NIC

— Nova Investment Club —

# Newsletter

## June 2017

# 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, Patrick Pecher evaluates the US unemployment rate, while Manuel Gonçalves discusses the current state of the Swiss economy.

Our Investment Banking Division will guide you through May's M&A overall activity. Moreover, read about Atlantia's bid for Abertis Infraestruturas, Sinclar Broadcast Group's bid for Tribune Media Company and Praxair and Linde's confirmed merge deal.. Additionally, read a detailed overview on the what happened to both Alibaba and Adidas. Lastly, get an insight on Spotify's possible unorthodox listing in the NYSE, written by our analyst Diogo Góis..

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.

Lastly, Luis Zarate examines the metamorphosis of the startups scene and specially the disruption of the banking industry in Latin America. He will explain why now is the best time to be involved with the Latin American startups.

*The following content is original and created by the Nova Investment Club, which is run by students from Nova SBE's Master's in Finance. The reports may contain inaccurate or outdated information and should not be used as an exclusive mean for investment decisions.*

# NIC

Nova Investment Club

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# Macro Overview

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June 6th, 2017

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### Market Moves

| | -1W | -3M | YTD |
|---|---|---|---|
| S&P 500 | 0.23% | 0.58% | 6.13% |
| DJI | -0.13% | -0.62% | 5.23% |
| NASDAQ | 0.39% | 4.79% | 12.96% |
| MSCI World | -0.02% | 4.02% | 8.18% |
| MSCI EM | 0.81% | 6.04% | 14.40% |
| Rusell 2000 | -1.15% | -3.32% | -1.54% |
| Euro Stoxx 600 | -0.89% | 4.85% | 7.15% |
| FTSE 100 | 0.07% | 1.86% | 4.59% |
| NIKKEI 225 | -0.47% | 1.33% | 0.29% |
| HANG SENG | 0.91% | 7.92% | 15.93% |
| US 10Y Yield | -0.05% | -10.40% | -9.90% |
| EU 10Y Yield | -24.57% | 7.80% | 10.14% |
| GER 10Y Yield | -24.57% | 7.80% | 10.14% |
| JPY 10Y Yield | -7.55% | -24.62% | -24.62% |
| UK 10Y Yield | -2.43% | -12.40% | -21.65% |
| PT 10Y Yield | -5.26% | -22.26% | -21.44% |
| JPY/USD | 0.79% | 2.81% | 5.99% |
| EUR/USD | 0.12% | 6.49% | 7.08% |
| GBP/USD | -0.65% | 4.84% | 4.58% |
| Brent Crude | -6.76% | -10.73% | -10.89% |
| Gold | 1.43% | 1.68% | 9.07% |

***Source:** *Bloomberg*

In Focus

## June

**US jobless rate at lowest level since 2001.** Employers added 138,000 jobs in May, 46,000 jobs less than expected. Hence the current jobless rate is at a level of 4.3 per cent – the lowest since 2001. The US private sector adds 253,000 jobs in May topping Walstreet's forecast of 180,000.

**US economy growing at modest pace.** Last week the Fed announced that the US economy was growing at a modest pace between April and May. For Mid-June there is the second raise in interest rates of 2017 to be expected.

**US inflation is expected to grow.** Due to strong spending numbers and a tightening labour market the inflation in the US is likely to rise. Still, Mr Powell advises to be patient when it comes to interest rate rises.

**Eurozone Inflation falls back.** Inflation in the Eurozone has fallen back behind the target of the European Central Bank. The annual inflation rate has fallen from 1.9 per cent in April to 1.4 per cent in May. Also the core inflation, an inflation measure without the volatile goods such as Energy or Food, has fallen from 1.2 per cent in April to 0.9 per cent in May easing the pressure on the ECB to begin dismantling the quantitative easing program.

**Job creation in Spain's manufacturing sector surged.** The number of jobs created in the manufacturing sector rose to the highest level of this century during May.

**Finland continuous to grow.** Finland recorded the sixth consecutive quarter of economic growth for the first time since the financial crisis. Economic growth was up 1.2 per cent compared to the previous quarter and 2.7 per cent compared to the previous year.

**Portugal is expected to face the strongest year of growth since two decades.** Quarter-on-quarter the gross domestic product expanded by 1.0 per cent in the first quarter lifting the year-on-year growth to 2.8 per cent. This quarter-on-quarter expansion was also double the euro average. After falling in a deep recession Portugal is now accelerating its rebound and is even on a par with Spain, the eurozone's best performer, when it comes to first quarter growth numbers.

**Brazil crawled out of its recession.** Brazil's economy grew 1.0 per cent compared with the previous quarter. This is the first quarter-on-quarter growth since eight consecutive quarters of contraction. This growth was driven by the agricultural sector which expanded 13.4 per cent. Still, one should not be too optimistic since there is still a lot of political turmoil ongoing.

**Indian GDP growth slows.** India's economy slowed down from a growth rate of 7.0 per cent during the last quarter to 6.1 per cent during the first quarter of 2017. Prime Minister Narendra Modi's abolition of most of the country's cash in November severely influenced the economy's development in the subsequent months.

**South Korea grew faster than estimated.** The Bank of Korea revised the first quarter growth upward by 0.2 percentage points to a year-on-year pace of 2.9 per cent. Additionally, the quarter-on-quarter growth was upward corrected by the same amount to 1.1 per cent. Reason was the upward correction of exports, manufacturing and services sector activity.

Christian Reis
Investment Banking Division

Deeper Dive

# The two-sided employment record in the US

**Patrick Pecher**
Investment Banking Division

**Although the US unemployment rate reached a 16-year low the markets showed a disappointed reaction due to modest wage growth and shrinking labor force, uncovering the economy's weak spots.**

**The pool of employees grew by 138,000 in May, resulting in a drop of the unemployment rate of 0,1% to 4.3%. The recent developments on the job market keep the Federal Reserve on track to raise interest rates.**

At the first glance the latest numbers from the US job market deliver the picture of an economy that is growing steadily and approaching full employment. Thus, it is likely that the US Federal Reserve is going to conduct its quarter-point rate rise at this month's meeting. The US unemployment rate dropped by 0.1% to 4.3%, which was also driven in part by a decline of 429,000 in size of the labor force, meaning potential workers drop out of the market. The milestone on the job market came with an increase of 138,000 jobs and a revisions that reduced the gains in the previous two months. This number was 46,000 below general expectations, causing concerns on the markets.

However, there has been a long discussion about what constitutes strong job growth. Recent trends in the job market suggest a shift in the way of employment creation due to aging labor forces. With more baby boomers retiring each year, economists estimate that the monthly addition of roughly 100,000 jobs should be enough to absorb those entering the work force, including new graduates. Economists appreciate the slowdown in job growth but consider it as high enough to keep up with the growth of the working age population. Previous month-after-month job gains above the threshold of 200,000 would not be sustainable in the long term, because the working-age population doesn't have the capacity to keep up the pace. In the last eight months the number of over 200,000 job creations has been reached only two times, while the average of the last three months was at approximately 120,000. Still, there are different opinions on whether the slower pace is a sign of the labor market's tightness or its downturn. Experts who believe that the economy is reaching full capacity argue that there aren't many available workers left. There has been a long and unique period of steady job growth since 2012, which might have compensated most of the un- and underemployed people in the recent past. Critics on the other hand argue that wages would be rising faster, if the labor markets were truly tightened.

Apart from the decreasing labor force, wages in the US economy haven't shown a responsive reaction yet to the tighter job market. The average wage per hour increased by 2.5%, which is not higher than the last year's pace. Additionally, it still remains significantly under pre-crisis growth of around 3.5%. Experts associate a part of the explanation for the weak wage performance to America's high level productivity, as well as slow inflation. Still, the decline in unemployment and participation in combination with the poor wage growth presents the Fed with a contradiction. Instead, the slow wage growth is just slightly above the increase of inflation.

The markets' reaction to the record low in unemployment was dominated by the worries about the shrinking labor force and modest wage growth. As response, the dollar fell to the lowest level since the election of Donald Trump in November. Also treasury yields showed a decline, US 10-year treasury yields slipped 5.75 basis points to 2.154%, which represents the lowest level since the days following Trump's election. Skeptical bond traders expect that even if the FED will conduct a rate increase this month, further increases will be more unlikely in the near future.

