NIC

— Nova Investment Club —

Newsletter

January 2022

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, Roman Bauer, elaborates on the future of gaming. Moreover, in our Regional View, Simon Hoffmann, reviews the impacts of Brexit.

Our Investment Banking Division will guide you through December's M&A overall activity. Read about Oracle Corp acquiring Cerner Corp, Mitsui Chemicals Inc acquiring Japan MDM Inc, and MSC SA acquiring Bolloré Africa Logistics. Additionally, get a detailed overview on what happened to Volkswagen AG and Comcast Corp, and read our opinion on TPG filling for an IPO in New York.

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 2.08 %. A gain that can be mainly attributed to Equities.

On the Hot Topics of this month, Yan Alfonso Souza discusses the conflict between Russia and Ukraine, while Margaux Richard de Foucaud, elaborates on the Covid-19 impact on Chinese FDI in Europe. Lastly, on our ESG review in collaboration with Nordea, Rodrigo Baltazar, discusses the impact of plastic waste on corporate strategy.

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Macro Overview

Monthly

January 10th, 2022

Deeper Dive

Regional View

Market Moves

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	4,766	0.85%	10.65%	26.89%
DJIA	36,338	1.08%	7.37%	18.73%
Nasdaq	15,645	-0.05%	8.28%	21.39%
MSCI World	3,777	0.90%	2.69%	12.95%
MSCI EM	4,650	1.03%	-1.06%	1.85%
Russell 2000	2,245	0.17%	1.86%	13.70%
Euro Stoxx 50	4,298	1.02%	6.18%	20.99%
FTSE 100	7,385	0.17%	4.21%	14.30%
Nikkei 225	28,792	0.03%	-2.24%	4.91%
Hang Seng	23,398	0.75%	-4.79%	-14.08%
Dollar Index	95.67	-0.36%	1.53%	6.37%
EUR/USD	1.137	0.45%	-1.81%	-6.93%
GBP/EUR	1.189	0.47%	2.17%	6.33%
GBP/USD	1.353	1.09%	0.43%	-1.01%
USD/JPY	115.080	0.61%	3.41%	11.46%
USD/CHF	0.91	-0.67%	-2.02%	3.13%
Brent Crude	77.780	2.15%	-0.94%	50.15%
Gold	1,828.6	0.96%	4.18%	-3.51%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	1.510%	1.7	2.3	59.7
GER 10Y Yield	-0.177%	7.3	2.2	39.2
JPY 10Y Yield	0.071%	0.4	-0.1	5.0
UK 10Y Yield	0.971%	4.6	-5.1	77.4
PT 10Y Yield	0.465%	5.7	11.0	43.5

**Source: Bloomberg, as of 2021-12-31*

In Focus

December

The Federal Reserve announced its plans to raise interest rates three times in 2022. Following its meeting on 15th of December the Federal Open Market Committee decided to keep interest rate at a range of 0 to 0.25% but changed its projections for the next year to a more aggressive approach of tightening policy. The Fed will begin tapering in January by cutting purchases of bonds by USD 30.0 bn every month.

The Bank of England increased interest rate for the first time in three years. In a response to the 10-year high UK inflation in November, the Bank of England decided to increase its main interest rate from its historic low of 0.1% to 0.25%. Despite the rapid spread of the Omicron variant, it seems that the Bank of England does not consider inflation to be transitory anymore.

The Turkish Lira falls to record low after the Central Bank cuts interest rates. The Lira fell as much as 5.40% to 15.6583 USD/TRY after President Erdogan pressured the Turkish Central Bank to decrease interest rates for the fourth straight month in order to boost exports and economic growth. The Lira has lost 47% of its value since the start of September. Later in December, Erdogan announced that the government will step in by supporting the conversion of foreign currency deposit accounts into Lira deposit.

Biden and Putin held a video call to discuss Russian military activities on the border of Ukraine. The US president, Joe Biden, affirmed commitments to Ukraine's sovereignty and territorial integrity, the White House said. The US warned Russia about strong economic measures that would be implemented in case Moscow sends troops to invade Ukraine. Sanctions would also include blocking Russia's Nord Stream 2 gas pipeline. The US has told its European allies that Russia could be planning an invasion of Ukraine as early as in January. Russia denied this statement but warned NATO against crossing "red lines" by positioning weapons in Ukraine.

Didi Global announced delisting from US Stock Exchange. Shortly after raising USD 4.0 bn in an IPO, the Chinese ride-hailing app came under regulatory inspection from Beijing. Didi's share plunged 50% as Beijing banned the company from app stores in China for allegedly breaking privacy law and posing a cybersecurity risk. This was widely seen as a punishment for its decision to go public overseas and response to China's ongoing pressure to push Chinese companies to trade closer to their mainland headquarters. Therefore, only a couple of months after its IPO, Didi has announced to pursue listing in Hong Kong, instead.

High Court in the UK ruled against Uber over its London business model. Earlier this year, a court ruled that Uber must treat its drivers as workers, providing them with minimum wage and vacation days. Uber now took another hit as it became unlawful for private hire vehicles in London to act as agents between passengers and drivers. The High Court ruled that all ride-hailing companies must enter into direct contracts with passengers and will be held liable if service is not satisfying. As London is one of its biggest urban markets, Uber will have to fundamentally restructure its business model there.

UK house prices increased with the highest pace since 2006. The average home prices in the UK rose 1% in December, typically the quiet month of the year for real estate. Afraid of new lockdowns, buyers are looking for more space to work from home. This trend is likely to change in 2022 as borrowing costs will increase.

Sara Ivackovic
Financial Markets Division

Deeper Dive

The Future of Gaming: Going Out is Overrated

Roman Bauer
Investment Banking Division

"Education should learn from the positive side of gaming – reward, accomplishment, and fun."

– Sebastian Thrun, Co-founder, Udacity

Video games have been around for decades, providing entertainment for children and adults alike. Moreover, the power of games, whether video or parlor, was always about delivering fun and connecting people. However, during the past decades, the gaming industry outgrew the early days of computer games and the first versions of consoles. The days of pixelated screens are far from becoming a more lifelike entertainment medium. As technology increasingly infers with our daily lives, so do video games. Considering the enormous potential, the gaming industry is presenting, global corporations, predominantly tech giants such as Google, Meta, and Apple, are developing strategies to enter the gaming industry and secure a piece of the pie. As a result, in 2020, the gaming industry generated USD 155.0 bn in revenue. By 2025, analysts predict the revenue to grow to more than USD 260.0 bn. Contemplating the substantial attention the gaming industry is witnessing, the question arises: What drives this explosive growth?

Numerous trends are simultaneously flaring the broader industry. For instance, consumer statistics show that the content market is growing more than double compared to the hardware market, thanks to tech companies who provide the infrastructure for developers to put out their creativity and publish games. Additionally, the esports industry constitutes another major trend, which has seen massive tailwinds due to the Covid-19 pandemic. Pre-pandemic e-sports tournaments were organised in arenas with limited space and sold at high prices. The benefit of the pandemic is that tournaments are now being organised mostly online at significantly lower ticket prices and virtually no capacity limits. According to a report by Newzoo, a gaming-specialised research company, global esports revenues are expected to exceed USD 1.0 bn revenue in 2021, representing a growth rate of 15% YoY. By 2024, esports is projected to bring in USD 1.6 bn. In addition, gaming streaming channels such as Twitch, Facebook Gaming, or YouTube Gaming have become increasingly popular. This has brought new ways for gamers to monetize their hobbies while reaching a wider audience. Subsequently, streaming activities were established as a new way of entertainment, with 3.1 m concurrent viewers only on the streaming platform Twitch.

Furthermore, virtual reality ("VR") enabled games have become more popular, allowing gamers to have an even more realistic experience. This popularity shows a clear trend through which the gaming industry is shaping the life of tomorrow: a virtual and parallel reality. Also, in-game purchases and non-fungible tokens ("NFTs") provide additional evidence that people care more and more about their presence in the parallel world by purchasing non-physical assets that can be used as status icons. Sales of NFTs have grown from USD 41.0 m in 2018 to an estimated figure of c. USD 18.0 bn in 2021, representing a frenzied growth in three years. With the introduction of the Metaverse, a network of 3D virtual worlds focused on social connection, the entire tech industry faces a severe shift towards a virtual ecosystem. However, the rise of the gaming industry is not only bringing remarkable features but also tremendous threats to mental health and severe addictions. Consequently, China, which constitutes the most lucrative esports market with USD 360.0 m in revenue, recently introduced new restrictions to limit the time spent on video games for young adults.

In conclusion, the gaming industry will undoubtedly shape tomorrow's life. Emerging technologies such as cloud gaming and 5G will inevitably change how we live today. The crucial question among all the recent changes will be: How will societies cope with these shifts, and can corporations use these new technologies to tackle global issues?

Roman Bauer
Investment Banking Division

Regional View

Two Years After Brexit: A First Snapshot

Simon Hoffmann
Financial Markets Division

"I don't believe a Brexit will hurt the City of London as one of the largest financial centers in the world."

– Yanis Varoufakis, former Minister of Finance of Greece

After 47 years, the United Kingdom left the European Union on 31st of January 2020. Now, almost two years after the withdrawal and one year after leaving the EU's custom union and single market first effects and consequences can be seen. There were several scenarios drawn by various economists after the UK-wide referendum on 23rd of June 2016. But how was the UK economy affected by the withdrawal agreement and the imposed restrictions?

First, looking back at the past year, the predicted chaos at borders of the UK has not happened. Overall, there has been little disruption to the flow of trade and only a few tailbacks at the ports. According to economists, the overall effect of Brexit on the UK economy and the living standards appears to be negative but uncertain.

The exact costs of Brexit are very difficult to measure as the effects have not been immediate and are overlapping with the impact of the Covid-19 crisis. Nevertheless, the Office for Budget Responsibility state that UK GDP growth could be roughly 4% worse off compared to the economic situation when the 2016 UK referendum has gone the other way.

