NIC

— Nova Investment Club —

Newsletter

December 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, Karolin Kolarik elaborates on the current political and economic turbulences in the Chinese market. Moreover, in our Regional View, Philipp Hauswurz discusses Europe's inflation outlook.

Our Investment Banking Division will guide you through October’s overall M&A activity. Read about Estée Lauder acquiring Tom Ford, KKR & GIP acquiring 50% of Vodafone’s Vantage Towers, and Johnson & Johnson taking over Abiomed. Additionally, get a detailed overview of what happened to Coinbase and Siemens Energy, and read our opinion on the collapse of FTX.

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 an analysis of the past month’s major market moves. The overall performance of the NIC Fund in October was positive, with a cumulative return of 5.76%. A gain that can be mainly attributed to Equities.

On the Hot Topic of this month, Jakub Nasilowski discusses China’s economic future. Lastly, in our ESG review in collaboration with Nordea, Filippo Marchesin discusses the role of commitment and engagement in Real Sustainability.

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Macro Overview

Monthly

December 7th, 2022

Market Moves

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	4,080	1.31%	3.16%	-14.39%
DJIA	34,590	1.16%	9.77%	-4.81%
Nasdaq	11,468	1.62%	-2.95%	-26.70%
MSCI World	3,154	0.48%	3.44%	-16.50%
MSCI EM	3,743	3.74%	-1.18%	-19.51%
Russell 2000	1,887	1.24%	2.30%	-15.98%
Euro Stoxx 50	3,965	0.46%	12.72%	-7.76%
FTSE 100	7,573	1.44%	3.97%	2.55%
Nikkei 225	27,969	-0.52%	-0.44%	-2.86%
Hang Seng	18,597	6.13%	-6.80%	-20.52%
Dollar Index	105.95	-0.12%	-2.53%	10.75%
EUR/USD	1.041	0.09%	3.50%	-8.48%
GBP/EUR	1.159	-0.09%	0.22%	-2.57%
GBP/USD	1.206	0.02%	3.75%	-10.89%
USD/JPY	138.070	-1.10%	-0.64%	19.98%
USD/CHF	0.95	0.32%	-3.25%	3.59%
Brent Crude	85.430	0.02%	-11.46%	9.84%
Gold	1,746.0	0.02%	1.69%	-4.52%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	3.605%	-8.7	41.3	209.5
GER 10Y Yield	1.930%	0.0	38.9	210.7
JPY 10Y Yield	0.253%	0.4	2.7	18.2
UK 10Y Yield	3.161%	15.0	36.0	219.0
PT 10Y Yield	2.877%	4.8	24.9	241.2

**Source: Bloomberg, as of 2022-11-30*

In Focus

November

Food prices decline, easing inflation pressures. Food prices, which have been a major contributor to inflation, fell in November. A slight 0.1% decline into the lowest point since January. The November reading of the US Consumer Price Index showed that inflation fell to 7.7%, from 8.2% YoY, surprising investors and giving Wall Street its biggest gain since 2020.

China to loosen Covid-19 restrictions after a week of protests. China's Covid-19 cases in November spiked to record highs. Despite this, society, fearing for the Chinese economy, demands a loosening of the hitherto strict zero covid policy. After mass protests in industrial provinces, authorities in seven large hubs announced the lifting of periodic lockdowns.

The West proposed a price cap on Russian oil. As the war in Ukraine continues, the money from oil exports still contributes to Putin's budget. In November, EU countries discussed the details of limiting the price of Russian oil. The mechanism is to allow Western countries to import the commodity from Russia, while at the same time limiting its price to reduce the aggressor's income. The final price cap was set at USD 60 per barrel. Nothing is sure yet, since, for the mechanism to enter into force, it still needs the approval of member state governments.

President Joe Biden lifting sanctions on Venezuela. Former President Donald Trump imposed sanctions on oil from Venezuela. It seems that the current president Joe Biden has slightly different plans for cooperation with the South American country. At the end of November, the Biden administration decided to grant Chevron, an oil giant, permission to export oil from Venezuela. Such a move could help mitigate the effects of the energy crisis the US is currently facing.

The football World Cup kicked off in Qatar. In 2010, a decision was made to host the World Cup in Qatar. This is the first tournament to be held in the Middle East and the first to take place in an Islamic country. The very choice of Qatar to host the World Cup has sparked controversy. Over time, more and more of them began to appear. A series of controversies surrounding Qatar caused many public figures, football teams and companies to openly criticize the authorities' actions in Doha.

The Fed will slow down rate hikes. Jerome Powell surprised the markets during his speech on the last day of November. He made it clear that the Federal Reserve would most likely raise rates by less than 75 basis points at its mid-December meeting. The market currently estimates that the peak will take place at 5.0%, in line with earlier announcements of the US central bank.

Cryptocurrency exchange FTX files for bankruptcy. The company has filed for chapter 11 protection in the US. FTX's valuation dropped to bankruptcy from more than USD 32 bn. Sam Bankman-Fried's company now has more than 100,000 creditors and tens of billions of dollars in liabilities.

