Group offer to buy Popeyes Louisiana Kitchen for USD 1.8bn in February is an example of how a food chain with a significant market share can grow in size.

Peers	Currency	Market Cap (CUR m)
Noodles & Co	USD	223.52
Chipotle Mexican Grill Inc	USD	13,428.47
Shake Shack Inc	USD	1,227.30
Potbelly Corp	USD	349.64
Domino's Pizza Inc	USD	8,676.67

Deal Rationale

In recent years, the Luxembourg-based JAB has been highly focused in U.S.-based coffee companies. Since Panera has optimized its digital processes, its sales have improved significantly and these lessons may be applied to the other chains on JAB's portfolio. For the seller, the fact that JAB has been world's largest pure-play coffee maker by volume, can be an opportunity to start to sell more coffee, an area where it currently lags behind its competitors. Also, in a world where the public markets are too focused on the short-term earnings, ignoring the high-quality businesses over the long-term, Panera has the opportunity to become private.

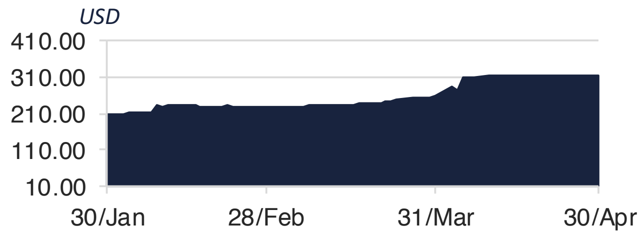
Market reaction

JAB Holdings Company

Privately held company

Panera Bread

Share price rose more than 20% since March 31. In April, it increased by 4.6% in the first four days and jumped nearly 13% in pre-market trading on April 5.



Future Challenges

Technology is one of the major sources and key drivers of growth. Although Panera has been successful turning its business into an enhancing-tech experience, so have many other chains and casual-food restaurants. At this technological world, it is key to keep a differentiated identity that lights the bulb at consumers head when deciding on which place to go. Also, JAB Holdings has a highly correlated portfolio, and if there was a shock in the coffee industry, it would suffer a massive loss.

Sofia Oliveira
Investment Banking Division

M&A: Top Deals

Rockwell Collins to acquire B/E Aerospace

This month Rockwell Collins announced that has fully acquired B/E Aerospace, the leading manufacturer of aircraft cabin interior products and services. The deal comprised a total value of USD 8.6bn, including debt assumed.

Buyer vs Seller

The acquisition came from Rockwell Collins' need to expand its portfolio and diversify its costumer mix. The company also intend to grow globally by broaden its previous focus on cockpit, cabin management, communication and connectivity solutions, by adding seating, food and beverage solutions as well as lighting and oxygen sysyems. B/E Aerospace is a manufacturer of aircraft passenger cabin interior produts for commercial and business, jet aircrafts markets, serving virtually, all the world's airlines, aircraft manufacturers and leasing companies.

Industry Overview

The business aircraft sector continues to reduce the growth prospects as they are reaching the maturation of the business cycle, thus making the commercial aircraft orders more competitive. This market saturation is creating the incentives to consolidate the industry as a inevitable cost-control move. The urgency for profitable and added-value products, also let antecipate further technology buying movements.

Peers	Currency	Market Cap (CUR m)
TransDigm Group Inc	USD	13,258.16
Triumph Group Inc	USD	1,308.73
Spirit AeroSystems Holdings In	USD	6,841.43
AAR Corp	USD	1,234.30
HEICO Corp	USD	5,436.03

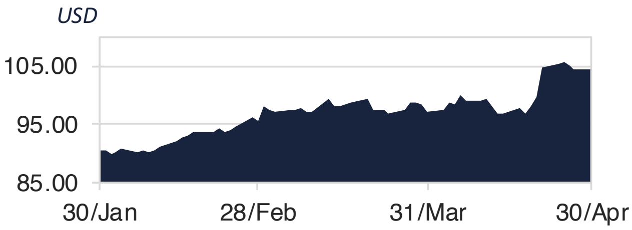
Deal Rationale

The pricing pressures from Boeing and Airbus are driving consolidating deals within the industry, that follow geographic and product sinergies while combining expertise of "smart" and "inert" solutions into the same players, in order to develop new products and services. The acquisition also reflects the strategy of growing though similar products instead of breaking into unrelated fields, as Rockwell's CEO made clear by better serving their commercial aviation, business jet and military customers through broader offerings.

Market reaction

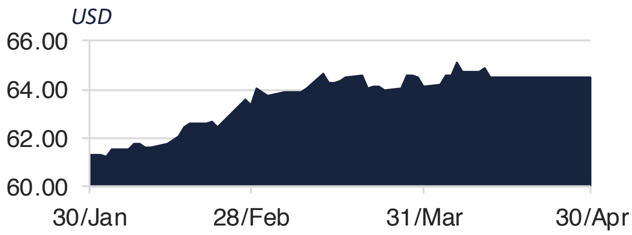
Rockwell Collins, Inc

After the announcement, Rockwell's shares were up by around 8.4%, reflecting the investor's expectations about the strategic move by the company.



B/E Aerospace, Inc

The share price of B/E went up by almost 16% on the aftermath of the deal announcement, reflecting the 22% premium paid by the American aircraft component maker.



Future Challenges

Rockwell Collins'offer to buy B/E Aerospace is a pricey move that will take time and additional effort to deliver the expected return, and at the same time, will stretch the company's balance sheet and securing Rockwell's position as world leading provider of aircraft content and parts. The fact that the market has peaked in terms of deliveries and orders might put more preassure in the company's development of "smart" cockpits and cabins to improve the profitability.

Tomás Apolinário da Costa
Investment Banking Division

What happened to

Nokia Corporation

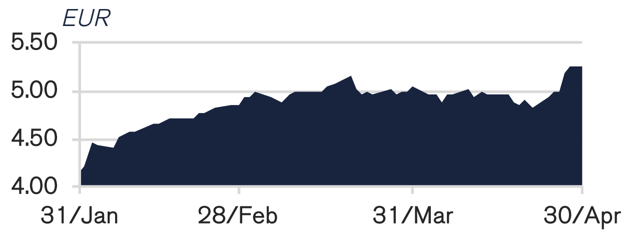
Nokia Corporation (Nokia Oyj) is a multinational communications and information technology company, headquartered in Espoo, Finland. The company was founded in 1865 by Frederik Idestam, a Finnish engineer, and since its creation Nokia has been developing products and services in several sectors such as mobile devices, cable or telecommunications.