One way to assess the economic impact of Brexit would be to examine the overall performance of the UK (measured in GDP growth) from the June 2016 referendum until today. Current data suggests that the UK growth lagged behind the US and Eurozone. UK GDP was 3.90% higher in Q3 2021 compared to Q2 2016. Within the same period, the Eurozone produced 6.20% growth and the US 10.60%. This can be an indicator of the negative consequences of Brexit but there are many other causes that have to be taken into account as well.

Therefore, analysts suggest the use of more direct measures of the Brexit effect, such as focusing on the impact on trade. For such comparisons, models are used which group data from different countries. One group of countries consists of those whose economic data closely match the data of the UK between the Brexit referendum and the end of the transition period. Such a model was built by the Centre for European Reform and showcased the cost of Brexit when comparing exports and imports between the above-named group of countries and the UK.

As of October 2021 (the month with the latest data), this model shows that UK imports and exports of goods were 15.70% below the level that would be expected in the case the UK had not left the customs union. To set this percentage into perspective, the shortfall in total goods traded amounts up to GBP 12.6 bn. There are two main reasons for a loss of around 4 to 5% of national income compared to a scenario in which the UK had voted "Remain". Those losses could be attributed to uncertainty and depreciation of the British Pound after the referendum.

Crucial to the economic development of the UK is also the free movement of labor. During the last two years shortages of lorry drivers and farm laborers were observable. However, those difficulties were solved by the introduction of a new visa regime to stem the losses. Therefore, huge turmoil in this respect was avoided.

It is highly important to observe the financial sector of the City of London, which is the crucial contributor to the GDP of the UK. The Brexit agreement imposed trading restrictions for most Euro-denominated shares. As a result, London lost its position as the top European stock-trading hub to Amsterdam. On the other hand, official figures for Q1 2021 show a small increase in UK financial exports to the EU, despite the new barriers erected. Overall, the upcoming either months and years will bring more certainty in respect to the exact costs of Brexit.

Simon Hoffmann
Financial Markets Division

Macro Overview

Economic Calendar

Economic and Political Events

Ukraine and Security Issues

The US and Russia have agreed to participate in security talks on the **10th** of January. With Russia and NATO intending to hold a separate meeting on the **13th** of January. Putin has been demanding security guarantees from the US and NATO, including a pledge not to allow Ukraine to join the alliance.

World Economic Forum

The World Economics Forum was scheduled to take place in Davos-Klosters between the **17th** to the **21st** of January but has been deferred in light of the ongoing pandemic. Participants will instead join a headlining series of State of the World sessions bringing together global leaders online.

EU Taxonomy

A draft text will form part of a consultation that will run until the **12th** of January. This draft of the EU Taxonomy proposes that the EU's green label should be awarded to controversial energy sources such as nuclear power and natural gas and is expected to face opposition in the European Council.

Central Bank Decisions

Fed Interest Rate Decision

The FMOC meeting will take place on **25th and 26th** January. The Fed is expected to enact its first interest rate increase in three years and return to a more conventional monetary policy. With these decisions, the Fed is responding to inflation pressure.

Bank of Canada Interest Rate Decision

On the **26th** of January, the Bank of Canada will issue a press release announcing its decision for the overnight rate target. The Bank expects inflation to remain high in the first half of 2022 before easing to 2% in the second half of the year.

ECB Monetary Policy Decision

The Governing Council of the ECB holds its monetary policy meeting on the **3rd** of February in Frankfurt. Despite the current inflation surge, ECB president Christine Lagarde has stated a raise in interest rates in 2022 is unlikely.

Inflation and Deflation

Update on Euro Zone Inflation

December inflation data for the euro area will be published on the **7th** of January. Headline inflation was the highest in 25 years at 5% in November, where higher Energy prices contributed most significantly to the latest inflation reading.

German Consumer Price Index

Germany's inflation rate will be announced on the **6th** of January. Following the highest increase the German CPI has seen since June 1992 at 5.2%. Inflation was expected to have risen further in December.

US Consumer Price Index

YoY figures on consumer prices in the US will be made public on January **12th**. The CPI was up 0.80% for November and slightly higher than the consensus prediction of 0.70%.

Labour Market

German Labour Market

On the **4th** of January, Germany announces its unemployment rate. The country is expected to announce an unemployment rate of 5.2%, a decrease in unemployed by 23 m compared to November.

US Employment Readings

On the **7th** of January, the US announces its unemployment rate for December. The unemployment rate has been decreasing since July 2021. It is forecast at 4% a slight decline from the previous months 4%.

Euro Zone Unemployment Data

The European Zone unemployment rate for December will be announced on the **10th** of January. The overall unemployment rate is expected to remain stable at the previous month's 7%.

Lisa-Marie Perchtold
Financial Markets Division

Investment Banking

M&A

Overall Activity

Global

December was no exception in a year where Global M&A activity smashed a record topping USD 5.1 tn in deal value. Very healthy balance sheets and unprecedented access to capital combined with a myriad of Private Equity fund managers eager to deploy capital kept driving a very strong activity in December. Also, speculation around Biden’s tax plans has forced deals to be closed before the end of the year. In total, 4.3 k deals were announced, amounting to USD 444.7 bn deal value. North America led the activity, followed by the EMEA region and Asia. As for sectors, Financial Services saw a surge in activity, growing 45% YoY and accounting for roughly 30% of the overall deal size. Such superior performance is, in part, justified by the second largest transaction of the month: BNP Paribas's sale of Bank of the West to Bank of Montreal for USD 16.3 bn. However, the largest transaction was in the technology space with Oracle's acquisition of Cerner Corp for USD 29.0 bn. As it was the case in previous months, Goldman Sachs led the advisory market with a 21% market share, followed by Morgan Stanley and Centerview Partners.

Selected Regions

North America

M&A in North America has remained strong at USD 228.9 bn deal size. Still, December of 2021 came with a decrease YoY of 1.32%. In the US, activity remained flat. However, in Canada, deal size decreased by 30%. Financials, Consumer Non-Cyclicals, and Technology drove the bulk of activity. Oracle’s acquisition, as well as the sale of Bank of West, were the biggest deals both globally and in the region.

EMEA

EMEA M&A activity totalled USD 129.6 bn, decreasing 50% compared to last December. Still, energy performed exceptionally well, growing 350% YoY, driven by the sale of Lundir Energy’s Oil and Gas business to Aker BP for USD 11.2 bn. While decreasing YoY, Financials and Consumer Non-Cyclicals remained the most relevant groups in deal size with USD 36.3 bn and USD 32.9 bn, respectively.

Asia

Asian M&A activity totalled USD 78.0 bn, decreasing by 33% YoY. Financials drove almost half of the activity with USD 35.8 bn. Mapletree Commercial Trust's acquisition of Mapletree North Asia for USD 5.6 bn was the top regional transaction of the month. Technology performed exceptionally well, growing 22%. The most significant transaction was KKR's acquisition of the software vendor Yayoi for USD 2.2 bn.

M&A

Deals of the Month

Announced Date	Target	Buyer	Target Region	Target Business	Value (USD m)	Premium (%)
20 Dec 21	Cerner Corp	Oracle Corp	US	Technology	29,005.19	-
20 Dec 21	Bank of the West	Bank of Montreal	US	Financial	16,300.00	-
14 Dec 21	Vifor Pharma AG	CSL Ltd	CH	Consumer, Non-cy	11,638.69	42%
21 Dec 21	Oil & gas business/Lundin E	Aker BP ASA	SE	Energy	11,201.79	-
23 Dec 21	Ortho Clinical Diagnostics H	Quidel Corp	US	Consumer, Non-cyclicals	7,412.58	19%
30 Dec 21	NAND & Solid State Drive bu	SK Hynix Inc	US	Financial	7,000.00	-
17 Dec 21	Gas storage unit	Unnamed Buyer	IT	Energy	6,804.60	-
15 Dec 21	CMC Materials Inc	Entegris Inc	US	Technology	6,473.22	42%
14 Dec 21	Terminix Global Holdings In	Rentokil Initial PLC	US	Consumer, Non-cyclicals	6,147.10	-
6 Dec 21	Unilabs SA	AP Moller Holding A/	CH	Consumer, Non-cyclicals	5,639.50	-

Rodrigo Baltazar
Investment Banking Division

M&A: Top Deals

Oracle Corp to Acquire Cerner Corp

Oracle Corp has announced the acquisition of Cerner Corp through an all-cash tender offer for USD 95.0 per share, a 25% premium to the closing price on December 16th, or approximately USD 28.3 bn in equity value. Oracle is buying the business at a 15x 2022 EBITDA multiple including USD 1.6 bn of debt. The transaction is accretive at buy and is expected to close in 2022.

Buyer vs Seller

Cerner is a global supplier of healthcare IT solutions and services that support the clinical, financial and operational needs of healthcare organizations, including practitioners, hospitals, and the pharmaceutical/medical device industries. Oracle provides IT solutions that run the core operation for customers in the most prominent sectors. It also offers superior cloud infra-structure to accelerate digital modernization. Centerview Partners and Goldman Sachs acted as financial advisors for the target.

Industry Overview

The consolidated global healthcare IT market was valued at USD 255.6 bn in 2020 and is expected to grow at ~13% CAGR until 2030 driven by an increase in demand for high-quality healthcare services, as well as the surge in acceptance of mHealth and telehealth practices combined with the rise in demand for improved patient safety and patient care. In April 2021, Microsoft acquired AI healthcare software engineering Nuance Communications for USD 17.2 bn (51x EV/EBITDA).

