NIC

— Nova Investment Club —

Newsletter

April 2019

NIC

Nova Investment Club

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Foreword

This Month:

In our Macro Overview section, Analysts from both divisions will cover broad macro themes while reviewing major economic news from the past month. In our Deeper Dive section, Birk Carlenius elaborates on the state of Master Limited Partnerships attractiveness, especially after President Trump's tax bill. Moreover, in our Regional View, Lukas Muller examines Canada's economy and potential drag down in its housing market.

Our Investment Banking Division will guide you through March's M&A overall activity. Read about Berry Global winning bid to acquire RPC Group, Worldpay acquisition by US rival FIS and Centene bid for WellCare. Additionally, get a detailed overview on what happened to Boeing and Snapchat, as well as consider our opinion on Levi Strauss upcoming IPO.

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. The analysts will also provide commentary on each of the four major asset classes through analysis of the past month's major market moves. The active positioning of the NIC Fund in March was overall slightly inferior to the benchmark, even though the benchmark for equities was outperformed given individually stock picking.

Lastly, Duarte Alves Pereira elaborates on Apple's transformation and Jan Schroff examines the EU trend towards 5G adoption. Furthermore, Vasco Lupi analyses the future of autonomous vehicles and Nina Kusnirova glimpses Lyft's share price development ever since it went public.

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 The reports may contain inaccurate or outdated information and should not be used as an exclusive mean for investment decisions.

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Macro Overview

Monthly

April 8th, 2019

Market Moves

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	2,871	2.51%	15.50%	15.50%
DJIA	26,316	3.19%	14.11%	14.11%
Nasdaq	7,870	2.97%	19.52%	19.52%
MSCI World	2,900	2.14%	13.89%	13.89%
MSCI EM	4,080	2.35%	15.38%	15.38%
Russell 2000	1,560	3.57%	16.58%	16.58%
Euro Stoxx 50	3,442	4.12%	15.25%	15.25%
FTSE 100	7,402	2.70%	9.92%	9.92%
Nikkei 225	21,725	0.45%	8.54%	8.54%
Hang Seng	29,936	2.83%	17.38%	17.38%
Dollar Index	97.29	0.66%	0.92%	0.92%
EUR/USD	1.122	-0.76%	-1.99%	-1.99%
GBP/`EUR	1.166	-0.27%	5.04%	5.04%
GBP/USD	1.307	-1.02%	2.95%	2.95%
USD/JPY	111.6	1.48%	1.16%	1.16%
USD/CHF	1.000	0.64%	1.56%	1.56%
Brent Crude	69.82	4.16%	33.75%	33.75%
Gold	1,288	-1.87%	0.37%	0.37%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	2.506%	6.7	-21.2	-21.2
GER 10Y Yield	-0.006%	0.9	-24.8	-24.8
JPY 10Y Yield	-0.044%	2.5	-4.7	-4.7
UK 10Y Yield	1.084%	7.0	-18.5	-18.5
PT 10Y Yield	1.262%	-0.1	-46.0	-46.0

**Source: Bloomberg, as of 2019-03-29*

In Focus

March

Fed dovish tone surprises the markets. Mr. Powell leaves rates unchanged, while hinting a shift in monetary policy – signalling no rate hikes for 2019. Concerns over global growth and inflation readings were some of the catalysts backing the idea of a pause in the bank's rate cycle.

US macroeconomic data falls short on expectations. The US PCE Index yielded 1.90% YoY, below the central bank's 2.00% threshold – having rose at its slowest pace in the last 2.5 years. Additionally, US non-farm payrolls considerably underperformed forecasts, with its weakest gain in 17 months (20.0 k as opposed to the predicted 180.0 k).

US yield curve inverts. The gap between the two and 10-year US Treasuries dwindled below 10.0 bps. Despite not being necessarily a recession indicator it showcases concerns over a deepening economic slowdown.

ECB set to policy shift amidst "pervasive uncertainty". The central bank gloomier view on the EU prospects translated into an increased dovish tone. Despite previous intentions to surge rates once by 2019, signals now suggest flat rates for the year ahead. Furthermore, by September, another round of cheap lending will be initiated.

Stronger economic data on Germany. German retail sales for January rebounded more strongly than expected with monthly sales rising a seasonally adjusted 3.30% since December – a robust figure, despite considered by many economists as a blip.

China shows signs of recovery. The PRC's PMI for February recovered from its January low. Despite signs of a rebound, China's PMI kept short on the 50.0 point mark that separates an expansion from a recession.

US-China trade optimism despite larger trade deficit for the US. Robert Lighthizer, the US Trade Representative and Steven Mnuchin, the US Treasury Secretary, went to Beijing for another round of talks. Despite the US trade deficit being the widest in a decade, global stocks ruled off on their largest quarterly advance since 2010 on hopes for progress in trade talks.

Theresa May's Brexit deal rejected. MPs reject PM's EU withdrawal agreement on the day the UK was due to leave the EU, by 58 votes. Mrs. May was left the 12th of April limit to seek a longer extension to the negotiation process, in order to avoid a no-deal Brexit.

Mueller's report marked a big victory for President Trump. The 22-month "witch haunt" investigation, by the US Justice Department Special Counsel, Robert Mueller, did not encounter any collusion between Mr. Trump's 2016 campaign and Russia.

Turkey on investors' radar. The cost to borrow liras overnight more than tripled to 1000.00%, while Borsa Istanbul 100 fell 5.70% ahead of crucial local elections for Erdogan's AKP party.

DJIA under pressure from a Boeing sell-off. The American multinational corporation shares fell 6.20%, the day after the Ethiopian Airlines plane crash, notching their worst 2-day run since June 2009 – as more airlines and countries grounded the 737 Max 8 flights, amidst concerns over its flight-control system.

Nvidia set to make its biggest deal ever. The US chipmaker agreed to buy Israeli rival Mellanox for USD 7.0 bn, having proposed to stump up the amount in cash.

Francisca Anselmo
Financial Markets Division

Deeper Dive

On the State of Master Limited Partnerships

Birk Carlenius
Investment Banking Division

A surge in MLPs-turning-corporations over the past year suggests investors are willing to forego "double recovery from taxes" for more transparency and simpler corporate structures.

A trend of master limited partnerships (MLP) converting into corporations or being rolled up in the parent company has been growing in the US the last year, as more and more companies move away from a structure which has been described as both too lucrative due too "double recovery from taxes" and too complicated for the average investor. The obvious reason behind creating a MLP is to be exempt from corporate taxes. However, US regulators' recent signs of discontent for the current system and corporate tax reforms under president Trump eradicates more and more of the benefits from the before so-lucrative partnership structure. Among deals wherein MLPs have been turned into C corporations in recent times, prominent transactions include Enbridge Energy Partners in late 2018 and UGI Corporations merger with AmeriGas Partners in April 2019.

First, a MLP is a partnership of general partners and limited partners. The limited partners own parts of the partnership, while the general partners own parts of the company and are in control of the operations. The benefit of the company structure lies in its tax requirement: MLPs are not subject to corporate taxes in the US and can therefore distribute more cash than usual to investors. A requirement for establishing a MLP is that 90.00% of the company's revenues stem from certain activities, mainly related to natural resources, commodities or real estate.

From an investor's perspective, MLPs can mean stronger yields, but also inconvenience. When receiving distributions, investors must record their own taxes individually and register it by filling out a Schedule K-1. The complexity in tax filing has been cited by investors as reasons why they seek to avoid MLPs.

The first reason MLPs have seen a fall in attractivity in investors' eyes is the reduction in corporate taxes from 35.00% to 21.00% in December 2017. The tax break benefits corporations, but simultaneously excises part of the advantage in being tax-exempt. Add the tax filling complexity for investors and partnerships began to reconsider their ownership structure following the passage of the tax bill.

Second, the Federal Energy Regulatory Commission (FERC) ruled to reverse a policy on MLP tax costs for interstate pipelines in March 2018. The policy was later updated in July – to soften the blow the ownership model had been suffering the past months. Nonetheless, the effect of the changed regulation ultimately hurt the profitability of MLPs holding FERC-regulated assets.

Finally, a third reason investors might steer away from the partnership model is due to the incentive distribution rights (IDR) the MLPs pay to their sponsors. The IDR effectively drains the company for cash and can negatively affect growth in the long term.

Despite what seems to be a change in attitude towards the limited partnership model, plenty of partnerships remain today and, for some, the ownership model seems to survive large transactions that are often accompanied by major structural changes. An example is the acquisition by Energy Transfer Equity of Energy Transfer Partners, covered in our October 2018 edition of the newsletter, which was a transaction described to aim to simplify the corporate structure and provide transparency for investors, that still left the parent company a MLP.

The fact remains that MLPs still benefit from corporate tax exemption and that the partnership model has ensured access to capital markets for capital-intensive natural resource-based industries since its inception in 1981. Considering the current macroeconomic backdrop, with low interest rates and slow growth, the predictable high yields from MLPs at the cost of tax complications does not sound like something investors should be willing to forego just yet.

Birk Carlenius
Investment Banking Division

Regional View

Oh Canada – Where Are You Headed?

Lukas Müller
Financial Markets Division

"To be clear, Eisman himself states that he is not expecting "The Big Short: Canada" but that there are clear signs of overheating in housing and credit supply. Indeed, from 2003 to 2017 house prices more than tripled in sought after metropolitan regions."

Following the great recession of 2008, Canada was one of the posterchilds of economic recovery. Banks profited from relatively strict lending rules and the country could rely on its large oil reserves to stabilize economic activity. The housing market throughout Canada and especially in hubs like Toronto, Montreal and Vancouver rebounded quickly. Even after oil prices started to decline sharply in 2014, GDP showed outstanding resilience driven by the robust performance of the real estate industry.