While president Trump still has job creation as a priority on his agenda, he shouldn't neglect the level of current wages and its growth. The US economy is mainly driven by consumption and as the labor force might not allow further extensive reductions in unemployment, the level of wage increases is decisive for the overall economic growth.

Patrick Pecher
Investment Banking Division

Regional View

# The Swiss trepid upswing

**Manuel Gonçalves**
Financial Markets Division

**The Swiss economy is still lagging behind neighboring countries, like Germany, mostly due to the impact of the strong Franc, even though the SNB has been trying to counter it via negative interest rates and foreign reserves accumulation.**

Two-and-a-half years after suffering an exchange-rate shock that made its exports even more expensive, Switzerland has yet to rediscover its path to strong economic growth. While aggregate output has since recovered, some companies - particularly in the manufacturing, electrical and metals industries - are struggling in the non-eurozone country whose central bank is still bemoaning a strong currency.

A study prepared for the Swiss National Bank's (SNB) March policy assessment found that almost 40 percent of firms rated their utilization of production capacity as below normal. Roughly the same proportion of company representatives said margins were lower than usual.

According to data released last week, real GDP grew 0.3 percent in the first quarter (1.1 percent annualized), undershooting the consensus expectation which called for 0.5 percent growth. Despite the miss, growth was the highest since the second quarter of 2006.

A breakdown of Swiss output into its underlying demand components shows mixed results in the first quarter (Q1). Household consumption was notably weak, growing just 0.1 percent in Q1. However, a slowdown in personal consumption growth could have been expected given its 0.9 percent increase the previous quarter.

Government spending increased 0.4 percent to mark its twelfth consecutive quarter of expansion. Investment in equipment and software increased a strong 1.7 percent on the quarter while construction investment edged up 0.4 percent.

Moreover, exports jumped 3.9 percent on the quarter, following a 3.5 percent pullback in Q4-2016. As economies in the Eurozone begin to gain momentum, Swiss export growth should remain positive.

The SNB will also likely reduce its Foreign Exchange interventions as the election of Emmanuel Macron as the new French president may reduce risk aversion and, in turn, stop further inflows into the Swiss franc.

However, protectionist measures from the new US administration might trigger a slowing of global trade. Likewise, political risks in Europe still exist, namely in Italy where elections are pending at the beginning of 2018.

Switzerland is also confronted by demographic challenges, which make pension liabilities a major problem. A study by the SNB forecasts that, with no net immigration, the Swiss working population could decline by almost 25% by 2050 – forcing higher retirement ages and lower public spending. Similarly to other European countries, Switzerland will face a difficult trade-off between higher immigration and weaker growth.

The right-wing movement AUNS and the Swiss People's Party put in motion a new initiative in order to abolish the free movement of people. This would undermine the Swiss parliament's decision to only implement a "soft" version of the initiative against mass immigration at the start of the year.

Although suffering from the same immigration issues as other European countries, the Swiss recovery is well under way, but somewhat more moderate than hoped. Its economy is still lagging behind neighboring countries, like Germany, mostly due to the impact of the strong Franc, even though the SNB has been trying to counter it via negative interest rates and foreign reserves accumulation.

Manuel Gonçalves
Financial Markets Division

Macro Overview

# Economic Calendar

## Economic and Political Events

### French legislative elections

Legislative elections are scheduled to take place on 11 and 18 June to elect the 577 members of the 15th National Assembly of the French Fifth Republic, which will follow the two-round presidential election in which Macron won the runoff against Le Pen.

### European Council

The European Council meeting will take place on the 22nd and 23rd of June 2017. It defines the EU's overall political direction and priorities. It sets the EU's policy agenda by adopting conclusions, which identify issues of concern and actions to take within the European Union.

### G20 meeting in Hamburg, Germany

The Summit of the Heads of State and Government will be held in Hamburg on 7 and 8 July 2017. G20 heads of state and government traditionally focus on issues relating to global economic growth, international trade and financial market regulation.

## Central Bank decisions

### FED rises interest rates

The US Federal Reserve, which in December raised benchmark rates only the second time since the financial crisis, expects to do so three more times in 2017. Markets are convinced that this could possibly happen during June 13 and 14 2017.

### ECB meeting in Sintra, Portugal

From June 26th to 28th, the fourth annual ECB Forum on Central Banking will focus on investment and growth in advanced economies. 150 central bank governors and high-level financial market representatives will exchange views on current policy issues.

### Norwegian Central Bank meeting

Release of the interest rate decision and Norges Bank's advice on the countercyclical capital buffer after the meeting of the Executive Board on 21 June 2017. The number of monetary policy meetings will be increased from six to eight per year, beginning in 2018.

## Inflation and Deflation

### UK Consumer Price Index

On June 13th, the National office for national statistics in the UK will publish the CPI report with potential influence on the BoE decisions. The last annual UK CPI was 2.6% for April 2017.

### US Consumer Price Index

On June 14th, the US CPI will be published, which is the main economic indicator for inflation. If this indicator goes up, interest rate expectations also go up and thus, central bank decisions (i.e. interest hikes) can be induced.

### China Inflation Rate

On June 9th, the CPI for China will be published for May 2017. China's consumer prices rose 1.2 percent year-on-year in April of 2017, following a 0.9 percent rise in March and slightly above market consensus of a 1.1 percent gain.

## Labour Market

### ADP employment survey

On June 7th, the Automated Data Processing employment survey will be published with a great amount of detailed employment situation insights. The report is a measure of non-farm private sector employment which is obtained by utilizing an anonymous subset of roughly 400,000 U.S. businesses, which are clients of ADP.

### US Employment Situation

The ultimate market mover is the employment report from the USA, published on June 2nd. Investors lay great importance on it and are helped determining in which economic sectors they intend to invest. Also wage trends and implications for inflation can be derived from this economic indicator.

### German Unemployment Rate

On May 31st, the "Statistische Bundesamt" published the unemployment rates for Germany for April 2017. Compared with the previous month, the number increased by 83,000 or 4.7%. Adjusted for seasonal and irregular effects, the number of unemployed stood at 1.69 million. The adjusted unemployment rate was 3.9% in April 2017.

Nicholas Sebastian Mayer
Investment Banking Division

# Investment Banking

M&A

## Overall Activity

### Global

The global M&A activity in May followed the trend already observed throughout the first quarter of 2017. In April, there were 1,026 deals globally, worth a total of USD 229.96 bn, which represented a decline of 530 transactions and a 3.8% increase in value compared to April 2016. The political uncertainty around the globe has been identified as the main cause for the observed trend, not just in Europe but also in America. In Canada, the second-largest banking group – Royal Bank of Canada - has delayed its acquisitions' strategy in the US, stating that the political uncertainty under Donald Trump administration is making deals a "struggle". In the U.K., when presenting the *Tory's* manifesto, Theresa May promised more scrutiny on mergers and acquisitions, namely by giving more power to authorities, entitled them to suspend bidding processes, if further probe is needed.
In April, Goldman Sachs kept its leading position (in value terms) as number one global financial advisory with a total value of USD 65,649 m, while JP Morgan secured the first place, in volume terms, advising a total of 28 deals.

### Selected Regions

**North America**
During the first 4 months of 2017, the United States was the strongest region in M&A value terms (USD 116.5 bn) with a special contribution from the Pharma, Medical and Biotech sector. May also marked the end of the three-month takeover fight between two of the world's largest paint companies – Akzo Nobel (Netherlands) and PPG Industries (US), after the American company decided to walk away from the deal.

**EMEA**
In April, Europe was the global leading region in total number of transactions, with 376 deals. In May, the region also registered a record fundraising by a private equity group, CVC Capital Partners, that collected a total of EUR 16 bn from established investors all over the world. This record results from the high-performance of PE funds, that had been outperforming other assets classes, such as hedge funds.

**Asia**
After an outstanding record in 2016, Asia's dealmaking activity has slowed during 2017, while Technology remained the strongest sector in the region, especially in China. At the same time, while Chinese companies have sought overseas acquisitions for growth, there has been a greater difficulty in gaining approval from regulators, both in China and in the EU. This trend is expected to intensify.