Peers	Currency	Market Cap (CUR m)
Nuance Communications Inc	USD	17,672.09
Dassault Systemes SE	EUR	69,693.72
SAP SE	EUR	153,440.18
ANSYS Inc	USD	34,998.90
Veeva Systems Inc	USD	39,283.68

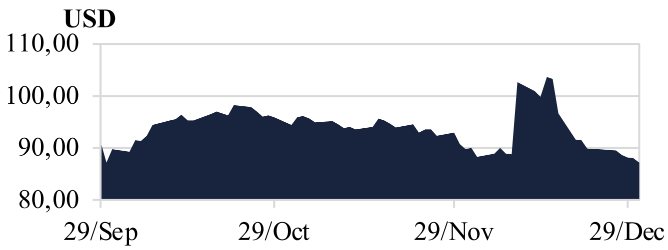
Deal Rationale

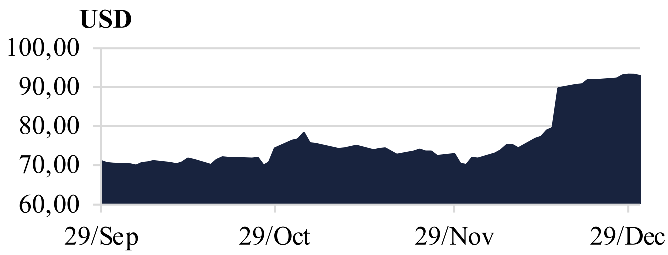
Cerner is best-in-class in the Electronic Medical Records (EMH) space and holds ~25% market share. The transaction is expected to be accretive instantly providing Oracle with immediate access to a large network of patient records. With a highly recurring revenue stream, the transaction will increase Oracle's exposure to the healthcare market to be better positioned among the clinical systems players with a large incumbent installed base for cross-sales, an established role for aftermarket opportunities, as well as a good positioning given recent provider consolidation (155 Medical IT systems transactions globally in 2021 – USD 80.5 bn).

Market Reaction

Oracle Corp
After the official announcement of the transaction on Dec 20th, Oracle's share price slightly dropped by 5.15%, as some investors feared that Oracle has overpaid for the transaction.

Cerner Corp
One day prior to the official announcement, the day the market has speculated about the transaction, Cerner's shares have increased by 12.93%, with a 0.80% jump on the following day.





Future Challenges

The transaction was announced just a couple of days before the change in effective tax rate through the Biden administration. However, an increase in price competition, a slight decline in booking growth and waning revenues from new products could cause an underperformance relative to its peers. The closing of the transaction is subject to regulatory and shareholder approval.

Mats Lützenkirchen
Investment Banking Division

M&A: Top Deals

Mitsui Chemicals Inc to Acquire Japan MDM Inc

On the 7th of December 2021, Mitsui Chemicals, Inc. announced that it had reached an agreement to create a business and capital alliance with Japan Medical Dynamic Marketing, Inc. (Japan MDM). Mitsui will acquire the current 30% stake held by Japan MDM's biggest shareholder, NGK Spark Plug Inc, for a consideration of USD 153.2 m.

Buyer vs Seller

Mitsui is one of the largest business conglomerates in the world. It is present in industries ranging from banking, real estate, chemicals to beverages. As one of Japan's largest chemicals companies, it currently follows expansion plans across the life-sciences field. Japan MDM was established in 1973 with the mission to contribute to a healthy life of people through medical devices development. Mitsui was advised by Greenhill & Co., while Nomura advised Japan MDM.

Industry Overview

Asian-Pacific region has been experiencing unprecedented growth in the medical device space in the last two years. In fact, this region is the second-largest market of the MedTech industry, with a focus on specialized fields. Japan MDM is particularly well-positioned in the orthopaedics' market, mainly due to its acquisition of Ortho Development Corporation in 1994 and proceeding establishment as a leader in the manufacture of artificial joints.

Peers	Currency	Market Cap (CUR m)
AK Medical Holdings Ltd	HKD	7,028.91
Double Medical Technology Inc	CNY	20,208.37
Jiangsu Yuyue Medical Equipmen	CNY	36,239.54
Lepu Medical Technology Beijin	CNY	41,776.05
Microport Scientific Corp	HKD	45,786.10

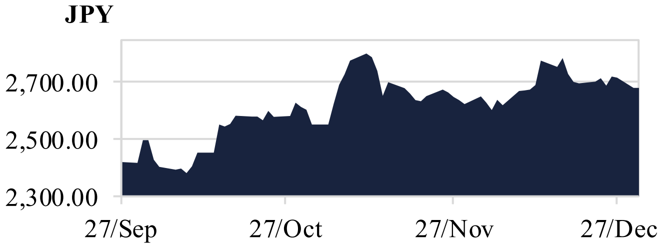
Deal Rationale

In June of last year, Mitsui Chemicals has presented a new long-term business plan named Vision 2030, in which it declared that its new growth strategy would consist in investing heavily in Life & Healthcare solutions. Therefore, the company has committed to stepping into the orthopaedic business using the market positioning and product development capabilities of Japan MDM Group to facilitate its business development and overseas expansion. NGK Spark Plug Co., the shareholder who is selling its shares of Japan MDM business, has been restructuring its biomedical segment with a series of divestitures.

Market Reaction

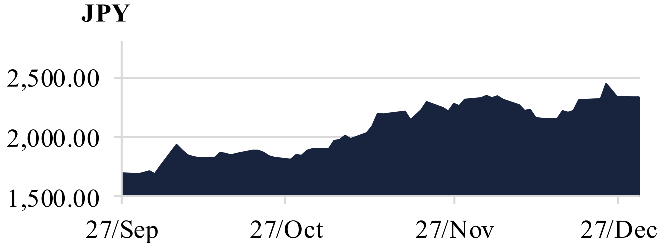
Mitsui Chemicals Inc

The share price of Mitsui Chemicals has been relatively volatile upon the announcement of the acquisition, but with a downward tendency.



Japan Medical Dynamic Marketing Inc

The investors in Japan MDM responded positively to the acquisition, which resulted in a 5% increase in the share price value following the announcement.



Future Challenges

The positioning of Japan MDM as a medical device supplier in the US market is the biggest challenge of this deal. Given the regional nature of the company, the US alliances are the differentiating factor in comparison to its peers. If such presence does not translate to a better standing of Mitsui in the competitive landscape, the future of such a partnership might be compromised.

Irina Pereira
Investment Banking Division

M&A: Top Deals

MSC SA to Acquire Bolloré Africa Logistics

Mediterranean Shipping Co SA (MSC), the Swiss provider of container transport services is to acquire Bollore Africa Logistics (BAL), the Cote d'Ivoire-based transport and logistics operator. BAL's parent Bollore SE, the French listed industrial holding company, aims to fully divest BAL for a consideration of c. EUR 5.7 bn. The acquisition is set to be completed in Q2 of 2022.

Buyer vs Seller

Geneva-based MSC is currently the second-largest container shipping company after Mærsk Line and is also active in the cruise and ferry business. MSC operates a fleet of c. 600 vessels, serves 500 ports and has 100 k employees. BAL is Africa's biggest player in the sector with almost 21 k employees in 49 countries. The transportation and media conglomerate Bollore SE, appointed Morgan Stanley to seek buyers for BAL. MSC did not disclose its buy-side advisor.

Industry Overview

The shipping and logistics industry has been experiencing one of the most profitable years as the Covid-19 pandemic boosts demand for goods, spurring oceanic-freight rates to record levels. The Middle East and African freight and cargo market generated revenues of c. USD 230.0 bn in 2020 and is set to grow at a CAGR of 4.37% to USD 315.6 bn in 2027. The growth is driven by the surge in global e-commerce sector activity.

Peers	Currency	Market Cap (CUR m)
HMM Co Ltd	KRW	12,470,507.15
Yang Ming Marine Transport Cor	TWD	436,513.03
COSCO SHIPPING Holdings Co L	HKD	355,436.08
Wan Hai Lines Ltd	TWD	489,245.51
Kawasaki Kisen Kaisha Ltd	JPY	644,416.25

Deal Rationale

The MSC Group has made significant investments in Africa in recent years and is pursuing a long-term growth strategy on the continent. Its investment capacity, resources and market knowledge could give new impetus to the projects that the Bollore Group has been pursuing with their African subsidiary. BAL handled volumes amounting to TEUs 4.83 m and reported revenues of c. EUR 2.1 bn in 2020. The acquisition of BAL would allow MSC to own Africa's biggest shipping and logistics company and ultimately benefit from the expected strong growth of African economies.

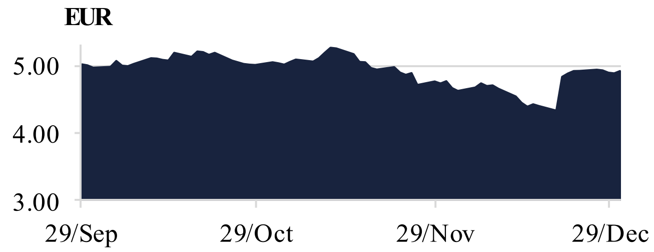
Market Reaction

MSC SA

As a Swiss-based privately held company, MSC is not obliged to disclose any financial information. The firm was founded in 1970 by Gianluigi Aponte and is currently managed by Diego Aponte. The group is likely to have generated revenues amounting to CHF 25.0 bn in 2019. Considering the industry EBITDA margin average of c. 20%, MSC is assumed to have generated an EBITDA of c. CHF 5.0 bn in 2019.

Bollore SE

The company's shares climbed almost 12% post-deal announcement on Tuesday the 21st of December. Bollore's stock closed at EUR 4.77 on that Tuesday.



Future Challenges

Closing of the deal is subject to approval from regulatory and competition authorities, in addition to certain counterparties of Bollore Africa Logistics. The Bollore Group has granted the MSC Group exclusivity until 31st of March 2022 to enable the MSC Group to submit a put option, further to an additional due diligence phase and contractual negotiations.

Darryl Karberg
Investment Banking Division

What Happened To

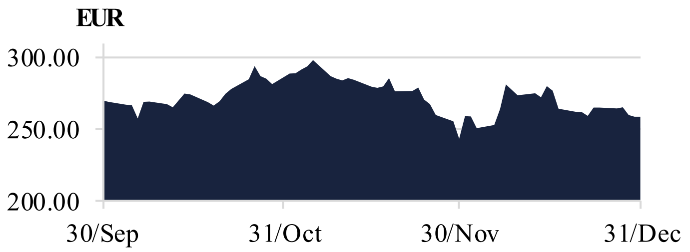
Volkswagen AG

Volkswagen AG is a German multinational automotive manufacturing corporation headquartered in Wolfsburg. It manufactures and distributes vehicles' brands such as Volkswagen, Škoda, Seat, Audi, Bentley, and Porsche. The group also offers financial services comprising leasing solutions and fleet management. The company operates 121 production facilities across 27 countries.