In March 2019, the Financial Times titled that Neuberger Berman's Steve Eisman doubled down on his short on Canadian banks seeing increased risk in the housing sector. So far so boring, except that Steve Eisman became famous for shorting the US housing market in 2007 and subsequently being portrayed by Steve Carrell in "The Big Short". And, he is not alone. Being short on Canada, more specifically its banks, is highly in fashion and seems to be one of the most crowded bets of hedge funds. Financial-analytics firm S3 Partners estimates short-interest of USD 12.3 bn in Canadian Banks such as TD Bank or Royal Bank of Canada. Let's take a look if we are simply seeing "fear-of-missing-out" on the next big short or if Canada's housing market is actually doomed.

To be clear, Eisman himself states that he is not expecting "The Big Short: Canada" but that there are clear signs of overheating in housing and credit supply. Indeed, from 2003 to 2017 house prices more than tripled in sought after metropolitan regions. In the 2018 version of UBS' Global Real Estate Bubble Index, Toronto and Vancouver hold prominent positions on ranks three and four. However, since 2017 prices have more or less stagnated which might indicate that the government has indeed pulled of a magical "soft-landing". In order to get control over the market, extensive reforms were introduced. Foreign speculative buyers were identified as one of the major sources on the demand side and tax burdens for these investors were levied to discourage them from buying. Even though these reforms seem to have prevented prices from rising further, for now, risks have not vanished yet.

The International Monetary Fund warns about the high-level of private debt to GDP of 267 to 100. This makes Canada increasingly vulnerable to economic shocks as there is little room to maneuverer to stabilize consumption for individuals. As homes are often the only asset for private households, a vicious cycle of falling prices seems to be inevitable. First cracks are already showing in banks' income statements and balance sheets as 5 out of the 6 biggest lenders boosted provisions for loan losses in the first months of the year.

Right into this bleak outlook Canada published GDP data for January after two months of contraction in November and December. Output rose 0.30% against expectations of no-growth at all with 18 out of 20 industrial sectors showing strength. With that, bulls are already back on the table claiming that the worst is over. Indeed, it was the strongest month since May 2018. However, after several institutions have downgraded their outlook on GDP growth at the start of the year, they will wait for some confirming data until they will reverse their estimates.

It is highly questionable, if the people of Canada will allow current leadership around Prime Minister Justin Trudeau to work on it after elections in October because it seems likely that the Conservatives will take back power from the Liberals. Conservatives might show the world that Canada is not anymore the nice counterpart to nationalist and populist voices resounding from the other side of the southern border as it is seen by many. Looking for help from the economy seems to much to ask for but certainly the last thing needed right now by the government is a bursting housing market bubble. Canada stands at crossroads in 2019 and will be one of the most exciting stories to follow for the rest of the year. Be it just as a political observer or as a short-seller hoping for financial stocks to finally crash.

Lukas Müller
Financial Markets Division

Macro Overview

Economic Calendar

Economic and Political Events

Brexit Events

On the **10th** of April the EU Summit will take place, as Mrs. May will submit a request for a Brexit delay until June 30. The UK is currently due to leave the EU on the **12th** and, as yet, no withdrawal agreement has been approved by MPs – despite talks with the Labour Party.

US-China Trade Talks

President Trump is set to meet Chinese vice-premier Liu He, at the White House, on the **4th** of April – as Beijing and Washington raw closer to a new deal on trade. The meeting comes as expectations build that a trade deal may be close to be accomplished.

Indian General Election

The Indian General Election is scheduled to be held in 7 phases, starting on the **11th** of April. Even though Mr. Modi's Hindu Nationalist BJP secured the first Indian party parliamentary majority in 3 decades, few believe BJP will be capable of replicating its stunning victory of 2014.

Central Bank Decisions

Fed Interest Rate Decision

The FMOC meeting will take place from the **30th** of April to the **1st** of May. Given lower wage growth in March, analysts expect the Federal Reserve to maintain a dovish tone – thus leaving rates unchanged at 2.50%.

ECB Monetary Policy Decision

On the **10th** of April the ECB Monetary Policy Meeting will be held in Frankfurt. Amidst Eurozone's inflation scant sign of improvement YTD, EU historic low interest rates are predicted to prevail for longer.

RBI Interest Rate Decision

The Reserve Bank of India Monetary Policy Committee is set to take place on the **4th** of April. As general elections get closer and inflation is below the 4.00% threshold, the RBI is expected to decrease interest rates for the second time in 2 months, from 6.25% to 6.00%.

Inflation and Deflation

Update on Euro Zone Inflation

March inflation data for the Euro Area will be published on the **1st** of April. Core inflation in the EU is expected to remain at 1.50%, falling short on the 2.00% threshold set by the ECB.

German Manufacturing Data

German PMI figures will be made public on the **1st** of April. PMI on the largest EU national economy is forecasted to considerably decrease to 44.7 – below the 50.0 mark.

China Trade Balance Data

Data on trade will be announced on the **12th** of April, with exports data for March expected to yield 7.30%, from previous negative 20.80%, and imports negative 9.30%, mirroring the perpetuation of the US-China trade conflict.

Labour Market

US Employment Readings

On the **5th** of April US non-farm payrolls and average hourly earnings will be made public. Given former disappointing data, for February, NFPs are now forecasted to return to 180.0 k, similarly to January levels.

Euro Zone Unemployment Data

The European Zone unemployment rate will be announced on the **1st** of April. The overall unemployment rate is expected to remain constant at 7.80%, while in some countries unemployment is still projected to be too high.

Italy Labour Market

On the **1st** of April, Italy announces its unemployment rate. As the country faces economic pressures resultant from technical recession, expectations price an increase in unemployment from the previous 10.50% figure.

Francisca Anselmo
Financial Markets Division

Investment Banking

M&A

Overall Activity

Global

During the Q1 2019, deal values and volumes declined across most regions and sectors, with fewer megadeals outside the US. There was a 23.00% decrease in global deal value and 33.00% decrease in global deal volume when comparing Q1 2019 vs Q1 2018. Europe and Asia have experienced the largest drops in transaction activity, while the US outperformed QoQ. The question remains whether these figures represent a turning point or a temporary pause. At a time of geopolitical turbulence, trade tensions and signs of slowing global growth, it is fair to expect M&A markets to become unsettled, as recently experienced in Q2 2018. However, deal-markets are not completely dead, with US companies leading the pack of firms still eager to ensure growth through acquisitions. There have been some recent attempts at hostile takeovers such as Merck KGaA's offer for Versum Materials and L&T's offer for Mindtree, usually a reliable indicator of market strength and investor confidence. In conclusion, Q1 2019 could reflect a continuation of the trend from Q2 2018 and a moment of pause after the frenetic activity in Q1 2018, rather than a sign the market is going into retreat.

Selected Regions

North America

The US market led Q1's global activity, with a total of USD 489.0 bn worth of deals announced, 9.00% higher than a year ago and the strongest first quarter since 2000. The mega-deal trend continues in the US, driven by growth, cheap debt and strategic motivations. Striking transformative large deals has become an obvious defense mechanism to companies that fear being disrupted by massive tech companies such as Amazon and Alphabet.

EMEA

In Europe, the M&A activity dropped 67.00% to USD 115.0 bn as dealmakers stated Brexit and questions over growth sapped enthusiasm from the C-suite. However, some transactions were recently approved: ArcelorMittal and CLN Group joint acquisition of two Italian steel service centers of the Ilva Group and Sika's acquisition of the French rival Parex from the private equity firm CVC Capital Partners.

Asia

Asia Pacific M&A sinks to 5-year low in Q1 to USD 186.0 bn, representing a 39.00% decline compared to the same period of last year. This slowdown is a consequence of the market turmoil in Q4, which has led executives to wait. Deal making is, however, expected to pick up in the coming months. Both multinationals and private sector owners are expected to sell assets, targeting private equity firms as potential buyers.

M&A

Deals of the Month

Announced Date	Target	Buyer	Target Region	Target Business	Value (USD m)	Premium (%)
27 Mar 19	Saudi Basic Industries Corporation SJSC	Aramco	Saudi Arabia	Petrochemical Manufacturer	69,100.00	
18 Mar 19	Worldpay Inc.	Fidelity	US	Payment Processing Services	69,100.00	14.00%
27 Mar 19	WellCare Health Plans Inc.	Centene	US	Government Sponsored Health	17,300.00	27.00%
11 Mar 19	Mellanox Technologies Ltd	NVIDIA	Israel	Communication Network Components	6,900.00	
13 Mar 19	Oaktree Capital Group LLC	Brookfield	US	Fund Management Services	4,800.00	
18 Mar 19	Companhia Electrica de Alagoa SA	Equatorial Energia	Brazil	Electric Power Generation Services	4,246.00	
04 Mar 19	MAN SE	Traton Ups	Germany	Trucks Manufacturer	2,185.00	
05 Mar 19	Bigo Inc.	YY	Cayman Islands	VoIP Mobile Software Developer	1,453.00	

Mariana Costa & João Sousa Mendes
Investment Banking Division

M&A: Top Deals

Berry Global Wins Bid to Acquire RPC Group

American plastic maker Berry Global Group beats private equity giant Apollo Global Management in securing the acquisition of RPC Group PLC with an offer valuing the UK packaging company at USD 4.39 bn.

Buyer vs Seller

Berry Global Group is an Indiana-based manufacturer and supplier of plastic packaging products and it primarily serves clients in the household, health care, personal care, food & beverage and industrial markets. Headquartered in the UK, RPC Group PLC is a plastic manufacturer with a considerable focus on the sustainable and responsible design and engineering of its packaging products. For the purpose of the deal, Goldman Sachs, Wells Fargo Securities and JPMorgan are retained as legal advisors for Berry, while Freshfields Bruckhaus Deringer LLP and Bryan Cave Leighton Paisner LLP are supporting RPC throughout the transaction process.