Winter is coming inexorably for the countries of Europe. The result of Russia's aggression against Ukraine is the European embargo on Russian coal and restrictions on gas supplies to Europe. That means winter challenges. European countries have already taken concrete steps to prepare for winter: they have filled gas storage facilities, are expanding or re-introducing some power plants, and are trying to reduce electricity consumption and limit peak demand. Europe is still heavily dependent on gas, so there is no doubt that Europe's energy sector will be under great pressure this winter.

Jakub Nasilowski
Financial Markets Division

Deeper Dive

Current Political and Economic Turbulences in the Chinese Market

Karolin Kolarik
Investment Banking Division

"What's happening in China reminds us of the fact that Covid is still a really big live issue in the world's second-biggest economy."

– Ian Stewart, Chief Economist, Deloitte

China's radical zero-Covid strategy is proving to be unsustainable, as currently both, incidences and public discontent, are rising. Over the past weeks, unrest became louder, and more and more people decided to go on the streets to protest against the measures implemented by the Chinese Communist Party. This happens at the same time as the number of quarantined people is increasing to a level equal to the Omicron wave last winter. The conflict of interest is also reflected in the low number of vaccines. Also, vaccines developed and used in China proved to be less effective than other internationally used vaccines. Still, China decided not to go with the broadly acknowledged vaccines for political reasons. The developments have caused reactions from other nations, such as Biden's chief medical adviser, Antony Fauci, describing China's approach to Covid-19 as "draconian", restricting people with lockdowns without any path to resume a normal life. Also, the country has not done enough to vaccinate the older portion of the population, said Fauci.

Currently, Chinese authorities are in a difficult situation, as regardless of which paths they decide, consequences will be severe. The first option is to stick to the zero-Covid strategy, which requires authorities to restrict areas showing a particularly high number of new cases. These are the areas that are responsible for more than 50% of China's GDP. "It's not the protests weakening the economy, but the zero-Covid policy", says Carl Weinberg, chief economist at High Frequency Economics. The second option is to loosen up the restrictions, which would result in a surge in cases. This would be overwhelming for the Chinese Healthcare system, as China has fewer than five care beds per 100,000 people, compared to 30 in Taiwan and more than 10 in South Korea and Thailand. This, in return, could lead to another strict lockdown, similar to the national lockdown in 2020, which hit the economy hard. This instability has introduced concerns about the economic cost of the political choices being made, and is also reflected in the performance of the Chinese yuan and stock market. The international implications of a weakened Chinese economy can, amongst others, be seen in industrial goods. China is the world leader in terms of spending on natural resources to fuel its industrial services. Its importance as the biggest importer of petroleum is undeniable, as the country has been manufacturing 30% of the world's goods in 2021. A declining demand from China is already currently reflected in lower commodity prices, as Chinese oil demand is expected to be approximately 15.1 million barrels a day this quarter, compared to 15.8 million a year ago. Energy experts highlight that by growing numbers of Covid-19 infections, and associated restrictions, energy prices will be back to levels we have seen before Russia's invasion of Ukraine. Another instance is the disruption of supply chains and China's missing coverage in demands. There have been concerns that continuing unrest could further slow the production and distribution of integrated circuits, machine parts, household appliances, and more. Another lockdown might worsen the shortcomings in deliveries again and might push current global inflation further up. Concerns about this impact are reflected in the world markets. Concretely, the S&P 500 index lowered by 1.5% by the end of November, while the dollar moved higher.

Consequently, international economies are incentivized to further disengage from Chinese supply chains and build up independent and more local supplier networks. Recently, Apple, which expected lower sales due to missing raw materials, shifted a small portion of its production to Vietnam and India. Other companies, such as Tesla and Volkswagen, used to rely on continuous growth in China and find themselves now in the same precarious situation as many others. Looking at the behaviour of investors, the momentum is still positive about the future potential China holds, not only for being a leader in production but also transitioning to a country with strong consumption.

Karolin Kolarik
Investment Banking Division

Regional View

Has Europe's Inflation Reached its Peak?

Philipp Hauswurz
Financial Markets Division

"It's looking likely that we've seen the peak"

– Peter Schaffrik, Chief European Macro Strategist, Royal Bank of Canada (RBC)

"We do not see the components or the direction that would lead me to believe that we've reached peak inflation and that it's going to decline in short order"

– Christine Lagarde, President, European Central Bank (ECB)

After a decade of strong growth, low-interest rates, and low inflation in Europe, some predicted coming inflation when the economy reopened after the Covid-19 pandemic. During that time, the European Central Bank (ECB) took strong monetary policy measures to support the economy. However, it remained open when it would come and how high it would be.

After several months at -0.3% at the end of 2020, the Harmonised Index of Consumer Prices (HICP) rate in the euro area rose again in January 2021, driven by rising food prices, energy prices, and also one-off tax effects. After some assumed that the effect would be one-time, inflation continued to accelerate throughout 2021, increasing on a monthly basis, so that the HICP in the euro area was 5% YoY in December.