Corporate News

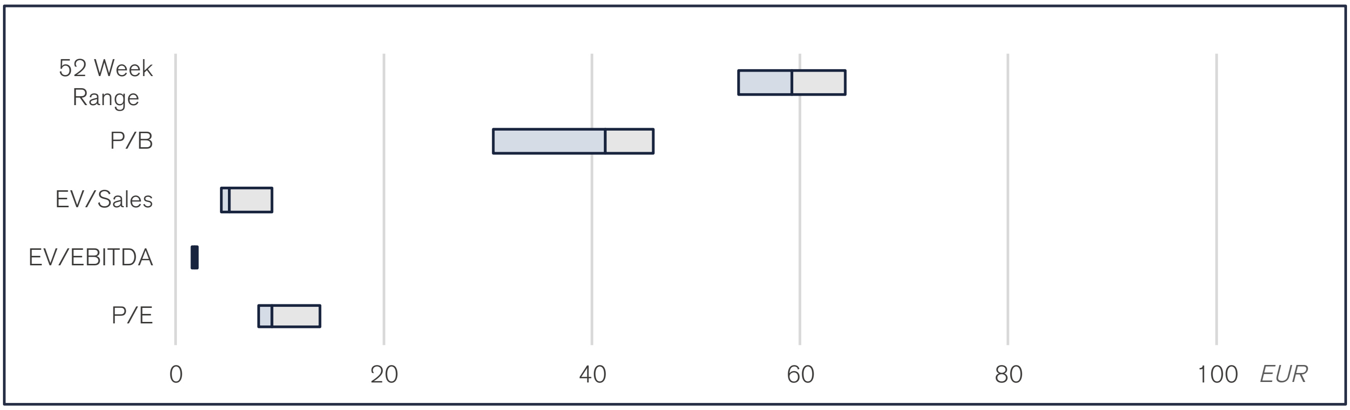
Nokia's shares have jumped 5.50% during the last week of April, achieving its highest value this year. The target price is set to EUR 5.40. During the first quarter of 2017, Nokia's shares were up 26.51%, even though the revenues for the company's networks division declined by 6.00%, to EUR 4.9bn. This business division, which comprises the Ultra Broadband Networks and the IP Networks and Applications, accounts for more than 90% of the company's total revenues and reflects the company's strategy to build a standalone software business and digital services across physical, virtual and hybrid networks.

Nokia, once the world's largest phone maker, especially after the launch of its iconic model 3310, is back at the beginning of the 2000's. Today, after having sold its mobile business to Microsoft in 2014, Nokia is clearly shifting its strategy from a hardware manufacturer to a software and service company.

Price (30 Apr 17, EUR)	5.25
Targe Price (EUR)	5.70
3M Performance	26.51%
Market Cap (EUR m)	30,639.29
Enterprise Value (EUR m)	25,894.29
**Target Price is for 12 months*	



Valuation Analysis



After this significant transformation, Nokia has now a different direct list of competitors. The company compares to firms operating in the communications and information industry, with a clear focus of serving commercial and governmental organizations worldwide. The football field above shows a clear undervaluation of Nokia, from both an Equity and Enterprise Value perspective, in which the price is allocated somewhere between EUR 30.00 and EUR 60.00.

Following its mission of entering into the digital world and strengthening its position globally, Nokia has been making a series of acquisitions, such as the stake on Siemens AG, the acquisition of the French-American rival Alcatel-Lucent or this-year's acquisition of Comptel, another important Finnish telecoms software firm. Although Nokia's new vision saved the company from a predicted bankruptcy in 2012, it is still uncertain how the company will cope with competition and the recent industry shift from communication towards virtualization software.

Peers	Currency	Market Cap (Cur m)
MacDonald Dettwiler & Associat	CAD	2,453.55
Motorola Solutions Inc	USD	14,089.86
CommScope Holding Co Inc	USD	8,184.68
China Spacesat Co Ltd	CNY	35,947.67
Ubiquiti Networks Inc	USD	4,236.58

Filipe Carballo de Almeida
Investment Banking Division

What happened to

Church & Dwight Co., Inc.

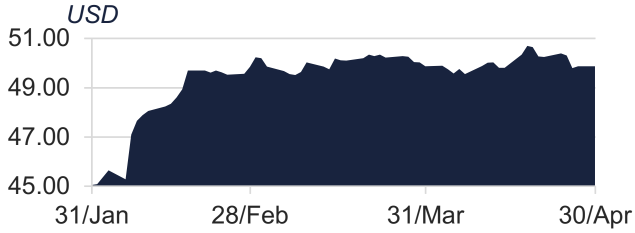
Church & Dwight Co, Inc. (CHD), founded in 1846, is a major American manufacturer of household products that is based in Ewing, New Jersey. While it manufactures many items, it is best known for its Arm & Hammer line which includes baking soda and a variety of products made with it.

Corporate News

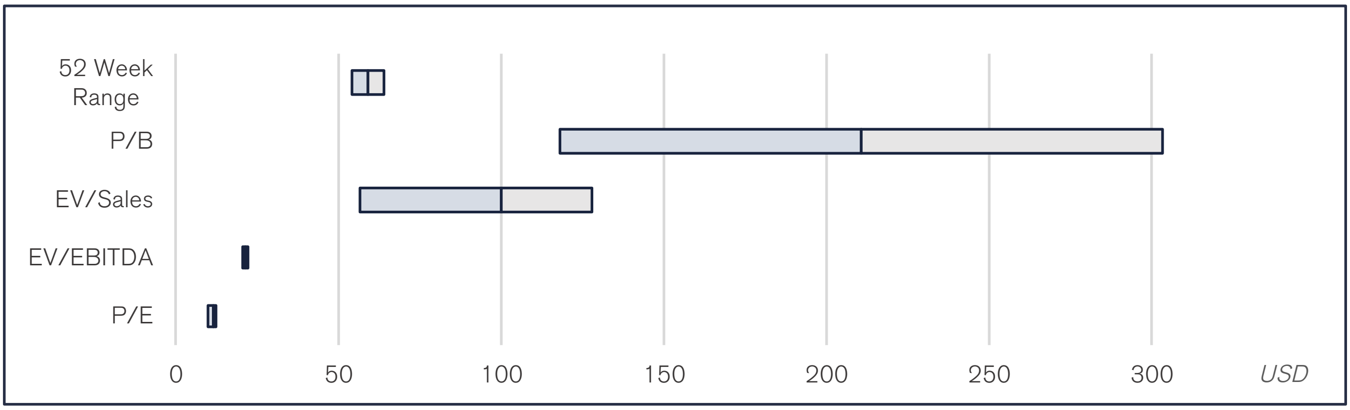
Church & Dwight's shares are up from USD 44.10 on November 3rd, 2016 to USD 49.82 on April 27th, 2017. Therefore, the company almost reached its target price, which is set to USD 50.0. Additionally, from 2014 to 2016 the Operating Margin as well as the ROIC steadily increased (ROIC up from 13.72% in 2014 to 15.42% in 2016). The company is seeking to leverage from this steady growth through maintaining a stable increase in sales it its home market (USA) and expanding the operations in markets, where they are already present, namely the UK, Australia and Brazil.

