NIC

— Nova Investment Club —

Newsletter

January 2021

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, Hannes Stingel, elaborates on the key takeaways from the Brexit deal for Britain and the EU. Moreover, in our Regional View, Alessandro Astore, examines if 2021 could be the year to start showing interest in Italy's debt.

Our Investment Banking Division will guide you through December's M&A overall activity. Read about Thoma Bravo LLC to Acquire RealPage Inc, AstraZeneca to Acquire Alexion Pharmaceuticals, and Diamondback to Acquire QEP. Additionally, get a detailed overview on what happened to Apple and Airbnb, as well as consider our opinion on the rush of private capital's into sports.

Our Financial Markets Division will present the monthly results of the NIC Fund, an active relative return fund investing across three different asset classes: Equities, Fixed Income, and Commodities. 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 overall performance of the NIC Fund in December was positive, with a cumulative return of 2.85%. A gain that can be mainly attributed Equities.

On the Hot Topics of this month, Vincent Sardinha Marques, our President, examines the Market turnaround from growth to value, while Daniele Notarnicola, our Head of Corporate Relations elaborates on Perella Weinberg's decision to go public through a SPAC. Additionally this month, Jan Bich, our Head of IBD will go over the overall year of M&A activities, putting in light its second half of the year. Lastly, on our ESG review in collaboration with Nordea, Sebastian Hartmann, writes about the Race to net zero of asset managers.

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 The reports may contain inaccurate or outdated information and should not be used as an exclusive mean for investment decisions.

Macro Overview

Monthly

January 6th, 2021

Deeper Dive

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Market Moves

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	3 756	1.43%	11.69%	16.26%
DJIA	30 606	1.35%	10.17%	7.25%
Nasdaq	12 888	0.65%	15.41%	43.64%
MSCI World	3 344	0.92%	16.97%	7.60%
MSCI EM	4 566	2.55%	17.60%	14.16%
Russell 2000	1 975	-1.45%	30.99%	18.36%
Euro Stoxx 50	3 553	0.26%	11.24%	-5.14%
FTSE 100	6 461	-0.64%	10.13%	-14.34%
Nikkei 225	27 444	2.91%	18.37%	16.01%
Hang Seng	27 231	3.20%	16.08%	-3.40%
Dollar Index	89.94	-0.43%	-4.21%	-6.69%
EUR/USD	1.222	0.24%	4.22%	8.94%
GBP/EUR	1.119	0.68%	1.46%	-5.41%
GBP/USD	1.367	0.83%	5.80%	3.12%
USD/JPY	103.250	-0.39%	-2.11%	-4.94%
USD/CHF	0.89	-0.66%	-3.88%	-8.42%
Brent Crude	51.800	0.99%	26.50%	-21.52%
Gold	1 895.1	0.81%	0.40%	24.42%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	0.913%	-1.0	22.9	-100.4
GER 10Y Yield	-0.569%	-2.1	-4.7	-38.4
JPY 10Y Yield	0.021%	0.4	0.5	3.2
UK 10Y Yield	0.197%	-6.0	-3.2	-62.5
PT 10Y Yield	0.030%	-3.0	-23.3	-41.2

**Source: Bloomberg, as of 2020-12-31*

In Focus

December

ECB announces continuation of stimulus package. On the 10th of December, the ECB announced a continuation of the Pandemic Emergency Purchase Programme (PEPP) and confirmed to buy EUR 500 bn more bonds to support economic recovery from the impact of the pandemic at its post-policy meeting press conference. Considering an estimated economic contraction in the eurozone of 2.2% in the fourth quarter of 2020, the PEPP will be expanded from EUR 1.4 tn to EUR 1.9 tn.

Airbnb's skyrocket IPO. The home-sharing marketplace went public on the 9th of December. By the time of the listing, shares were priced at USD 68.00 but traded at USD 144.71 after the first day, a surge of 112%. The company went public at a time when the sector has been hit by the pandemic. Third-quarter revenues had decreased by almost 19% compared to the same quarter a year prior, yet the company reported a net profit of USD 219 m.

Last-minute post-Brexit trade agreement secured. On the 24th of December, just a week before the transition period between the EU and UK ended, a post-Brexit trade deal has been agreed on. Members of the European Parliament had only a few days to scrutinise the agreement before it came into force on the 1st of January.

European countries start Covid-19 vaccination. After BioNTech-Pfizer's vaccine had been approved by the European Medicines Agency (EMA) and the European Commission on the 21st of December, several European countries, including Italy, Germany, Greece, and France, rolled out a mass vaccination campaign on Sunday, 27th of December, aiming to inoculate 450 m people over time. Vaccines of AstraZeneca, Sanofi-GSK, Johnson & Johnson, CureVac, and Moderna have yet to be approved, sparking hopes for a fast recovery from Covid-19 in 2021.

Janet Yellen nominated as US Treasury Secretary. Ex-Federal Reserve chair Janet Yellen was elected as nominee for Treasury Secretary by president-elect Joe Biden. She would be the first woman ever to hold the post, emphasizing Joe Biden's efforts to build a diverse administration. The announcement sparked hopes among environmental activists that Yellen will use her position to promote a policy that actively addresses climate change.

China leaves US Trade Deal Target unfulfilled for now. According to Bloomberg, China is largely behind its US trade deal commitments, having imported only 50.5% of the 2020 target of USD 172 bn in the first eleven months of the year.

Bitcoin continues its 2020 rally. The cryptocurrency reached a record high against the US dollar on Sunday, 27th of December, surging to nearly USD 27,700. The psychological mark of USD 20,000 had already been hit on the 16th of December. Trading around USD 8,000 at the beginning of the year, the oldest cryptocurrency even briefly dipped below USD 4,000 in spring during the first wave of the pandemic. Its 2020 rally had been mainly caused by hopes for mainstream utilization in the digital currencies area.

Trump eventually approves stimulus package. Donald Trump averted a federal government shutdown on Tuesday, 29th of December, by signing a new USD 900 bn Covid-19 stimulus package before the Monday night deadline. Few days before Christmas he indicated that he might not be willing to do so and insisted on reducing spending in parts of the bill. Among other financial support, the package, which had already been passed by Congress earlier in December, includes second stimulus checks, unemployment insurance, and small business loans.

Julia Weber
Financial Markets Division

Deeper Dive

Brexit Trade Deal: Key Takeaways For Britain And The EU

Hannes Stingel
Investment Banking Division

"It was worth fighting for this deal because we now have a fair and balanced agreement with the UK, which will protect our European interests, ensure fair competition, and provide much needed predictability for our fishing communities. Finally, we can leave Brexit behind us and look to the future. Europe is now moving on."

– Ursula von der Leyen, European Commission president

After years of Brexit acrimony, Britain and the EU have reached an economic partnership agreement that prevents Britain and Europe from a no-deal Brexit. On 23rd of June 2016, the United Kingdom voted in a referendum to leave the European Union with a slight majority of 52%.

According to European Commission president Ursula von der Leyen, this deal is a crucial milestone for Europe in order to "finally put Brexit behind us". Britain's Prime Minister Boris Johnson said that "we have taken back control of our laws and our destiny", in addition, he mentioned that the deal announced on Christmas Eve is a good deal for all of Europe.

USD 264 bn of goods are sold from Britain to Europe which accounts for 43% of the total export of the UK, whereas more than half of UK imports (GBP 374 bn) are sourced from the EU. This shows that the relationship between Britain and the EU has been a key indicator of Europe's economical growth during the last couple of years and further highlights the importance of this deal for both counterparties. The agreement covers bilateral trade worth around GBP 650 bn and key sectors such as autos, chemicals, pharmaceutical and financial services.

In general, goods traded between the two counterparties are not exposed to new tariffs or quotas. However, the agreement makes it more costly and burdensome for British suppliers to do business in Europe. The main points of the deal are summarised below.

The car industry is one of the biggest industry's affected by Brexit as almost 3 million vehicles a year between the EU and the UK are traded which accounts for around EUR 14 bn. Analysts expect the car industry to be hit by much more red tape and regulatory burden as the EU maintains a strict approach for UK cars manufactured with large amounts of non-UK components.

Surprisingly, in times of increasing market volatility, financial services access to EU markets is not covered within the agreement. Given the complexity of this point, this has to be further discussed by a separate process. The EU and the UK will discuss how to treat specific equivalence decisions that would allow firms to sell their services into a single market from the City of London.

Fishing rights have been one of the most controversial discussed agenda points within the negotiations. From the 1st of January onwards, the UK fleets will take 25% of the current EU catch in British waters for a transition period of five and a half years. This fishing fleet is currently worth around USD 198 m. After the transition, access will depend on annual negotiations.

As many business travellers commute between Europe and the UK, and especially London, labour market regulations are not significantly affected by the agreement. Thus, short-term business visitors won't need to hold work permits or undergo economic needs tests. Furthermore, the Brexit Trade Deal does not significantly affect taxation between the UK and Europe as both sides pledged to uphold tax transparency regarding global tax standards. According to the UK government, "there are no provisions constraining our domestic tax regime or tax rates".

Following the formal act of British political law, the Queen approved the Brexit Trade Deal on 31st of December, putting the UK-EU agreement into British law. The agreement comes into force on the 1st of January 2021, when the UK will leave the EU Single Market and Customs Union, as well as all EU policies and international agreements.

Hannes Stingel
Investment Banking Division

Regional View

2021 is the Year to Keep an Eye on Italy's Debt

Alessandro Astore
Financial Markets Division

"And if a post-vaccine recovery looks more assured, then that should underpin fundamental optimism and greater risk appetite, which also suggests buying"

- Richard McGuire, Head of Rates Strategy at Rabobank

Italy's bonds pay the highest investment grade yield among European countries these days. This appears even more attractive considering that more than a quarter of the world fixed income securities' yields are in a negative spectrum in 2020 and even rates in other peripheral European nations close to Italy, such as Portugal and Spain, are now no longer positive or close to zero. Consequently, investors all over the world reacted by seeking profitable opportunities in other asset classes, such as currencies and equities.

Italy is one of Europe's largest market for debt securities. Every year the country raises a large sum of money to finance public spending and meet maturities of previous government bonds. In 2019, Italy's public debt amounted to EUR 2.4 tn, almost 135% of the country's GDP. It got particularly boosted by shaky domestic politics.