On 10th March 2022, the ECB for the first time announced that it expects inflation rates to rise as a result of Russia's attack on Ukraine and is considering tightening monetary policy for the first time. Before that, the ECB still assumed inflation would be a temporary phenomenon. In the coming months, inflation in Europe continued to accelerate more and more, driven mainly by rising energy prices, which were strongly accelerated by the escalation of the Russia-Ukraine conflict, increasing food prices, and persistent bottlenecks from the semiconductor sector. At a meeting in the Portuguese Sintra in June 2022, Christine Lagarde concretized the plans to raise the interest rates in July 2022. At the same moment, the FED had already adjusted interest rates three times in the current year, and the HICP in the eurozone was 8.1% in May 2022.

On 21st July 2022, ECB chief Christine Lagarde finally announced a 0.5% increase in the main lending rate, the marginal lending rate, and the deposit rate in the eurozone. The long wait most obviously came from the concern of not slowing down economic opening too much.

At the end of August, at the annual meeting of the major central banks in Jackson Hole, a consensus was reached to take further tough actions, saying that the persistently high inflation was unexpected. Subsequently, on September 8th, the ECB announced a significant increase in the three key interest rates by 0.75% each. In October, inflation in the US weakened for the first time by 0.1% compared to the previous month. In the eurozone, on the other hand, there is still no sign of inflation leveling off, with the HICP rising to 9.9% in September and breaking the 10% mark for the first time in October at 10.6%. This prompted the ECB to raise the interest rate again to 2% at the end of October.

However, at the end of November, a first decline was also recorded in the eurozone after 17 months of constant inflation growth. A slowdown in energy and service prices helped the eurozone HICP fall to 10% YoY in November. Although food, alcohol and tobacco prices continued to rise to 13.6%, energy price growth fell to 34.9% YoY from 41.5% in October and was the main driver along with a slight decline in service prices.

Whether this is a one-off decline or a lasting reversal of the trend will be seen in the coming months and will also depend on numerous factors, whereby the development of energy prices is most likely to be the decisive factor. Even financial experts are still divided on whether this was the peak or not, but if there is consensus, it is that even 10%, in the long run, is much too high above the 2% target of the ECB prevails. Andrew Kenningham, the chief Europe economist at Capital Economics, describes that core inflation would "remain stubbornly high" in the eurozone and stay well above the ECB's target throughout next year.
The ECB also sees it that way and will therefore talk in December about further key rate adjustments to counteract inflation. It will be very interesting to see whether they take the pace out of increases like the Fed in the US or press the brakes even further.

Philipp Hauswurz
Financial Markets Division

Macro Overview

Economic Calendar

Economic and Political Events

Presidency of the European Council

The month of December signals the last month of the Czech Republic with the Presidency of the European Union, with the official transfer of power occurring on the **1st of January,** to Sweden, at a time when rising energy prices and the Russia-Ukraine war alarm Europe.

US – Africa Leaders Summit

President Joe Biden will host leaders from across the African continent in Washington, DC on **December 13th**. The summit's goal is to focus on new economic engagement between both parties and increase cooperation on shared global priorities.

Qatar World Cup

The 2022 edition of the World Cup is currently undergoing in Qatar, with the final taking place on the **18th of December**. The tournament has been controversial, with many countries and players actively criticising the violation of human rights and corruption related to the organisation of the event.

Central Bank Decisions

Upcoming Fed Interest Rate Decision

The Federal Reserve's Chairman, Jerome Powell, hinted that the Fed might need to "moderate the pace of our rate increase", which triggered optimism within the market. The next FOMC meeting will take place on the **13th – 14th of December**.

Bank of England Interest Rate Decision

On the **15th of December,** the Bank of England's Monetary Policy Committee (MPC) will announce a new key interest rate. Last month, UK interest rates rose by 75 basis points to 3.00%, the largest increase since 1989.

Bank of Japan Monetary Policy Decision

The Bank of Japan is examining the side-effects of prolonged monetary easing and the impact of a future exit on ultra-low interest rates. The next meeting will occur on the **20th of December,** whilst base rates have been in the negative territory since 2016.

Inflation and Deflation

Euro Area Inflation

Inflation in the Eurozone fell for the first time in 17 months, with a CPI of 10.0%, down from a peak record of 10.6% in October, as communicated by the EU's statistical agency on the **30th of November**.

US Inflation Expectation

The US Consumer Price Index will be released on the **13th of December**, and after a 0.4% month-on-month growth in CPI last month, a 0.5% is expected as US CPI is expected to begin stagnating at 5% annualized.

Germany Consumer Price Index

Germany consumer prices cooled slightly this month but remain near record highs at 11.3%, as recorded on the **29th of November,** whereas higher energy prices remain one of the key inflation drivers.

Labour Market

US Employment Readings

US Payroll numbers will come out on the **4th of December**, after having registered 261,000 new positions last month, above the consensus of 200,000. The overall consensus remains divided regarding the extent the effect of the Fed's hawkish stand will have on unemployment.

UK Labour Market

The UK Labour Market Statistics were released on the **15th of November**, outlining a fall in the unemployment rate to 3.6%, below pre-pandemic levels, despite concerns of an upcoming recession.

Euro Zone Unemployment Data

The unemployment rate in the eurozone fell to a new record low of 6.5%, with a reduction of 142,000 jobless people in the month of October. Nonetheless, analyst consensus remains pessimistic for the next release on the **9th of January**.