Industry Overview

Despite the never-ending alarms regarding the impact of plastic on the environment, the demand for flexible and functional plastic packaging is set to increase. Hence, the global plastic market is expected to grow at a CAGR of 3.90% until 2025. On the other hand, as the industry is relatively mature, M&A activity is on the rise and consolidation is a trend to continue in the future. The main challenge for plastic makers will be consumer backlash.

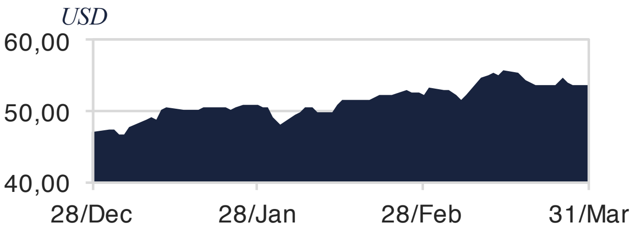
Peers	Currency	Market Cap (CUR m)
Resilux	EUR	305,75
Groupe Guillin	EUR	402,07
Huhtamaki OYJ	EUR	3 703,72
Gerresheimer AG	EUR	2 163,46
PSB Industries SA	EUR	124,95

Deal Rationale

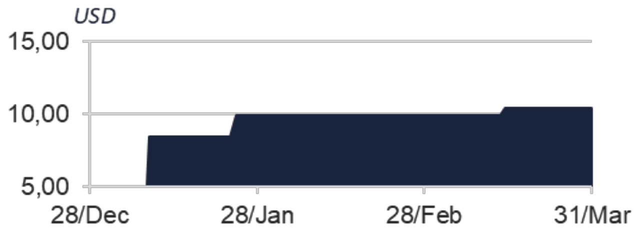
By taking over the UK-based plastic packager, Berry Global is looking to tap into the European plastic packaging market, where RPC has a strong leading position, in order to reduce reliance on its sales in North America – representing 82.00% of sales. The deal would create the second largest plastic producer – after Australia's Amcor Ltd – with Berry more than doubling its facilities to 293 worldwide. In addition, the acquisition would increase the US-based company's annual sales to USD 13.0 bn and allow for potential cost synergies worth USD 150.0 m. Although the market is hoping for a higher price for RPC, Berry stated on 22nd of March that its offer of 92 cents per share in cash was final; however, it reserves the right to change it if another potential buyer arises.

Market Reaction

Berry Global Group Inc.
Upon RPC's agreement on its bid on the 7th of March, Berry's stock price increased by 4.92% – the company's biggest intraday gain in a month.



RPC Group PLC
From the 1st of February, RPC's stock price has only suffered slight variations. This trend is reflected on its responsiveness to the Berry deal, falling by a mere 1.50%.



Future Challenges

RPC remains an extremely attractive target due to its stable cash flow and, thus, Berry is not immune to the emergence of new offers, specially from private equity firms, representing a more reasonable strategic option in the eyes of RPC. On the other hand, given RPC's considerable focus on developing sustainable plastic packages, aligned with consumer's shifting demand towards more environmental-friendly products, Berry would possibly be pressured to applying RPC's design and engineering to its own products, a process that can lead to severe costs or be impossible to achieve.

Vera Teixeira Wahnon
Investment Banking Division

M&A: Top Deals

Payments Group Worldpay to be Acquired by US Rival FIS

FIS, the New York listed company, has entered into a definitive merger agreement with Worldpay, Inc. The agreement values Worldpay's shares at a 13.00% premium and at an enterprise value of roughly USD 43.0 bn, including net debt of USD 7.7 bn.

Buyer vs Seller

FIS is a global leader in financial services technology, focusing on retail and institutional banking, payments, asset and wealth management, risk and compliance, and outsourcing solutions. Worldpay is a leading payments technology company with unique capability to power global omni-commerce. Centerview Partners and Goldman Sachs were financial advisers to FIS, while Willkie Farr & Gallagher served as legal advisers. Credit Suisse and Skadden, Arps, Slate, Meagher & Flom advised Worldpay.

Industry Overview

The deal by FIS is the latest in a string of mergers and acquisitions by payments providers, spurred by the sector's rapid growth in recent years as customers shift from using cash to paying with cards or online. The growth in online and card payments has triggered a wave of deal-making as companies seek to consolidate the fragmented industry. Most recently, US payments processor Fiserv agreed to purchase its rival First Data.

Peers	Currency	Market Cap (CUR m)
Fidelity National Information	USD	36,546.48
Square Inc	USD	31,443.50
First Data Corp	USD	24,767.23
Global Payments Inc	USD	21,549.73
FleetCor Technologies Inc	USD	21,171.83

Deal Rationale

The combination of industry leading technology platforms and global distribution channels serving high-growth secular markets will accelerate the revenue growth profile of FIS, creating meaningful revenue growth opportunities across the merchant and banking ecosystems. Organic revenue growth outlook is 6.00% to 9.00% through 2021, combined with USD 700.0 m of total EBITDA synergies based on revenue and expense opportunities over the next three years, representing significant value creation. Both management teams have a proven track record and the combination leverages their expertise within banking and payment industry.

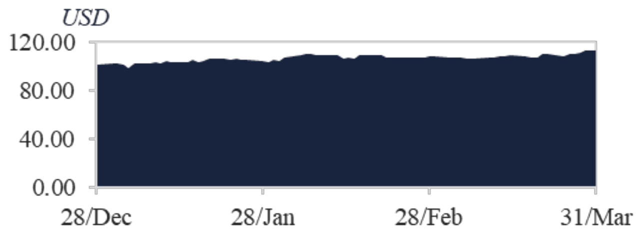
Market Reaction

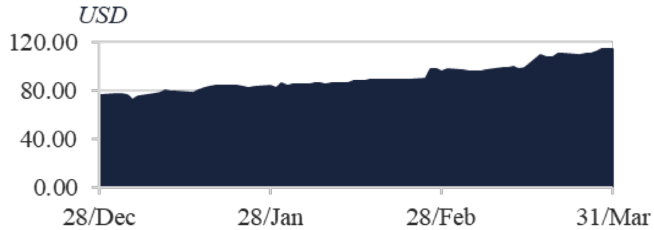
FIS

FIS' share prices grew by approximately 3.88% following the merger agreement from USD 108.9 to USD 113.1, showing a more moderate price and market reaction.

Worldpay

After the announcement, Worldpay shares rose approximately 15.02% to USD 113.5 in the following days, representing a positive market reaction.





Future Challenges

The transaction is still subject to customary closing conditions, expected to be completed in late 2019. Consolidation in the market looks set to continue in order for payment companies to grow globally at scale and compete with the competitive threat of new entrants. A fast-growing crop of financial technology (FinTech) companies, from PayPal in the US to Alipay in China, are lining up to challenge the incumbents, squeezing margins by offering faster, cheaper and easier-to-use payment solutions.

Cong Tuan Huynh Phuoc
Investment Banking Division

M&A: Top Deals

Centene to Acquire WellCare

US-based medical company WellCare is being targeted by health insurer Centene, in a USD 17.3 bn deal. The acquisition will create America's largest managed care group. If approved by regulators, experts expect deal completion by first half of 2020.

Buyer vs Seller

Centene is a leading healthcare company, providing services to government sponsored healthcare programs, focusing on under-insured and uninsured individuals. WellCare focuses on government-sponsored managed care services through various platforms (e.g. Medicare Advantage) to families, children, seniors and individuals with medical needs. Evercore, JPM Securities and Allen & Company will act as buy-side advisor, whereas Goldman Sachs will advise WellCare on the upcoming acquisition. Barclays will secure a USD 8.4 bn debt financing to execute the cash-and-stock deal.

Industry Overview

In 2019, investors have spent USD 181.0 bn on healthcare deals in the US, however, the total number of deals has declined. According to recent high-merger-activities from drug makers, healthcare insurers and pharmacies, the pressure for consolidation in other healthcare segments have increased and, as a result, industry-demand for cost-reducing transactions have increased.

Peers	Currency	Market Cap (CUR m)
HealthEquity Inc	USD	4.660,41
Anthem Inc	USD	74.660,06
UnitedHealth Group Inc	USD	237.250,70
Cigna Corp	USD	61.037,47
Magellan Health Inc	USD	1.562,80

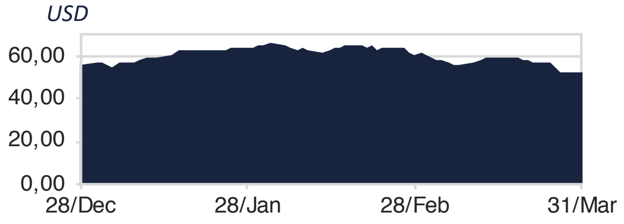
Deal Rationale

Centene aims to diversify their product offerings, increase scale and get access to new markets. In particular, the Medicare Advantage Market, a program offering extra benefits for older people, should strengthen Centene's industry position. Politicians see huge potential in the large care group, since it could address social determinants of health such as food insecurity, housing instability, homelessness, unemployment and other issues of medical support. WellCare shareholders will receive a fixed exchange ratio of 3.38 shares of Centene common stock and USD 120.0 in cash for each share.

Market Reaction

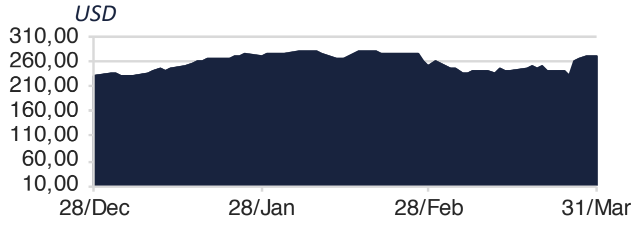
Centene

Based on Centene's closing price on the 26th of March 2019, the implied stock consideration to be received by WellCare shareholders is USD 305.4 per share.