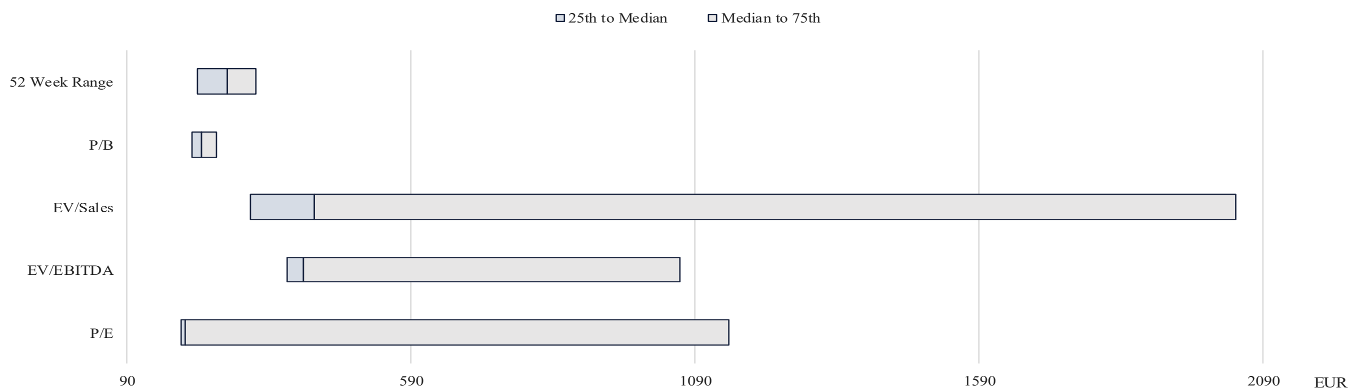
Corporate News

Volkswagen AG's shares are up 57.91% YTD. The strong performance is due to the expected situation improvement in 2022 of chip supply, even though the supply shortage is not resolved. This global semiconductor bottleneck particularly impacted the business performance in the third quarter of 2021. Volkswagen Group's CFO said that it clearly shows that the firm must continue to work resolutely on improving cost structures and productivity in all areas. The shortage resulted in a high level of unmet customer demand, especially in the Chinese market, due delay in delivery. Nonetheless, the group is effectively pursuing its strategy to become a globally leading provider of sustainable mobility by pledging to spend EUR 52.0 bn on battery-powered cars and expanding autonomous driving. This strategy aims at maintaining a solid position against established and new competitors while implementing the transformation toward climate-neutral mobility.

Price (31 Dec 21, EUR)	**258.40**
Target Price (EUR)	285.00
3M Performance	-4.23%
Market Cap (EUR m)	112,848.55
Enterprise Value (EUR m)	101,588.55
**Target Price is for 12 months*	



Valuation Analysis



On the 30th of December 2021, Volkswagen Group was trading at EUR 258.40. The group's 52-week share price is considerably higher than comparable companies. Reasons include investors' confidence emerging from robust financials and strategy towards carbon neutrality. In addition, the EV/EBITDA ratio indicates that the group is valued in the lower mid-range. Finally, the low P/E ratio indicates a favorable price for current earnings.

In the third quarter, operating profit before special items dropped compared to the first two quarters of 2021, reaching EUR 2.8 bn due to supply issues. Despite the chip shortage, the group delivered more than double of all-electric cars compared to the same period of the previous year. Demand remained high, especially in Western European market, exceeding one million passenger cars, 17% of all-electric.

Peers	**Currency**	**Market Cap** (Cur m)
Bayerische Motoren Werke AG	EUR	57,438.93
Daimler AG	EUR	72,310.31
Renault SA	EUR	9,032.84
Stellantis NV	USD	58,767.07
Ferrari NV	USD	47,661.96

Margaux Richard de Foucaud
Investment Banking Division

What Happened To

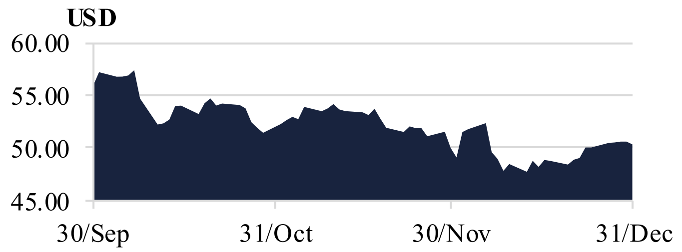
Comcast Corporation

Comcast Corp. is a U.S. multinational telecommunications conglomerate. Through Xfinity, NBCUniversal, Sky Group, Comcast Spectator, Leisure Arts, and Midco, the Company offers customers worldwide video streaming, TV programming, high-speed Internet, cable television, and communication services. As of December 2020, the firm had 168,000 employees worldwide.

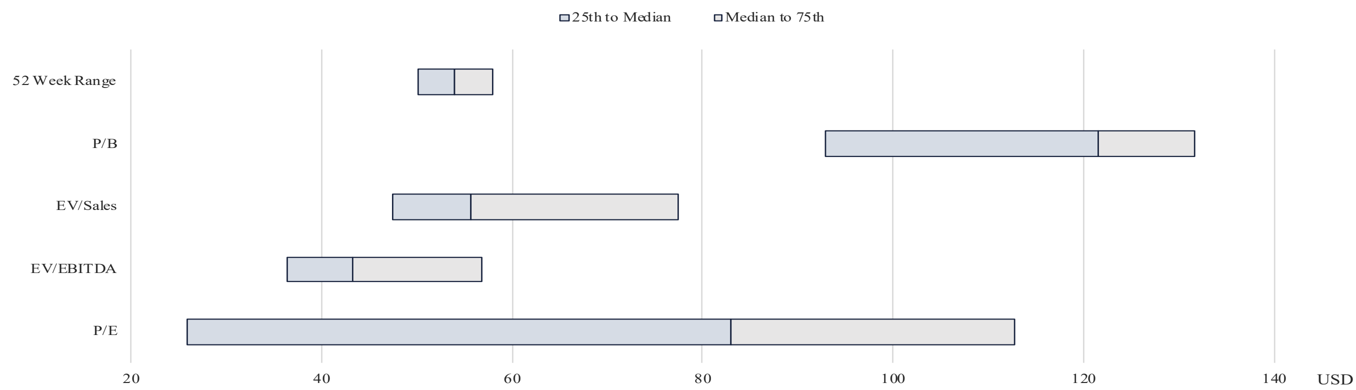
Corporate News

Comcast's stock performance was poor YTD. It rallied to 22.19% until September reaching an all-time high of USD 61.75 per share. However, Michael Cavanagh (CFO) signaled a slowdown in broadband subscriber growth, which had been a bright spot during the shift to WFH amid the Covid-19 pandemic. This warning triggered a slide in the company's stock price to previous levels, by a decrease of 18.20%. Moreover, Comcast had a quicker-than-expected rebound, with 70% of the profit from U.S. cable, cashing in on a surge in broadband demand, boosting EBITDA and margins, but the aftereffects of the pandemic are clouding visibility.
In Q3, Comcast posted strong operational and financial results. Notably, theme parks delivered their most profitable quarter since the beginning of 2020, revenue increased by 18.70% to USD 30.3 bn and, Net Income surged 99.80% to USD 3.5 bn.

Price (31 Dec 21, USD)	**50.05**
Target Price (USD)	65.00
3M Performance	-10.51%
Market Cap (USD m)	228,674.60
Enterprise Value (USD m)	321,298.60
**Target Price is for 12 months*	



Valuation Analysis



As of the 31st of December, Comcast was trading at USD 50.74 and valued at an Enterprise Value of USD 324.4 bn. By taking a closer look at the comparable analysis, Comcast's market price seems fair considering the 52-week range, the EV/Sales, the EV/EBITDA, and P/E multiple. Although, the latter reveals a considerable valuation spread. Moreover, from a P/B standpoint, the company is deeply undervalued as this indicator suggests a price range substantially above the consensus target price of USD 65.

The pandemic's aftermath looms large in 2022, altering consumer habits and charting a revised course for entertainment distributors. Although the hybrid return to normalcy offers a brighter outlook for film and broadcast station advertising, it challenges the momentum for subscription streaming, broadband, and global pay-tv amid persistent supply constraints. To maintain its leading position, one should expect that Comcast will adapt to this trend.

Peers	**Currency**	**Market Cap** (Cur m)
Altice USA Inc	USD	7,324.46
WideOpenWest Inc	USD	1,802.51
Charter Communications Inc	USD	124,487.07
Cable One Inc	USD	10,089.89
DISH Network Corp	USD	18,179.88

David Silva
Investment Banking Division

NIC's View On

Texas Pacific Group (TPG) Filling for an IPO in New York

Arsénio Renato Jr
Investment Banking Division

"TPG's track record has lagged those of Apollo, Blackstone and KKR, especially during the crucial period between 2007 and 2012 when many of large cap buyout firms went public"

– Gustavo Schwed, professor and former private equity executive, NYU

TPG is a leading global alternative asset manager which has approximately USD 109.0 bn in assets under management. Founded by Jim Coulter and David Bonderman, the firm focuses on leveraged buyouts and growth capital. The firm also manages venture capital, public equity, and debt investments in a range of industries such as consumer/retail, media, telecoms, industrials, technology, travel, and leisure.

In December 2021, the private equity giant has filed to go public in New York, as it is seeking to capitalize on soaring valuations in the stock market, interest rates at record lows and the global economic recovery from the COVID-19 pandemic. This economic environment fuels the returns of the buyout industry, which is why sponsor IPO's are becoming attractive. For example, in July 2021, United Kingdom's Bridgepoint raised GBP 300.0 m on its London Stock Exchange listing. The talks for its initial public offering come after the firm contemplated the move for about a decade. TPG also created the first multibillion-dollar ESG fund, TPG Rise Climate which is currently managing USD 12.6 bn in assets. The major moves of TPG such as the acquisition of gaming company Harrah's Entertainment for USD 27.4 bn have made the firm large and credible enough for a successful public offering from an investor's perspective.