Tomás Forte Vaz
Financial Markets Division

Investment Banking

M&A

Overall Activity

Global

Global M&A activity experienced the slowest start to the last quarter since the onset of the pandemic in 2020. The aggregate disclosed deal value for the past November was c. EUR 214 bn, a -59.53% decline compared to last year. Corporates, investors, and advisors continue to struggle with a variety of challenges: global inflation and the knock-on effects of tighter financial conditions impacting deal financing as well as market volatility, and the ongoing war in Ukraine. Furthermore, caution amongst dealmakers was most visible in the transaction values of the top ten deals of the month – only two reached the double-digit category, compared to six in November 2021. The two biggest transaction were the acquisition of Abiomed by Johnson & Johnson and the buyout of Origin Energy by Brookfield and MidOcean Energy. In addition, large Information Technology and Real Estate deals buoyed aggregate sector deal values. However, the slowdown was evident across all sectors. Lastly, a slump in global private equity and venture capital entries was consistent with the overall global M&A trend, despite the ever-increasing aggregate dry powder.

Selected Regions

North America

M&A activity in America, both in terms of deal count and disclosed deal value, was higher than EMEA and Asia Pacific in November 2022. Nevertheless, deal count and disclosed deal value have declined by c. 54% and c. 45%, compared to last year, respectively, mainly driven by inflation concerns and rising interest rates. The largest transaction was the takeover of Abiomed by Johnson & Johnson.

EMEA

As EMEA countries are facing significantly higher energy costs given Europe’s strong dependence of Russian gas, investor’s confidence has decreased – driving down M&A deal count and disclosed deal value by c. 23% and c. 70%, respectively, compared to the previous year. The management buyout of PJSC VimpelCom at EUR 5.88 bn was the frontrunner among the largest transactions in November.

Asia

Asia Pacific has suffered major decreases in M&A activity, with both deal count and disclosed deal value falling by more than 45%, compared to previous years. This is primarily due to the current macroeconomic issues and recent pandemic-related restrictions imposed across several major cities in China. Only one deal exceeded the double-digit mark, namely the buyout of Origin Energy by Brookfield and MidOcean Energy.

M&A

Deals of the Month

Announced Date	Target	Buyer	Target Region	Target Business	Value (EUR m)	Premium (%)
1 Nov 22	Abiomed Inc.	Johnson & Johnson	US	Healthcare (Medical Device Technology)	19,183.33	33.66%
10 Nov 22	Origin Energy Limited	Brookfield Asset Management Inc. & MidOcean Energy Holdings	AU	Energy & Utilities	11,485.24	35.44%
29 Nov 22	HSBC Bank Canada	Royal Bank of Canada	CA	Financial Services	9,620.79	-
07 Nov 22	Summit Health Inc.	Walgreens Boots Alliance, Inc. & Village Practice Management Company, LLC	US	Healthcare (Healthcare Services)	8,918.73	-
07 Nov 22	IAA Inc.	Ritchie Bros. Auctioneers Inc.	US	Consumer & Retail (E-Commerce)	8,566.13	14.99%
24 Nov 22	PJSC VimpelCom	Existing Management	RU	TMT (Telecommunications)	5,877.26	-
04 Nov 22	Yamana Gold Inc.	Pan American Silver Corp. & Agnico Eagle Mines Limited	CA	Mining	5,182.31	18.91%
09 Nov 22	Howden Group Limited	Chart Industries, Inc.	UK	Industrials	4,380.72	-
07 Nov 22	Summit Industrial Income REIT	GIC Private Limited & Dundee Industrial Real Estate Investment Trust	CA	Real Estate	4,277.81	23.70%
09 Nov 22	Vantage Towers AG	KKR & Co. Inc. & Global Infrastructure Partners, LLC	DE	TMT (Telecommunications)	3,200.00	-

Yutong Wang
Investment Banking Division

M&A: Top Deals

Estée Lauder to Acquire Tom Ford

On the 15/11/2022, The Estée Lauder Companies Inc. " ECL" announced the acquisition of Tom Ford SA for a consideration of approximately USD 2.8 bn due in cash, debt and deferred payments. The transaction is expected to close in the first half of next year, pending regulatory approvals. Financial advisors on the transaction were PWP for ECL and Goldman Sachs for Tom Ford.

Buyer vs Seller

US-based The Estée Lauder Companies Inc. is the world's second largest cosmetics company and the global leader in prestige beauty, engaged in the marketing and selling of quality skin care, makeup, fragrances, and hair care products. Tom Ford SA is an American high-end luxury fashion company founded by Tom Ford in 2005. Its product line features ready-to-wear and made-to-measure offerings, as well as footwear, accessories, and handbags.

Industry Overview

The global cosmetics market was valued at USD 287.9 bn in 2021 and is projected to grow to USD 415.29 bn in 2028 at a 5.0% CAGR. Thereof, skincare products was the leading industry category, accounting for about 42% of the global market, followed by haircare products (22%) and make-up (16%). The main factors driving industry growth include rising awareness regarding health, hygiene and grooming, the adoption of sustainable cosmetics, and e-commerce platforms.