M&A

## Deals of the Month

| Announnced Date | Target | Buyer | Target region | Target business | Value (USD m) | Premium (%) |
|---|---|---|---|---|---|---|
| 15 May 17 | Abertis | Atlantia | ES | Infrastructures (toll-road) | 18,000-00 | 5.00% |
| 24 May 17 | Bunge Ltd. | Glencore PLC | US | Grain Trading | 15,000.00 | - |
| 22 May 17 | Clariant (merger) | Huntsman | CH/US | Chemicals Industry | 14,000.00 | - |
| 15 May 17 | Patheon | Thermo Fisher Scientific | NL | Drug-ingredient makers | 7,200.00 | 35.00% |
| 24 May 17 | Nvidia Corp. | Softbank Group Corp. | JPN | Technology (AI) | 4,000.00 | - |
| 7 May 17 | Tribune Media Co. | Sinclair Broadcast Group Inc. | US | Telecommunications | 3,900.00 | 26.00% |
| 15 May 17 | Bureau van Dijk | Moody's | NL | Financial Information Provider | 3,300.00 | - |
| 16 May 17 | Yahoo (buyback) | Yahoo | US | - | 3,000.00 | - |
| 8 May 17 | Kate Spade | Coach | US | Design and Clothing | 2,400.00 | 27.50% |
| 1 May 17 | Angie's List Inc. | IAC/InteractiveCorp | US | Online-review network | 512.00 | 44.00% |

Filipe Carballo de Almeida & Sofia Oliveira
Investment Banking Division

M&A: Top Deals

# Atlantia S.p.A to acquire Abertis Infraestructuras SA

The Spanish toll road operator Abertis is being targeted from Atlantia, in a USD 17,834 M offer. The completion is subject to a minimum of 50% of the shares being tendered and relevant regulatory approvals.

## Buyer vs Seller

Atlantia is the owner of Italy's biggest toll-road manager and Rome's two airports. BNP Paribas, Credit Suisse Group, Unicredit and Intesa SanPaolo will provide financing to support Atlantia's bid. With Abertis on board, the deal would be the largest acquisition by an Italian company since Enel SpA bought Spain's Enesa SA in 2007. Abertis's board won't comment on Atlantia's bid "until legally required," the Spanish company said in a statement.

## Industry Overview

Atlantia has long been trying to lure its Spanish rival to the negotiating table, according to sources quoted in Reuters. However Abertis, has only recently started contemplating the possibility of a sale to enable the business to face some domestic challenges, including a number of concessions soon to expire. Furthermore, with a high number of big rivals, consolidation is now one of the few viable options across the industry.

| Peers | Currency | Market Cap (CUR m) |
|---|---|---|
| Macquarie Atlas Roads Group | AUD | 3,397.52 |
| Yuexiu Transport Infrastructur | HKD | 9,486.83 |
| Societa Iniziative Autostradal | EUR | 2,275.36 |
| Transurban Group | AUD | 25,632.99 |
| Shenzhen International Holding | HKD | 24,824.64 |

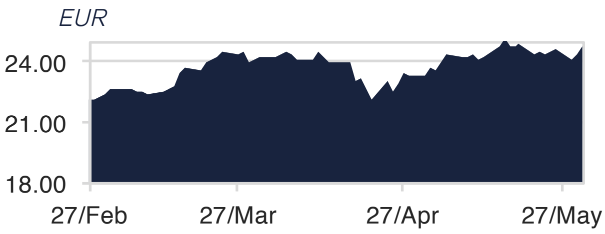
## Deal Rationale

The Benetton family's Atlantia offer would create the world's biggest operator of toll roads. Together, the combined company would manage more than 14,000 kilometres of highways. Moreover, the combined group would have pro-forma 2016 earnings before interest, tax, depreciation and amortisation of €6.6bn. Simultaneously, in terms of revenues this would mean an annual revenue of more than 10 billion euros, outpacing French rival Vinci SA, which had 2016 sales from highway concessions of about 6.3 billion euros.

## Market reaction

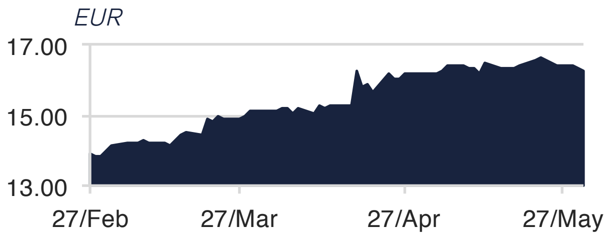
Atlantia S.p.A

Since the announcement, May 15, the stock price had a small decrease, from which it has already recovered. Nevertheless, Moody's has affirmed a negative outlook.




Abertis Infraestructuras SA

The company's share performance in the last 3 months has been definitely positive, even though investors reaction to the potential deal were almost inexistent.




## Future Challenges

The bidding comes without the support of Atlantia's top investor, Criteria Caixa SA, who holds 22.3% of Abertis's stock. In turn, Atlantia might have to "sweeten" the bid to get Caixa's approval, beyond the 5% premium the current cash offer provides. By now, as an alternative to cash, Atlantia is offering 0.697 of Atlantia shares for each of the Spanish company share. Nevertheless, the acquisition might lead to a 30% accretion of earnings per share.

Lourenço Alves Pereira
Investment Banking Division

M&A: Top Deals

# Sinclair Broadcast Group to acquire Tribune Media Company

Earlier in May Sinclair Broadcast Group announced the acquisition of Tribune Media Company, a U.S. newspaper publisher owner of a diverse portfolio of television and digital properties. The deal, valued at USD 6.6bn, is still pending approval by regulators.

## Buyer vs Seller

The acquisition falls in line with Sinclair's objective of tightening its grip on the American local television market. As the largest owner of local TV stations, Sinclair is looking to further consolidate its position and achieve a 70% market share. The deal would grant Sinclair an additional 42 stations, and ownership of the coveted WGA America, a nationwide Chicago-based network. Despite the company having expressed no will to do so, some speculate that the move would allow it to compete on par with Fox News.

## Industry Overview

The deal follows a series of consolidation within the local TV industry. Such trend has drawn concerns over the power of large players to influence their audience. A study found that almost 60% of adults get their news from TV, of which 50% rely on local networks. Some public interests groups have already expressed their opposition, and it is possible that Sinclair will be forced to sell some stations by the Federal Communication Commissions.

| Peers | Currency | Market Cap (CUR m) |
|---|---|---|
| Sinclair Broadcast Group Inc | USD | 3,448.86 |
| Nexstar Media Group Inc | USD | 2,740.83 |
| EW Scripps Co/The | USD | 1,425.66 |
| Entravision Communications Cor | USD | 533.01 |
| Gray Television Inc | USD | 895.67 |

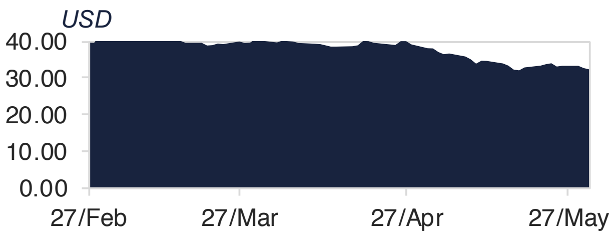
## Deal Rationale

With 173 local stations, currently on par with its closest rival Nexstar Media Group, which owns 170, the Tribune acquisition would grow Sinclair's network portfolio to 233. By doing so, it is estimated that the broadcasting group would be able to reach 72% of U.S. households through local stations and, if willing to do so, compete directly with Fox News, through the WGA America nationwide network. The increased size would put Sinclair in a strong bargaining position, with increased power to negotiate favourable contracts with cable companies and national advertisers.

## Market reaction

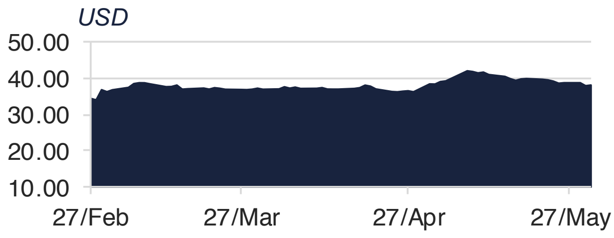
Sinclair Broadcast Group

After the announcement, Sinclair's shares were down by around 2.20%, reflecting some investors' concerns over the deal and acquisition process.