However, the results of the regional elections in September 2020 had several positive implications for Italy's debt. It strengthened the current governing coalition, whose main members are the Democratic Party and the 5 Star Movement, the latter being a rather right-wing political party (Movimento 5 Stelle – M5S). Furthermore, it reduced the likelihood of early elections that could favour right-wing European Union-sceptic parties. It also removed potential barriers to accessing European funds, such as low-cost loans from the European Stability Mechanism and the recovery fund. This was expected to take some pressure off the government regarding Covid-19 aids by avoiding additional burden on government obligations.

At the end of July 2021, the White semester begins, a period in which the president of the Italian Republic cannot dissolve the chambers. At that point, early voting would become technically impossible. Thus, the stability of the Italian government seems to be relatively certain until 2023.

Mainly for this reason, Italy's borrowing costs stand at historic lows despite the unprecedented economic slump sparked by the Covid-19 pandemic. Furthermore, in December the ECB expanded its Pandemic Emergency Purchase Program (PEPP) by EUR 500 bn, boosting the prospect of support for Italian debt. Bonds have returned 8% this year, more than twice as much as Germany's bonds, according to Bloomberg Barclays indexes. Yields on the nation's 10-year debt reached an all-time low of 0.507% in the middle of December, compared with the 2.99% hit in March, and closed with 0.52% on the 31st of December which below pre-pandemic levels.

According to strategists at JP Morgan, ABN Amro Bank NV and HSBC, Italy's spread is forecasted to fall to 80-100 bps in 2021. "The tightening for Italy is justified," so Jolien van den Ende, a strategist at ABN Amro. "This makes the debt level sustainable on a very high level, in combination with a search for yield." Loading up on Italy's 30-Y debt might be a wise path to follow in the upcoming year for several reasons. First, they offer an attractive yield at the moment and profit from the ECB's bond-buying program and the EU's recovery funds' support. Moreover, the current political stability in Italy is a positive outlook.

Despite all the positive aspects, the risk associated with an investment in long-term Italian debt should not be forgotten. Italy's debt level has been very high since the financial crisis – at the moment it's the third highest debt level worldwide following Japan and Greece – and despite economic good times the country hasn't managed to sustainably reduce its debt so far. One should consider future effects should the ECB stop its bond-buying program and turn away from excessive monetary policy. The successful reduction of Italy's national debt and prevention of a debt crisis will consequently depend on the monetary policy in the EU, as well as on the countries' GDP growth.

Alessandro Astore
Financial Markets Division

Macro Overview

Economic Calendar

Economic and Political Events

Brexit Update

On the **1st** of January, the trade deal between the EU and the UK entered into force, provisionally, since all 27 Member States and the European Parliament, as well as the British Parliament approved the proposed arrangement.

US Congress

On the **3rd** of January, the 117th Congress met for the first time in 2021. After the US elections in November 2020, the control of the House of Representatives will remain with the Democratic Party whilst the Senate majority could still change in January 2021.

Euro Area Manufacturing PMI

On the **4th** of January, the Euro Area Manufacturing PMI figures for December were released. Growth was at 55.2, lower than the forecasted value of 55.5, but higher than the 53.8 reported back in November.

Central Bank Decisions

ECB Interest Rate Decision

On the **21st** of January the ECB will make a decision regarding euro area interest rates. It recently expanded its Pandemic Emergency Purchase Programme (PEPP) by EUR 500 bn and extended its duration until at least the end of March 2022 at its December monetary policy meeting.

BoJ Interest Rate

In its December meeting, the Bank of Japan kept its short-term interest rate levels unchanged at -0.10% and aims to maintain the target for the 10-year Japanese government bond yield at 0.00%. On the **21st** of January, the next interest rate decision will be reported.

FED Interest Rate Decision

The FED's decision regarding interest rates will be announced on the **27th** of January. During its December meeting, the Federal Reserve left the target range for its federal funds rate unchanged between 0.00% and 0.25%.

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Inflation and Deflation

Update on US Inflation

In November 2020 the US annual inflation rate remained unchanged at 1.2%, which is on par with the October figure. December inflationary data will be published on the **13th** of January.

Euro Area's Inflation

In November 2020, Eurozone consumer prices fell for the third consecutive month, facing a loss of 0.3% YoY amid softened demand due to the ongoing pandemic. This presents one of the steepest declines since April 2016. December inflation figures for the euro area will be announced on the **20th** of January.

UK Inflation Rate

Consumer prices in the United Kingdom rose by 0.3% YoY in November 2020. Their December figures on consumer prices will be made public on the **20th** the January.

Labour Market

German Labour Market

On the **5th** of January, Germany announced its December unemployment rate which is 6.1%. The adjusted harmonized rate stood at a 4.5% level during August, September and October, which is the highest level since December 2015.

US Employment Readings

On the **8th** of January, US non-farm payroll numbers as well as the unemployment rates for December will be announced. December ADP employment change data will be published on the **6th** of January.

Euro Area Unemployment Rate

The euro area unemployment rates of November and December will be announced on the **8th** of January and **1st** of February, respectively. The adjusted unemployment rates reached a two-year high of 8.7% in July. Since then it has been decreasing to the 8.4% level in October.

António de Castilho Lima
Financial Markets Division

Investment Banking

M&A

Overall Activity

Global

Global M&A activity followed November's upward trend and closed a year in an unpredictable positive and remarkable way. Several large deals announced in the past few weeks have sent the takeover activity in 2020 to over USD 3.6 tn, which represents an astonishing 5% decrease from last year after a year with several lockdowns caused by the Covid-19 crisis. Deal flow increased exponentially since Q3, with businesses gaining more confidence in getting back to a normal M&A environment due to current low-cost financing and the stock market rally. Factors such as the coronavirus vaccine rollout and the return to political normality following the election of Joe Biden in the US have contributed to an increase in the deal flow of 88% since July. However, this rebound was driven by the European and Asian regions, as North America has seen a decrease YoY in deals of 23%. Eight of the ten largest deals this year took place in the second half, as is the example the British AstraZeneca takeover of US biotech company Alexion for USD 39 bn. Tech, Healthcare and Financial Services were the prominent industries in deal-making this December.

Selected Regions

North America

The decline of overall M&A activity at the end of this year was more evident in the US, where volume decreased by 23% to USD 1.4 tn. Albeit this, the activity in the region comprises 40% of the global volume. SPACs, in particular, are accelerating in the US, with Foley Trasimene Acquisition Corp completing a USD 9 bn merger with Paysafe and more are expected in the year to come.

EMEA

YoY, this region had a strong increase with a growth of 35%, accounting for the second-largest global volume of USD 989 bn in deal-making. Europe rebounded after the fear of economic disruption pushed by the pandemic and the decisive moment where the UK-EU would finalize the Brexit process. Private equity was particularly active this month, accounting for 3 of the 10 top M&A deals.

Asia

Activity increased YoY by 15%, yielding USD 872 bn in M&A deals. 7 of the 10 largest transactions were announced in Q3 and Technology and Telecom amounted 23% overall. Cross-border activity is expected to ease as Sino-American relationships are anticipated to improve with Biden's election. China's recent antitrust crackdown on tech companies is something to watch out for.

M&A

Deals of the Month

Announced Date	Target	Buyer	Target Region	Target Business	Value (USD m)	Premium (%)
12 Dec 20	Alexion Pharmaceuticals, Inc	AstraZeneca Plc	US	Biotech	39,000.00	45.00%
7 Dec 20	Paysafe Group Holdings Limited (merger)	Foley Trasimene Acquisition Corp. II	UK	Online Payments	9,000.00	-
8 Dec 20	G4S Plc	Allied Universal Security Services, LLC	UK	Security and Surveillance Services	5,100.00	68.00%
9 Dec 20	Siltronic AG	GlobalWafers Co., Ltd.	GER	Semiconductors	4,500.00	10.00%
3 Dec 20	FanDuel, Inc.	Flutter Entertainment plc	US	Online Gaming	4,175.00	-
11 Dec 20	Metropolitan Property and Casualty Insurance Company	Farmers Group Inc.	US	Telecommunications	3,940.00	-
13 Dec 20	Pluralsight, Inc.	Consortium of Partners Group and Vista Equity Partners Management	US	SaaS	3,500.00	-
23 Dec 20	Anheuser-Busch Inbev NV (US metal container plants)	Consortium led by Apollo Global Management	US	Manufacturing	3,000.00	-
18 Dec 20	Universal Music Group, Inc.	Consortium led by Tencent Holdings Ltd.	US	Media	3,000.00	-
14 Dec 20	Recipharm AB	Consortium led by EQT	SWE	Pharmaceuticals	2,100.00	-

Pedro Santos Vitor
Investment Banking Division

M&A: Top Deals

Thoma Bravo LLC to Acquire RealPage Inc

On the 21st of December 2020, the private equity firm Thoma Bravo LLC announced the acquisition of RealPage Inc for USD 9.8 bn on the second largest leveraged buyout of 2020. The completion of the deal is still subject to a 45-days go-shop period.

Buyer vs Seller

Thoma Bravo operates as a general partner, currently managing 15 funds mostly focused on software and technology-enabled services sectors. Texas-based RealPage provides, primarily, a software platform (96% of sales) where real estate owners can access a centralized system of information enabling more efficient management of their properties. Bank of America and Goldman Sachs were RealPage's and Thoma Bravo's respective financial advisors.

Industry Overview

The fundamentals for the global application software industry are expected to remain strong and potentially improve in 2021. A substantial part of this growth is anticipated to be powered by marketing and advertising software spending, which were areas highly affected over the past two quarters. Moreover, the customer-service software adoption may maintain a growth rate larger than 20% in 2021.