WellCare

The company's shares outperformed massively after the deal announcement on the 26th of March. The security gained 15.69% from announcement to date.



Future Challenges

Michael Neidorff, CEO of Centene, said he was confident that the Affordable Care Act, also known as Obamacare, would survive with four out of five members of Centene's ACA plans renewing each year. This is crucial for the markets Centene and WellCare are operating in. The DoJ recently backed a court ruling that declared the ACA's requirement that every individual has health insurance "unconstitutional". Nevertheless, Mr. Neidorff said he believed the ruling would be struck down by a higher court.

Philip Hunold
Investment Banking Division

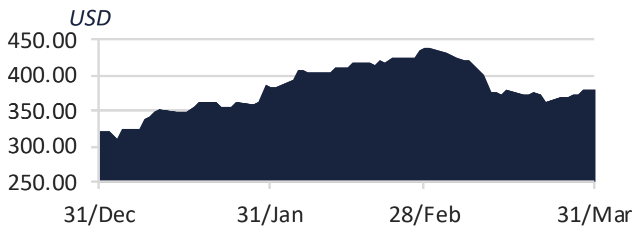
What Happened To
Boeing

Boeing is an American multinational corporation that designs, manufactures and sells aircrafts, rockets and missiles worldwide. It is among the largest global aircraft manufacturers and represents the fifth largest defense contractor in the world. The Chicago-based company is listed on the NYSE and is included in the Dow Jones Industrial Average and S&P500 index.

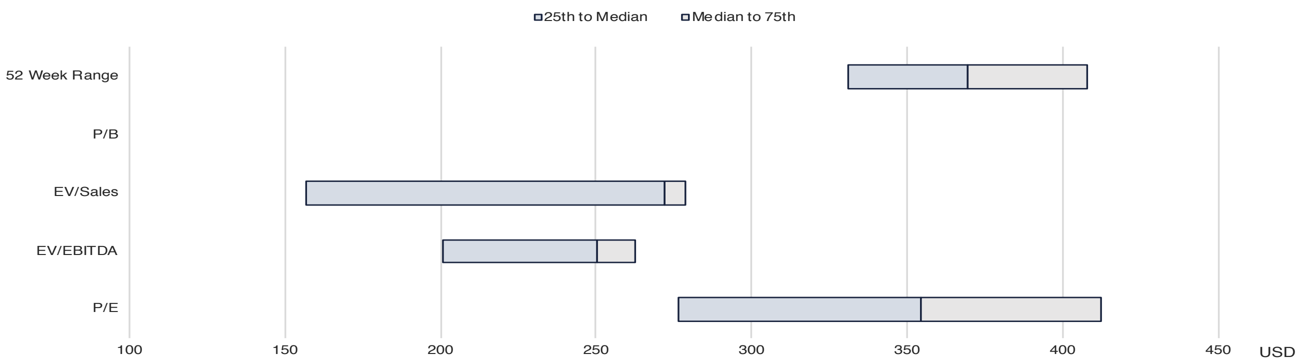
Corporate News

Boeing's stock dropped from USD 442.5 on the 8th of March, to USD 375.4 on the 12th of March, a day after a fatal crash in Ethiopia involving the newest version of its most popular jet, the 737 Max, killing 157 people on board. The fall in share price wiped almost USD 13.0 bn off the company's market value. It was the second crash of a new version of the 737 Max, after one jet operated by Lion Air crashed in late October, last year. The two incidents rose serious doubts about the security of the new model with several airlines and countries ordering the grounding of all their 737 Max planes. The questions raised by the latest crash go to the heart of Boeing's business. The single-aisle 737 Max, the American plane maker's challenger to Airbus's A320 jet, was Boeing's best-selling plane ever. If the 737 Max is taken out of service, Boeing might have to compensate airlines for delayed deliveries. Additionally, Boeing still has to face lawsuits filed by the families of those killed in the Ethiopian Airline crash.

Price (31 Mar 19, USD)	**388.33**
Target Price (USD)	449.00
3M Performance	21.02%
Market Cap (USD m)	219,205.28
Enterprise Value (USD m)	224,559.28
**Target Price is for 12 months*	



Valuation Analysis



Boeing was, on the 31st of March, trading at USD 388.3. The comparable analysis shows that the dispersion in valuations in the aircraft industry is quite accentuated. The football field analysis provides strong evidence of the fact that Boeing should be trading at a lower price regardless of the drop in the company's share price occurred earlier this month.

The aircraft manufacture industry is dominated by Boeing and Airbus, with 43.00% and 45.00% of market share, respectively. Both companies resulted from a series of mergers within the aerospace industry. The competition between the two has been characterised as a duopoly in the large jet airliner market since the 90s, proving how difficult it is for new competitors to enter and succeed in the industry. Older manufacturers, as Lockheed Martin and British Aerospace, withdrew from the market as they were no longer capable of competing against Boeing and Airbus.

Peers	**Currency**	**Market Cap** (Cur m)
Airbus SE	EUR	91,425.08
Dassault Aviation SA	EUR	11,345.89
Textron Inc	USD	12,054.84
General Dynamics Corp	USD	49,527.30
Hexcel Corp	USD	5,926.37

Rita Silva Marques
Investment Banking Division

What Happened To

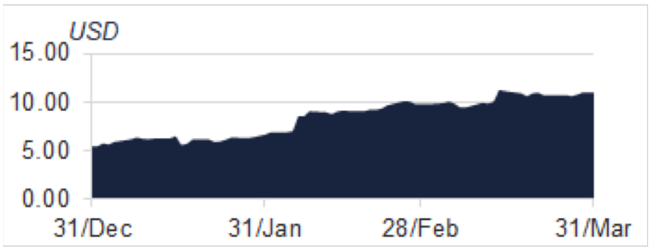
Snapchat

Snapchat, listed as Snap Inc., is an American multimedia company, primarily focused on messaging services. Snapchat differentiates with messages that are only available for a short time before becoming inaccessible. The offerings have evolved from person-to-person photo sharing to 24 hours of chronological content ('Stories'), along with ad-supported short-form content ('Discover').

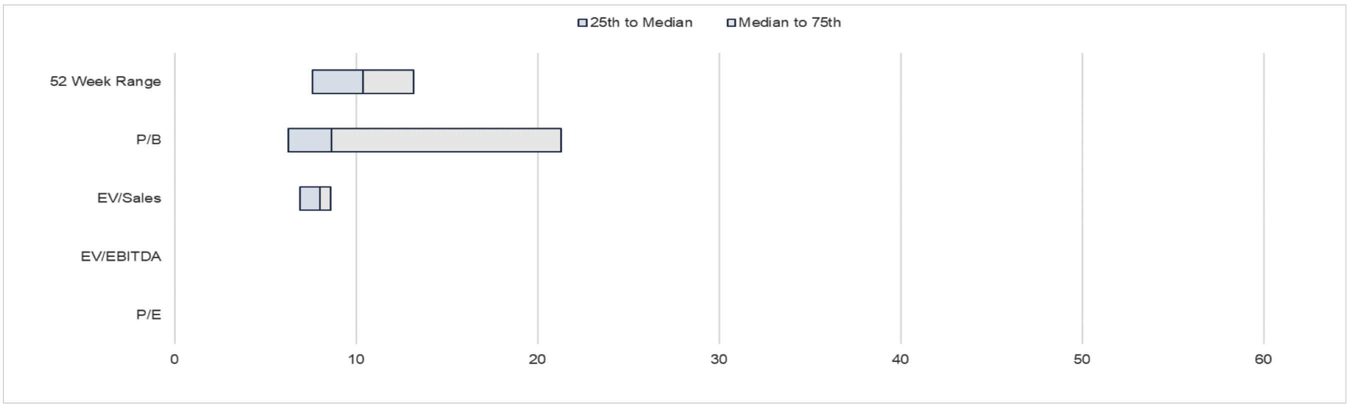
Corporate News

Snap Inc.'s shares recently soared after the company published its Q4 results. This is mainly due to the fact that the company managed to stop a decline in its user base. The expected quarterly count of 184.2 m was exceeded slightly, ending up with 186.0 m daily users in the most recent quarter. The development was based on an increase in user base in Europe and Asia, while numbers ran flat for North America. The shrinkage might even turn into an increase soon as the company is about to launch its Android rebuild. Bugs in previous versions are assumed to be on of the main reasons for user declines. Further, Snapchat reached a record revenue of USD 390.0 m, up 36.00% YTD to beat the USD 378.0 m Wall Street estimate. Besides that the highlight of the earnings report was that Snapchat has managed a 68.00% YTD improvement in its adjusted EBITDA losses, which came in at USD 50.0 m. Nevertheless, the company reported net losses at a level of USD 158.0 m.

Snap Inc	**11.40**
Targe Price (USD)	9.00
3M Performance	106.90%
Market Cap (USD m)	15,059.81
Enterprise Value (USD m)	13,780.75
**Target Price is for 12 months*	



Valuation Analysis



Snap Inc. closed at USD 11.4 on the 1st of April. In the last three months, Snap Inc increased by 106.90%. Looking at the football field above, P/B and EV/Sales suggest that Snap Inc. might even be overvalued at current levels. This has to be seen in the light that the company is still down 33.00% from the IPO price set in May 2017 and lagging behind the positive development of its competitors.