Tribune Media Company

The share price of Tribune Media Company went up by almost 5.20% on the aftermath of the deal announcement, reflecting the 8% premium paid by Sinclair.




## Future Challenges

Reflecting the public and regulators' concerns about further consolidation within the media industry, such topic has been a key discussion point for investors interested in the deal. Despite a recent loosening in FCC regulation, the acquisition is still pending regulatory approval and it is uncertain whether Sinclair will have to sell some of its stations to get the deal through. In addition, its new competitive position opens the debate on whether the company should venture into a direct competition with Fox News.

Bernardo Sousa Machado
Investment Banking Division

M&A: Top Deals

# Praxair and Linde confirm merger deal

Linde and Praxair announced on June 1st a merger of equals in an all-stock deal creating the world's largest supplier of industrial gases. Linde shareholders (Praxair) will be offered 1.54 (1.00) shares in the new company for each Linde (Praxair) share.

## Buyer vs Seller

Based in Munich, Germany, Linde AG is one of the leading chemical gases companies with some EUR 16.9bn of revenues whereas Praxair is the biggest US American industrial gases company with some USD 10.5bn of revenues. Thus, Linde could be considered bigger than Praxair. However, the operating margin of both companies vary a lot with 12% for Linde and 23% for Praxair, which yields similar operating profits of some EUR 2bn are similar. It is evident that both firms seek to realize synergies from the other.

## Industry Overview

The gases industry is already extremely consolidated. After the acquisition of Air Gas by Air Products and Chemicals in the US, the mega merger of Linde and Praxair represents the next step in the sector consolidation, supporting the companies to compete against their Asian peers while at the same time reducing the competition on the US market. The emerging markets are the major growth catalyst for the future of the sector.

| Peers | Currency | Market Cap (CUR m) |
|---|---|---|
| Air Liquide SA | EUR | 43,184.41 |
| Taiyo Nippon Sanso Corp | JPY | 515,380.48 |
| Yingde Gases Group Co Ltd | HKD | 11,362.35 |
| Linde AG | EUR | 32,568.31 |
| Air Products & Chemicals Inc | USD | 31,587.47 |

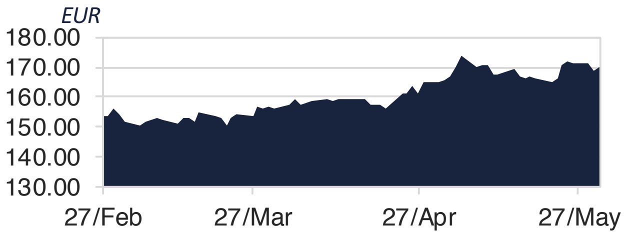
## Deal Rationale

The combination of the two companies leverages unique strengths of each company which are Linde's long-standing leadership in technology with Praxair's operational excellence which is evident in the latter's great margins. The deal brings together strong, complementary positions in key geographies and creates a more diverse and balanced market portfolio of the new company. The ability to provide innovative, reliable and cost-efficient solutions for customers can be improved while combination of revenues yields pro forma revenues of approximately USD 30bn. Value created with synergies can be expected to give some USD 1bn annually. The market reaction (shown below) reflects the two-sided expected synergies.

## Market reaction

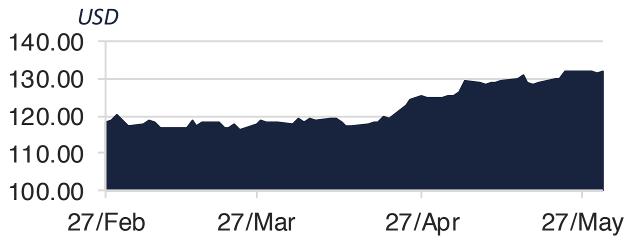
Linde

After agreement over USD 35bn merger, Linde shares jumped 1.8% on June 1st. As the market anticipated the merger, the stock rallied already since late February.




Praxair

The Praxair stock price increased 1.8% to USD 134.61 on June 1st. Like Linde, the stock rallied since late February.




## Future Challenges

The potential USD 1bn in cost savings is very lucrative, for both sides. However, there is a real margin struggle ahead which must be surpassed to create the operational excellence of Praxair in the whole new company. Especially Linde with strong employee representation is reluctant to restructure their business. Linde is currently the second largest provider of industrial gases and Praxair is the third biggest one, creating a big company with too much market power. As cartel issues might occur, some businesses will have to be divested at non-compelling multiples.

Robert Schröder
Investment Banking Division

What happened to

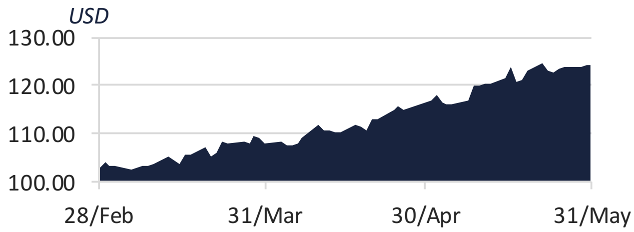
# Alibaba Group

Alibaba Group, Ltd is a Chinese e-commerce company founded on April 4, 1999, in Hangzhou, China by Jack Ma. The company provides consumer-to-consumer, business-to-consumer and business-to-business sales services via websites, as well as electronic payment services, cloud computing services and a shopping search engine. The company is currently present in more than 200 countries.

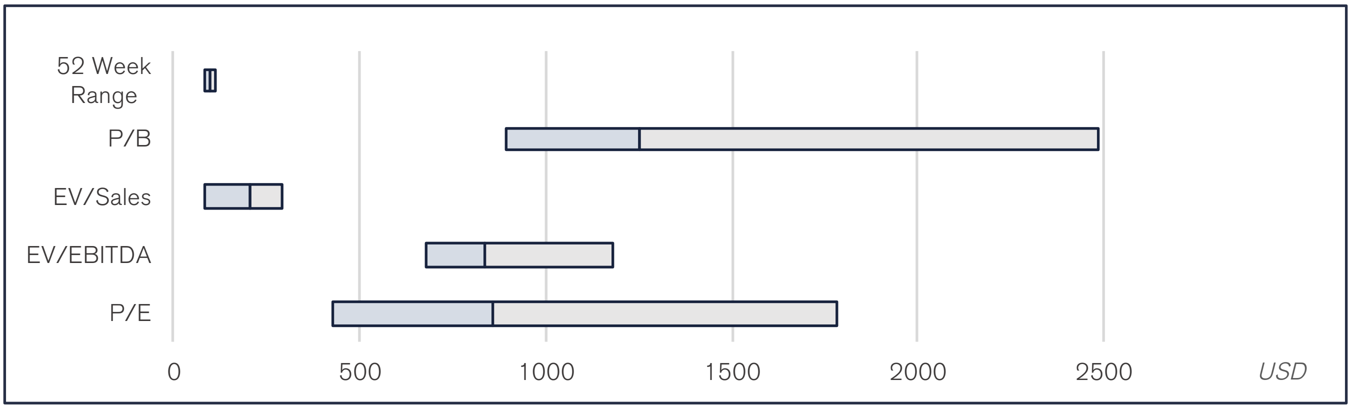
## Corporate News

Alibaba's shares were up 20.56% over the last three months, with a total market capitalization of nearly USD 310 billions. The target stock's price is now set to USD 140.0. The significant increase of Alibaba's capitalization comes from the first quarterly results of 2017, which the company closed with a profit around the USD 1.4 billions, the double of the previous quarter. In contrast with the revenue's projections, the profit was still below the analyst's expectations, whose estimation was not expecting such a high tax bill for the period. However, the revenues' impressive growth, fuelled by Chinese electronic commerce and cloud computing business, is expected to remain in 2-digits and is sending the stock price to the roof. Additionally, the e-commerce company has also announced a stock repurchase programme of a total value of USD 6 billion for the next two years.

| Price (31 May 17, USD) | 124.06 |
|---|---|
| Targe Price (USD) | 140.00 |
| 3M Performance | 20.56% |
| Market Cap (USD m) | 309 638.88 |
| Enterprise Value (USD m) | 2 072 516.95 |
| **Target Price is for 12 months* | |




## Valuation Analysis




Alibaba's primary competitor is JD.com, another Chinese company listed in the NASDAQ and an e-commerce giant in mainland China. On the other hand, in terms of connecting buyers and sellers all over the world, the Chinese company faces fierce competition from Amazon and eBay, since both companies also operate worldwide. The football field demonstrates that Alibaba is undervalued in every multiple, except the Enterprise Value/Sales.