Nevertheless, it will be interesting to see how the company is going to react on the macroeconomic risks, namely the uncertainty surrounding the US politic stance, the still relatively unclear consequences of Brexit and the apparent slowdown of the Brazilian economy.

Price (30 Apr 17. USD)	**49.82**
Targe Price (USD)	50.00
3M Performance	0.11
Market Cap (USD m)	12,656.07
Enterprise Value (USD m)	13,588.47
**Target Price is for 12 months*	



Valuation Analysis



Before considering the graph above, it is important to highlight that CHD operates in a highly competitive industry, so that it is challenging for the company to outperform its main competitors Procter & Gamble or Colgate-Palmolive. Comparing the peer group to CHD in terms of EBIT margin, CHD offers a premium of 23.1%, as CHD's EBIT margin is at 20.7% compared to 16.8% as median of the peers. The backward looking P/E ratio of CHD is with 28.4x 8% higher than the peer group's median of 26.3x.

CHD could have grown disproportionally in the last years, which triggered investors to concede the company a higher valuation threshold. Thus, the EV/ EBITDA multiples for CHD against the peer group show premiums respectively. As CHD consistently outperforms the market and grows market share at higher levels as the market, this valuation premium can be considered justified and still relatively cheap, also under the consideration of other multiples like EV/Sales and P/B.

Peers	**Currency**	**Market Cap** (Cur m)
Procter & Gamble Co/The	USD	224,405.09
Clorox Co/The	USD	17,156.84
Avon Products Inc	USD	2,113.04
Colgate-Palmolive Co	USD	65,147.82
Revlon Inc	USD	1,406.37

Nicholas Sebastian Mayer
Investment Banking Division

NIC's view on

Maersk Oil's second and last planned organizational restructuring phase

Christian Reis
Investment Banking Division

The A.P. Moller-Maersk group will undergo a huge change within the next month and years to come. One way to cope with this change is also to improve the operational model of the portfolio company Maersk Oil. The latest published restructuring effort was the shift of planning and administrative tasks from offshore to onshore within Maersk Oil. This restructuring makes sense, since it strengthens their core area of business and therefore should increase future earnings and make the business more profitable and more valuable in a spin off event.

Maersk Oil is an international oil and gas company with operated production of over 500,000 barrels of oil equivalent per day. It produces in Denmark, the UK, Qatar, Kazakhstan, the US Gulf of Mexico and Algeria. Exploration and development activities are on-going in Angola, Norway, Kenya, Ethiopia, Greenland, Brazil, Kurdistan Region of Iraq and in the producing countries. As part of the A.P. Moller-Maersk Group, Maersk Oil is backed by a global conglomerate.

In January 2017, Maersk decided to simplify the onshore organization and now announced to enter the second phase of the planned organizational restructuring to complete the implementation of a new operating model. The restructuring includes the shift of planning and administrative tasks from offshore to onshore. With the consolidation of Maersk Oil's Danish Business Unit almost complete and the recent Tyra agreement in place, the company is now manning up in parts of its onshore business in order to be best prepared for delivering on its strategy to build a stronger position in their North Sea heartland.

The ongoing restructuring efforts can be interpreted as a needed action in order to react to the announcement of A.P. Moller-Maersk to split off its energy business in a major restructuring move in September 2016 and focus more on the transportation unit. The liner rates, an important measure for their transportation division, are very unstable and hard to predict since still set under pressure by overcapacity. Yet they are expected to rise after bottoming in 2016. The container shipment growth, expected transport & logistics synergies, and an optimism for improved container rates should lead to an increase in revenues. Maersk therefore would like to sell the energy part for cash within the next one and a half years, and the A.P. Moller holding would remain a shareholder up until a cash buyer is found.

For Maersk Oil itself we consider it unlikely to be sold since increases in oil prices are to be expected. Despite this prediction during the recent years, the natural hedge between being invested in the oil industry and the transportation industry did not pay off, since the oil price dropped but the huge price pressure on transportation offset the increase in demand. Since now the oil price expectations are favourable for being invested in the black gold, we consider that Maersk Oil is also right by focusing on improving their core business instead of taking bets on risky opportunities. So if in the far future A.P. Moller-Maersk decides to sell the oil business, a potential buyer will get a more smoothly working oil production company. Nevertheless, A.P. Moller-Maersk has to be careful not to lose themselves in restructuring processes, because a more focused portfolio also means a higher risk exposure to a certain sector. Especially, since in the current political situation (e.g. with the US not having sufficiently defined international political actions) an exposure on a trade depended industry like transportation could cause serious trouble that could be at least partially hedged via the energy sector exposure.