Peers	Currency	Market Cap (CUR m)
Guidewire Software Inc	USD	10 781,68
Manhattan Associates Inc	USD	6 681,71
SPS Commerce Inc	USD	3 834,19
Blackbaud Inc	USD	2 853,16
Cornerstone OnDemand Inc	USD	2 845,11

Deal Rationale

The track record of Thoma Bravo in acquiring and driving innovation and growth in cutting edge software providers helps to explain the underlying rationale for this deal. As stated by Orlando Bravo, the group aspires to "grow the company's market offerings and enhance its current capabilities to capitalise on the increasingly complex and expanding real estate market". Considering this ambition and the substantial amount of leverage involved (USD 4 bn committed by Goldman Sachs), from a PE perspective, one could expect most of the future return from this investment to be generated via EBITDA Growth and Deleveraging.

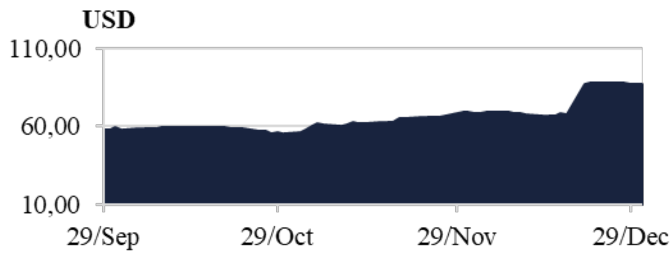
Market Reaction

Thoma Bravo LLC

Given the nature of Thoma Bravo, a market reaction analysis cannot be conducted. The Chicago-based group will pay USD 88.75 per each unit of RealPage's stock, which translated in an underlying premium of approximately 31%. The transaction is expected to be completed by the second quarter of 2021, after which RealPage will become a privately held company.

RealPage Inc

On the announcement day, 21st of December, the share price surged, from USD 67.83 to USD 88.75. Since then, it has been quite stable with only a slight decrease.



Future Challenges

Besides being subject to the standard regulatory approvals, the board of RealPage also has a 45-day go-shop window to search for a more attractive offer. This clause enables RealPage to accept higher bids and terminate its current agreement with Thoma Bravo. However, given the high premium on this deal, finding a better proposal seems an unlikely outcome.

Gonçalo Marques
Investment Banking Division

M&A: Top Deals

AstraZeneca to Acquire Alexion Pharmaceuticals

AstraZeneca agreed to acquire Alexion for a total compensation of USD 39 bn or USD 175 per share. Deal specifics include USD 60 and 2.1243 AstraZeneca American Depositary Shares representing 0.50 ordinary shares for one Alexion share.

Buyer vs Seller

British-Swedish biopharmaceutical company AstraZeneca engages in R&D and marketing of prescription medication in the fields of Oncology, Cardiovascular, Renal & Metabolism as well as Respiratory & Immunology. US-based Alexion is a global biopharmaceutical company specialised in the field of rare diseases. Evercore and Centerview Partners, as well as Ondra and Morgan Stanley, are the respective financial advisors to AstraZeneca, while Alexion is advised by Bank of America Securities.

Industry Overview

The size of the biopharmaceutical industry amounted to USD 239.8 bn in 2019 and is expected to increase by a CAGR of 13.28% from 2020 to 2025. Main drivers of this growth are more products and players entering the market through i.e. biosimilars leading to a rising trend of improving efficiency and enhancing productivity. The need for clinical studies as well as regulatory challenges can slow down market growth.

Peers	Currency	Market Cap (CUR m)
Regeneron Pharmaceuticals Inc	USD	51,550.86
Vertex Pharmaceuticals Inc	USD	61,457.36
Ipsen SA	EUR	5,691.01
Incyte Corp	USD	19,048.28
BioMarin Pharmaceuticals Inc	USD	15,918.34

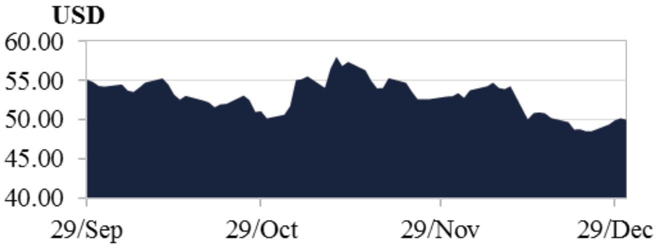
Deal Rationale

Strategic reasons include geographic expansion in particular to extensive emerging markets as well as diversification of competencies strengthening the area of immunology. The transaction will deliver recurring pre-tax synergies of approximately USD 500 m per year at the end of the 3rd year after completion generated by benefitting from commercial and manufacturing efficiencies and savings of central costs. In the first three years after closing, one-time cash costs of USD 650 m are needed to realize synergies. Additionally, increased cash-flow generation will result in higher flexibility to reinvest in R&D and rapid debt reduction.

Market Reaction

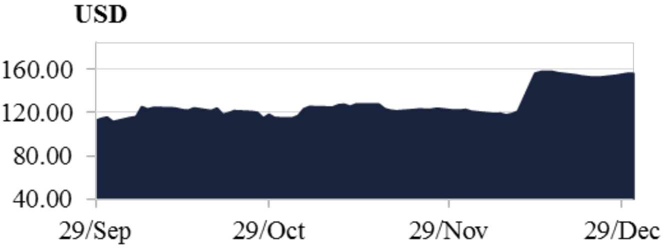
AstraZeneca

Since the announcement on 12th of December, the stock price decreased from USD 54.28 to USD 49.99 due to investor concern over the deal.



Alexion Pharmaceuticals

In reaction to the announcement, the stock price rose by 32.33% to USD 129.38 but slightly reduced to USD 127.82 on 28th of December.



Future Challenges

As already reflected by the price drop of AstraZeneca share, the strategic background of this transaction is questionable from an investors point of view. While AstraZeneca is focussed in oncology, the acquisition will add new competencies in the field of immunology. This can contribute to profitability and deal with a shortage in cash. In contrast, there are only few synergies with existing business and longer-term concerns with revenues of Alexion threatened by expiring patents.

Jan Bich
Investment Banking Division

M&A: Top Deals

Diamondback to Acquire QEP

On December 21, Diamondback Energy agreed to buy QEP Resources for approximately USD 2.2 bn in an all-stock deal, including 1.6 bn of QEP's debt. This implies a marginal premium to the stock's closing price of USD 2.31 on the NYSE (18th of December).

Buyer vs Seller

Diamondback is an independent Texas-based oil and natural gas company primarily focused on the acquisition, exploration and exploitation of onshore oil and natural gas reserves in the Permian Basin of West Texas. QEP Resources is a leading independent oil and natural gas exploration company focused on the Permian Basin in Texas and the Williston Basin in North Dakota. Goldman Sachs is advising Diamondback, together with Moelis & Company. Evercore and Latham & Watkins are serving QEP.

Industry Overview

As Covid-19 hit the entire world economy, one of the major losers of this pandemic turned out to be the oil industry. This year the world saw oil prices dropping rigorously. Further normalization of economic activity depends on how the pandemic evolves over the winter and when Covid-19 vaccines reach the public. Focusing on the future, oil demand is expected to recover strongly in 2021 but still below pre-Covid-19 levels.

Peers	Currency	Market Cap (CUR m)
SM Energy Co	USD	695.46
Comstock Resources Inc	USD	1,004.06
Goodrich Petroleum Corp	USD	125.55
Chesapeake Energy Corp	USD	14.87
Devon Energy Corp	USD	6,020.95

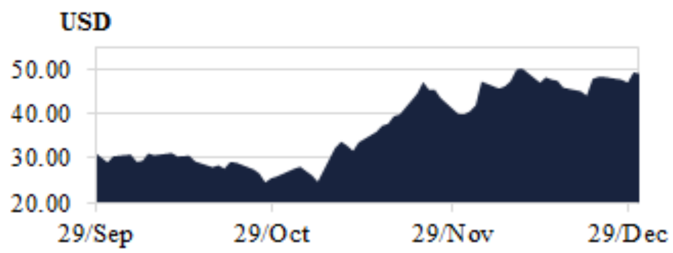
Deal Rationale

The deal gives Diamondback nearly 49,000 more acres in the Midland area of the leading U.S. oil field, the Permian Basin. As Diamondback is already one of the top producers in the Permian Basin, the QEP transaction is a strategic addition for the company that will further strengthen its position in the hottest, lowest cost shale region in the United States. If the deal goes through, Diamondback will greatly expand its production and proved reserves in the Midland Basin Acreage. This acquisition is one of the pillars that will enable Diamondback to expand its leasehold interests to over 276,000 net surface acres in Basin.

Market Reaction

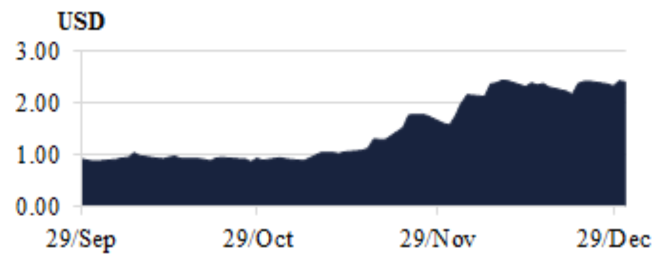
Diamondback Energy

After a constant positive development of the stock price since the end of October, the announcement could not add additional momentum probably caused by the holidays.



QEP Resources

QEP's share price shows a very similar development with only a slight jump in the share price on the day of the announcement. Pushes might occur in the new year.



Future Challenges

Risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements include the ability to obtain QEP stockholder approval of the merger. Similarly, the next steps include Diamondback and QEP obtaining the necessary governmental and regulatory approvals for the merger. There is a risk that the required governmental and regulatory approvals could delay the merger or result in the imposition of conditions that could cause the parties to abandon the merger.

Timor Domin
Investment Banking Division

What Happened To

Apple Inc.

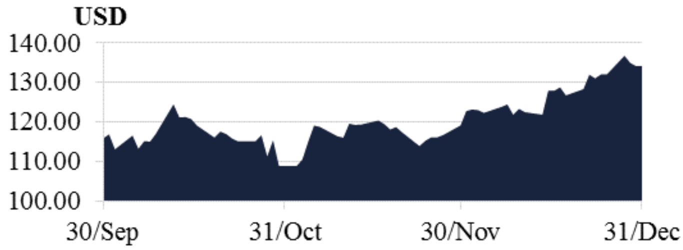
Apple was founded in 1977 and officially went public in 1980. It started as a desktop computing company and ended up smartly evolving to include mobile services and wearables. The company started its biggest growth in 1997 after making a large investment in their marketing strategy. In 2018 Apple was the first publicly traded US company to achieve a Market Capitalization of USD 1 tn.