In the mid-term, the outlook for the company seems positive, as Snapchat might make it to profitability by rigorous cost cutting, before running out of cash and having to ask for more from big investors or consider being acquired. On the other hand, Snapchat's future hinges on its ability to keep financing R&D in augmented reality and hardware. Snap will not be able to keep up with dedicated AR companies as Magic Leap or tech giants like Facebook and Apple if it is constantly trying to cut costs.

Peers	Currency	Market Cap (Cur m)
Yelp Inc	USD	2,882.77
Facebook Inc	USD	502,587.60
Twitter Inc	USD	26,359.59
Netflix Inc	USD	160,388.86

Tim Borneck
Investment Banking Division

NIC's View On

Levi Strauss' Stock Market Comeback

Viktoria Wagner
Investment Banking Division

Levi Strauss shares are in demand as the blue yeans maker returns to the stock market under the ticker "LEVI" after a 34-year absence.

Levi Strauss is one of the world's largest brand name apparel companies and a global leader in jeans-wear. Its products are sold in more than 110 countries worldwide through a combination of chain retailers, department stores, online sites, and a global footprint of approximately 3,000 retail stores and shop-in-shops. Generating revenues of USD 5.6 bn (2017), the company currently employs approximately 14 thousand people.

On the 20th of March, Levi Strauss priced its initial public offering at USD 17.0 per share on the New York Stock Exchange, valuing the company at about USD 6.6 bn – higher than the previously set price range of USD 14.0 to USD 16.0 per share. The offering raised USD 623.0 m for the San Francisco based inventor of blue jeans. On the first trading day, the shares of Levi Strauss surged 32.00% in their debut on the New York Stock Exchange, giving the company a market capitalization of USD 8.7 bn and demonstrating strong demand for owning a part of the jeans giant.

The Haas family, the descendants of founder Levi Strauss, sold a small part of their shares and will continue to control the company. They took it private in 1985 in a USD 1.6 bn leveraged buyout, after it first went public in 1971. Among the main underwriters of the IPO on the New York Stock Exchange are Goldman Sachs, JPMorgan, Bank of America and Morgan Stanley.

Levi Strauss was established by its eponym and founder, who moved to San Francisco in 1853 during the California gold rush. The company he founded has laid claim to inventing blue jeans when Strauss and a partner in 1873 received a patent on using rivets to make clothes, a practice that still distinguishes the company's jeans. Over the years the company added new lines, including the office casual Dockers brand.

Levi Strauss' timing for the IPO could be better – US retail sales rose slightly in January, even though the predictions at the end of last year had not been met. Levi's did not have it easy in recent years, trying to sell denim to consumers increasingly keen on yoga pants and other athleisure wear. But denim is making a comeback from the consumer side, driven by new styles such as high-waist and pinstriped jeans. Earlier this month, American Eagle Outfitters Inc and Abercrombie & Fitch Co posted strong results boosted by denim sales.

Levi Strauss' might be hoping to capitalize on this growth by going public just now. While currently more than half of Levi Strauss' sales are made in America, this might soon change: the money raised from a stock market listing could accelerate the company's strategic rationale to grow its brand internationally and especially in emerging markets. Moreover, the proceeds from the IPO will boost Levi Strauss' efforts to invest in broadening its product range. In fact, Levi Strauss aims to reshape its global consumer perception from a US men's bottom-oriented company to a "global lifestyle leader" for both men and women.

Date	Recent News
11 Mar 19	Levi Strauss hands in IPO documents to the SEC. ***Source:*** *ft.com*
20 Mar 19	Levi Strauss enters the IPO on the New York Stock Exchange ***Source:*** *ft.com*

Viktoria Wagner
Investment Banking Division

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Nova Investment Club

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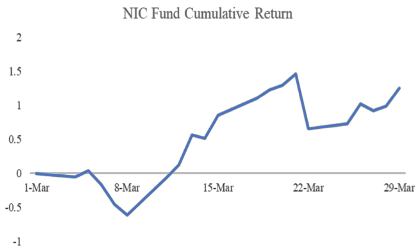
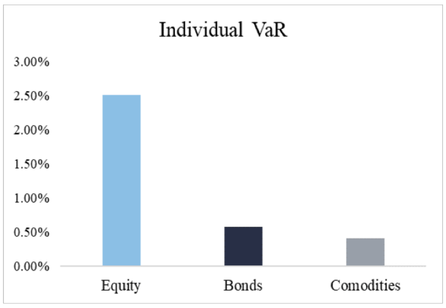
Portfolio Overview



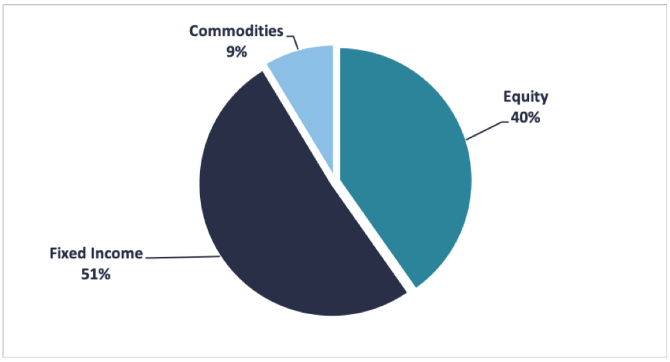
Portfolio Statistics	
Cumulative Return	1.26%
Annualized Return	16.21%
Daily St. Dev	0.29%
Period St. Dev	1.33%
Annualized St. Dev	4.61%
Info Sharpe	0.59
Skew (Daily)	-0.09
Kurtosis (Daily)	-0.05

Benchmark	
iShares 3-7 Year Treasury Bonds	55%
MSCI World ETF	30%
Invesco DB Commodity Index	10%
MSCI Emerging Markets ETF	5%



Portfolio Snapshot

Throughout March, the NIC Fund remained invested in Equities, Fixed Income and Commodities without any major changes to its composition from the previous month. Overall, 40% of our fund remained devoted to Equities, 51% to Fixed Income and 9% to Commodities. The majority of equity exposure comes from ETFs, in which around half of funds in equity investments were allocated to the MSCI World, MSCI Emerging Markets and FTSE 100 indexes, while the remaining part was allocated primarily to 18 specific stocks, using an equally weighted strategy. Regarding Fixed Income, we remained slightly underweighted in relation to the benchmark.



Return Metrics

The overall performance of the portfolio was positive, with a cumulative return of 1.26% but stayed below the benchmark 1.36% return. After two very strong months in the beginning of the year, Equities could not hold the pace. They continued to rise but slowly, with returns of 0.86% for the MSCI World Index, and 0.82% for the MSCI Emerging Markets Index. The Commodity Index fell 0.27% in March, after a strong positive performance in February, mainly driven by the increase in oil prices. Contrarily to the past month, Fixed Income had a good performance in March with a contribution to the overall portfolio of 0.83%, the highest of any asset class this month.

In terms of stock picks, the fourteen selections produced a cumulative return of 2.37%. In general, information technologies was the value driver of our equity returns in March closing with a monthly return of 8.97%, especially pushed by NVIDIA Corp. that closed in the green with gains of 16.40%. Minor return pullbacks came from the communications section, closing with a loss of 1.48%.

Risk Metrics

In terms of risk, our portfolio registered a relatively low daily VaR of 2.57%, slightly above one fifth of the maximum established threshold of 2.50%.

Equities were the asset class with the highest individual VaR, which was around 2.51%. On the other hand, VaRs for Fixed Income and Commodities were only 0.58% and 0.41% respectively.

Pedro Leão
Financial Markets Division

NIC Fund

Assets in Brief

Asset Class	Symbol	Comments
Equity Index	**URTH**	One of our benchmark indices for equities, the URTH ETF tracks the MSCI World Index. March was the third month in a row in which the index had a positive performance, increasing 0.86%, as equity markets continue to recoup the losses of the last quarter of 2018.
Equity Index	**EEM**	The MSCI Emerging Markets ETF, another benchmark for equities which tracks the evolution of Emerging Markets stocks, is back to positive territory with a return of 0.82% in March, after a February in the red.
Equity Index	**IVE**	The S&P 500 Value ETF holds over 340 large capitalization US companies that exhibit value characteristics in the US equity market. The ETF is adequate for investors that favor stability, dividends and have long-term horizons. In March, the ETF delivered a total return of 1.06%, maintaining February's slow growth pace after a very bullish January. This index has been strongly affected in the past couple of months by the outlook for the US economy for the year, together with the US-China trade dynamics.
US Equity	**AMZN**	In March, Amazon delivered a 8.59% return, regaining some of the lost ground in the equity selloff of Q4 2018. Nonetheless, it is still far from the USD 2000.0 high of September. The stock broke a technical resistance of USD 1770.0 in the middle of the month triggering excitement among technical analysts with regards to its future performance. At the same time, its CEO, Jeff Bezos, is going through scandals in his personal life, as well as an ongoing divorce that may take his time and attention away from the company in the near future.
US Equity	**DPZ**	After the bad performance of its stock price in February amid missed profit expectations Domino's Pizza shares won 2.85% in March. Last year Domino's was one of the stellar performers with 20.80% returns in a difficult year for equity markets.
US Equity	**BAC**	Bank of America closed March with a return of -5.12% in a difficult month for US banks amid fears that financial institutions may face a pressure on their net interest margins amid a more-dovish Fed, and fears of a yield inversion, as the current yield curve is almost flat with the US 10-year treasury yield reaching its lowest level in more than 2 years at 2.44%.
US Equity	**NVDA**	Nvidia closed at the end of March with a return of 16.40%, continuing its strong gains in the Q1 2019. Analysts were very optimistic after Nvidia's meeting this month, as gaming is expected to grow significantly over the next couple of months and the expansion in the data science market may boost significantly revenues in a company that has about 10.0 m CPU servers.
US Treasury Bonds	**IEI ETF**	Our benchmark bond index, IEI, invests in treasuries with maturities from 3-7 years. US treasuries have performed well in March, with the index going up 1.46%. March was a more volatile and interesting month for Fixed Income securities than February, in which not much changed with regards to the performance of this bond index.
Commodity	**DBC ETF**	Our primary commodities index, DBC tracks a basket of 14 commodities. The ETF had a negative performance of -0.27%, with the bullish run in the middle of the month after a bad start fading away in the last days of the month to end up in the red. The strong increase in oil prices was not enough to overcome the bad performance of gold, sugar, soybeans, corn and natural gas.