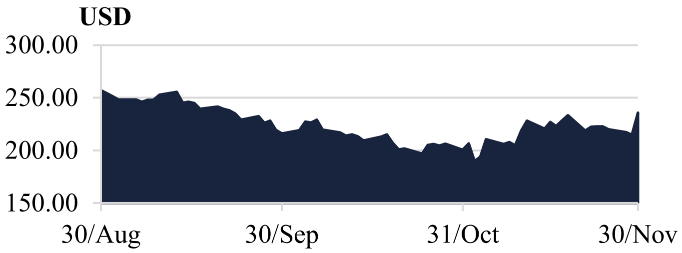
Peers	Currency	Market Cap (CUR m)
Revlon Inc	USD	55.39
Procter & Gamble Co/The	USD	353,677.26
Nu Skin Enterprises Inc	USD	2,018.32
Colgate-Palmolive Co	USD	64,937.90
Kimberly-Clark Corp	USD	46,101.42

Deal Rationale

Given Tom Ford's strong position in the luxury fragrance and make-up industries, the company has enjoyed strong momentum across channels and key markets resulting in a prestige fragrance ranking in the top 15 in the United States and top 10 in China. ELC's benefits include securing the long-term cash flow from the fast-growing TOM FORD BEAUTY brand, the elimination of royalty payments on beauty upon closing, new licensing revenue streams, and other synergies. ELC expects this transaction to be dilutive to adjusted diluted EPS in fiscal 2023 by (USD 0.05) to (USD 0.15), primarily from one time acquisition-related costs.

Market Reaction

The Estée Lauder Companies
Two weeks prior to the announcement of the acquisition of Tom Ford SA, ECL's stock price rose by c. 20% and has been trading between USD 235.8 and USD 219.4 since then.



Tom Ford
Tom Ford SA manufactures apparel for men and women. It offers ready to wear, dresses, jackets, jeans, knitwear, outerwear, skirts, shoes, sandals, pumps, boots, sneakers, handbags, clutches, cross body bags, shoulder bags, accessories, belts, jewelry, and hats for men and women. The company was founded in 2005 and is based in New York, New York. Tom Ford currently operates 98 stores and shop-in-shops across the globe. The Italian producer of luxury menswear Ermenegildo Zegna owns further 15% of the company and has extended and expanded the scope of the long-term fashion licensing deal to manage Tom Fords non-beauty businesses upon transaction closing.

Future Challenges

The US cosmetics giant, while it has buckets of beauty know-how, it is not well positioned in the fashion industry. Although long-term apparel and accessories licensee Zegna will operate this side of the business, the two companies will need to keep delivering Tom Ford's trademark mini-dresses and killer heels to create a halo around the name. Keeping Tom Ford at the forefront of consumers' minds is crucial to selling its high-priced lipsticks and fragrances.

Ignacio Klimowitz
Investment Banking Division

M&A: Top Deals

KKR & GIP to Acquire up to 50% of Vodafone's Vantage Towers

On 09/11/2022, Vodafone announced to sell parts of its telecommunication infrastructure company Vantage Towers by forming a joint venture with KKR and GIP. The voluntary takeover offer amounts to approx. EUR 3.0 bn, reflecting a price of EUR 32.0 per share and a premium of 19% to the 3-month volume-weighted average price. Deal closing is expected by Q2/2023.

Buyer vs Seller

Vantage Towers AG is one of the largest providers of telecommunication towers in Europe, operating 82,000 masts in ten European countries. Backed by the Public Investment Fund of Saudi Arabia, among others, KKR & Co Inc, a leading private equity firm, providing alternative asset management services, and Global Infrastructure Partners LLP, an investment fund specializing in the energy, transportation, digital, water and waste sectors, lead the buy side.

Industry Overview

Due to its growing importance within a globalized and fast-paced world, during the last years, the telecom towers market has established its position as an independent industry. It is expected to grow at a CAGR of 3.34% by 2027, which is predominantly driven by the effects of the pandemic on the demand for internet services, the focus on expanding internet access in more rural areas as well as implementing 5G technology to existent wireless networks.

Peers	Currency	Market Cap (CUR m)
Infrastrutture Wireless Italia	EUR	9,302.42
IHS Holding Ltd	USD	2,294.74
Cellnex Telecom SA	EUR	24,726.64
Salcef Group SpA	EUR	1,080.77
ACS Actividades de Construccio	EUR	7,737.80

Deal Rationale

According to Vodafone's CEO Nick Read, the deals' cash proceeds, ranging between EUR 3.2 and EUR 7.1 bn - depending on final decisions of minority investors and the size of the acquired stake - will be entirely used for deleveraging purposes. Herewith, the CEO might have tried to temporarily reduce the pressure from Vodafone's shareholders for not fulfilling his promise to monetize assets and advance consolidation of mobile markets. Looking at the buy-side, the transaction provides KKR's and GIP's investors with rare access into in an otherwise slow market, that yields predictable returns in volatile markets.