Date	Recent News
25 Apr 17	The second phase of the restructuring is announced. ***Source:*** *maerskoil.com*
22 Mar 17	Maersk Oil reached an agreement for the redevelopment of the Tyra field. ***Source:*** *maerskoil.com*
09 Jan 17	Announcement of simplification plans of the onshore organization. ***Source:*** *maerskoil.com*
22 Sep 16	Announcement of the energy spin off by A.P. Moller-Maersk. ***Source:*** *reuters.com*

Christian Reis
Investment Banking Division

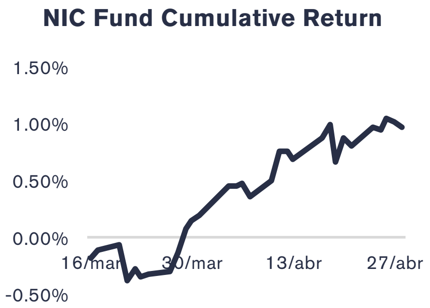
NIC

Nova Investment Club

NIC Fund

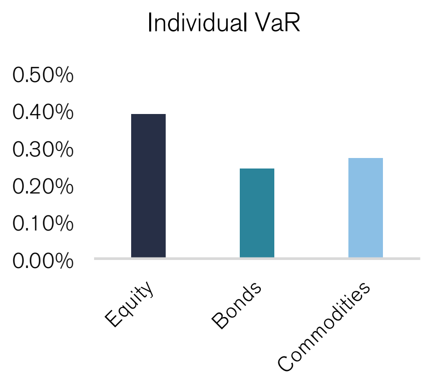
NIC Fund

Portfolio Overview



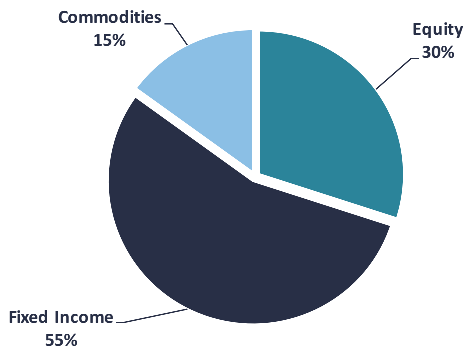
Portfolio Statistics	
Cumulative Return	0.97%
Annualized Return	7.81%
Daily St. Dev	0.14%
Period St. Dev	0.79%
Annualized St. Dev	2.23%
Info Sharpe	3.5
Skew (Daily)	-0.78
Kurtosis (Daily)	0.77

Benchmark	
iShares 3-7 Year Treasury Bonds	60%
SPDR S&P 500 ETF Trust	30%
Powershares DB Commodity Index	10%



Portfolio Snapshot

During the last month, the NIC Fund remained invested in Equities, Fixed Income and Commodities with very similar allocations to our benchmark fund. Overall, 30% of our fund remained devoted to Equities, 55% to Fixed Income and 15% Commodities. The decision to be underweight in bonds relative to the benchmark was due to the fact that inflation in the United States may be higher than what is currently expected by the market as a result of Trump's policies and Fed's decisions on monetary policy. In terms of commodities, the allocation defined last month was 5% above the benchmark as a way to hedge the portfolio through a bet in safe havens such as gold.



Return Metrics

The overall performance of the portfolio was positive, with a cumulative return since inception of 0.97%. The best performers were Fixed Income and Equities, with a positive return of 0.53% and 0.29%, respectively. On the contrary, Commodities registered the lowest gain, with 0.15%. As far as Equities are concerned, NIC Fund was invested in Tesla and in PKW and KBWB ETFs. In commodities, 5% of the allocation was on the gold ETF GLD.

For the upcoming month of May, NIC Fund will slightly change its composition by increasing the Equities allocation by 5% to 35% and returning the commodities weight to the benchmark level. This decision was mainly due to the poor performance of commodities during last month as well as due to the slumping in oil prices. By contrast, Equities investors benefited from less volatility after French Elections first round.

Risk Metrics

In terms of risk, our portfolio registered a relatively low daily VaR of 0.33%, taking into consideration the benefits of diversification. On the other hand, also during the same period under analysis, the non-diversified VaR was at 0.90%, significantly below the maximum established threshold of 2.5%.

As it is evident from the graph, Equities were the asset class with the highest individual VaR, which was around 0.39%. Finally, Bonds and Commodities had very similar potential daily losses, with VaRs of 0.24% and 0.27%, respectively.

Carlota Fidalgo Graça
Financial Markets Division

NIC Fund

Assets in brief

Asset Class	Symbol	Comments
US Equity	**SPY**	Our benchmark equities index, SPY tracks the S&P 500. Despite the valuations at historical highs, on a Cyclically Adjusted Price to Earnings (CAPE) basis, we believe that markets have remained confident in equities and therefore we maintain our long position.
US Equity	**Tesla**	Our long position in Tesla, taken in the beginning of April, Looks to capitalize on expected earnings growth for the high-tech car manufacturer. Tesla has spent heavily on R&D and looks poised to finally begin capitalizing on this work in the form of revenue growth.
US Equity	**PKW ETF**	Our long position in the PKW buy-back ETF is one of our only remaining “Trump Trades” as it looks to benefit from large-scale corporate tax reform. The fund is poised to capitalize on any tax code change which incentivizes corporations to repatriate funds and repurchase shares.
US Equity	**KBWB ETF**	On the 26th of April we chose to sell our position in the KBWB ETF. This Index was purchased with the intention of capitalizing on positive bank earnings and increased interest rates, both of which we saw during the first quarter.
US Equity	**PEP**	Purchased at our April 26th Investment Committee Meeting, PepsiCo looks poised for growth as the soft-drink and snack manufacturer has diversified its holdings and aims to be the leader in multiple snack-food categories. Q1 earnings were slightly off the mark.
EU Equity	**AF.PA**	Air France, also purchased during the April 26th Investment Committee would benefit strongly from an Emmanuel Macron victory in the second round of the French Elections. The partially state-owned airline depends on pro-EU policies for much of its business.
US Equity	**UVXY ETF**	The most short-term of our April 26th Investment decisions, our purchase of the UVXY ETF, which tracks the VIX, is indicative of our belief that volatility remains precariously low despite high geopolitical tensions. We expect an increase in volatility due to upcoming EU elections
US Equity	**CLF**	The last of our April 26th investment decisions, Cliffs Natural Resources produces Iron Ore in the United States. Based on the protectionist policies being introduced by the Administration and an expected Infrastructure bill, we expect revenues to grow substantially.
US Treasury Bonds	**IEI ETF**	Our benchmark bond index, IEI invests in treasuries with maturities from 3-7 years. Despite early signs that inflation may have been picking up and expectations for three rate hikes in 2017, the yield curve has flattened lately. We will continue to monitor these changes.
Commodity	**DBC ETF**	Our primary commodities index, DBC tracks a basket of 14 commodities. The ETF had negative performance over the last month, mainly driven by a slump in oil prices as production in the US and Canada continued to increase.
Commodity	**GLD ETF**	Our “Safe Haven” asset, the GLD ETF generally outperforms in times of high market volatility. We have reduced our position in this asset to bring our overall commodities weight back in line with the benchmark.