TPG is currently structured as a limited liability company (LLC) which as a private-equity giant has historically operated as a partnership that raises money from investors such as pension funds and institutional investors. The move to an IPO will allow the firm to change its corporate structure within five years of the IPO taking place. As the market is booming, the initiative from TPG is an opportunity to match the performance of its competitors such as Blackstone, which share price has increased by 91%, Carlyle Group by 64%, Apollo Global Management by 43% and KKR by 76%. Since TPG's underlying investments have performed strongly in recent years, the firm can expect strong share price performance post-IPO.
One of the rationales behind the offering is to strengthen its diversification as the firm has moved from a pure leverage buyout business pre-2008 crisis to a business that encompasses a wide range of alternative investments such as capital, growth, impact, and real estate.

During the first nine months of 2021, TPG generated a net income of USD 3.8 bn, up from a net income of USD 295.2 m in 2020. In addition, it generates an investment income of USD 3.2 bn, up from USD 564.4 m in 2020, emphasizing a strong performance for the FY2021. The issuance is planned to have three classes of stock, precisely class A common stock which equates to one per share, non-voting class A and class B common stock. The proceeds from the sale of equity will funnel to TPG's Operating Group which will use it to expand into new lines such as social impact investing.

The firm has disclosed that it will be targeting a valuation of USD 9.5 bn. We expect TPG to consolidate its position amongst the biggest private-equity firms in the world as it raises a large pool of capital and expands its business onto new venues across the globe.

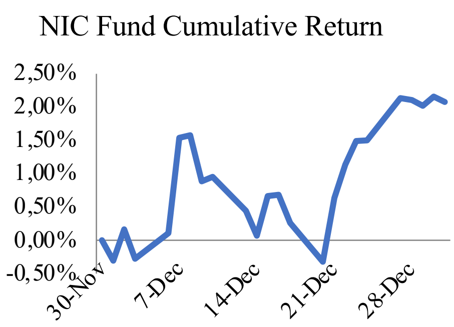
Date	Recent News
21 Dec 21	Private-equity firm TPG is going public: 5 things to know ahead of its IPO. ***Source:*** *marketwatch.com*
16 Dec 21	TPG Heads for IPO as it cashes-in on buyout industry's boom. ***Source:*** *bloomberg.com*
24 Sept 21	TPG makes management changes ahead of possible IPO. ***Source:*** *fortworthbusiness.com*
27 Jul 21	TPG announces USD 5.4 billion first close of TPG Rise climate fund. ***Source:*** *reuters.com*

Arsénio Renato Jr
Investment Banking Division

NIC Fund

NIC Fund

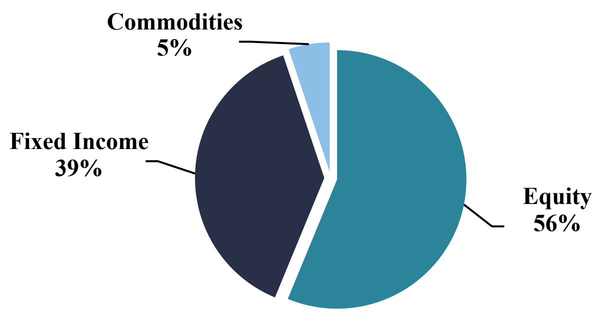
Portfolio Overview



Portfolio Snapshot

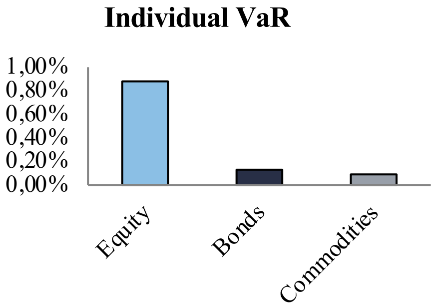
During the month of December, 56% of the NIC Fund remained invested in Equities, 39% in Fixed Income and 5% in Commodities. In comparison to the benchmark, the portfolio is overweight in Equities by 16% and underweight in Fixed Income and Commodities by 1% and 5% respectively.

The market reacted negatively to the new Covid-19 variant discovered in November 2021. However, the market recovered quickly and the S&P 500 reached a new all-time high at the end of December.



Portfolio Statistics	
Cumulative Return	2.08%
Annualized Return	24.91%
Daily St. Dev	0.53%
Period St. Dev	2.43%
Annualized St. Dev	8.43%
Info Sharpe	2.95
Skew (Daily)	0.64
Kurtosis (Daily)	-0.10

Benchmark	
iShares 3-7 Year Treasury Bonds	40%
SPDR S&P 500 ETF Trust	40%
Powershares DB Commodity Index	10%
Ishares JP Morgan USD EM Bonds	10%



Return Metrics

The overall performance of the portfolio was positive, with a cumulative return of 2.08%. The best performer was Equities, contributing with a positive return of 1.89%. Commodities recorded a positive performance as well, adding 0.24% to the cumulative return. On the contrary, Fixed Income contributed negatively to the portfolio, with a loss of -0.01%.

In terms of Equities, besides holding a position in the S&P500, the portfolio is also invested in specific stocks from nine different sectors. With a negative 16.06% return MTD, the Materials sector was the worst-performing sector of our portfolio, while Health Care performed best with a return of 11.64% MTD.

The Health Care Sector contributed positively with 0.37% to our portfolio return, while our stocks in the Information Technology Sector decreased the portfolio return by 0.20%. This was due to the negative MTD performance of Advanced Micro Devices and Nvidia Corp. However, especially CVS Health covered the losses incurred in the Information Technology Sector.

Risk Metrics

In terms of risk, our portfolio registered a daily VaR of 1.05%, taking into consideration the benefits of diversification. This metric is significantly below the maximum established threshold of 2.50%.

Equities were the asset class with the highest individual VaR, which was around 0.88%. On the other hand, Bonds and Commodities had lightly lower VaRs of 0.13% and 0.09% respectively.

Frauke Lührs
Financial Markets Division

NIC Fund

Assets in Brief

Asset Class	Symbol	Comments
US Equity	**AMZN**	In the month of December, Amazon's stock price fell by 4.93% MTD, resulting in a YTD return of 2.38%. The company's stock price fluctuated by nearly USD 800 during the year of 2021. Its Chinese competitor Alibaba recorded similar growth rates, but analysts expect Amazon to generate more than three times as much revenue than its competitor in 2022.
US Equity	**NFLX**	Our position in Netflix has performed negatively with a return of -6.15% MTD, resulting in a 11.41% YoY return for the stock. The company has benefited from the pandemic, but December 2021 was the worst month since September 2019. The fear of increased interest rates caused investors to be bearish with regards to high-growth technology firms.
Bonds	**TI5G**	The IShares Tips Bond ETF had a MTD Return of 0.40%, while the YTD return is 5.67%.The more aggressive action taken by the FED in terms of tapering, is challenging the environment of bonds. Rising interest rates negatively impact bond prices.
EU Equity	**VOW**	Volkswagen's stock increased in December, returning 10.86% MTD. The positive performance compared to the previous month can be explained by the higher-than-expected EPS of USD 6.48 (vs. USD 6.07). Furthermore, Volkswagen is expected to become a strong player in the electric vehicle market. The company plans to deliver more than twice as much electric vehicles in 2022 as compared to last year.
Commodity	**XAU**	Gold performed well in December 2021 with a MTD return being 3.24%. However, on a YoY basis, the return was –4.01%. In times of uncertainty and inflation, Gold can be an attractive hedge for losses incurred by other asset classes. JP Morgan is bearish in terms of gold in its 2022 outlook due to the action that will be taken by the FED and the announcement of three rate hikes.
US Equity	**CVS**	CVS Health had a MTD return of 15.83% in December 2021. This contributed positively to the YTD return of 51.13%. The company announced its expansion of the home health services in 2021. The CEO, Karen S. Lynch, aims to capitalize the role of the company as the leading health solutions company in America.
US Equity	**LHA**	Lufthansa was hit significantly by the appearance of a new Covid-19 variant in November. Overall, the YTD return is -25.57%, which reflects the correlation of the company's business to the effects of the virus. In December, Lufthansa recorded a MTD return of 16.41%. However, this positive developments does not indicate a reversion of the overall downwards trend of the company since the outbreak of the pandemic.
US Equity	**V**	Visa experienced a sharp decrease in their stock price in the end of November as the new coronavirus strain caused fear of a global economic slowdown. However, the MTD return of December was 11.84%, while the YTD return of -0.32% remained negative. Analysts predict that the stock may return to its July all-time high.
US Equity	**DIS**	After Walt Disney published its Q4 earnings, the stock price fall substantially. This was due to the lower than expected subscriber growth for their Disney+ streaming service. However, the company has been recovering. Shares of Disney recorded a return of 6.89% MTD contributing positively to the YTD return of -14.51%.
Commodity	**DBC ETF**	Our primary commodities index, DBC tracks a basket of 14 commodities. The ETF had a positive performance over the last month, which contributed positively to the YTD performance of 41.36%. The positive performance was mainly driven by the reopening of economies so that commodities reached a new record in the end of 2021.