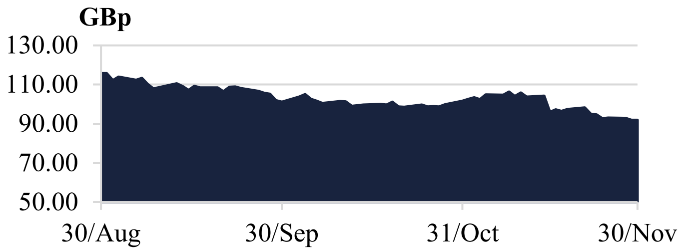
Market Reaction

KKR & Co Inc & GIP LLP

Together, the consortium already tried to invest into Deutsche Telekom AG's tower business earlier this year but missed the deal to Brookfield Asset Management and DigitalBridge Group. By seeking strategic partnerships with operators of network towers, KKR an GIP are planning on capturing the telecom towers market growth potential by supporting operators in improving and growing their masts portfolios. While GIP brings deep knowledge in infrastructure, KKR adds decades of investment and asset management experience to the partnership. This makes the consortium a valuable joint venture partner for operators trying to raise funds for the 5G rollout and manage demand surges from the pandemic.

Vodafone Group

The market reacted negatively to the terms of the deal, shown in Vodafone's share price falling more than 2% to GBP 104.10, which is not far from their 2-year lows.



Future Challenges

Although negotiations on the deal are at an advanced stage and Vantage Towers is recommending shareholders to accept the voluntary takeover offer, a GIP insider commented that the closing of the deal is not yet certain and could be delayed or even fail, according to Bloomberg. Other than that, the transaction is still subject to regulatory clearance.

Charlotte Mayr
Investment Banking Division

M&A: Top Deals

Johnson & Johnson Services Inc to Acquire Abiomed Inc

Johnson & Johnson announced the acquisition of Abiomed on 01/11/2022. Johnson & Johnson will acquire through a tender offer all outstanding shares of Abiomed, for an upfront payment of USD 380.0 per share in cash, corresponding to an enterprise value of approximately USD 16.6 bn. The acquisition is expected to close in the first quarter of 2023.

Buyer vs Seller

Johnson & Johnson is a global healthcare conglomerate with a broad range of diversified products separated into pharmaceutical, medical devices, diagnostics, and consumer division. Abiomed is a provider of medical technology providing circularity support and oxygenation. The products are designed to enable the heart to rest by improving blood flow and performing the pumping mechanism of the heart. J.P. Morgan Securities LLC and Goldman Sachs & Co. LLC acted as exclusive financial advisors.

Industry Overview

The MedTech industry comprises the most important markets for in vitro diagnostics, medical devices, and digital health. Revenues in the MedTech market reached USD 520.3 bn in 2021 and are projected to grow at a CAGR of 5.95% (2022-2027). The market is tightly regulated by regional legislation that governs safety and performance of devices. Covid-19 boosted revenues directly via increased sale of PCR tests and indirectly by a general increase in the number of patients.

Peers	Currency	Market Cap (CUR m)
Integer Holdings Corp	USD	2,454.68
Shockwave Medical Inc	USD	9,124.48
Boston Scientific Corp	USD	66,058.20
Edwards Lifesciences Corp	USD	47,952.28
Merit Medical Systems Inc	USD	4,127.80

Deal Rationale

Upon acquisition, the deal is expected to be slightly dilutive to Johnson & Johnson's EPS due to the financing needed to acquire the target. Company estimates suggest that the deal will add USD 0.05 to Johnson & Johnson's EPS from 2024 and be increasingly accretive after that. From a strategic standpoint, Johnson & Johnson announced plans to divest the consumer health division and focus more on their MedTech and pharmaceutical segments earlier this year. The target will be a first step towards expanding the MedTech segment and will add sustainable revenues to the buyers topline.

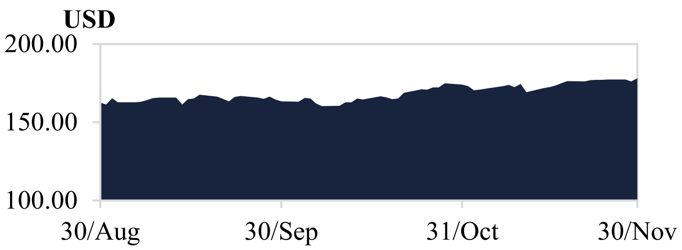
Market Reaction

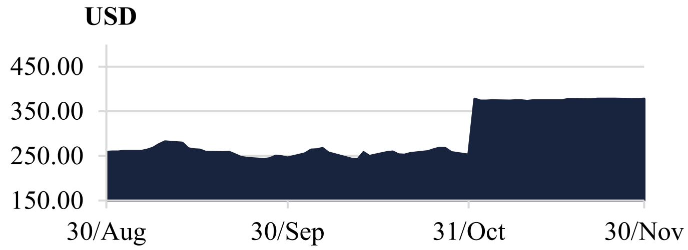
Johnson & Johnson

The company's stock decreased by almost USD 4 (2.03%) two days after the announcement. Currently, the stock is trading at USD 178.4.

Abiomed

Prior to the announcement of the transaction, Abiomed's share price was USD 252.1. It jumped to USD 377.8 right after the announcement and the stock is currently trading at USD 377.4.