Alibaba has been expanding into new areas to tackle the revenues' deceleration and, through the acquisition of Lazada Group, the company gained a significant position in Southeast Asia. The firm has also been strongly investing in cloud services and digital entertainment. The Chinese retail (including mobile retail) revenue continue its upward trend by successfully continuing to monetize its current user base.

| Peers | Currency | Market Cap (Cur m) |
|---|---|---|
| JD.com Inc | USD | 58 034.03 |
| Vipshop Holdings Ltd | USD | 7 529.59 |
| MercadoLibre Inc | USD | 12 538.70 |
| Amazon.com Inc | USD | 477 320.67 |

Tomás Costa
Investment Banking Division

What happened to

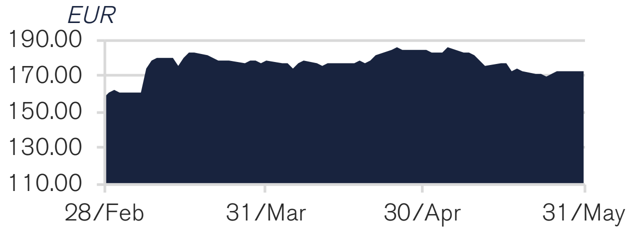
# Adidas

Adidas Group is a German sport's apparel designer and manufacturer. Besides its flagship brand Adidas, it also owns Reebok, a fitness focused equipment manufacturer. The group employs more than 60 thousand people in 160 countries, making it the biggest European based sportswear manufacturer.

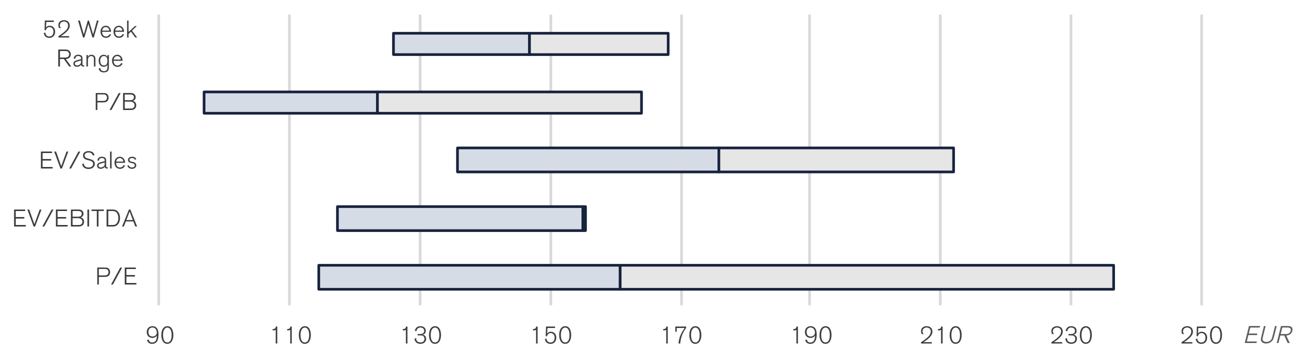
## Corporate News

Adidas's shares are up 14.82% YTD and 50.95% for the last 52 weeks. The strong performance is being caused by the turnaround Kasper Rorsted, the new CEO appointed last October, is undertaking. Last quarter results dazzled investors, with net earnings jumping almost by a third. Sales in North America – the biggest sports market in the world – increased 31%. The company's strategy also paid off in China, where sales rose 30%. The company has decided to focus on its apparel business, selling its golf brands to a private equity group in early May for USD 425 m. The firm still faces serious challenges in its way. Adidas's operating profit margin is still well below Nike's – its main competitor – and its Reebok business is taking more time than expected to turn around. Gaining market share in the US is seen as key. The firm has a market share of approximately 15% in all the markets where it operates, except for the US, where it has less than 10% of the market.

| Price (31 May 17, EUR) | 172,30 |
|---|---|
| Targe Price (EUR) | 190,00 |
| 3M Performance | 10,38% |
| Market Cap (EUR m) | 36.047,95 |
| Enterprise Value (EUR m) | 36.284,95 |
| **Target Price is for 12 months* | |




## Valuation Analysis




Adidas was, on the day this piece was written, trading at USD 172.30 in Germany, adjusted for currency. If we make a quick comparable analysis, we can immediately see that the dispersion in valuations in the sports industry is quite big (see football field above). By looing at the EV/Sales multiple, we can conclude the firm's valuation is fair. However, if we use an EV/EBITDA multiple instead, it is clear Adidas should be trading at a lower price. This might be due to the company's lower profit margins.

The sports apparel industry is dominated by the "cool" factor. It is not the brand with the best products for professionals that necessarily dominates the market, but the brands who can attract the mass consumer. These are often correlated, as attracting sports professionals usually leads to attracting regular consumers. Adidas seems to have understood this recently, and is following Nike, its biggest competitor, in a race it has admitted it wants to win.

| Peers | Currency | Market Cap (Cur m) |
|---|---|---|
| NIKE Inc | USD | 86.813,81 |
| Puma SE | EUR | 5.434,97 |
| Under Armour Inc | USD | 8.283,63 |
| Skechers U.S.A. Inc | USD | 3.939,33 |

Gonçalo Aguiar
Investment Banking Division

Private Equity | Venture Capital | DCM | ECM | Spinoff | Restructuring

NIC's view on

# Spotify possible listing on NYSE, just not in the traditional way

**Diogo Góis**
Investment Banking Division

**Reports and rumors from recent months suggest that Spotify is considering listing on NYSE but in a way that defies the traditional IPO process. Furthermore, it doesn't intend to raise money to fund new projects. Instead, it is considering directly listing on NYSE, which would avoid the traditional IPO process and its respective costs such as underwriter's fees. This event doesn't come along every now and then, and if successful, we might see some changes on the way companies may want to go public in the future.**

Spotify is a Swedish company founded in 2006 by co-founders Daniel Ek and Martin Lorentzon, which was officially launched in 2008. The company defines itself as "a digital music service that gives you access to millions of songs". The company offers primarily music streaming services, where users can find the music they want to listen or access new playlists created by fans and experts. It offers 2 models: a free model, where the consumer can enjoy music for free but will have to listen to occasional ads; or a premium model, where the user pays for the service but with no advertising whatsoever.

The Swedish company is now aiming on going public in the NYSE, although it has not been confirmed. The interesting thing here is that the company will directly list the shares on the open market, and according to a company spokesperson, Morgan Stanley, Goldman Sachs and Allen & Co have been hired to advise on this public listing. In a traditional IPO, underwriters sell new shares of a company to the public at a price determined on investor's perception of the company's value. These underwriters usually are backed by an IPO syndicate, as a way of sharing the risk with other banks who also have the responsibility of selling these shares. In a direct listing, in this case, we see a much different process: The company does not raise money since it doesn't offer new shares for sale. Instead, it makes existing shares promptly available to the public, meaning that investors and employees buy and sell as they want. In this process, the company dispenses the need for banks to sell the shares. This would also eliminate the dilution effect and lock-up period for shareholders.

However, this also has risks, specially in the first-day of the direct listing. In this method, there would be no deal support, as seen in IPOs, which are granted by bankers, which would leave the share performance entirely depending on the mechanisms of supply and demand. This could make the first day of trading a bumpy ride for Spotify. Also, the IPO is designed to make long-hold funds have an easier access to these stocks. Generally, companies want these long-hold funds to invest them, as they have a long term view and won't be frightened if a first earnings target is missed. With a direct listing, it may not be as easy to them to access Spotify shares as an IPO would allow. Lastly, a greenshoe option may not even exist in a direct listing process, which could help in providing price stability by increasing supply of shares.