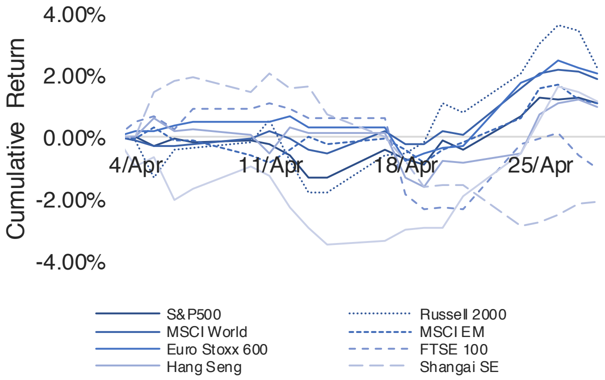
Andrew Borts
Financial Markets Division

NIC Fund

Equities

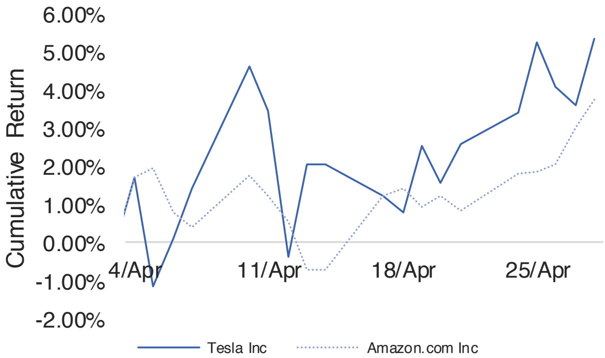
World Equities

The S&P 500 performed well during April (+1.22%), reflecting the economy's recovery and its non-inflationary environment combined with President's Trump pro-business, pro-growth policies. Adjustments to the White House's press release regarding tax-reform are yet to be made, while some advocate that much of the information was already priced in given the previous leaks. FTSE closed the month in negative territory as stocks were rattled by PM Theresa May´s call for a general election for June. European stocks climbed in the aftermath of the French elections' first round, as optimism returned when pro-EU centrist Emmanuel Macron took the most votes. Asian stocks were heavily harmed by North Korea's conflicting signals but the as the French elections had a huge spill over to the international markets, the Nikkei 225 closed on positive ground. The Shangai SE suffered a sharp decline of -2.17% as tighter regulatory scrutiny and concerns over the broader economic outlook dampened investors' risk appetite.



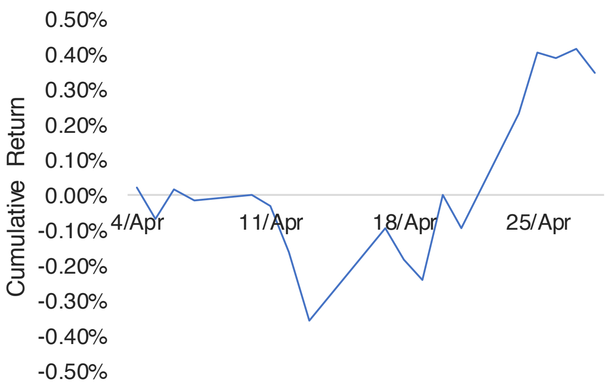
In depth

During this month, the IMF launched its World Economic Outlook – *"Gaining Momentum"* – which concludes that global economic activity is picking up thanks to more robust global demand, reduced deflationary pressures and optimistic financial markets. However, it stresses the need for credible strategies in advanced economies and emerging markets and developing ones to tackle a number of common challenges in an integrated global economy. Trump's travel bans coupled with "build-a-wall" rhetoric could make it harder to attract foreign-born engineers and scientists, a great source of talent and innovation in Silicon Valley and elsewhere. These policies have the potential to hurt The US' ability to innovate and maintain its world-leading creativity in technology and service. The market has seen evidence of some tech firms building research centres overseas. Speaking of US based tech firms, Amazon and Tesla stocks have been in a crusade in parallel with their idealist founders. Both Jeff Bezos and Elon Musk want to "conquer" space, both have been pushing frontiers in either electrification or reinventing the grocery store experience and both are CEOs of companies which rank on the top of the short interest table. Despite their continuous breakthroughs, earnings calls are the ultimate roadshow for investors, and though they have been good, some predict that this is as good as it gets. I cannot assess if they will be able to monetize every single project they have been implementing, but unsuccessful is something they have not been so far. A last reminder to those who have been bear on these stocks – 2008's Volkswagen short squeeze after Porsche's buying spree.



Our performance

Our equities portfolio returned 1.16% during the month of April, contributing with 0.35% for the month's return. The positive performance was helped by the results of the first round of the French election. Additionally, markets remained confident in the ability of President Trump to pass large-scale tax reform.



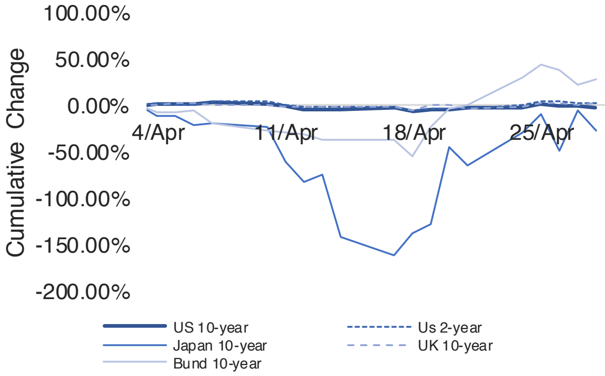
Sebastião Fernandes
Financial Markets Division

NIC Fund

Fixed Income

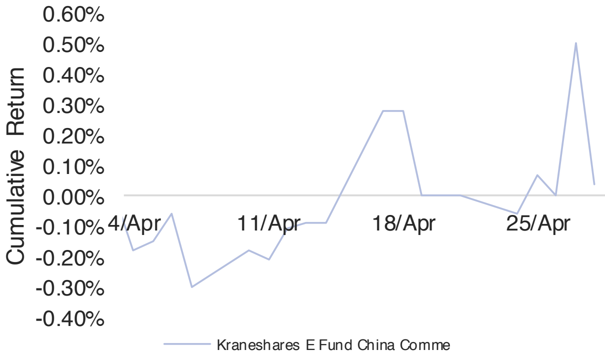
World Yields

I will start this section by looking at the evolution and cumulative change of some of the major sovereign bond yields, including US 2-year and 10-year bonds, 10-year Bund, UK 10-year and Japan 10-year bonds. For the month under analysis, yields remained relatively stable on a cumulative basis, with the exceptions being the 10-year Bund and Japan 10-year bonds, which reverted the trend in the middle of the month, ending the month with a positive cumulative yield change of 23.58%, and 15.83%, respectively.