Corporate News

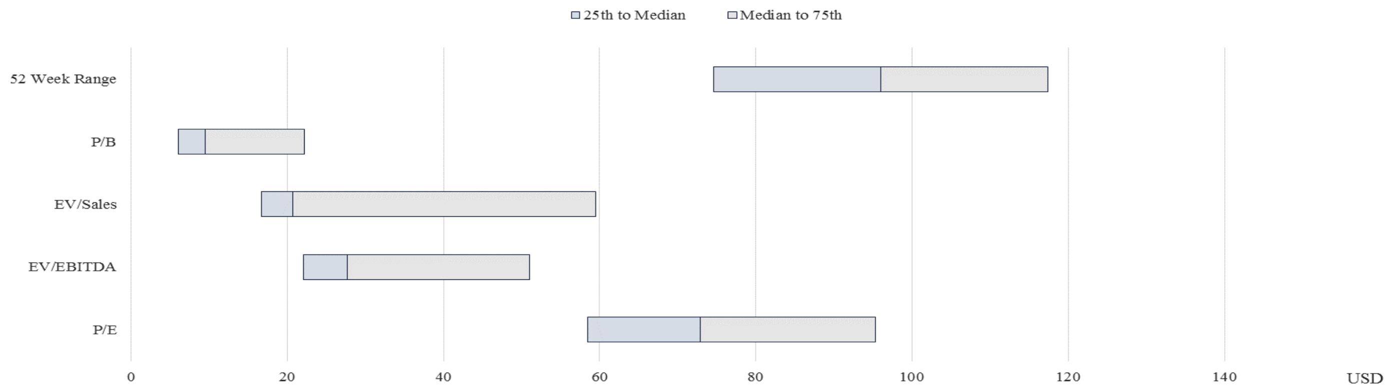
Apple is speculated to be moving onwards with self-driving cars. The announcement came from several networks and newspapers during the month of December 2020. The implementation of the new technology is targeted for 2024 and the passenger vehicles are expected to include a hiking battery technology.

In August of 2020, Apple became the first-ever USD 2 tn company boosted by the strong demand for the iPhone 12 models and the optimism from the self-driving car efforts. As of the beginning of the year, the company's gains rose almost 80% translating in a stock change from USD 74.60 in January to USD 132.69 on the last day of the year. The biggest growth in Apple's revenue soared from the services segment, a notably higher-margin busines compared with the product line, increasing 16% YoY. The P/E ratio is set at 40, revealing belief in strong growth for the California based tech giant.

Price (31 Dec 20, USD)	**132.69**
Target Price (USD)	135.00
3M Performance	14.58%
Market Cap (USD m)	2,255,969.11
Enterprise Value (USD m)	2,186,417.11
**Target Price is for 12 months*	



Valuation Analysis



Apple is currently placed with an enterprise value of USD 2.2 tn. The 3M Performance corresponded to a 14.58% increase reflecting a steady growth for the US tech company throughout the year. The target price is set at USD 135. Both the current and target price are seen as overpriced given the peer valuation analysis. At the moment Apple's EV/EBITDA ratio is 23.29 with a sector median of 13.61 and a P/E of 40 within a sector median of 31.43.

Apple is the largest company in the industry based on Market Capitalization. It follows Microsoft with still a considerably lower amount of USD 1.7 tn. As a comparison, Apple's ROE is 73.60%, whilst Microsoft has a 41.68% return and Samsung 8.34%. The 12M dividend yield is 0.61% for the tech giant contrasted with 0.96% median. Regarding ESG analysis Apple is rated with 77.14 in a Bloomberg scale from 0-100, representing a score lower than its peer Microsoft.

Peers	**Currency**	**Market Cap** (Cur m)
Samsung Electronics Co Ltd	KRW	483,552,386.55
HTC Corp	TWD	25,582.64
Sony Corp	USD	126,774.24
Microsoft Corp	USD	1,682,589.13
Lenovo Group Ltd	HKD	86,098.20

Madalena Azevedo
Investment Banking Division

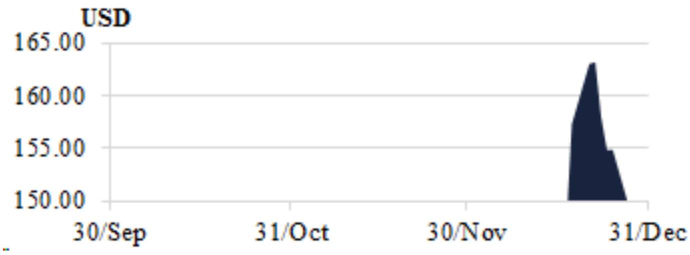
What Happened To
Airbnb Inc.

Airbnb is an American online marketplace company founded in 2008 and based in San Francisco. Its services are accessible through the website or via an app, where consumers can search and book lodging, mainly homestays, tourism experiences or list their properties for rental. Airbnb does not own any of the listed properties and it profits from the commissions charged on each booking.

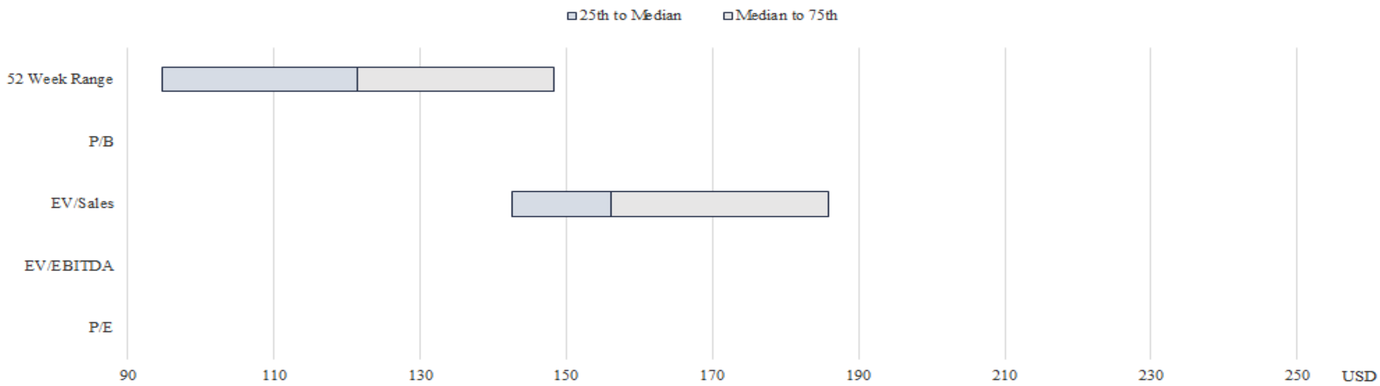
Corporate News

On the 10th of December 2020, Airbnb started being listed in the Nasdaq Stock Market, a move highly supported by investors. The shares were originally priced at USD 68 on Wednesday night, closing on Thursday (its first trading day) at USD 144.71, giving the home-sharing company a market cap of about USD 86.5 bn, more than doubling the valuation it sought through the IPO process. It also made the firm one of the biggest debuts in 2020 based in gains from the IPO. The company went public at a time marked by reduced-travel trends during the pandemic. Its revenue shrank nearly 19% last quarter to USD 1.3 bn compared with the same period the previous year. However, it still managed to turn a profit of USD 219 m and has had other intermittent quarters of profitability. Despite the vaccine to contain and control Covid-19, the firm's median target price for the next 12 months is USD 89, reflecting a 39.37 % decrease over the current market price.

Price (31 Dec 20, USD)	**146.80**
Target Price (USD)	89.00
3M Performance	
Market Cap (USD m)	88,439.40
Enterprise Value (USD m)	89,448.95
**Target Price is for 12 months*	



Valuation Analysis



Airbnb was valued at USD 146.80 per share as of the 30th of December. By looking at the EV/Sales multiple, we can conclude that the firm's valuation is higher than what is expected by the markets throughout the following year. Considering the current scenario tourism is facing, with severe measures to smooth the pandemic spread, it does not come as a surprise that Airbnb may struggle next year within investors mindset and not enhance its market value, even if its fundamentals may present a higher value than predicted.

The online marketplace industry saw its potential with the internet surge, which brought opportunities to ease arrangements of multiple services. Airbnb focused on the urban market rental and made it more affordable to stay at a rental home than at a hotel, regardless of the customer being a business person or a tourist. The market value of Airbnb is not much far from the one of Booking Holdings, which offers more services such as flight tickets than Airbnb. As a result, this shows Airbnb's potential seen by investors.

Peers	**Currency**	**Market Cap** (Cur m)
Liberty TripAdvisor Holdings I	USD	400.10
TripAdvisor Inc	USD	3,871.64
Expedia Group Inc	USD	18,729.49
Booking Holdings Inc	USD	91,217.65
LiveXLive Media Inc	USD	246.82

Francisco Costa Guimarães
Investment Banking Division

NIC's View On

Private Capital's Rush into the Business of Sport

Gonçalo Pina Santos
Investment Banking Division

"Sports assets have shown a low correlation relative to the broader market, with teams selling for record values through the 2008 financial crisis and Covid-19"

– Michael Kenworthy, head of sports investment banking at Goldman Sachs

In the year of 2020, the Covid-19 pandemic caused a major hit in global sports. Cancelling or postponing several events in the industry and eliminating one of the biggest sources of revenues – the match-day attendance in the remaining competitions. Although, as teams and leagues struggle for financial stability, the current year brought the acceleration in the influx of institutional capital in the business of sports.

One of the most prominent sports transaction of 2020 was the acquisition made by the hedge fund manager Steve Cohen of the baseball's team New York Mets for a total of USD 2.4 bn. This transaction set up the record for a North American franchise but also, according to several sport industry executives, the beginning of the end for the era of wealthy individual ownership. One investor in the sports industry stated that "There are very few Steve Cohens out there in the world who can afford to simply write a cheque" to acquire franchises with this size.