Nevertheless the risk of trading performance might be mitigated, because even if we see a bumpy first trading week, it might be worth it since the company didn't pay underwriters fees. However, the company lost 173 million euros in 2015, which may discourage future investors. Nevertheless, it has achieved an important deal with Universal Music Group and with the new listing, it may even close new deals with Warner Music Group or Sony Music. The future, is therefore unclear and the company will have to make a huge decision, which could bring a lot of positive consequences or risk a big failure.

| Date | Recent News |
|---|---|
| 12 May 17 | Spotify hires advisers on direct NYSE listing option<br>**Source:** ft.com |
| 9 Apr 17 | Spotify finally readies an IPO… That's not an IPO<br>**Source:** wsj.com |
| 7 Apr 17 | The Risky Side of Spotify's Unusual IPO Plans<br>**Source:** fortune.com |
| 6 Apr 17 | Spotify Is Considering an IPO Without Raising More Money<br>**Source:** bloomberg.com |

Diogo Góis
Investment Banking Division

# NIC

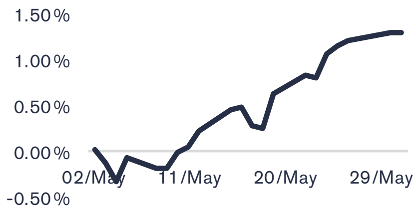
Nova Investment Club

## NIC Fund

NIC Fund

### Portfolio Overview

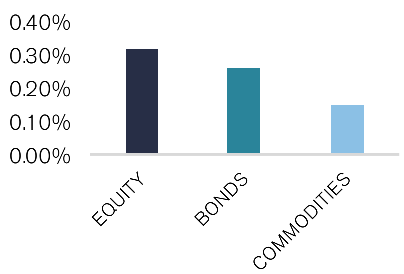
NIC Fund Cumulative Return




| Portfolio Statistics | |
|---|---|
| Cumulative Return | 1.29% |
| Annualized Return | 15.35% |
| Daily St. Dev | 0.16% |
| Period St. Dev | 0.71% |
| Annualized St. Dev | 2.47% |
| Info Sharpe | 6.23 |
| Skew (Daily) | 0.09 |
| Kurtosis (Daily) | -0.44 |

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

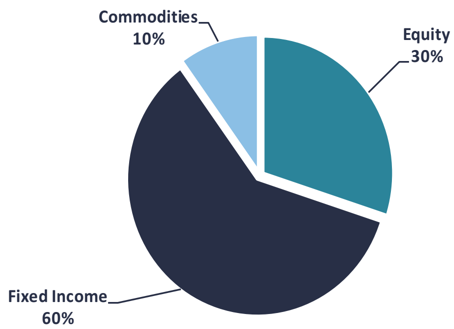
Individual VaR




### 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, 60% to Fixed Income and 10% Commodities. Yet, only 80% of the Equities were allocated to the benchmark S&P500, while the remaining 20% were allocated to six specific stocks, using an equally weighted strategy. Regarding Fixed Income, it was allocated exactly as the benchmark.

In terms of commodities, half of the allocation, i.e. 5%, was to gold as a way to hedge the portfolio through a bet in safe havens.




### Return Metrics

The overall performance of the portfolio was positive, with a cumulative return of 1.29%. The best performers were Fixed Income and Equities, contributing with a positive return of 1.03% and 0.31%, respectively. On the contrary, Commodities contributed negatively to the portfolio, with a loss of -0.04%, even though gold had a positive contribution of 0.04%

In terms of equities, besides being invested in the S&P500, the portfolio was also invested in Tesla Inc (TSLA US), First Solar Inc (FSLR US), Pepsico Inc (PEP US), Air France KLM (AF FP), Proshares Ultra Vix ST Futures (UVXY US) and Cliffs Natural Resources Inc (CLF US). The best performers were First Solar Inc and Air France KLM with a performance of 30.32% and 29.09% respectively, which translated in a contribution to the portfolio of 0.36% and 0.35%. On the other hand, Cliffs Natural Resources had the worst performance, returning -16.11% which translated in a a negative contribution to the portfolio of -0.11%. Finally, the S&P500 yielded a return of 1.16%, boosting the Fund's returns by 0.28%

### Risk Metrics

In terms of risk, our portfolio registered a relatively low daily VaR of 0.44%, taking into consideration the benefits of diversification. On the other hand, also during the same period under analysis, the non-diversified VaR was at 0.72%, significantly below the maximum established threshold of 2.5%.

Equities were the asset class with the highest individual VaR, which was around 0.31%. On the other hand, Bonds and Commodities slightly lower VaRs of 0.26% and 0.15% respectively.


Tomás Lameira
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, has returned us with a return of nearly 15%. Tesla has spent heavily on R&D and looks poised to finally begin capitalizing on this work in the form of revenue growth. Also, the latest earnings release evinced a better-than expected start for 2017. |
| **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. However, recently there have been more concerns over whether Mr Trump will succeed in passing a tax reform. Despite this, the ETF had a positive return for the period. |
| **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. However, the earnings season was mixed and the ETF did not produce a positive return for the months of April and May. |
| **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. As expected, Macron won and this stock saw an appreciation of nearly 31% over the past month. |
| **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, but the company announced a higher dividend than expected, continuing to show dividend growth for 45 consecutive years. |
| **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. |
| **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** | **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. |
| **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. OPEC members agreed to extend their deal, which was somewhat ignored by the markets. US producers seem to start becoming one of the most important catalysts for oil prices. |

João Rato
Financial Markets Division

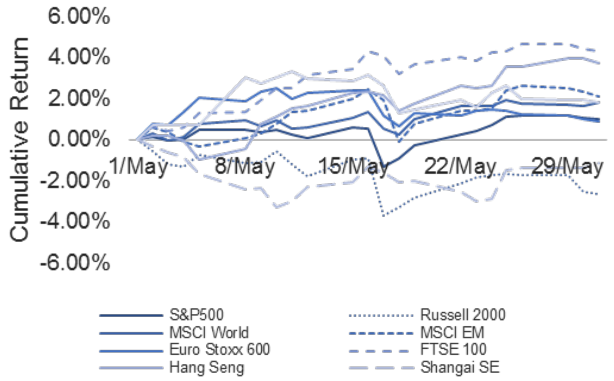
NIC Fund

# Equities

**World Equities**

May saw stock prices continuing their upward grind. First, the S&P 500 gained 1.0%. In the middle of the month, when news of investigations into US president Donald Trump were published, the US stock market had one of its largest decreases since the beginning of the year. However, this was not enough to deter the US index from gaining 1.0% on the month. This return is mostly explained by the fall in the unemployment rate to 4.3%. In Europe, a victory for Emmanuel Macron meant fears of France pushing forward any nationally led euroscepticism are now on hold, which helped European Stocks with the Euro Stoxx 600 rallying 0.9%.

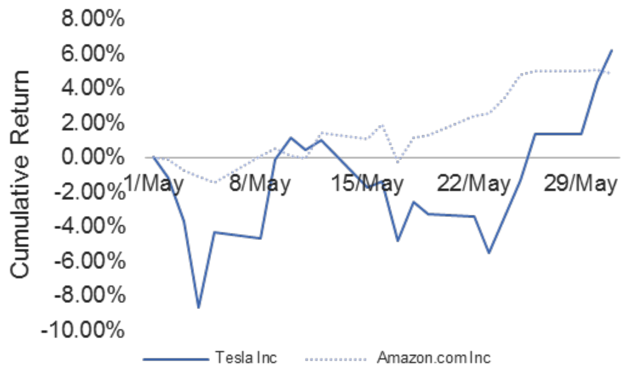
In the United Kingdom, the FTSE 100 gained 4.3% despite a 5% stronger GBP/USD. After Theresa May called a June general election in late April, the value of the sterling against the dollar increased. This could hurt the FTSE 100 as most of its revenues come from abroad. Nonetheless, the Index gained 4.3% especially helped by UK retail sales showing a robust improvement in consumer spending from the previous month.