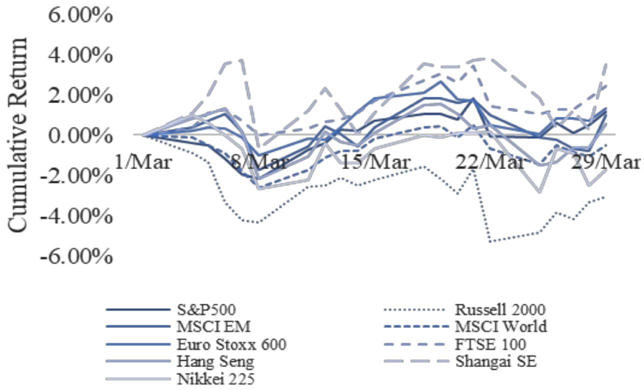
Pedro Leão
Financial Markets Division

NIC Fund

Equities

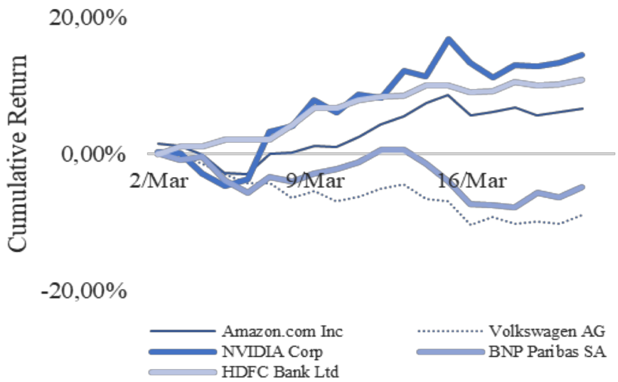
World Equities

March was an atypical month for Equities, especially when compared to the significant surge in February. Uncertainty remained the key driver for equity capital markets, with US investors cutting their equity holdings, especially holdings of technology stocks, in detriment of larger cash reserves and higher exposure to fixed income securities. Hence, in March, the S&P 500 remained essentially flat, only up 0.42%, and, simultaneously, the Russell 2000, which tracks US small caps, was down 3.14%. Such performances resulted mainly from the growing fears that the near-record US expansion may end soon, dragging with it the outlook for the world economy. In particular, markets weighed in Fed's decision not to raise the target rate further in 2019, as well as the trade tensions between Washington and Beijing. Nonetheless, and despite US companies struggling to maintain profitability while labour, transportation and raw materials' costs keep rising, the first quarter of the 2019 was extremely positive for US stocks, as the S&P 500 had the strongest start of a year since 1998, and the Russell 2000 since 2011. European stocks outperformed their US counterparties, with the Euro Stoxx 600 gaining 1.30% over the month. Looking to global equities, the MSCI World was down 0.52% and the MSCI Emerging Markets was also flat, with a moderate gain of 0.93%. Despite that, the March quarter corresponded to the biggest quarterly rise for global equities since the September quarter of 2010, with the FTSE All World Index soaring by 11.40%.



In Depth: Volkswagen's "Dieselgate"

Volkswagen AG was the worst performer in our portfolio, as far as individual stock picks are concerned. The stock plunged 8.77% during the month of March, as the SEC sued Volkswagen and its ex-chief Martin Winterkorn over the "dieselgate" scandal. Between April 2014 and May 2015, Volkswagen issued more than USD 13.0 bn in bonds and ABS, despite top management already being aware that more than 500,000 vehicles in the US exceeded legal limits on vehicle emissions. As a consequence, Volkswagen was criminally fined and paid a total of USD 2.8 bn. Now, the SEC has filed a complaint in California, alleging that Volkswagen defrauded US investors as it reaped hundreds of millions of dollars in benefit by issuing the securities at more attractive rates for the company.



Our Performance

In March, equities' contribution to the overall portfolio performance was positive, with 0.60% cumulative return. The fourteen stock picks from the beginning of the month combined with the active management decisions to underweight our equity benchmark indexes and to have a 5% combined exposure to the FTSE index and to the S&P 500 Value ETF allowed us to beat the equity benchmark by 30 bps. Regarding to the stock picks, Nvidia and HDFC Bank were the top performers in March, with gains of 16.40% and 11.31% respectively, while Volkswagen AG was our worst performer. At the end of March, we added MercadoLibre, LVMH, Netflix and Solutions 30 to our portfolio.

Gonçalo Marques
Financial Markets Division

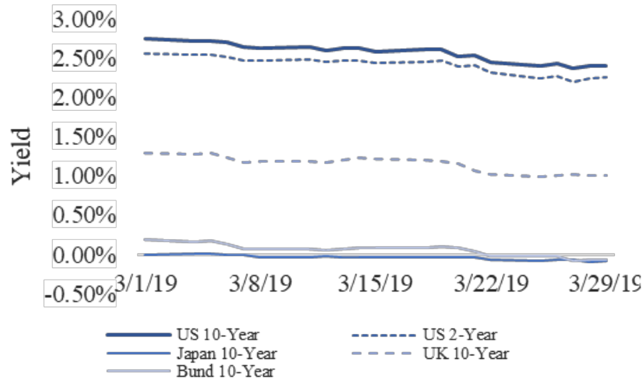
NIC Fund

Fixed Income

World Yields

March saw an inversion in the US yield curve: the spread between the three-month and 10-year yields turned negative. As this has not happened since 2007, the move spooked investors. The inversion reflects the piling concern over the slowing US growth, especially after the Federal Reserve decided to ease on its rate hikes plan. In the past yield curve inversion was a reliable indicator of a future recession. The time between the inversion and the recession start could be as long as three years, however, which is why some policymakers urge investors to remain calm. During the month, yield on US 10-year Treasury bonds fell from 2.75% to 2.41%.

In Europe, ECB signalled future delays in interest rate rises. Markets reacted by pushing yields on 10-year German Bunds down from 0.18% to -0.07%. Yields of Japan 10-year bonds fell from -0.01% to -0.08%, while the UK 10-year bonds' yield dropped from 1.29% to 1.00%.



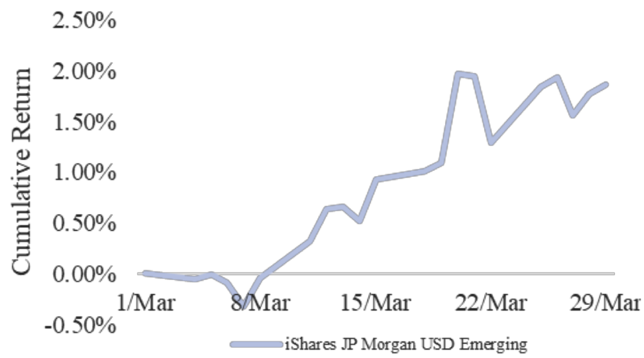
In Depth: Sovereign Fundraising Across the Globe

As the policymakers in the US and Europe are reluctant to raise rates, fixed income investors turned their attention to emerging markets and other high-risk areas in search of additional yields. Index of emerging markets bonds has spiked by almost two percent in March.

Proving solid investor interest in emerging market bonds, Qatar raised USD 12.0 bn, issuing five, ten and 30-year bonds. The issuance was highly oversubscribed, with USD 50.0 bn in the order book. Qatar's fundraising comes only two months after Saudi Arabia raised USD 7.5 bn with USD 27.0 bn in the order book.

Meanwhile, Benin prepared to issue its debut bond, denominated in euros. Benin, a major producer of cotton and cashew nuts, aims to use the proceeds mostly to finance various infrastructure projects. Fitch rated Benin at single-B, citing rapid growth potential offset by weak development indicators and limited economic diversification. The African state follows an example of Uzbekistan, which successfully tapped the bond markets earlier. Given that Benin manages to raise funds, the country will become Africa's 21st issuer of sovereign bonds.

For the first time in nine years, Greece offered new 10-year bonds. EUR 2.5 bn were raised at a 3.90% yield. Last time Greece offered such bonds was in March 2010, shortly before it had to seek a bailout from EU and IMF. The 2019 issue was significantly oversubscribed, with order books reaching as high as EUR 11.8 bn. Prior to the issuance, Moody's praised Greece for the progress made in stabilizing the country's finances and lifted its credit rating by two grades to B1. Although this is still a non-investable grade, it is a major improvement upon the Greece's track record.



Our Performance

In March, 51.32% of the NIC Fund was invested in fixed income instruments. iShares 1-3 Year Treasury Bond ETF returned 0.69%, contributing 0.07% to our portfolio return, while iShares 3-7 Year Treasury Bond ETF returned 1.78%, contributing 0.74%, and the iShares Tips Bond ETF returned 0.18% with a contribution of 0.02%.