With the increase in special purpose acquisition companies and with the establishment of specialised funds looking for investments in leagues and franchises, private equity groups are carving their path to get a share in the media rights for European football while the US sports leagues are opening their bylaws to permit new types of investments. As valuations for broadcast rights and individual teams are in an uprising trajectory, even outperforming other traditional investment benchmarks like the S&P 500.

According to Michael Kenworthy, the universe of people wanting to buy in has such a dimension that is necessary to structure other mechanisms to turn the acquisition of these assets easier and more affordable. Following this rationale, the NBA amended its ownership rule and allowed Dyal Capital to purchase stakes in more than one team in the league. Dyal raised almost USD 2 bn to start a new fund that would focus exclusively on acquiring from existing owner's minority stakes in NBA franchises. The move from NBA was followed by Major League Baseball in 2019 to allow institutional investment in multiple clubs at once.

The way leagues envision the system franchises can be owned is changing which is stimulating the rise in sport-related special purpose acquisition companies, SPACs, which are listed investment vehicles that can acquire an existing business. The highest-profile vehicle was created by Gerry Cardinale and Billy Beane who attempted a reverse-merger with Fenway Sport Group, holding two of the most valuable clubs, Liverpool FC and the Boston Red Sox.

Nevertheless, investments in sport carry plenty of idiosyncratic risks. As such, private equities are adding "breakaway clauses" in recent deals to protect the investors from these type of risks.

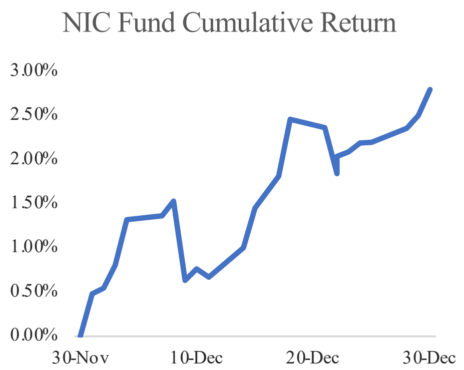
Considering the rise in Covid-19 cases around the world once again, added to the fact that the vaccination may take months, the need in the sports industry to attract more private capital is only expected to continue into 2021.

Date	Recent News
20 Nov 20	Serie A accepts CVC-led Eur 1.7bn investment ***Source:*** *ft.com*
30 Oct 20	MLB approves sale of New York Mets to hedge fund manager Steve Cohen ***Source:*** *theguardian.com*
24 Sep 20	NBA selects Dyal Capital Partners for team minority investment model ***Source:*** *bloobmerg.com*
19 Aug 20	RedBall SPAC gets millennium management as an investor ***Source:*** *bloobmerg.com*

Gonçalo Pina Santos
Investment Banking Division

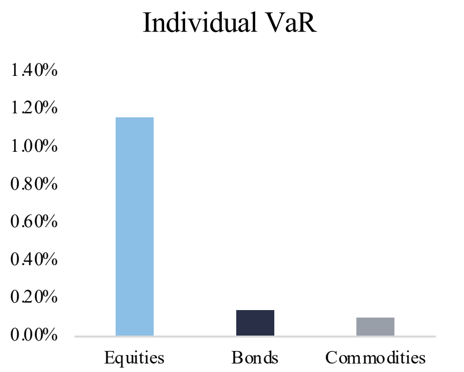
NIC Fund

NIC Fund
Portfolio Overview



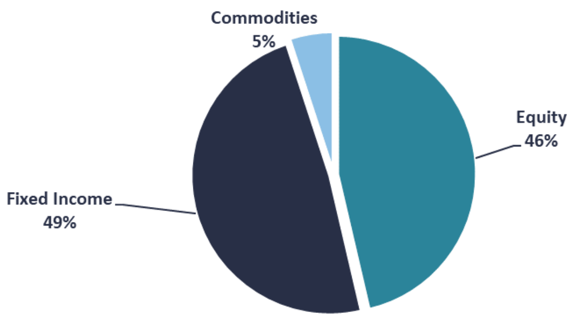
Portfolio Statistics	
Cumulative Return	2.85%
Annualized Return	34.25%
Daily St. Dev	0.33%
Period St. Dev	1.52%
Annualized St. Dev	5.27%
Info Sharpe	6.5
Skew (Daily)	-1.26
Kurtosis (Daily)	2.09

Benchmark	
iShares 3-7 Year Treasury Bonds	50%
SPDR S&P 500 ETF Trust	40%
Powershares DB Commodity Index	10%



Portfolio Snapshot

During the month of December, our assets remained invested across three main asset classes: Equities (46%), Fixed Income (49%), and Commodities (5%). This month, investors had a positive market sentiment as Covid-19 immunization campaigns as well as additional US fiscal support reduce downside risk to the global economy. This positive market outlook translated into a bullish month for risky assets. As high-quality bonds do not satisfy the demand for yields, EM bonds as well as other safe-haven assets such as gold showed a great performance.



Return Metrics

Our portfolio returned a positive 2.85% this month, as investor's sentiment of a strong economic recovery next year prevails. Each asset class in our portfolio contributed positively this month: Equities 4.73%, Fixed Income 0.29%, and Commodities 6.42%. Equities had a strong month and hence performed considerably well across the board. Nevertheless, specific stocks stood out. The best performers were Walt Disney (DIS), Zynga Inc. (ZNGA), and Trupanion Inc. (TRUP) with a monthly gain of 22.41%, 19.64%, and 18.08%, respectively. A stock that showed a strongly negative performance was Solutions 30 (S30) with a loss of 36.61% which can be attributed to allegations leaked about the company that implies its connection to organized crime. As governments and central banks continue to support the pandemic-stricken economies, yields remain at a low level. The risk of inflation enhances this trend. Our Gold ETF had a particularly strong month, gaining 7.07%. The commodity has established itself as the go-to safe-haven asset in the current low-yield, high inflation, and weak USD environment.

Risk Metrics

In terms of risk, our portfolio registered a relatively high daily VaR of 1.09%, taking into consideration the benefits of diversification. Nevertheless, this is significantly below the maximum threshold which amounts to 2.5%. Equities were the asset class with the highest individual VaR, which was around 1.16%. With considerable less risk, our assets in Bonds and Commodities presented individual VaR values of 0.14% and 0.10%, respectively.

Fitore Zeciri
Financial Markets Division

NIC Fund

Assets in Brief

Asset Class	Symbol	Comments
GR Equity	**VOW**	This month, Volkswagen's stock showed a strong return of 10.28%. At the beginning of the month, Volkswagen experienced the effects of the pandemic on the economy as it reported a bottleneck in supply. It is facing shortages in the supply of semiconductors as the manufacturers of these shifted their output away from the hard-hit auto sector to serve other industries. However, positive news surrounding the diesel scandal outshined these production issues. According to Volkswagen, almost half of the lawsuits have been settled. Volkswagen can now focus on challenges such as electromobility, digitalization, and overcoming the Covid-19 crisis.
FP Equity	**S30**	Solutions 30 was the worst-performing position in the fund in December, yielding a highly negative return of 36.61%. The stock fell significantly with the circulation of a report on the 8th of December, which suggests the connection of the company to organized crime in Italy. Solutions 30 responded to the report and denied all allegations, stating that the evidence brought forward is unsubstantial, several facts are grossly misinterpreted and many evident shortcuts lead to wrong conclusions.
US Equity	**DIS**	Despite reported losses amounting to USD 5.4 bn in the last two quarters, Walt Disney experienced a stock rise of 22.41%. The main driver for this strong increase in value is the company's streaming platform Disney Plus, which launched just recently in November. On its investor day in December, Disney stated plans to accelerate the content investment in their direct-to-consumer business and expects to see between 230 to 260 m subscribers by 2024, reporting 87 m subscribers as of the 2nd of December.
US Equity	**SPY**	Our benchmark equities index, the S&P 500 ended a tumultuous year at a record high, climbing more than 66% from its low on the 23rd of March. This development can be attributed to the massive fiscal and monetary stimulus as well as continued progress with regards to vaccinations. Financial companies were among the best performers, while energy producers slumped.
Commodity	**AAAU**	The Gold ETF had a particularly strong month, gaining 7.07%. This can be explained by several factors. The risk of inflation, which can be attributed to the low interest rate environment as well as increased governmental stimuli, attracted investors to the safe-haven asset. Furthermore, falling bond yields and a weakened USD fostered the bullish sentiment towards the commodity. On an annual basis, gold experienced its best gains in ten years.
US Treasury Bonds	**IEI**	Expectations that vaccinations against Covid-19 will spur an economic rebound in 2021 have pushed some investors out of US treasuries and other safe-haven assets in recent months. This helped lift yields to post-pandemic highs (just below the 1% mark for 10-year US treasuries). The post-pandemic drop in treasury yields was driven by the Fed's economic strategy of low interest rates, bond buyback programs, and additional fiscal stimulus packages. There are two factors that currently influence treasury yields: how long it takes to roll out Covid-19 vaccines and the upcoming Georgia Senate run-off, which will determine which party controls the Senate. The control of the Democratic party is expected to accelerate economic support. High government spending and the Fed's pledge to allow periods of higher consumer prices, however, increase the risk of inflation. This could cause investors to sell bonds with higher maturities as inflation erodes their value over time.