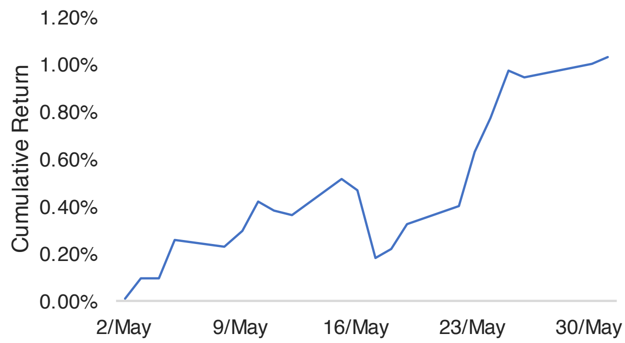

**In depth**

Although Macron´s victory is a huge relief against Euroscepticism, the increased likelihood of Italy holding a general election by the autumn elevated the region's political risk. In the last week of May, the four major Italian political parties started moving towards a purely proportional system. An agreement on a new electoral system increases the possibility of an earlier election and further eurosceptic sentiment, given the lower degree of support for the euro in Italy vs. its eurozone peers. The FTSE MIB (Milano Italia Borsa) was volatile, but settled at the same level at which it started the month.

The broader eurozone continued to show signs of improvement, with the 19-country bloc's unemployment rate falling further down to 9.3%. Consumer confidence in the region hit a post-crisis high. The German IFO survey on business sentiment reached its highest level since inception in 1991. In the equity market, the MSCI Europe ex-UK ended the month up over 2.0%, despite the political headwinds that remain.




Turning our attention to the US, PayPal shares are currently one of the market's best-performing stocks. PayPal's split with eBay left the firm more independent to serve new clients, which is actually happening as PayPal continues to expand their online payments market share with its transaction volume rising 25% per year compared with the e-commerce industry's mid-teens growth. Additionally, PayPal users spend twice as much online as non-PayPal customers, which is attractive to merchants. This supports the believe for continuing growth and stock price improvement for the largest online payment platform.




**Our performance**

Our equities portfolio returned 5.13% during the month of May. The positive performance was helped by the results of the French election, which reduced overall volatility. Additionally, markets remained confident with employment data in the US.

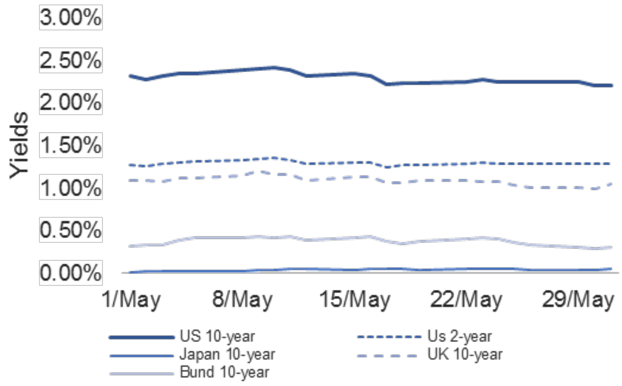
Pedro Tomé
Financial Markets Division

NIC Fund

# Fixed Income

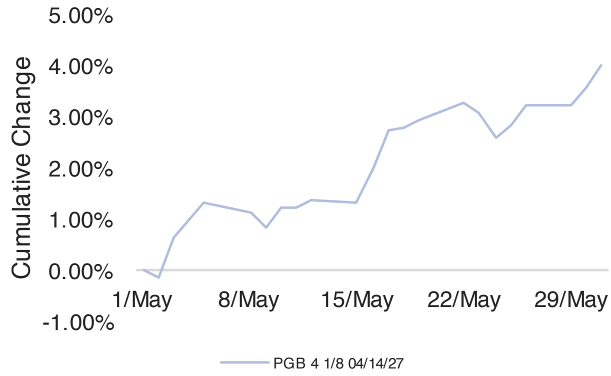
### World Yields

May was an interesting month for the bond market as the US 10-year rates decreased from 2.318% to 2.197%, causing, as many analysts expected, a correction in the equities market. The market is clearly on a tight range regarding future Fed hikes, which could happen as soon as in the next meeting on the 14th of June. Despite the Fed announcing a cautious approach to tightening monetary policy, probabilities for an interest rate hike in June top 94.6% on the CME FedWatch tool. On the other hand, the UK bond market is signaling a darker outlook, as last week, the 10-year yield dropped below 1 percent, a level not seen since October.  A slowdown concern has translated into positive returns for investors since the trail of uncertainty left by the Brexit forecasts a limited flexibility for the Bank of England within the next two years. The Bank of Japan has seen some positive results of its bond buying program, having its 10-year rate climbing from 0.014% to 0.049%. As a consequence of the rise, some analysts predict a scaling back of the monthly debt purchases, which the BoJ promised to keep unchanged unless the yen strengthens past its April high. The 10-year bunds remained relatively stable, however, the European markets are undergoing significant turmoil.



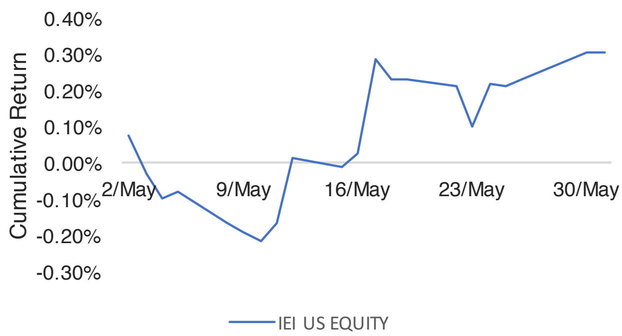

### European markets in depth

Even though Germany keeps rebuffing the Eurobond concept, Eurozone officials do not want to let go of the dream of debt mutualisation. The obvious winners of a joint issue would be the countries carrying high levels of debt such as Italy, Spain, and Portugal. But, even with the refusal of such mechanism, Europe's periphery is benefiting from the long-lasting impact of the French elections. Particularly, Portugal has been on a rally throughout the past month, seeing its 10-year interest rates closing at a eight-month low at 3.092%. The phenomenon might be attributed to the relief that the elections sparked coupled with investors' rush to Eurozone debt after optimistic economic data and decreasing political risk. The Portuguese economic recovery is accelerating and potential for further development is in place. Tourism has been increasing and the housing market has been skyrocketing as a result of the migrants flow, but the potential conditions for a fostering economy must be converted through progress in the financial and industrial sectors. Portuguese debt is only considered investment grade by the credit-rating firm DBRS Ltd. and if a downgrade takes place, the government bonds will be out of the ECB's buying program, thus, damaging severely its interest rates past performance.




### Our performance

Notice that IEI ETF, tracking 3-7 year  US Treasury Bonds, our benchmark fund for fixed income,  performed quite well during May, earning a cumulative return of 0.51%, which contributed with a return of 0.31% in our portfolio.




Sebastião Fernandes
Financial Markets Division

NIC Fund

# Commodities

**May Round-up**

For the month of May, the S&P GSCI Total return index, which tracks 24 commodities, has been declining by 0.2% after falling 2.1% in April and 3.9% in March. Year-to-date, the index lost 7.3%. Top gainers this month were cocoa, lean hogs and unleaded gasoline while sugar lead and natural gas contributed the most to index losses. Amid these latest developments, analysts came to the interesting conclusion that no single sector is constantly driving performance which means that the commodities supply side has more power in setting prices than the global aggregate demand side.

Furthermore, markets had little reason to be cheerful about oil last month. The OPEC as well as other non-cartel heavyweights such as Russia just agreed upon prolonging their production-cut deal to provide a stable basis for global oil prices. But it remains to be seen whether they can really achieve in doing so, since e.g. US producers will most certainly boost their production in an attempt to capture potential price rises triggered by the agreement. Also Arabian nations like Libya, which is exempt from the OPEC agreements, is said to have increased production to 3-year highs recently.

Apart from that, Gold prices have been posting gains over three weeks of May and only settled lower at the end of the month. Prices fell slightly despite some weakness in the US dollar, which is normally supportive for this dollar-denominated commodity.