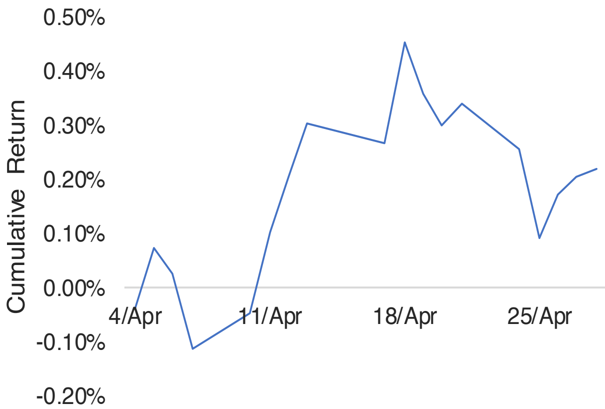
In depth

Like in the previous month, expectations for the Fixed Income market in the US are still very much dependent on future possible changes made my Trump's administration. The Fed interest rate hike in the previous month by a quarter percentage point, to a range between 0.75% and 1.00%, marked a departure from the sluggish pace of tightening observed in the past two years. By raising rates three months after the December 2016 hike, the Fed introduced the prospect of a more "normal" pace of rate rises, which will likely restore yields on cash and other low-risk assets, and on the other hand, will restrain the appetite for higher-yielding/higher-risk fixed income since investors will be able to achieve income targets while taking less risk. So far, the Fed has appeared to be more comfortable tightening via interest rate rises rather than by starting to unwinding its QE-filled balance sheet.



Nevertheless, any spikes in U.S. yields are likely to be suppressed by income investors who are still fleeing from near zero interest rates in other markets, such as Europe and Japan, and also by structural reasons, such as high debt levels, which constrain the global economy's ability to weather rises in rates. Additionally, performance indicators from March may have shown signs that the US economy is cooling off, with perhaps the most important signal being non-farm payrolls, which exhibited a value of 98k vs the 180k expected. To this news the fixed income market in the US reacted in high, with yields decreasing, but reverting over the following days, due to the outcome of the first round of French elections, with Emmanuel Macron's victory. This movement was closely followed by the European fixed income market.

Keeping an eye on the trading idea of last month, which was Chinese bonds, denoted by the Exchange Traded Fund *Krane Shares E Fund China Commercial Paper ETF* (KCNY), one can see that even though it started the month on the wrong note, it finished it with a relatively neutral performance of of 0.20% .



Our performance

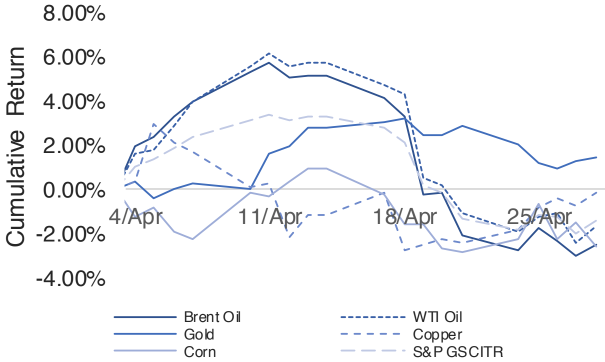
Notice that IEI ETF, tracking 3-7 year US Treasury Bonds, our benchmark fund for fixed income, performed quite well during April, earning a cumulative return of 0.40%, which contributed with a return of 0.25% in our portfolio.

Tomás Lameira
Financial Markets Division

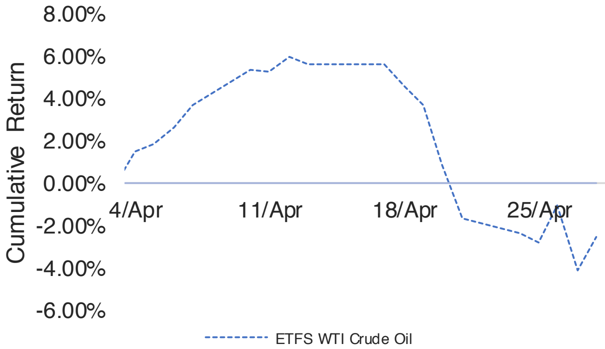
NIC Fund

Commodities

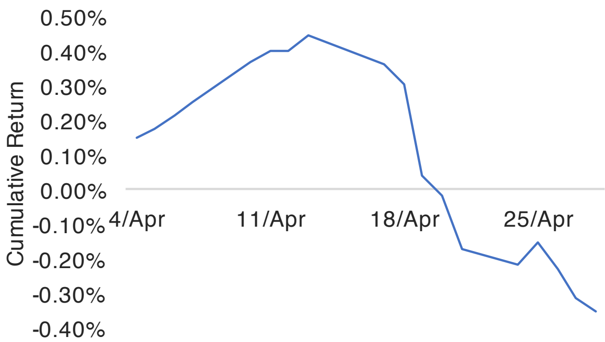
World Commodities
The S&P GSCI Index, which tracks 25 different commodities futures, went down by -1.41% during the month of April. However, commodity prices had strong fluctuations, gaining 3.32% during the first half of April and losing 4.17% until the end of the month, mainly driven by oil prices. The Brent and West Texas Intermediate (WTI) Crude Oil earned a -1.68% return this month, increasing in value during the first half of the month due to record-high US crude inventories and then started decreasing as growing concerns over rising US production and the restart of Libya's largest oil field rattled the market. Additionally, the gold price surged 8.96% since the beginning of the year with increasing demand due to global geopolitical tensions but it dropped 2.00% in the last two weeks of April to USD 1,265.80 per ounce after the first round of France's presidential election appeared to put Emmanuel Macron on track for a head-to-head battle with far-right candidate Marine Le Pen. April´s returned for gold was1.41%



In depth
OPEC might be close to reaching a deal with more restrictions on production. Saudi oil minister Khalid al-Falih said "consensus was building." The oil-exporting countries meet on May 25 in Vienna. The crude oil cartel has benefited from the production limits agreed in late 2016 for a supply cut of 4.4%, the cartel has helped prices rise 19%. That's a net revenue gain for oil-pumping nations of USD 215 million a day. Upcoming Iranian elections might play an important role in the future oil price too. While Hassan Rouhani, the current president, is largely expected to win, investors should be prepared for a so-called black swan event, as has been happening in the latest elections worldwide. For these reasons, I expect the Brent crude prices to rise to USD 60 a barrel over the coming months as global oil markets move further into supply deficit.