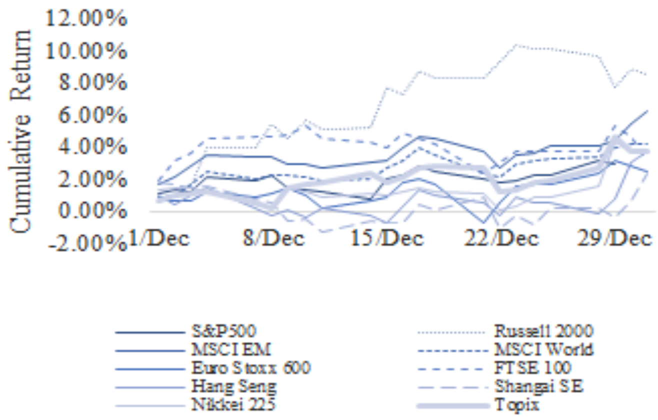
Fitore Zeciri
Financial Markets Division

NIC Fund

Equities

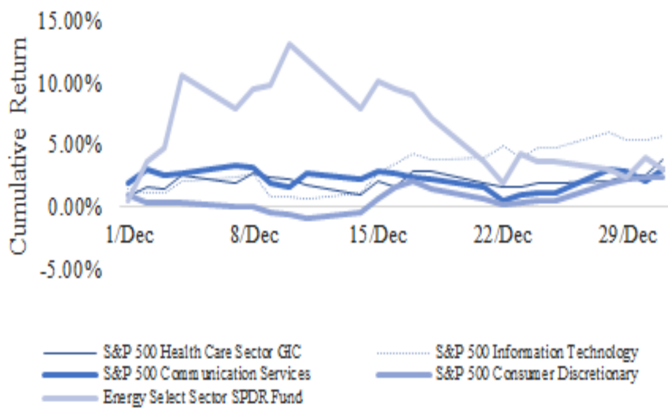
World Equities

American equity indices ended the final session of 2020 on a high, as the Dow Jones and the S&P 500 hit record levels. As a turbulent year comes to an end, the markets bounced back sharply recently, largely due to the introduction of viable Covid-19 vaccines and the massive monetary and fiscal policies introduced by governments all around the world. Looking ahead to 2021, widespread vaccine distribution, as well as continued governmental and central bank support, is expected to restart economic growth and increase corporate profits. This is also driving a rotation in equity sectors among investors away from the growth-oriented technology sector and towards cyclical sectors and explaining why emerging-market stocks have begun to outperform international developed and US stocks. In Europe, the Euro Stoxx 600 lost 4.04% for the year overall, as regional markets recovered a large portion of the losses suffered at the beginning of the pandemic in Q4 due to the aforementioned vaccine developments and unprecedented monetary and fiscal policy measures. Meanwhile, stocks in Asia finished mixed, with China's benchmark CSI 300 closing at a five-year high due to manufacturing and services sector outputs remaining in expansionary territory.



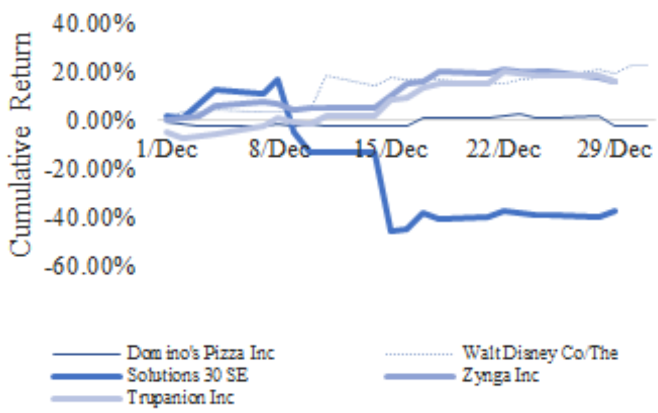
In Depth: The Georgia Senate Runoff

The Georgia Senate runoff election on the 5th of January will decide which political party controls the US senate. Currently, Democratic President-elect Joe Biden will enter the White House with a Democratic House of Representatives, but Republican Senate. So far, this eased investors' worries, as Democrats cannot enact progressive policy changes as long as the Republicans hold the Senate. While it is expected that both Republican candidates, David Perdue and Kelly Loeffler, will win their respective races, should the Democratic candidates, Jon Ossoff and Raphael Warnock, emerge victorious, each party would have 50 seats and Vice President-elect Kamala Harris would serve as the tiebreaker. According to Raymond James' Washington policy analyst, this election is the most important thing to the Biden presidency for the next two years. An expected win by Republicans could trigger a relief rally, while a Democratic upset could lead to a sell-off, as it creates uncertainty about whether they will raise taxes and introduce other policies affecting corporate profits.



Our Performance

In December, equities' contribution to the overall portfolio performance was positive, with 4.73% cumulative return. Our holdings in the Communication Services sector continued to outperform, with Walt Disney Co. and Zynga up 22.41% and 19.64%, respectively. Repeating its November success, Trupanion, the pet insurance provider, posted strong gains, up 18.08% in December. Meanwhile, we recently discussed replacing Domino's Pizza, which returned -2.12% in December, with CVS Health to capitalize on the recent momentum in the healthcare sector. The only holding to perform markedly negatively was Solutions 30, which lost -36.61% in December. The French information technology company fell upon the emergence of a report which linked the company to organized crime in Italy.



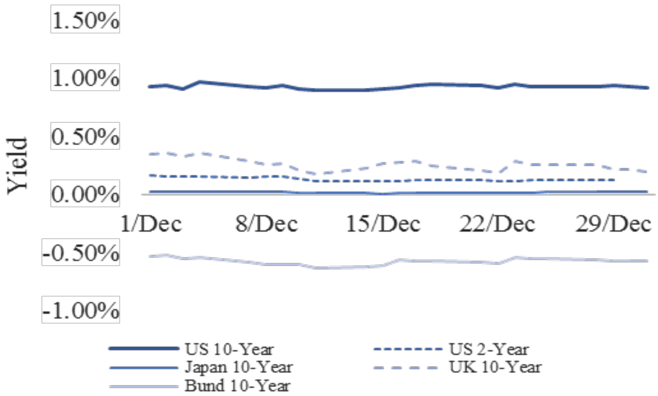
Emily Rushforth
Financial Markets Division

NIC Fund

Fixed Income

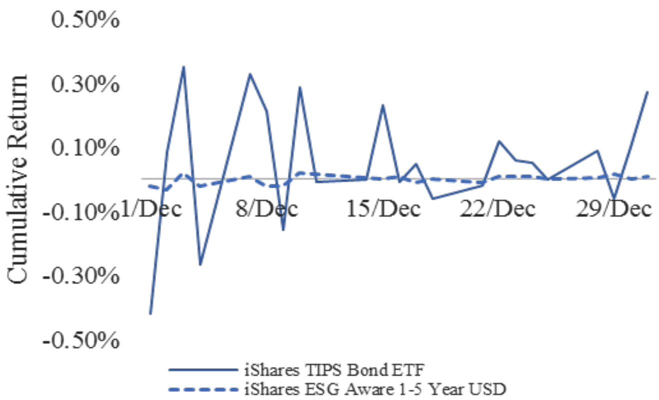
Global Outlook

December was marked by general market enthusiasm, driven by speedy developments of Covid-19 vaccines. The prospect of a post-pandemic reality has gained strength, with the efficacy and timing of availability of vaccines being more positive than expected. In December, the distribution and administration of vaccines in the world's major economies took off. This overall positivity in the markets led investors to be more risk-averse, keeping bond yields fairly stable throughout the month. It was a mixed month for US yields, with the 2-Year decreasing 2 bps to 0.13%, and the 10-Year yield rising 7 bps to 0.91%. In Europe, the 10-Year German Bund remained steady throughout the period, only increasing by 0.20 bps, ending the period at -0.57%. The UK 10-Year Guilt slumped 10 bps, ending the month at 0.20%. This was a result of the lack of clarity regarding the Brexit trade deal. In Asia, the Japanese 10-Year yield decreased by 1bps to 0.02%.



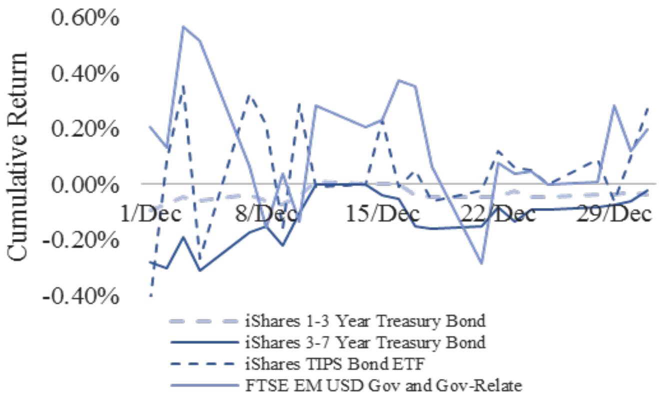
Outlook for 2021

The global pandemic we all faced in 2020 pushed the world's economies into the deepest recession since World War II. While economic growth is expected to accelerate gradually in 2021, there are still plenty of risks and challenges investors could face, as the search for yield and returns could be extremely challenging during the upcoming year. Given the current fiscal policy of the world's central banks, core government bonds are expected to not have significant gains this upcoming year. Short-dated yields will likely remain anchored at low levels, while long-dated yields are not expected to rise significantly in 2021. The most likely scenario for the year is a slight steepening of yield curves, as economic recovery picks up and the prospect of rising inflation becomes more of a reality. Therefore, we believe treasury inflation-protected securities (TIPS) provide a better potential for return compared to nominal bonds. TIPS provide a great hedge against a possible rise in inflation, which could prove extremely beneficial over the long-term. Finally, demand for ESG bonds is also expected to remain strong throughout the year, as investors look for more conscious and sustainable ways to invest. These securities might also be less affected by corporate defaults and downgrades in credit ratings, which might further increase their demand. For all these reasons, we believe prices of TIPS and highly-rated ESG securities will remain well supported during 2021.



Our Performance

In December, 49% of the NIC fund was invested in Fixed Income assets. Their contribution to our return was fairly low (0.29%), as we were primarily invested in US Treasury bonds, through the iShares 1-3 Year and 3-7 Year bond ETFs. They respectively yielded 0.04% and 0.11% over the period. Special reference to the iShares TIPS bond ETF and the EMUSD Gov & related USD index, which yielded 1.10% and 1.97% in December, respectively.