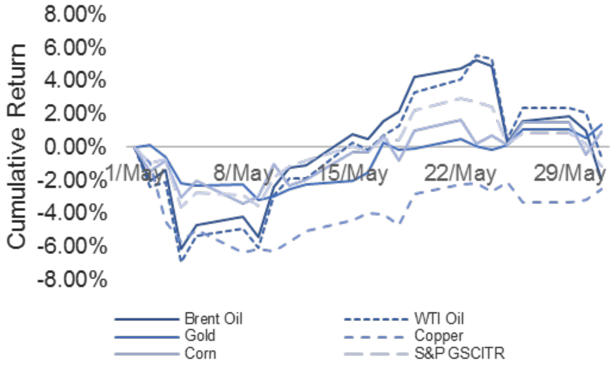
**Outlook for June**

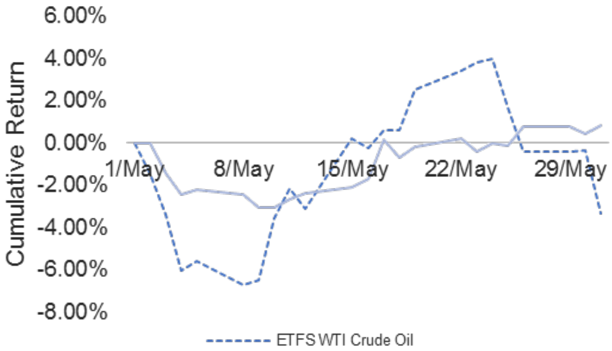
Adding to the issue of the renewed OPEC agreement about production cuts, its next official monthly report to be published on June 13th which contains all the members' production figures and global inventories, will be an important indicator of how effective the agreement ultimately is.

In terms of gold, upcoming reports about latest developments on US job markets will be decisive since they can be taken as an indicator about the pace for upcoming interest rate hikes by the FED which will directly translate into the further development of the gold price. Other than that, political uncertainty factors stemming from the course of the current US administration as well as ongoing UK Brexit negotiations will most certainly continue to push gold prices as a safe haven precious metal.

**Our performance**

During the month of May, the Powershares DB Commodity Index returned -1.62% and the SPDR Gold Shares Index returned 0.79% for an overall return of -0.04%.





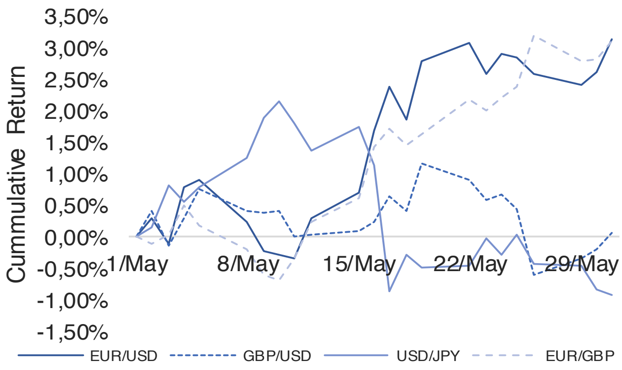
Victoria Engels
Financial Markets Division

NIC Fund

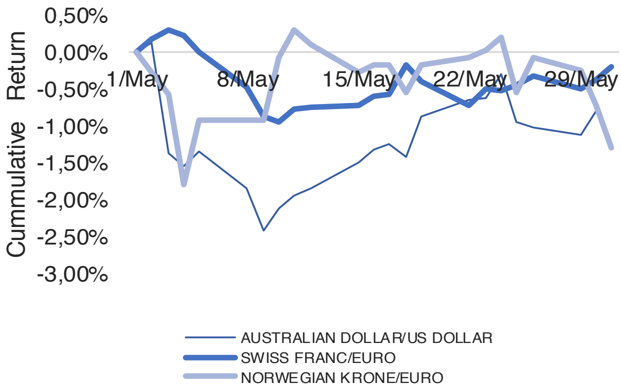
# Currencies

**World Currencies**

The uncertainty around UK general elections as well as the instability coming from the US as a result of Trump's actions have benefited significantly the Euro. During May, the European single currency has strengthened both against the British pound and the US dollar. Recent better than expected data showing the Eurozone economy improving and the UK slowing have caused some investors to consider the consensus on Brexit is too positive and to ponder the harsh Brexit scenario more seriously. Macron's victory in the French elections, signals of inflation picking up and increasing fund inflows into Eurozone stock markets have also contributed to investors' greater confidence on the Euro, which hit a six-month high against the dollar last month. By contrast, the dollar has suffered from the tensions in Washington as Trump's administration has been the focus of several investigations and as it seems clear that the promised fiscal stimulus package will not take place in reality. Economic data was mixed, with the GDP figure positively surprising the markets but the consumer confidence falling.




In Asia, Japanese yen was the exception in the region and managed to get firmer against the dollar. This encouraging performance was supported by economic data released reflecting growth speeding up in retail sales and unemployment levels stable at the lowest values in decades.




**In depth**

Following the latest news on OPEC's agreement to extend its production cut program, we will now look at currencies highly dependent on oil prices such as the Australian dollar and the Norwegian krone. Despite domestic data remaining strong, failure by OPEC to expand its production cut program rather than extending it only and news that Libyan oil production might be picking up have put the Norwegian krone under pressure due to falling oil prices, which has jeopardized oil exporters. Nevertheless, a rebound in oil prices may still occur, triggering the krone's recovery. On the other hand, disappointing news on Australian capex data and on China's private manufacturing sector have harmed the Aussie since China is Australia's largest trading partner. On top of being negatively affected by the drop in commodities prices, Australia is vastly dependent on China's demand for its commodities such as iron ore and coking coal.

Besides, it is also interesting to look at the Swiss franc's path over the latest weeks. After more than two years of a highly overvalued franc as a result of the run for safe havens following the financial crisis, the trend has reversed. Succeeding central-leftist victory in French elections and signs that the Eurozone and UK economies have been outperforming Switzerland's, the euro and sterling have strengthened against the franc.

**Our performance**

We currently hold no currency related assets in our portfolio.

Carlota Fidalgo Graça
Financial Markets Division

# Extras

Hot Topic

## The metamorphosis of startups in Latin America

**Luis Antonio Zarate Serrano**
Financial Markets Division

**It wasn't long ago that venture capitalists focused their efforts elsewhere, and Latin American startups had little to no access to early-stage financing for their companies. But as attitudes have changed, and both organizations and governments have begun fostering entrepreneurial ecosystems across the region, investment opportunities and activity in Latin American startups have been steadily on the rise.**

Startups are disrupting all sectors of the economy, but the main sector of Latin America witnessing the most change is the traditional banking industry. Because there is still such a large unbanked population in the region, fintech startups are discovering plenty of opportunities to succeed.

According to Finnovista, the number of fintech startups in the region recently surpassed 1,000. Strategic partners in traditional businesses and regulatory approval from government, along with funding for the initial stages, are needed to scale these companies both locally and globally, and investors are on board.
LAVCA showed startups in the fintech sector received more investment in 2015 than any other startup sector in the region. Fintech accounted for almost 30 percent of the entire IT sector's investment in 2015, and 40 percent in the first half of 2016.

The global startup network Startupbootcamp recently announced its expansion to Latin America by launching a dedicated fintech program in Mexico in a joint effort with Finnovista. Over the past four years, Finnovista claims they've witnessed how fintech startups have shaped financial services in the region and recognized that these companies cannot scale by themselves. The program aims to provide fintech startups in Mexico, and beyond, access to the funding and mentorship needed to grow their companies.

Seedstars, too, traveled around Latin America over the past few years to find top entrepreneurs and connect them with global investors and partners. This year, focus has been on fintech innovations coming out of the region. Colombian crowd factoring startup Mesfix and Brazilian financial planning services startup QueroQuitar were selected as finalists to present at the Seedstars Summit.

500 Startups is increasing its seed-stage funding efforts in Latin America. With a new $10 million fund in partnership with the International Finance Corporation (IFC), 500 Startups aims to provide early-stage funding to 120 Latin American companies this year to help top founders succeed.

Google recently selected more than a dozen Latin American startups for its Launchpad Accelerator program aimed at helping local startups reach their full potential by leveraging Google's global reach and resources. Microsoft has set up the BR Startups fund in Brazil to help fill the gap between early capital and larger rounds, investing in 70 startups to date. Payments giant Visa also launched an acceleration program to assist new ventures in the fintech space in Brazil with their business models and fundraising.

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Momentum is building, with success stories like Brazil's Nubank and Argentina's IguanaFix becoming a regular occurrence, and there's never been a better time than now to be involved with the Latin American startup scene.

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# Thank you!

Visit **www.novainvestmentclub.com** for more updates.

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