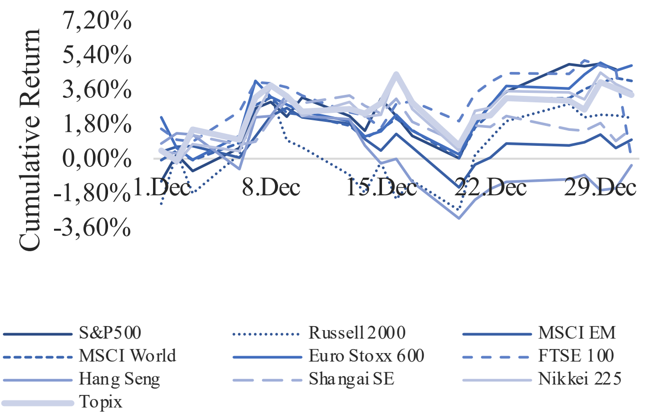
Frauke Lührs
Financial Markets Division

NIC Fund

Equities

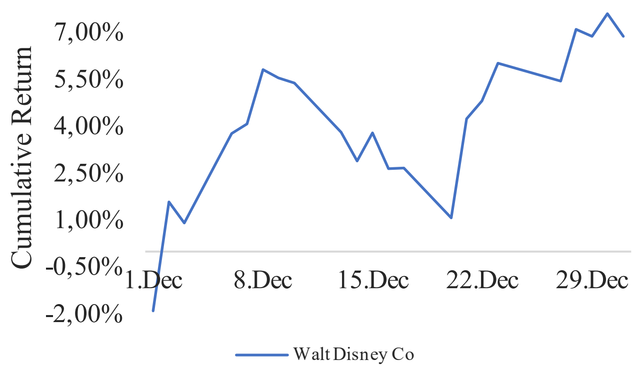
World Equities

After a scare in the beginning of the month due to the new Covid-19 Omicron variant, equities have recovered at the end of December. Based on this recovery, US equities showed a strong performance with cumulative returns of 4.64% MoM of the S&P 500. While still positive, the NASDAQ had a weaker performance of 2.56% MoM, suffering from rotating out of tech stocks in the US. A contributing event to the intra-month volatility, was the release of the Fed rate hiking timeline, before which the US markets sold off in mid-December. However, they recovered quickly, with the Fed policy decisions not being as aggressive as anticipated on the markets. Following US equities, European stocks with the STOXX 600 had a strong performance in December, returning 4.72% MoM, being their strongest month since March. The FTSE 100 also performed strongly with 4.61% MoM returns. Equities in Asia had a mixed performance in December, with Japan's Topix index returning 3.32% MoM, Hong Kong's Hang Seng being down by -0.33% and China's Shanghai SE Index being up by 2.13% MoM. Asian stocks reacted similarly to US stocks to the prospect of the new Omicron variant.



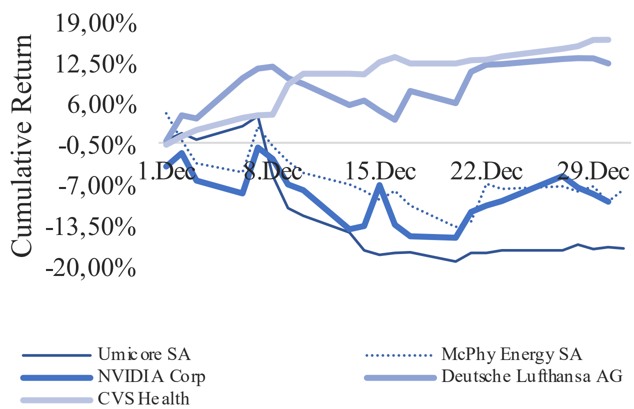
In Depth: Disney

Disney's stock price is down -14.51% YoY, its latest major dip attributed to disappointing fourth-quarter subscriber growth numbers of Disney+, their in-house streaming service and major revenue driver during the pandemic. Compared with a subscriber growth of 12.4 million subscribers in the third quarter, the platform only reported 2.1 million new subscribers in their fourth quarter. However, analysts point out, that this slow growth of subscribers, is mainly due to a slower release schedule of original content during that time. Worth mentioning is that Disney + is currently only available in one third of the countries where Netflix is, leaving much room for future growth. For future events on the equity markets the Fed's monetary decisions are of high importance as hawkish policies may put downwards pressure on equities. Additionally, the spread of the Omicron variant needs some consideration as well, with another economic slowdown potentially having a negative impact on the equities as well.



Our Performance

In December, equities' contribution to the overall portfolio performance was positive, with 1.89% cumulative return. Due to global chip shortages and delivery bottlenecks, during the month of December Umicore N.V. (-16.06% MoM) and McPhy (-3.05 MoM) had negative returns. Clearly battered through the sell-off in technology stocks were also Nvidia (-9.98% MoM), Advanced Micro Devices (-9.14% MoM) as well as Netflix, Inc. (-6.15% MoM). Best performers of this month were Deutsche Lufthansa AG with 16.41% MoM returns, CVS Health Corporation with 15.83% MoM as well as Mastercard Inc. with 14.10% MoM gains.



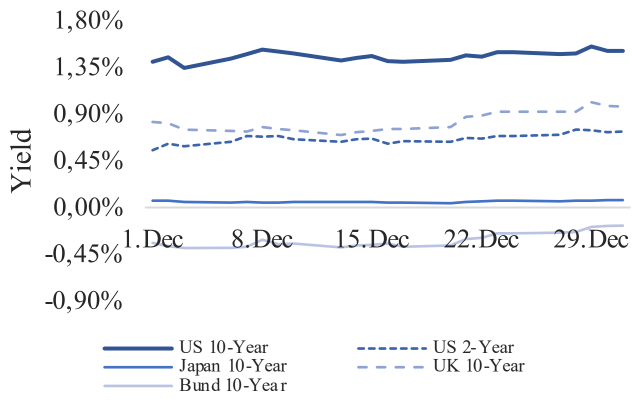
Felix Mitterer
Financial Markets Division

NIC Fund

Fixed Income

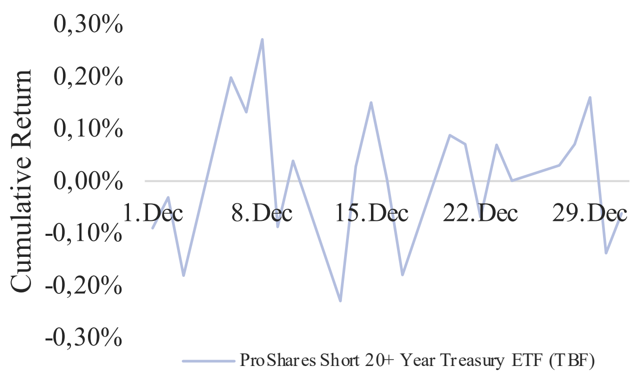
World Yields

December was a very positive month for the bond market and was influenced to a great extent by Central Banks' decisions in response to record levels of inflation and by the now lower uncertainty initially brought by the new Omicron variant. After this month's Federal Open Market Committee (FOMC) meeting, the US Federal Reserve has made a hawkish pivot to remove its pandemic-era monetary stimulus more quickly than previously expected in a bid to combat surging inflation. The Fed is now on track to end its asset purchases by March, three months earlier than initially planned, as it exits from the ultra-loose monetary policy enacted at the start of the pandemic. This action by the Fed led to an increase in the 10-Year US Treasury yield from 1.44% to 1.51% (+4.56% MTD), and to a significant rise in 2-Year US Treasury yield from 0.56% to 0.73% (+29.60% MTD), even though the Omicron spread drove the US to a new daily Covid-19 cases record. As for the UK, the yield on its 10-Year government bond rose 20.00% in December, having touched its highest level since 3rd of November at the end of 2021, which happened since the focus shifted to tapering of central bank monetary stimulus. Another factor that contributed to this was the investors' belief that the economic impact of Omicron is not as bad as it could be as the UK Prime Minister Boris Johnson's government managed to avoid imposing further restrictions despite record rises in new cases. Furthermore, the announcement of the European Central Bank to finally lower the pace of its pandemic purchase program in response to record levels of inflation led to an increase in the German 10-Year yield from -0.34% to -0.17% (+49.20% MTD). Similarly, Japan's 10-Year yield rose 24.60% MTD.



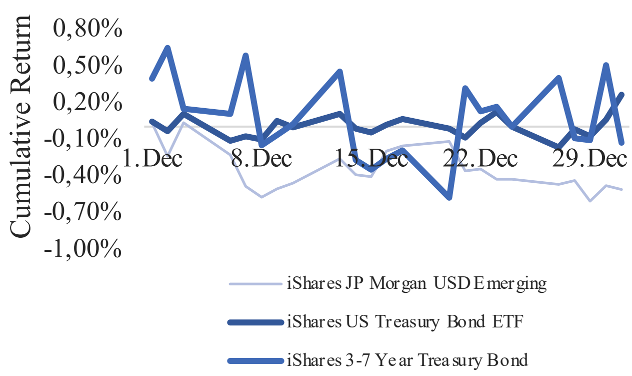
In Depth: ProShares Short 20+ Year Treasury ETF (TBF)

TBF is an ETF which is short long dated bonds as reflected in the ICE U.S. Treasury 20+ Year Bond Index. It seeks daily investment results, before fees and expenses, that correspond to the inverse of the daily performance of the ICE U.S. Treasury 20+ Year Bond Index. The fund charges a high management fee of 0.92% and is best used as a temporary hedging tool in a monetary tightening environment for investors that hold high duration portfolios. TBF is not an appropriate buy-and-hold vehicle as it loses its value throughout time. With inflation higher, unemployment at 50-year lows, the Fed will follow its dual mandate by raising rates in 2022. The market participants' question is around how aggressively the Fed will pursue its targets and what the timing is.



Our Performance

IEI ETF, tracking 3-7-Year US Treasury Bonds, our benchmark fund for fixed income, had a negative performance during December, earning a cumulative return of -0.40% MTD.