Ruben Pratapsinh
Financial Markets Division

NIC Fund

Commodities

December Round-Up

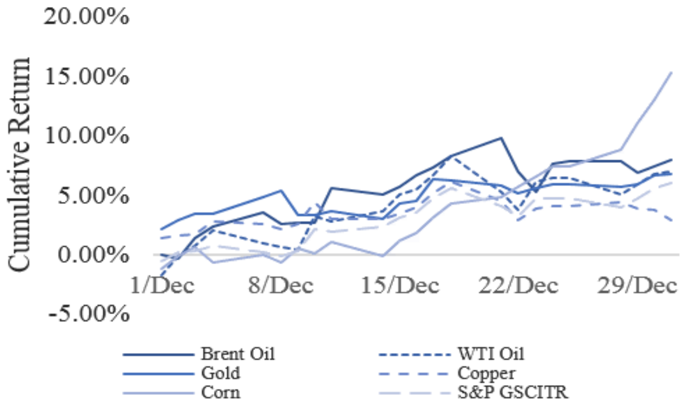
The month of December was a solid one for commodities, following the course it was on in November with the S&P GSCI Total Return Index up 5.97%., driven by the economic rebound and reopening around the world as vaccination plans start rolling out everywhere. Oil prices continued raising throughout the month as Brent and WTI prices respectively moved up 8.85% and 7.01% after the much-anticipated meeting between OPEC and its allies on the 3rd of December. After a long negotiation period, an agreement was finally reached in order to increase production again starting in January 2021 at a rate of 500,000 bpd (barrels per day). This was great news as it puts an end to production cuts that had amounted to 7.7 m bpd since March which were expected to continue. In another sector, it was still a good month for metals as Gold and Copper prices were up 6.72% and 2.88% respectively as Gold remains extremely popular. Indeed, even if positive news start to surround markets concerning the probable end of the pandemic, investors are staying fairly risk-averse as uncertainty is still very much present. The biggest movers throughout December were agricultural commodities such as Corn or Soy whose prices raised significantly (15.31% and 12.56%). Lead by China's quick recovery and increasing buying appetite, the country has been leading the way and boosting agricultural commodities.

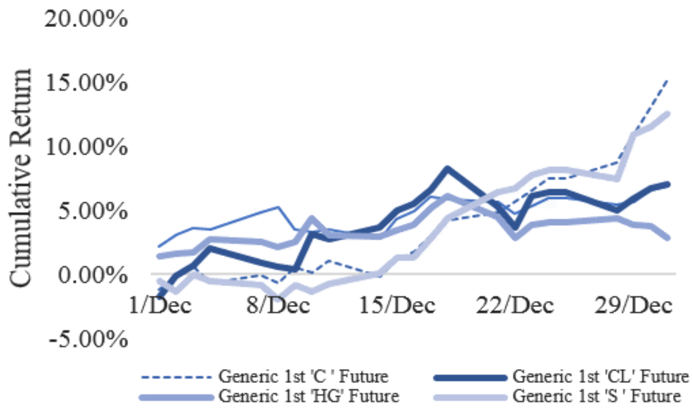
Outlook for January

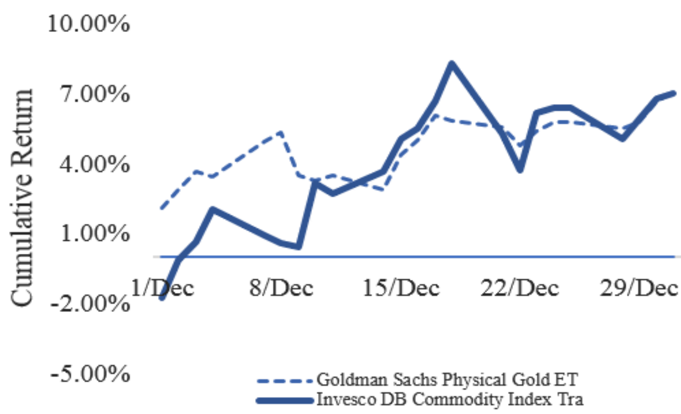
As 2021 starts, the reopening of economies at the global scale is expected. At what speed remains the main interrogation point. With the agreement between OPEC members and allies to start reinjecting larger amounts of production, inventories should go back to more normal levels and markets should keep reacting positively. This should drive prices up even more as there is a lot of room for speculation in the energy market at this point following the pandemic. For other commodity sectors, they should also greatly enjoy the significant growth in money supply present in the market. With new fiscal stimulus packages and rock-bottom interest rates, investors will keep coming back to commodities, boosting their long positions especially in agricultural products. Gold, which has reached historical highs in 2020, could keep trending higher, driven by a weaker US Dollar, growing inflation expectations, and negative real yields.

Our Performance

Throughout the period, we maintained a 5% allocation in commodities which had a positive 6.42% effect on our overall portfolio return. The Invesco DB Commodity Index was up 5.45% while our Gold ETF increased by 7.07%.







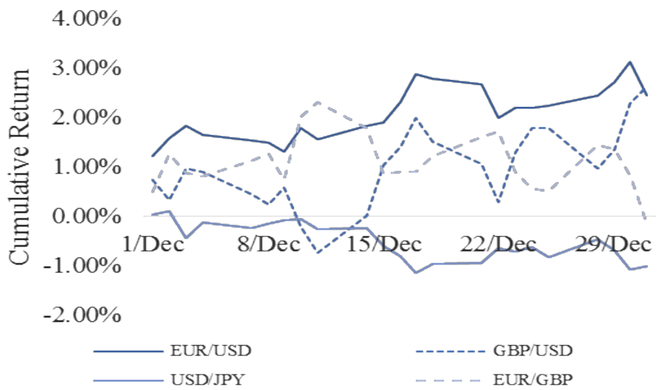
Vincent Sardinha Marques
Financial Markets Division

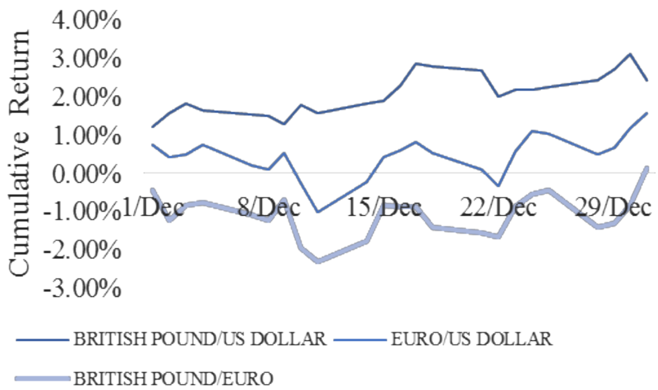
NIC Fund

Currencies

World Currencies

Finally, four and a half years after the UK held a referendum on whether to leave the European Union and almost eight years since it was first mentioned, both parties have come to an agreement on how their relationship will continue. There is no longer the uncertainty of whether there will be a hard or soft Brexit, and that has implications for the British Pound. After a volatile month with many ups and downs with speculation on whether a deal was going to be signed before the time runs out, the British Pound appreciated by 2.6% against the US Dollar and closed the month just under USD 1.3670. The Euro also benefitted from the Brexit deal, rising by 2.42% against the US Dollar for the month of December and lies at USD 1.2216. The post-deal optimism has sparked a rally for both currencies, which are currently trading at two-year highs against the US Dollar. While the Euro was up around 1% against the British Pound amidst the uncertainty throughout the month, it fell in the latter stages as the deal was announced, ending the month 0.16% lower. The US Dollar continued its decline as the vaccine rollout began in several countries across the globe. It depreciated by 1.02% against the Japanese Yen, closing the month at 103.2500 per USD. In an unusual move, the Bank of Japan also announced a first-ever US Dollar purchase to increase its holdings in the currency as a pre-emptive measure in response to a dollar liquidity crisis it faced in early March as the pandemic emerged.





In Depth: Turning The Page on Brexit

It has only been a couple of days since the UK has officially left the European Union – with a deal in place. With an agreement consisting of more than 1200 pages, there is much to digest and analyse. While a grace period has been introduced for some aspects of the deal, such as rules of origin forms, other points are still considered interim solutions for which there will be more negotiations necessary in the next couple of years, such as the controversial fishing rights. What is undoubtedly true however, is that businesses will face more bureaucracy and additional checks when exporting or importing to/from Europe. It is still too early to say how strong the Brexit effect will be on the British economy and the British Pound, and whether it will ever recover to pre-Brexit levels of around USD 1.6. However, the removal of uncertainty regarding a deal has finally laid a solid foundation as a new UK-EU relationship develops. An often-overlooked side to the Brexit deal is the European Union, which will have to deal with the effects of a very significant shrinkage of the common market. The UK is now the EU's third largest trading partner, and the additional hurdles to trade will also influence the Euro in the long term. It is also questionable how long, if at all, it will take the Euro to reach the pre-Brexit levels of around USD 1.4 per Euro. Regardless of the intricacies of the post-Brexit effects, investors and policymakers on all sides are relieved to turn the page on Brexit and work on establishing a new chapter in EU-UK relations.

Our Performance

We currently hold no currency related assets in our portfolio.

Sebastian Hartmann
Financial Markets Division

Extras

Hot Topic

A Market Turnaround: From Growth To Value

Vincent Sardinha Marques
Financial Markets Division

"History doesn't repeat itself but it often rhymes"

– Mark Twain

Following a fairly chaotic year in 2020 which saw the world plunged into a global pandemic, looking ahead towards the new year brings up a number of interrogations and doubts surrounding market behaviour and future direction. One of which we will explore here, trying to understand if you should review your investment style for 2021.

As investors prepare themselves for the new year ahead, this question inevitably arises. Indeed, months of pandemic, lockdowns, record-low rates, soaring unemployment levels, central banks and governments meddling have left their mark on market agents and prices. With vaccination rollout plans already in action and the idea of a post Covid-19 world becoming a reality sooner than later, it is necessary to understand whether the trends we saw in 2020 were a temporary response to a unique situation or a long-term view set to stay in the future.

With this in mind, two main philosophies oppose each other: growth and value. Over the past decade, growth equities have largely dominated their value counterparts at an unparalleled pace. In the past year, the pandemic situation has widened that gap even more to historical levels, with investors taking refuge in large caps and specific sectors. As we enter this transition period in between pandemic and full recovery, 2021 presents itself with substantial levels of risk associated to a large number of uncertainties surrounding the global ability and speed at which we can fight off the virus and recover economically as well as socially from it

However, the plethora of positive news might get investors, eager to put 2020 behind them, over-excited and willing to violently rotate towards "all things cheap". Additionally, one could argue that growth stocks may have simply become too expensive.

In comparison to a few months ago, at the peak of the pandemic, this is an important point to bring up. Markets have recognised the disruption acceleration and many of the beneficiaries have been rewarded at this point. For growth managers, it is key to test whether the concept still holds, and continues to work that deep into its cycle. In addition, it is crucial to keep in mind a time horizon which allows for some disruption in the near term but still has growth potential. For that to be effective, one vital point will be position size management which needs to be flexible and adaptable in order to survive market fluctuations.