Vadim Nikitin
Financial Markets Division

NIC Fund

Commodities

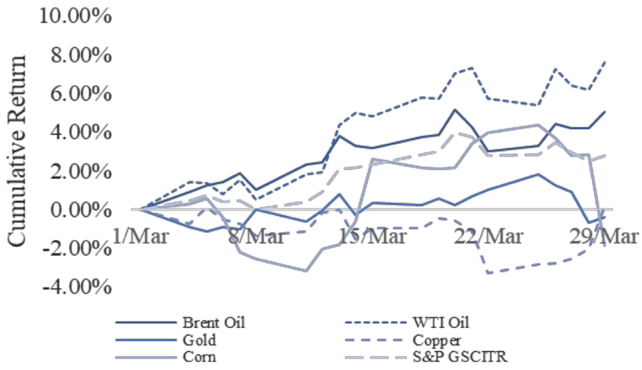
March Round-Up

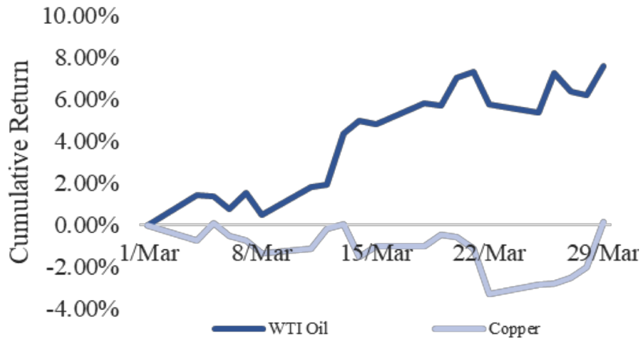
The last decade has never seen such a steep rise in oil prices as the past quarter. The decline in the OPEC countries output and the Iran and Venezuela sanctions helped push oil prices higher. Brent crude oil ended the month of March at USD 69.2, representing a cumulative change of 27.72% YTD. WTI Crude oil finished at USD 61.8, with a 34.84% gain YTD. Natural Gas prices reached negative prices of USD -2.5 per BTU at the Waha Hub, in Texas, on Thursday, the 28th of March 2019. This value is well below the Henry Hub benchmark positive price of USD 2.7. Such a low value was due to shortage of pipelines: one system was closed for maintenance, while another one experienced an unexpected failure. However, the bigger picture shows the decline in price is closely related to the surge in oil prices. Shale oil outputs in the Permian Basin have increased 120.00%. Since natural gas is a a byproduct of oil exploration, its output has increased at the same rate, creating an imbalance on supply and demand. Regulators keep gas producers from venting it into the air or burning it, which forces them to find a buyer.

Corn prices ended March with a result of -2.06%, after US farmers indicated they would plant more than expected this season.

Copper ended the month at USD 2.9, sustaining its recovery since the beginning of 2019. Copper pipelines are expected to be short of the demand for the next decade, leading prices higher.

The overall S&P GS index performed well this month, ending 2.81% higher, mainly driven by oil prices. Brent and WTI make up more than half of the index weight.

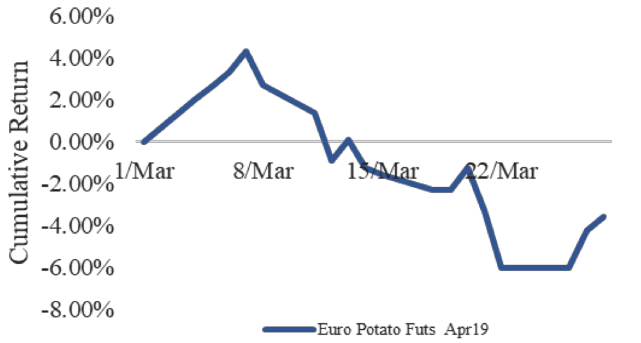




Outlook for April

Oil output worldwide has been decreasing. As a consequence, oil prices have been rising steadily, making the March quarter the best quarter of the last 10 years. Analysts expect this growth to continue, as sanctions on Iran and Venezuela, and the output cut from the OPEC countries continue to reduce oil supply. Concerns are arising over the output of the US, which has reached a record high of 12.2 m. This could potentially slash hopes of oil recovering to USD 86.0 per barrel, the record high achieved in October of last year.

Regarding Copper, the worldwide view is that it has the most promising prospect of any major commodity. Factors such as declining ore grades, reserve depletion and encouraging demand trends seem to be pushing its price higher, finishing March at USD 2.9, with a net change of 0.09% over the month. Concerns over China's economy slowdown could send copper prices lower.



Our Performance

During the month of March, we maintained an allocation of 8.60% in the Commodities Benchmark ETF, which is 1.40% below our benchmark weight of 10.00%. The Euro Potato Futures were sold before their maturity date in April.

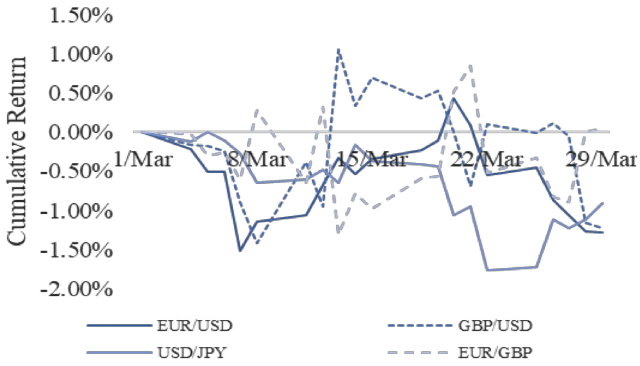
Sérgio Ferrás
Financial Markets Division

NIC Fund

Currencies

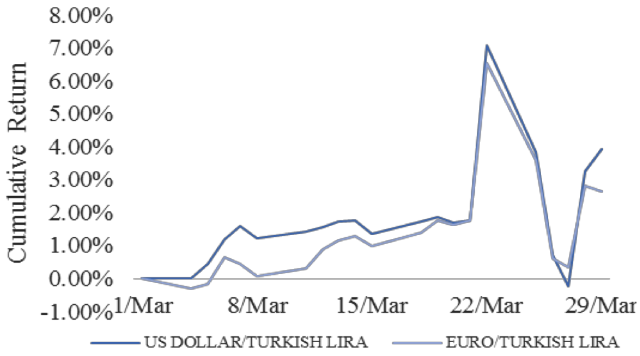
World Currencies

The Sterling's performance this month shows, once again, that the GBP has become a barometer of investors' fears and hopes of how Brexit will unfold. Political risk remains the main driver for the development of the GBP, which recovered after Theresa May approved a revised Brexit deal with the EU, experienced a sharp slump when MPs rejected the revised Brexit deal, recovered after the vote on a possible extension of the Brexit negotiations and when MPs rejected a No-Deal Brexit. However, it slipped again after several of May's proposals were rejected, rose again after the EU accepted the extension of the Brexit deadline and MPs voted on alternatives to Brexit. It finally fell back after MPs rejected the Brexit alternatives and political confusion over Brexit intensified. Overall, it lost 1.26% against the USD and remained stable with a slight increase of 0.01% against the EUR. Meanwhile, the euro was adversely affected by the ECB's decision to postpone interest rate hikes and give new impetus to bank lending, as well as by disappointing regional manufacturing results, which led to a depreciation of 1.29% against the USD. Conversely, the dollar was positively affected by the ECB's decision. Despite concerns about the outlook for the US economy and interest rates, it continued to perform well. However, the strength of the dollar, appears to be driven less by a fundamental belief in the US currency than by the weakness of its rivals. The movement of the the safe-haven yen was driven by rising and falling fears of a global economic recession. It gained 0.92% against the USD.



In Depth: The Turkish Lira

After the Turkish lira had experienced a period of relative stability in recent months, when the central bank announced a massive rise in interest rates due to its decline last summer, the lira moved vigorously this month. This development was driven by JP Morgan's bearish report on the lira and the forthcoming local elections on the 31st of March. After JP Morgan had recommended its investors to get out of the lira in a research note, foreign investors began to shorten the currency, so that it fell by 5.10% in a single day. Against the backdrop of the forthcoming elections, the bearish call triggered a strong reaction from the Turkish authorities accusing JP Morgan for providing "misleading" and "manipulative" advice. In response, the Turkish authorities took extreme measures to protect the value of their currency by instituting a currency crunch to prevent the lira from slipping days before the elections. This led to a sharp rise in overnight rates to well above 1000% in the offshore swap market as local banks are under pressure not to provide liquidity to foreign fund managers. By constructing this situation, the lira stabilised after the earlier fall, but the pressure on the lira increased again after funds discovered signs that the reserves of the central bank were shrinking, which was seen as an indication that the authorities were trying to support the currency. Looking ahead, the lira will become a very difficult trading currency and investors may be less receptive to investments.



Our Performance

Currently no currency related assets are hold in our portfolio.

Lisa Preußler
Financial Markets Division

Extras

Hot Topic

Apple's transformation

Duarte Alves Pereira
Investment Banking Division

"In essence Apple is seeking to become a Netflix of everything in services; music, news and magazines, video and games."

– Financial Times

On the 25th of March, Apple held its special event at the Steve Jobs Theatre in California. The ceremony was Apple's first product launch entirely dedicated to digital services and began a new journey into video, finance, news and gaming.

To better understand Apple's strategic move behind the event, it is important to analyze the products released.

Apple TV+ is the latest streaming service developed by the iPhone producer. It will consist in a subscription service with original content. Apple has been trying to enter the TV business for more than a decade, as one of Steve Jobs' final plans to reinvent the living room experience in the same way as the iPhone did for the smartphone. The idea is to aggregate shows that a customer is watching from a variety of streaming services, such as HBO or iTunes, into one place. The California-based company has hired experienced executives and made more than 30 deals to guarantee its original content. Steven Spielberg, Oprah Winfrey and Sesame Street are some of the names that will produce the shows available in more than 100 countries. Apple's ambition is to fight more established competitors such as Netflix, Hulu and Disney, who is about to release its own video-streaming.

Moving into finance, Apple Card was introduced, as the only physical product. The credit card, released in partnership with Goldman Sachs, will not have annual fees and will return its users up to 3.00% cash back. Leveraging the success and momentum of Apple Pay, the card will be integrated into the service on iPhones.