Our performance
In April, we allocated 15% of our total portfolio to commodities, overweighting the benchmark by 5 percentage points. We allocated 10% to the PowerShares DB Commodity Index Tracking Fund, our benchmark fund for commodities, that lost 2.30% last month and 5% to gold which earned 1.21%, leaving the commodities portion of the portfolio with an -1.16% return for the month, which contributed with a -0.35% return to our overall portfolio. Given the low expectations for inflation over the next five years have eased below 1.80 per cent, while those for the next 10 years have dropped below 1.89 per cent, levels not seen since December and its implications for commodities, we are reducing the weight of commodities in the overall portfolio to 10% (in line with the benchmark).



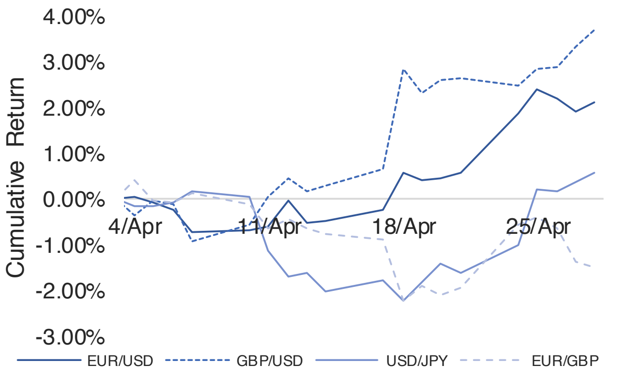
Pedro Tomé
Financial Markets Division

NIC Fund

Currencies

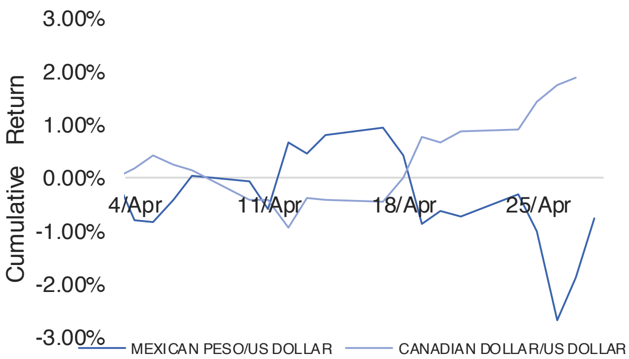
World Currencies

The French elections have been the main driver for currencies in the past month. After the declaration of Emmanuel Macron to hold the majority of votes after the first round, there is substantial optimism that he will be confirmed as French president in the upcoming second round taking place in May. In light of these events the Euro jumped, fueled by the hopes of many that anti-EU voices such as the one of Front National leader Marine LePen will eventually fall silent. Starting at 1.04 USD at the beginning of the year, the 1.09 USD mark was broken on after the election and the Euro also hit a one month peak against the Japanese yen.



Nevertheless, how the Euro will continue to perform depends on the Italian elections which may introduce new political risk and on whether the European Central bank keeps its dovish stance towards hikes in the base rate.

On the other side of the globe, in Japan, investors also worry about fluctuations in the valuation of the yen. Having the reputation to be a safe-haven currency, the yen currently trades around 110 USD amid worries about a new outbreak in the conflict with North Korea. A ballistic missile attack is considered as a “tail risk event” and increasingly included by brokers into their valuation of the currency.



In depth

Since the critical mark of Donald Trump's first 100 days in office is approaching, we have chosen to look at the Canadian Dollar and the Mexican Peso in closer detail this month to get a sense of the present and future effects that Mr. Trump´s policy has on his neighbors' currencies. First off, we can see the Canadian Dollar devaluing over the course of the last year. Being at 1.24 in April 2016, it now trades at 1.36 per USD. Major skepticism stems from the looming raise in tariffs (up to 24%) that the Trump administration wants to impose on goods such as dairy and wooden products that are crucial for Canadian exports. Experts expect the Canadian dollar to further slide on the trade tensions. Apart from the US protectionism, monetary policy of the Bank of Canada could also further lead to a devaluation of the Canadian dollar to the USD since the BoC will not hike rates again this year, the contrary to what the FED is expected to do.

The Mexican Peso, which was close to having completely recovered from its post-election losses, experienced the biggest drop in three months by the middle of April to USD 18.88. Reasons may be the continuously strengthening dollar and a decline in oil prices which puts pressure on oil-producing nations. Having shown to be more resilient than expected in the aftermath of Mr. Trumps election, the Peso may still be prone to fluctuations in the near future as the NAFTA agreement is about to be negotiated and migration issues remain unsolved.

Our performance

We currently hold no currency related assets in our portfolio.

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Victoria Engels
Financial Markets Division

Extras

Hot Topic

China's case for "great power" status

Bernardo Sousa Machado
Investment Banking Division

China is now the the world's second biggest economy and its largest trading nation. As its sense of being a great power returns, it is rightfully demanding a greater role in East Asia and in the global order. And, although such claims for a bigger part are legitimate, they should be met by compromise on allowing a greater access to its highly protected market. Because, the same US supremacy that China is now challenging was one of the main catalysts that allowed it to regain "great power" status.

Just hours after US secretary of state, Rex Tillerson, called on UN member-states to impose "painful" sanctions on the regime in Pyongyang, North Korea launched yet another ballistic missile test. Despite the test fail and even among escalating tensions in the region, such provocative behaviour is not unexpected from Mr. Kim Jong Un's regime. The material change in this case is how the incumbent US administration is tackling this issue.