Future Challenges

The closing of the transaction is conditioned on the tender of a majority of the outstanding shares of Abiomed's common stock, as well as the receipt of regulatory approvals and other customary closing conditions. Abiomed will operate as a standalone business, and it is to be determined whether sufficient synergies can be realized as the company continues to operate independently.

Marie Klingsporn
Investment Banking Division

What Happened To

Coinbase Global, Inc.

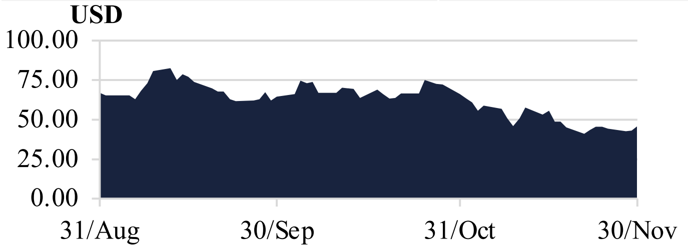
Coinbase is a US-based cryptocurrency exchange founded in 2012 and has long since been a major cryptocurrency player in the retail trader market. In 2020, the company was a first mover to a remote-first working model, seizing the opportunity presented by the pandemic to attract significant human talent by offering what were already competitive US salaries all around the world.

Corporate News

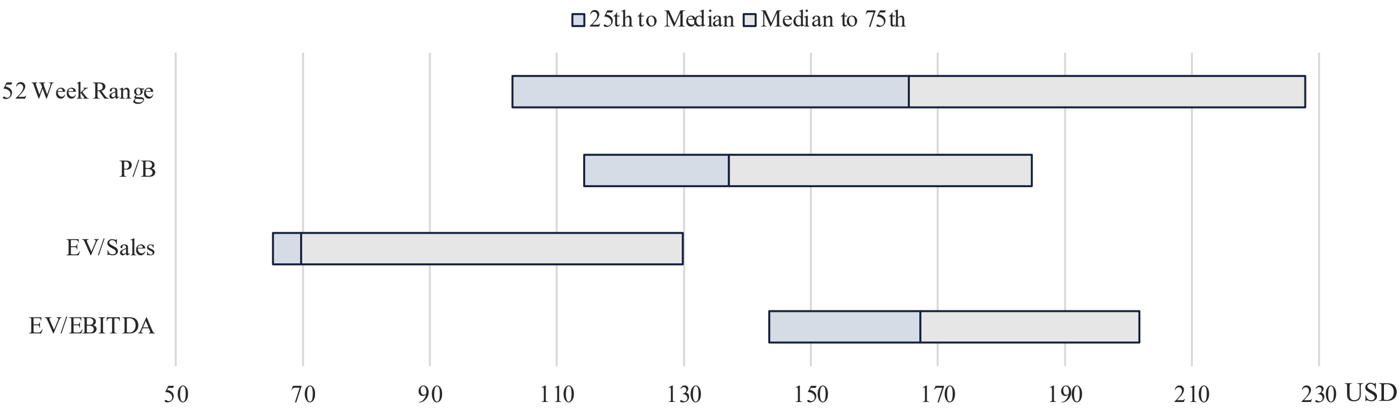
Coinbase finds itself in a concerning situation mostly not of its own doing: With FTX's recent collapse, all other major cryptocurrency exchanges have faced distressing calls from investors regarding their financial viability, accounting diligence, and risk-taking when it comes to withdrawal risks.

Coinbase's corporate bonds have taken a hit, with its bonds maturing in 2028 tumbling approximately 10% in price and increasing 14% in yield in the last month. The bonds had been trading at USD 0.90 at the start of the year but are now down 34.4% to USD 0.59. John McClain, a portfolio manager at Brandywine commented in mid-November that "Given where the debt is trading, it would imply distressed valuations", further pointing toward investors signaling that after FTX, the valuations of all cryptocurrency exchanges are now under significant scrutiny.

Price (30 Nov 22, USD)	**47.67**
Target Price (EUR)	68.50
3M Performance	-28.64%
Market Cap (EUR m)	10,819.45
Enterprise Value (EUR m)	9,496.97
**Target Price is for 12 months*	



Valuation Analysis



Coinbase's target price has been slipping over the last year, peaking in April 2021 at approximately USD 100.0. Although still maintaining an overall Buy recommendation from the analyst consensus, the view appears to be turning pessimistic with several equal weight downgrades occurring in July 2022. As its price target slips, it becomes more in line with valuation methods based on pure fundamentals, as the football field illustrates.

It appears that the market is now valuing Coinbase more on its actual performance as opposed to its potential performance, which would be in line with the issues that crypto has encountered in the last few months. Moody's signals further troubles for Coinbase ahead, with it predicting that the exchange will face decreasing trading volumes owing to a loss of retail consumer confidence in crypto as an asset class.