Apple News+ will be the platform including publications of newspapers and magazines, such as the Wall Street Journal and Los Angeles Times, while Apple Arcade is the company's fresh gaming product, a Netflix-like service that will grant access to a wide variety of games produced by the world's largest developers.

Overall, Apple's reasoning went beyond the traditional event to present new products and aimed to implement a concept turnover.

After unsuccessful attempts to launch a TV streaming, the timing felt right, as two determinants were put together. Firstly, iPhone's sales have been decreasing as the company's 2018 Q4 sales dropped by 15.00% and the beginning of 2019 has disappointed investors. Secondly, there has been a general push around services, such as Apple Music, Apple Pay, iCloud and the AppStore itself, as Apple's revenues in this segment have increased by 19.00% in last year's final quarter.

Altogether, the new offers are expected to bind more closely to their hardware products, but also to provide incremental revenues to compensate the fact that iPhone's sales seem to have peaked.

Analysts believe that Apple will transform itself from an iPhone-driven company towards a services business, like Amazon Prime, where there will be a recurring revenue every month for a bundle of Apple's services. The purpose is to be more predictable and have a more stable stream of cash flows, which investors tend to prefer. Last year was painful for Apple and showed the risks of such path.

All in all, Apple is reinventing its business model and its 900.0 m iPhones worldwide grant it access to a massive potential audience. Will Apple threaten Hollywood and Wall Street?

Duarte Alves Pereira
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Extras

Hot Topic

5G in Germany - A Procedure of Standard-Alignment

Jan Schroff
Financial Markets Division

" It is essential that 5G infrastructures in the EU are resilient and fully secure from technical or legal backdoors"

– Andrus Ansip
Vice President of the European Commission

Europe's largest economy wants to bring its backward digital infrastructure up to the highest standards in the world regarding communication – 5G. Therefore, Germany's network agency formally opened up the bidding process to potential network providers on March 19th.

Well known bidders in the process are Deutsche Telekom, Telefonica and Vodafone and everyone is highly keen to receive an acceptance letter if they meet the requirements. Nevertheless, all three complained about regulations and failed in their attempt to change the conditions imposed by German regulators for the auction of the 5G spectrum. The obligation is to provide 98.00% of all German households by 2022 with fast internet, defined by at least 100 megabits per second. Also, the future carrier has to provide the same service along all of Germany's motorways, principal highways and the rail network.

Several controversies are implied by the auction. Providing a network in such a large scale is a highly capex-intense endeavour that faces on the income side quite small revenue streams if competition wants to be preserved. The eventual winner of the auction must share their network with competitors as part of a national roaming provision in exchange for a fee. Charging a tremendous fee for a competitor would deform competition. Moreover, access to fast internet is a resource everyone tends to appreciate but wants to consume it as cheap as possible, which stretches tight constraints to the business case.

To reinforce Germany's economic strength the introduction of the latest generation of wireless technology is crucial for German businesses. 5G sets the ground for the development of new technologies that industry requests, such as autonomous driving and the "internet of things".

Despite the strong need for digital infrastructure to align with the leading industry nations China and USA, the 5G spectrum raised undesired attention due to potential suppliers of the bidders.

To install the network the three bidders are very keen to buy equipment from the Chinese supplier Huawei. This is raising a lot of security concerns as Huawei has a strong link to the Chinese government, according to the US. Those concerns picked ups its own dynamic after the US demanded for an overall ban of Huawei products. In the European parliament members started to discuss the topic and its digital chief Andrus Ansip mentioned implied cyber risk with 5G. Nevertheless, the German federal minister for economic affairs and energy said that the government will not ban any company from the auction. Furthermore the government underplay China's increasing influence in the European Union.

At the moment, all three major bidders have to re-evaluate if they want to move along in the auction process due to high regulations and the accordingly long amortization period for the infrastructure project. Additionally, a conversion into digital world regarding core infrastructure incurs plenty of risk factors and incremental shift of power linked to change in ownership. All those risk factors have to be borne in mind to be mitigated by the government for a successful transformation of Germany into a high-tech country.

So, 5G is essential for the future of Germany but also a call for action towards government to assure successful execution and implementation.

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Hot Topic

Self-Driving Cars – Are Consumers Ready for Full Autonomy?

Vasco Lupi
Investment Banking Division

"By putting them on the market too fast you undermine the technology that can become the most important lifesaver in the history of the car."

– Hakan Samuelson
CEO of Volvo

Features which decrease the driver's input are standard nowadays, from ABS to GPS and more recently, motion sensors. These embedded technologies have the intuit of making driving more comfortable and safer and have been successful to a certain extent. The utopic plan is to have all cars connected, leaving algorithmics to design a safe trip. The connectivity can happen at various levels: From Vehicle to Vehicle (V2V), from Vehicle to Infrastructure (V2I) or Vehicle to Cloud (V2C) – both functioning as a central planner or even Vehicle to Pedestrian. Naturally, more than one type can occur simultaneously.

However, internet connection does not necessarily mean full autonomy. Some automakers are investing on Advanced Driver Assistance Systems (ADAS), which help in the driving process, through collision avoidance or land departure warning systems, while still leaving space for human input. These OEMs believe AV vehicles are still a distant future or simply do not have funds for the high R&D expenses, in an already highly capital-intensive business.

Other prominent players as Volvo are full investing in AVs. The argument is that with ADAM humans are forced to intervene in case the system fails. Since drivers are still slow to react on average, it may be preferable to wait for a technology that never requires the passenger to take the wheel. Hakan Samuelson, the CEO of Volvo, which labelled self-driving as "the best lifesaver in the history of the car", warned for the risks of selling AVs which are not sufficiently safe, since it can "kill the technology".

Ride Hailing apps, as Uber and Cabify, are a very interested party in the development of the technology, pushing for progress. Since these players are struggling to turn revenues into profits, cutting costs through the elimination of driver pay seems to be the money-making solution. This translates into more money pouring in AV development – for example Uber has invested in several AV and Artificial Intelligence start-ups.

However, the transition is not an easy one. Who has the fault in case of a collision? The owner of vehicle or the producer of faulty technology? Some, as the Tesla founder, Elon Musk, disregard this issue, stating that crashes with self-driving cars make too many front pages. Although, undoubtedly more lives can be saved, defining the liable body is vital. If not done properly, AVs can have difficulties penetrating in the mass market, since safety tops surveys on consumer's priorities.

Bringing a safe product is vital, however investors sooner or later will start to demand a return on their capital, pressuring market entry. When it occurs, will AVs be sufficiently safe and possibly more important, will consumers be ready?

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Hot Topic

In one week from USD 62 to USD 72 per share or Lyft´s IPO

Nina Kusnirova
Financial Markets Division

"There is an appetite for tech because people recognize these companies are defining and leading global megatrends"

– Ian Wallis
Co-founder of Star Tech NG, a UK investment firm that holds a $10m stake in Lyft.

Friday, the 29th of March, was the big day for the Nasdaq when the first of a wave of large IPOs was launched this year. Lyft, an on demand transportation company primarily providing ride-hailing services, listed its shares at USD 72.0, raising more than USD 2.0 bn in the largest US technology listing in two years after Snap, in 2017. Strong investor interest boosted the share price above the proposed range USD 62.0 to USD 68.0 two days before listing. Due to the same reason Lyft expanded number of shares from 30.8 m to 32.8 m.

Launched in June 2012, Lyft operates in more 300 cities in the United States and recently expanded to Canada. In the 2018, Lyft was the number two ride-hailing company with a 28.00% market share in the United States. The company was valued at USD 15.1 bn as of June 2018 compared to USD 24.3 bn valuation after the IPO. This is underlined by fully diluted basis including stock and options given to staff.

Founders Logan Green and John Zimmer own 5.00% of the company, worth USD 603.0 m and USD 416.0 m respectively, while controlling 50.00% of the company, based on the dual-class share structure which gives them 20 votes a share. This type of the structure allows founders to focus on long-term performance and fight off attacks from activist investors.

An unusual aspect of the IPO is the option for longest-serving drivers to buy shares alongside more traditional institutional investors. This is seen as employment benefit, because drivers are not employees and do not get any benefits, moreover, they have to deal with legal battles in many countries.

Rakuten (5.96%), the Japanese e-commerce company, is the largest shareholder with stake worth USD 2.3 bn. General Motors (3.54%), Fidelity (3.52%) and venture capital firm Andreessen and Horowitz (2.85%) are other top shareholders with stakes worth more than USD 1.0 bn each.

Uber, the number one ride-hailing company (69.00% of US market), is being awaited to list during the following month too. Lyft's largest rival was valued at USD 76.0 bn during the most recent private round and hopes to reach USD 100.0 bn by the time of the public offering, which would make it one of the biggest US IPOs ever. The valuation of Lyft is modest compared to Uber, however Lyft only operates in United States and Canada, while Uber has spread its business not only geographically but also into other lines of business such as food delivery, freight booking and others. It needs to be mentioned that even through Uber's diversification, both companies recognized loss in 2018 (Lyft USD 373.0 m and Uber USD 1.8 bn).

"It happened to be that this is a good moment in the market to do so." said Mr Zimmer, Lyft's president after the markets closed on Friday. He also believes that investors' demand in the IPO was based on the long-term goal of replacing private cars with a shared and eventually autonomous fleet. "Investors were excited to be part of this story because they saw there is a massive shift coming from owned vehicles to transportation as a service."

On the other hand, some analysts pointed out concerns about Lyft's ability to turn profitable on a per-ride basis in the next quarters. Especially with such intense competition, it remains highly uncertain if ride-hailing can actually become a sustainable business model.

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Thank you!

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

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