In fact, after years of frustrating attempts to get China to curb its bellicose neighbour Mr. Xi Jinping seems, at last, willing to get involved. By halting coal imports, China is finally ramping up the pressure on the Pyongyang regime. Coincidentally, Donald Trump's tweet-reaction to the failed test accurately depicts this shift in paradigm: "North Korea disrespected the wishes of China & its highly respected President when it launched, though unsuccessfully, a missile today. Bad!". But, the question still stands: what has changed that prompted Chinese involvement?

For most of its history China has seen itself as "the ruler of all under heaven". Having never needed any allies in the Western sense, China's relations with the outside were limited to nations that paid tribute to it in exchange for trade. Since then, a lot has changed. In fact, a century of Republican turmoil, warmongering within its borders, Japanese invasion, civil war and a communist revolution, depleted China of its superpower status. That vacuum in its region was then filled by Japanese imperialism and, after the WWII liberation by the US with seventy years of stability guaranteed by the Pax Americana.

That same stability, coupled with the pragmatic market-led reform approach of some of its leaders, propelled China into three decades of phenomenal economic growth. In fact, economic output increased 20-fold since the 70s. Extreme poverty is now at an historical low of 80 m people. Its middle class is booming with an yearly income of up to USD 34,000 per household. A McKinsey&Company study revealed that 76% of China's urban population will be deemed middle class by 2022, becoming a central driver for the global economy. And, PwC reported that China gains a new billionaire every five days. Such an outstanding economic performance allowed the country to gain its place as the world's second biggest economy and its largest trading nation.

As its sense of being a great power returns, China is rightfully demanding a greater role in East Asia and in the global order. The same will that motivated the rapid modernisation of its armed forced in order to protect the sea lanes on which its prosperity depends, and has often lead to opposition with the US, about territorial conflicts in the South China sea. Is now motivating the cooperation with the Americans on the North Korean folder. An issue, which threatens the same stability that nurtured China's economic success.

The challenge ahead will be on how, after 70 years of hegemony in the region, can the US make room for a greater Chinese role. And, although China's claims for a bigger part are legitimate, they should be met by compromise on allowing a greater access to its highly protected market. The path to an open economy should be accelerated, the imbalance between exporting and imported tariffs should be resolved, and entry barriers should be substantially cut. Because, the same US supremacy that China is now challenging was one of the main catalysts that allowed it to regain "great power" status.

Bernardo Sousa Machado
Investment Banking Division

Interview

Pedro Carvalho

Pedro Carvalho
Manager
Apollo Global Management LLC

Q: Hello Pedro, thank you for receiving us. Maybe I would start by asking you, given your background in Consultancy, M&A and Private Equity (PE), what attracted you the most in each? [PC]: It is a pleasure to be doing the interview, thank you for the invitation. Regarding your question, I think they are all different and each of them has its characteristics. Personally, I would say that consulting gives you a great exposure to a tremendous diversity of industries, from High Tech to Pulp and Paper, of functions, from focusing on a company's operations to be looking at its financials, and of geographies, literally the 5 continents. In contrast, M&A is more about adrenaline and giving you a sense of fulfilment. I would say that it is like scoring a goal in a world cup final once a deal is closed. Finally, PE is all about unlocking value in the company or assets you acquired and become part of the industry transformation. As I said, I think each one is interesting for different reasons, although all of them are very attractive areas to work on.

Q: Even though the share of worldwide wealth that is coming from the US is declining, most PE firms are still American-based. What is the major difference between PE in the US and elsewhere? [PC]: I would say that the main differences are the US's regulation, governance and talent. The American regulation is extremely strict, governance is more independent and there is much more talent available. In turn, these provide security to investors and savers from all around the world, guaranteeing their funds will be managed in the best possible way. It is particularly important to understand that the US is still the major talent and capital "magnet". Europe is catching up… but the rest of the world is still far.

Q: Buy-slash-and-sell is the typical perception of a PE firm. How do you think of yourselves at Apollo? [PC]: (smiles) Well, I think that buy-slash-and-sell is quite an anecdotal picture of PE. That derives from the fact that PE firms typically buy assets that require significant management turnaround, through divestments, layoffs, etc. Also, from the fact that PE firms typically sell when the hard turnaround is completed and business sustainability is guaranteed, and in that sense is not a long term investor. However, PE firms save companies in distress and guarantee the long term sustainability of these assets in the vast majority of cases. Overall, I would say the approach you referred is followed in less than 1 per cent of all deals.

Q: I believe that sometimes it may not be easy to suddenly step into a company. Interacting with Executives so often, how do you manage that relationship? [PC]: I think that one of the most important things is be humble. Also, listen, listen, listen and learn. Always try help and do not think you can do everything on your own.

Q: You are currently Tranquilidade's and Açoreana's CFO. Insurance companies and banks have traditionally been developing their operations jointly, benefiting from cross-selling. However, this has come to an end in Portugal, namely with Apollo acquiring both Tranquilidade and Açoreana, previously owned by ESFG and Banif, respectively. Is this separation a global trend? [PC]: Yes. Insurance and banking operations do not need to have the same ownership to cooperate, they can do that through distribution agreements. Also, capital requirements and the increasing need to focus will force Insurance companies to become global, not necessarily diversified into banking. Travelers and Citigroup separation was the beginning of this worldwide movement.

Q: How do you perceive the opportunities in the Portuguese Insurance market? [PC]: Honestly, quite exciting times ahead. Firstly, the market is growing and there is potential for significant growth still to be unlocked. Secondly, technology is uncovering multiple opportunities for new ways to serve and new products to offer to clients. Finally, Tranquilidade and Açoreana have the human and financial muscle to proceed with further consolidation.

Q: Technology represents a major shift in companies' business models. Let's take Uber, for example. In the future, how do you see technology impacting the PE industry? [PC]: I think that technology will prompt significant growth of the PE industry. On the one hand, there will be more opportunities to invest, as I see disruptive technologies creating multiple new industries. On the other hand, there will be more competition for the available opportunities.

Q: Thank you very much for your time, it was a true pleasure. Any advice for someone that wishes to pursue a career in PE? [PC]: Fist of all, work hard, play hard. Also, do not take the first opportunity, try today, try in 1 year, try in 2 years and in 5 years if necessary. Finally, do not edge your bets, place your bets.

Know more…

**Pedro Carvalho has been working at Apollo for 2 years. Previously, he has also worked with Mckinsey for 15 years, having left the company as a Director (Senior Partner).
He also served as a Chief Marketing and Sales Officer at Sonae and was an associate at Goldman Sachs.**

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Thank you!

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