With this backdrop to growth investing clearly appearing as large and consistent as it has been in a long time, investors might be tempted to believe a cycle change has come and that at least, the gap between growth and value will come back to more normal levels. In doing so, they will focus on "epicenter" equities, small caps, emerging markets, and cyclical industries that did not perform well in 2020. Ultimately, paying the right price for a durable and growth-oriented business makes sense. However, this should not hinder your ability to find an equilibrium maintaining portfolio breadth as times ahead are still highly uncertain. Understanding market sentiment and the impact of policymaking will be an integral part of investing in 2021 to take full advantage of all opportunities.

As a general rule, making a timing call for cycle transitions is notoriously difficult. However, several key points hint that there will be potential premium opportunities for value stocks in 2021. The main takeaway from 2020 was the importance of diversification. Carrying that principle into the new year with a blended investment approach might just be the best way to navigate that transition period.

Vincent Sardinha Marques
Financial Markets Division

Extras

Hot Topic

Perella Weinberg to Go Public via M&A with a SPAC

Daniele Notarnicola
Investment Banking Division

"I have seen the role of the independent advisor evolve significantly over the past several decades. I am proud to see PWP take this historic step and enter the public markets, which we expect to strengthen our ability to grow our leading firm that clients turn to for trusted advice and thought leadership"

– Joseph Perella, Co-Founder of Perella Weinberg Partners

Perella Weinberg Partner (PWP) is an independent investment banking boutique launched in 2006 by the renowned Wall Street dealmakers Joseph Perella and by Peter Weinberg, a former Goldman Sachs executive.

The firm has been planning to go public for several years. Back in 2018 it hired Goldman Sachs and JP Morgan Chase as financial advisors to lead an offering and made important changes in its leadership structure in preparation for the listing. However, the transaction did not go through at that time due to unstable market conditions.

Last 30th of December the advisory boutique has finally announced its intention to go public, however, not via the traditional Initial Public Offering, but rather through the merger with a Special Purpose Acquisition Company (SPAC).
According to the data provider Refinitiv, SPACs have raised USD 55 bn in 2020, becoming one of the hottest products in financial markets and PWP's deal will be another confirmation of the SPAC success. These vehicles raise money on the stock market through IPOs that are used to acquire private companies, taking them public. An article on SPACs' structure and their boom in 2020 was elaborated in our October newsletter.

More and more companies are choosing to go public in this alternative way to avoid the volatility of a traditional IPO by seeking a deal with a shell firm created only to make an acquisition. Usually, the types of companies that take advantage of SPACs are early-stage businesses that lack the track record of revenue generation required to do an initial public offering. Hence, PWP does not resemble the features of a usual SPAC target, being a solid investment banking boutique with a 14-year history. However, on second thoughts, boutiques' revenue from advising on corporate activity comes in waves, so an IPO prospectus may not show the linear growth investors seek.

Nevertheless, it is hard to believe that Perella Weinberg does not have the requisites to make an IPO if it wanted to. The choice to go public with a blank-check company suggests confidence it can achieve a better outcome this way. Indeed, the perk of choosing this alternative route to market is that the terms would be set by a private negotiation led by Perella Weinberg, rather than by IPO banks testing the market, making the transaction an occasion to publicly show off PWP's deal-making expertise. On the other hand, the hard part for PWP will be having good share performance afterwards. Of course, this is also an issue with a traditional IPO, but in that case, the responsibility for ensuring good trading volumes in the stock is on the financial advisors.

PWP will merge with FinTech Acquisition Corporation IV, a SPAC sponsored by the banking tycoon Betsy Cohen. Upon closing of the transaction, the combined company will operate as Perella Weinberg Partners and will be listed on NASDAQ under the new symbol "PWP." The transaction reflects an implied equity value for the Company of approximately USD 975m.

PWP's transaction combines two of the hottest trends in finance this year: the market's appetite for SPACs and the recovery of the M&A market in the fourth quarter of 2020.

In spite of its modest dimension PWP is an influential investment banking boutique, and with this transaction has proved one more time its innovative deal-making approach.

Daniele Notarnicola
Investment Banking Division

Extras

Hot Topic

2020 Mergers & Acquisitions – A Strong Comeback in the Second Half

Jan Bich
Investment Banking Division

"It's been a year of two halves. We, like everyone else, saw the first half being very impacted by initially the threats of the virus and then the arrival of the virus and then uncertainty that brought. From the start of the third quarter, you saw a level of confidence that meant that people became more pragmatic about doing deals."

– Piers Prichard Jones, Partner at Freshfields

Expectations of the global takeover activity for 2020 were lower compared to the previous year due to high uncertainty in the global economy coming from the ongoing US-China trade war and scheduled US presidential elections. However, unforeseen and surprising global pandemic Covid-19 had the biggest impact on the M&A activity. Still, deals got done because of a big comeback in the second half of the year.

Looking back at 2020, the transaction activity was exceptional like the situation the global economy had to face. Total worldwide deal-making in terms of deal value amounted to USD 3.6 tn resulting in a 5% decline compared to the previous year. In 2020, 48,226 deals were announced as to 50,113 deals in 2019 translating to a slightly 3.77% drop. While the first half of 2020 showed only weak deal performance in terms of value with USD 1.3 tn worth of deals, an enormous comeback in the second half led to a 88% increase equivalent to USD 2.3 tn deal value. Strong performance in the second half is marked by a deal value of above USD 1 tn in Q3 and Q4, being only the second time after 2008 that two consecutive quarters surpassed this level. Main drivers of this development according to dealmakers were the finished R&D of Covid-19 vaccines as well as rising political certainty due to the election of Joe Biden as US president.

While Covid-19 hampered M&A activity, the environment for deals outside the pandemic is really good with high equity markets, low interest rates, financing available and equity investors interested to pay for growth. As a result, 8 of the 10 biggest transactions this year were announced in the second half including S&P Global acquiring IHS Markit for USD 44 bn as biggest deal of 2020, AstraZeneca buying Alexion for USD 39 bn and AMD taking over Xilinx for USD 35 bn. With Covid-19-vaccines currently rolled out to the market making a post-Covid-19 situation more realistic, the foundations are laid for a rising trend of mega deals and surging M&A activity in 2021.

Private Equity firms influence on global transaction activity was growing again making it a substantial driver. Taking advantage of favourable financing conditions, leveraged buyouts went up by 20% to around USD 570 bn deal value. This accounts for roughly 16% of total deal value compared to 13% in 2019.

Naturally, Covid-19-resilient industries like technology as well as the financial industry exhibited the highest activity with respective shares of around 19% and 14% of total global activity. In contrast, already struggling Energy and Power sector was hit by the pandemic but delivered a high share of total global M&A activity of 12% coming from a consolidation trend for companies to survive.

In regards to geographical activity, the US was dominating again and being followed by Europe and APAC regions. Transaction value in the US dropped by 23% to USD 1.4 tn, even though the number of deals was rising. Conversely, transaction value in Europe rose by 35% to USD 989 bn and in APAC region by 15% to USD 872 bn.

Goldman Sachs maintained its top position as best advisor with around USD 1 tn worth of deals advised representing a 28% market share. Like in 2019, rivals Morgan Stanley with a deal value of roughly USD 850 bn and JP Morgan with approx. USD 750 bn were following. Together, the three main players in the market made up for 73% in market share.

Jan Bich
Investment Banking Division

Extras

ESG Review

The Race to Net Zero: The Push for Action and Accountability

Sebastian Hartmann
Financial Markets Division

"Nordea Asset Management (NAM) is very happy to be a founding member of [the Net Zero Asset Managers Initiative], which will be natural counterpart to the Net Zero Asset Owner's initiative, and will help support the asset management industry in its necessary move towards full Paris compliance"

– Nils Bolmstrand, Head of Nordea Asset Management

It has been five years since the Paris Agreement was signed on the 12th of December 2015 to limit global warming to 1.5°C above pre-industrial levels. Since then, sustainable finance has entered the mainstream investing space with a stark rise in popularity, although a lack of concrete targets and accountability between the largest investors and asset managers persisted. This is now beginning to change.

On the 23rd of September 2019, the UN-convened *Net-Zero Asset Owner Alliance* consisting of pension funds and insurers was formed to help create a target-setting framework to reduce carbon emissions to net-zero by 2050, with five-year intermittent milestones along the way. Asset managers have taken up the challenge with different levels of enthusiasm.

While some asset managers such as Nordea Asset Management have made ESG a cornerstone of their investment strategies for many years now, others have not actively pledged to tackle sustainability goals other than through the creation of ESG funds. Regardless of the individual commitments to tackle these challenges, there has been a lack of communal targets and accountability between asset managers, as well as a lack of a unified measuring system to help identify potential areas of improvement.

That is until the 11th of December 2020, when the *Net Zero Asset Managers Initiative,* consisting of 30 asset managers including firms like Fidelity, Nordea Asset Management, and UBS Asset Management with a total combined AUM of $9 trillion, was signed.

With similar goals to the *Net-Zero Asset Owner Initiative*, signatories are committed to achieving net-zero emissions by 2050 or sooner across all AUM by assisting portfolio companies by providing analytics on climate risks and opportunities, rather than divestment. Furthermore, they are held accountable through annual climate-related financial disclosures. Even though this is a good start, the initiative has not yet been signed by some large international players such as BlackRock or Vanguard.

In the meantime, the finance industry has taken the initiative to create a Partnership for Carbon Accounting Financials (PCAF), which aims to create a global harmonized and transparent greenhouse gas accounting method across the finance industry. This can be used as an interim solution in the absence of a recognized global climate standard to help achieve the goals defined in the *Net Zero Asset Managers Initiative* and guide portfolio companies to achieving net-zero carbon emissions.

While the start of adopting the Paris Agreement goals into investment portfolios may have been slow, the pace has been picking up rapidly across the industry. With the introduction of communal targets and accountability between investors, asset managers will begin influencing and guiding portfolio companies to net-zero carbon emissions and will hopefully also be able to overcome the many challenges that remain on the way.

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Thank you!

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

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