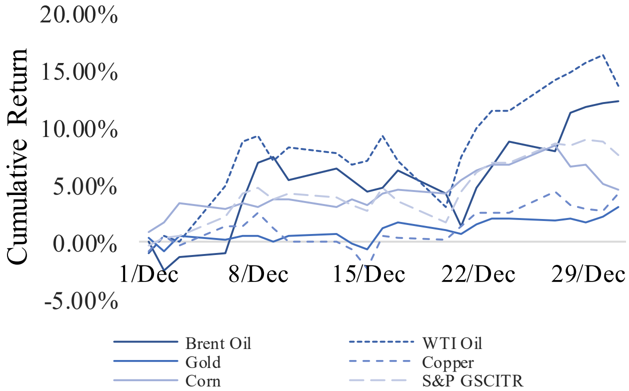
João Vaz
Financial Markets Division

NIC Fund

Commodities

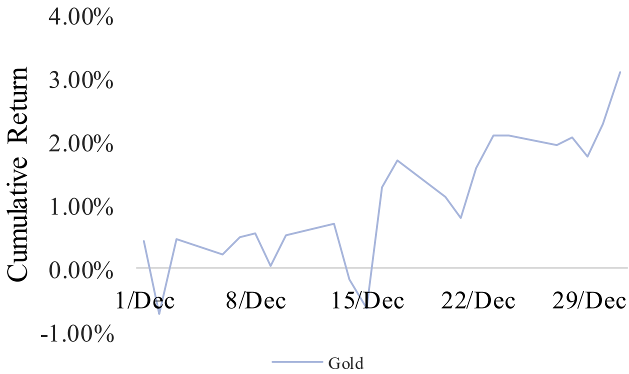
December Round-Up

Over the last year, commodities' strong performance has been a big part of the inflation story. Copper prices jumped to their highest level in 10 years, while soybeans, wheat, and corn traded near their best level in eight years. This huge gain continued in December. For the last month of 2021, WTI Oil and Brent Oil were the top gaining commodities this month, gaining 13.64% and 10.22% MoM, respectively, as oil finished the year up over 50% YoY, representing its biggest annual gain since 2016. While other commodities are affected significantly by the Covid-19 Omicron variant, it is expected to have only a low impact on the demand for oil. Further, OPEC reaffirmed its decision to increase oil production in 2022. In contrast, gold underperformed in December, returning 3.1% MoM, despite its 6-week high on 31st of December. The precious metal presented its sharpest annual decline since 2015 as the global economy pushed more investors towards riskier assets while trying to avoid the safe-haven asset.



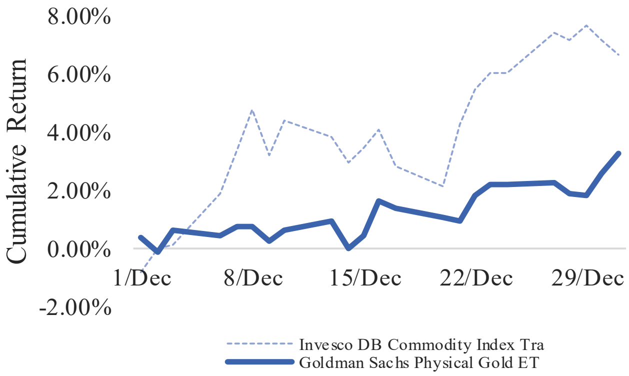
Outlook for January

2022 could become a difficult year for commodities, with the pandemic's impact on economic activity set to influence trading after a volatile year. The last 12 months were marked by a rally in energy assets that fueled inflation and a downturn in precious metals prices. As global central banks are tightening monetary policy as a reaction to supply-driven inflation, the upcoming month may become more challenging. While it is expected that the supply chain disruptions improve, lingering concerns over the Chinese property market likely put downward pressure on commodities; particularly metals, which are likely to struggle the most over the next couple of months. The performance of gold in January will largely depend on how the Omicron variant will affect the global economy. With inflation being stickier than previously expected, further loss of confidence in growth prospects could be bullish for gold. Oil is assumed to see strong supply growth particularly from non-OPEC nations which should push the global oil market back into a surplus. Further, the gas market, while being on a 7-year high, will stay volatile in the month of January and once the heating season is over, is expected to point towards lower prices. Even though developed markets will record stronger-than-usual growth, the pace of growth in global economic activity is expected to be slower than previously forecast.



Our Performance

During December, the Powershares DB Commodity Index returned 6.7% while the SPDR Gold Shares Index returned 3.2%, leading to an overall return of 5.3%.



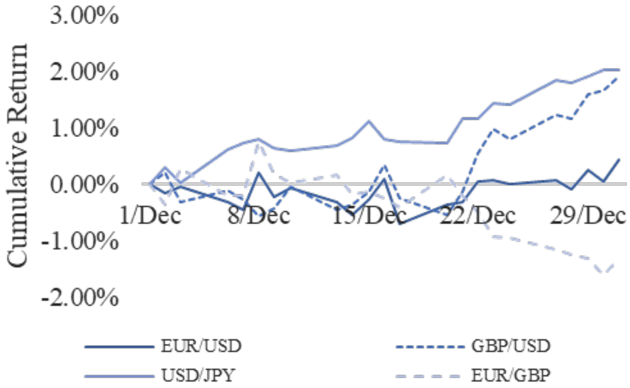
Raphael Northoff
Financial Markets Division

NIC Fund

Currencies

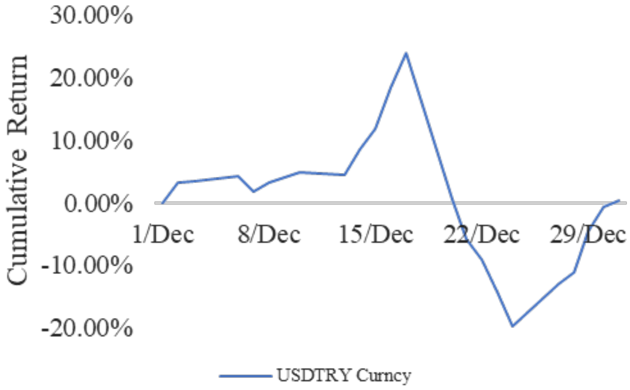
World Currencies

The Japanese Yen lost 2.04% against the US Dollar in December, in continuation of the trend that saw currency fall more than 10% throughout the year, its biggest annual slump in 7 years. Many analysts see the weakness as the result of the general sentiment that Omicron will have less dire consequences on global economic activity. This would in turn imply the US would remain on course to taper its bond purchase program and raise interest rates in 2022 as expected, offering a more attractive yield than that offered by Japanese sovereign debt. The British Pound edged higher against both the Dollar and the Euro in December by 1.91% and 1.32%, respectively. The currency was buoyed by continued rises in Gilt yields, driven by expectations that the Bank of England would raise interest rates in 2022 in light of high levels of inflation and tight labor market conditions. The Euro rose by 0.44% in December, ending a year of underperformance against the Dollar, resulting from a looser monetary policy stance from the ECB compared to the Fed.



In Depth

The Turkish Lira lost 44% of its value against the Dollar in 2021, its worst year since the 2001 Turkish financial crisis. The currency crisis, which has quickly gathered momentum in the last quarter of the year, has been driven by Turkish President Recep Tayyip Erdogan's macroeconomic mismanagement and encroachment on the independence of the Central Bank. Erdogan has insisted on cutting rates in the hopes that this would benefit the economy by strengthening the currency to support exports, attracting foreign direct investment, and creating employment. However, economists warn that such as policy risks producing runaway inflation and external financing pressures. Turkish citizens and businesses have sought to protect the purchasing power of their savings from greater than 20% inflation rates by dumping the Lira in exchange for Dollars and gold. In an attempt to stem the exodus and protect the Lira, the Turkish government announced a savings scheme, whereby it pledged to compensate savers for any losses if declines in the exchange rate exceeded interest rates offered by banks. It has also used its foreign currency reserves to directly prop up its currency, which contributed to the decrease in Net Foreign Assets from USD 20.0 bn to USD -5.0 bn in 2021. These policies have proven to be quite effective in curbing the fall in the Lira over the past month. However, they are also likely to be more of a short-term fix rather than a long-term solution. They will require the government to either print money, which would itself be inflationary, or borrow more money, which is not sustainable in the long term. It is unlikely that the Lira will regain its stability without a Central Bank that is credible in its willingness and ability reign in inflation.



Our Performance

We currently hold no currency related assets in our portfolio.

Nicolas Gomez
Financial Markets Division

Extras

Hot Topic

The Conflict Between Russia and Ukraine: Are We One Step Away From War?

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"Biden made clear that the United States and its allies and partners will respond decisively if Russia further invades Ukraine"

– Jen Psaki, press secretary, White House

The Russo-Ukrainian War is a protracted conflict between Russia and Ukraine that began in February of 2014. The conflict, which is still ongoing, has been a tragedy for Ukrainians, in which 14,000 of them have died thus far.

Recently, speculation has been mounting over Russia's intentions to invade eastern Ukraine. Moscow has positioned tens of thousands of soldiers and massive amounts of military equipment on the Russia–Ukraine border as relations between the two nations continue to deteriorate drastically. Some analysts estimate that Russia has already positioned 100,000 troops on the border.

Putin's troops look prepared to attack in what could look like a repeat of 2014. Back then, Russian military units attacked eastern Ukraine following Putin's seizure of the Crimean peninsula, successfully preventing the Ukrainian military from defeating Moscow-backed Russian-speaking Ukrainian separatists. If Putin was to escalate Russian intervention in Ukraine this winter, it would almost certainly be on a larger, even more undisguised scale that would not only cause much more destruction but would also radiate far beyond Ukraine.

Hundreds of thousands of Ukrainians could flee the fighting and bombardment, triggering a new refugee crisis. And if Russia were to occupy large swaths of Ukrainian territory, it could lead to a brutal and never-ending partisan war. In response to this conflagration, NATO member states bordering Ukraine would rightly demand more protection from NATO in fears of further Russian aggression and to contain any spillover. Furthermore, countries that advocate that NATO take a tougher stance toward Russia and offer more direct support for Ukraine, such as Poland and Lithuania, might be tempted to respond on their own, which could have unforeseen consequences in the heart of the European continent.

As a matter of fact, Moscow criticizes the U.S. provision of more security to the eastern members of NATO as a sign of aggressive intent, encouraging an escalating security crisis in Eastern Europe. That would drive up the cost of U.S. defense spending to maintain and modernize more ground forces to defend NATO members.

It has been incumbent on Biden, therefore, to make military action in Ukraine as unattractive as possible to Putin, while making restraint more tolerable. Threats of massive U.S. military aid to Ukraine aren't effective, because heavier weapons, such as modern air-defense missiles, are not likely to arrive in time to alter the military balance, which is heavily tilted toward Moscow. At the same time, such threats risk reinforcing Putin's logic that he must strike soon to prevent a stronger NATO military presence on his border.

From a geopolitical perspective, the Russian regime has much more to lose than the West in the event of defeat in a possible war in Ukraine. This does not mean that Russia could not engage in partial attacks. An all-out invasion is, of course, not the only alternative available.

In conclusion, a Russian invasion of Ukraine would create uncertainty throughout Europe. The issue of Ukraine is too serious for Putin's regime to bluff about a possible invasion or attack. That does not mean war is imminent, but it clearly remains a possibility. Therefore, a war will only be triggered if Putin has no other alternative or if he sees the possibility of a political gain large enough to take the risk.

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Hot Topic

The Covid-19 Impact on Chinese Foreign Direct Investment in Europe

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"While greater regulatory and political scrutiny abroad was a factor, the fall of Chinese outbound investment since 2017 is largely a Chinese story. Capital controls of outflows and the crackdown on large private conglomerates, such as Alibaba, tighter liquidity in the market, and concerns about access to sensitive personal data have become additional drivers"

– Thilo Hanemann, Partner at Rhodium Group

The Covid-19 pandemic has triggered unprecedented societal and business disruptions globally. Consequently, Foreign Direct Investment (FDI) experienced a slow down in many regions. In 2020, new and ongoing deals were halted by travel restrictions and global uncertainty. Focusing on China's overseas investment activity, stricter regulatory scrutiny on Chinese investments abroad, and domestic constraints on outbound capital flows have caused a decline each year since 2016. Indeed, China made efforts to stop capital from moving out of the Chinese borders to stabilize its currency. At the same time, policymakers in Europe imposed stricter rules to curb Chinese M&A activity further, fearing that state-backed Chinese companies would gain access to critical technologies. This trend has been further accentuated by the pandemic.

Currently, China is following a "zero-Covid" epidemic control strategy. The highest daily total amount of reported cases since April 2020 happened on the 26th of December 2021, with "only" 162 infections. This is marginal compared to other countries such as the US, reporting more than 265,000 new cases and 3,300 deaths a few days earlier. With the discovery of the Omicron variant, the Chinese government is worried about a nationwide outbreak and does not hesitate to put its cities in lockdown.

In 2020, total investment was diminished by lower M&A activity. Specific to China, its global outbound M&A activity reached a 13-year low. Completed M&A transactions were down 45% from 2019, with EUR 25.0 bn. However, Chinese greenfield investment reached its highest level since 2016, with nearly EUR 1.3 bn (20% of total FDI). The leading destinations for Chinese investment were France, Germany, and the UK, receiving more than 50%. In addition, Poland attracted a record of EUR 815.0 m, pushing the Eastern Europe region to become a new preferred destination for Chinese FDI. Chinese state-owned enterprises were responsible for 18% of the Chinese FDI in Europe, focusing on energy, infrastructure, and basic materials. However, private sector investment dropped by nearly 50% and was spread evenly across sectors such as infrastructure, Information and Communications Technology (ICT), and electronics.

In 2021, the average size of China's overseas M&A deals was also smaller than in previous years. Deal size declined from a peak level of USD 500.0 m in 2017 to slightly over USD 200.0 m in H1 2021. Five years ago, the US was one of the top destinations of China's outbound M&A deals. But, due to rising US-China tensions, it gave way to Europe. Due to the EU FDI framework tightening investment screening of Chinese investors, which came into force in October 2020, most deals are still pending approval. Indeed, Chinese companies are shifting their approach to acquiring European assets. Nowadays, Chinese companies tend to prefer building their factories in the EU instead of buying entire firms.

The Chinese cross-border deal-making longer-term outlook should be marked by cautious optimism from now on. While the interest in gaining market access to foreign key technology remained, the changing political circumstances, FDI screening, and other defensive measures will change the structure of Chinese FDI. Zenglein, an expert at Mercator Institute for China Studies, expects more venture capital investments or more onshoring of critical technology and R&D. Anyway, the trend towards shifting investment back to China has been encouraged by the pandemic.

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Hot Topic

Deal Making in 2021 – The Year in Review

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"Whenever CEO confidence is high, M&A activity increases. The world's resettled a bit coming out of the pandemic, and that is now giving a lot of companies an opportunity to really take note of where they want to go."

– David M. Solomon, CEO, Goldman Sachs

2021 marked the year with the highest mergers and acquisition deal values in history, reaching more than USD 5.0 tn.
The emergence of new investment vehicles, high levels of dry powder in the financial sponsors space and equity markets at all-time highs, altered the activity distribution of dealmaking groups globally. While strategic M&A is on track to reach its highest value in six years, it also accounted for the lowest portion of deal value yet; sponsor, SPAC, and VC deals grew two to five times faster. Global private-equity-backed deals reached USD 1.2 tn this year, a 110% increase compared with last year. Acquisitions by SPACs accounted for 10% of 2021 M&A activity, up from 5% during 2020. Alternative deal models, such as partnerships, also grew. Dealmaking shifted back to scale deals as companies sought to strengthen their core business in the wake of Covid-19.

2021 experienced a notable increase in volume of deals with values below USD 5.0 bn. Typically, about 400 to 500 deals of USD 500.0 m to USD 5.0 bn in value are announced in a year. In 2021 however, more than 800 of these mid-sized transactions were announced. Those numbers suggest that many companies are navigating the competition for assets in different ways, including through smaller and mid-sized transactions that could still deliver solid proceeds and ultimately be scaled for larger deals.

All regions saw an increase in M&A activity, with the U.S. rising 82% to an all-time high while Europe was up 45%, reaching a 14-year-high. Activity in Asia-Pacific was up 47%.
The technology sector was the most sought after for acquisitions this year, with USD 1.1 tn of deals announced, up 70% compared with last year and a record high. Financials was the second most popular, accounting for 13% of global M&A.
To compete, successful companies are expanding their M&A capabilities to address challenges in talent retention, revenue synergies, and ESG value creation. Amid the ongoing war for talent, dealmakers are very aware of the importance of good talent management during the transition period that follows a deal. According to Bain, M&A executives cite talent retention as a leading driver of deal success in today's market, yet they note retention is becoming more challenging than ever. Surprisingly, corporate acquirers have yet to put a significant emphasis on ESG, ranking it lowest on their list of diligence priorities today. However, most M&A executives expect this to change in the future. Winning dealmakers will evolve their diligence and integration playbooks, linking their broader corporate strategy to ESG for a given deal and leveraging ESG as a component of the asset's value creation plan.

Looking ahead, NIC is optimistic that the fundamentals of dealmaking will continue to attract buyers in the year ahead. According to research conducted by McKinsey & Co., most buyers expect deal activity to stay the same or increase in the coming year. However, M&A executives should continue to monitor the impacts of a tightening fiscal policy and regulatory landscape, and competition from financial investors with access to significant dry powder.

Top Deals of 2021

Date	Target	Buyer	Value ($m)
17 May	Warner Media LLC.	Discovery, Inc	96,153
14 Apr	VMware, Inc	Dell Technology	60,812
12 May	Naspers Ltd.	Prosus N.V.	46,138
22 Sep	MSP Recovery	Lionheart Acq. II	44,333

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ESG Review

Plastic Waste: An Opportunity

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“About 50% of all plastics are currently single-use, enforcing recycling rates will have a meaningful impact on the environment. For investors, understanding the potential environmental impact of their investments is increasingly important.”

– Hilde Jenssen, Head of Fundamental Equities at Nordea Asset Management

Every year, eight thousand tons of plastic reach our oceans. That is the equivalent of one truckload of waste per minute. This plastic has tremendous implications for the environment and leads to the death of a myriad of marine species. Plastic pollution also poses a threat to humans, as for example drinking water and fisheries are severely affected. With plastic production having climbed 150% over the last two decades, governments, the private sector, and consumers are increasingly aware of its detriment to our ecosystems. Companies that actively seek ways to reduce their production of plastic or even leverage plastic waste as a resource to create new goods are likely to be favored by consumers and advantaged by regulators. According to Nordea Asset Management, investors can reap the benefits of this dynamic by allocating funds to companies that are well-positioned to pursue a sustainable approach to plastic.

Although some waste is disposed of directly in the sea, with the likes of lost cargo or fishing nets, most originates on the land and is being carried to our oceans either by rivers or by extreme weather. On its journey to the ocean, much waste is broken down into many pieces leading to greater dispersion. Furthermore, smaller pieces are more easily consumable and mistaken for food by various marine species. Through the consumption of fish and other marine species, microplastics enter human bodies – posing serious health threats. Governments are increasingly aware of that and regulators in many developed countries are seeking solutions to avert this global catastrophe for people and the environment. Consumers have also become both more health-conscious and demanding in terms of sustainable business practices.

Companies that aspire to remain competitive in the face of changing consumer preferences and increased government regulation must find ways to incorporate a sustainable approach to plastic in their practices. There are multiple ways for companies to address the issue in their business operations.

The most effective lever to reduce plastic waste is simply the reduction of plastic use in the creation of goods. For instance, firms can focus on using alternative materials that will break down more easily than plastic in their products. An example of a very effective measure was the introduction of paper straws at fast-food chains or paper bags at grocery stores. Consumers are increasingly avoiding single-use items and prefer plastic-free packing. Companies aiming to cater to these new preferences will automatically reduce their plastic use.

The second most relevant lever is recycling. The number of conscientious individuals that have taken up the trend is increasing by the day, therefore companies with the know-how to decompose a complex set of materials are well-positioned to win over the next decade. Regulation around plastic use has become more stringent, which will benefit companies that have already done the necessary investments to using biodegradable packaging, such as Mondelez International. Businesses can be winners in this area by using easily-recyclable packaging or indeed by monetizing the recycling process.

Moving to practices that aim at either reducing or recycling plastic is inevitable to retain competitive strength in the long term. In the end, both investors and consumers will drive the private sector towards more sustainable practices.

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Thank you!

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

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