Peers	Currency	Market Cap (USD m)
MoneyGram International Inc	USD	1,056.20
WEX Inc	USD	7,466.62
FleetCor Technologies Inc	USD	14,278.46
Western Union Co/The	USD	5,576.31
Euronet Worldwide Inc	USD	4,645.95

Guilherme Capinha Lopes
Investment Banking Division

What Happened To
Siemens Energy AG

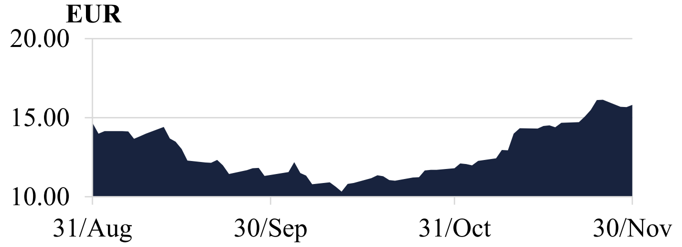
Siemens Energy is an energy technology firm based in Germany. The company specializes in the design, manufacture, and delivery of renewable energy products, installation, and technologically advanced services. The firm's product portfolio includes, among others, gas and steam turbines, generators, gas engines, as well as instrumentation and controls.

Corporate News

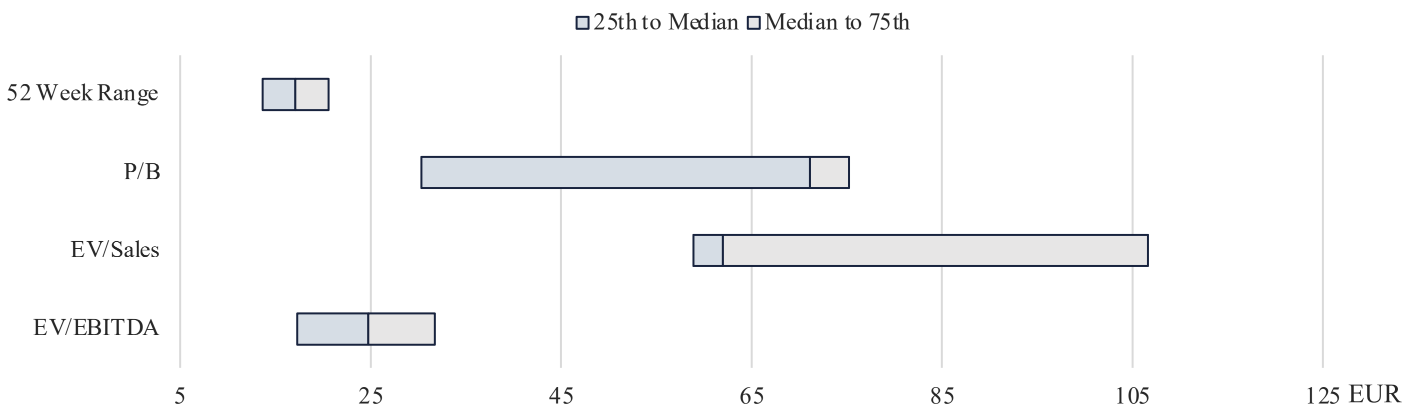
Siemens Energy's share price has experienced a downward movement throughout 2021 but has recently managed to recover to some extent. An important corporate update was the tender offer for Siemens Gamesa Renewable Energy which ran into financial difficulties due to high inflation and corresponding costs. The firm is supposed to be undergoing internal restructuring measures after the closing of the acquisitions. The recent increase in Siemens Energy's stock price can be attributed to the following reasons: Siemens Energy achieved a significant increase in its financial performance for Q4 2022. Sales increased by 12.0% to EUR 9,18 m. In addition to the short-term improved results, Siemens Energy has increased its forecast and expects a revenue increase of 3-7% in 2023. Furthermore, the company targets a higher profit margin, which is expected to increase from 1% to approximately 2-4%.

Price (30 Nov 22, EUR)	**16.08**
Target Price (EUR)	22.00
3M Performance	9.57%
Market Cap (EUR m)	11,684.45
Enterprise Value (EUR m)	8,201.45

**Target Price is for 12 months*



Valuation Analysis



Siemens Energy shares have fallen steadily since the beginning of 2021, partly due to operational concerns of the group and partly due to rising costs and interest rates. During October 2022, the company's share price marked a new low for the year at around EUR 10.0 but recovered significantly to approximately EUR 16.0. On a year-to-date basis, however, the company's share price is still down by 30%.

However, Siemens Energy has recently secured a major power contract for the construction of a power line from France to Ireland through the Celtic Sea. In 2024, Siemens expects to make a profit. The potentially acquired Siemens Gamesa is expected to be profitable a year later, following the imposed restructuring measures. As such, despite past turmoils, the firm has moved to a more positive outlook which is subsequently reflected in the upward movement of the share price.

Peers	Currency	Market Cap (Cur m)
A2A SpA	EUR	4,071.21
Schneider Electric SE	EUR	83,856.32
Siemens Gamesa	EUR	12,270.80
Vestas Wind Systems A/S	DKK	183,290.91
Iberdrola SA	EUR	72,254.40

Marlin Egbuna
Investment Banking Division

NIC's View On

FTX Collapse: The End Of VC Easy-Money Era?

Filippo Marchesin
Investment Banking Division

"We are in the business of taking risk. Some investments will surprise to the upside, and some will surprise to the downside. We do not take this responsibility lightly and do extensive research and thorough diligence on every investment we make."

– Letter to investors, Sequoia Capital

On November 11th, the second largest cryptocurrency exchange, FTX, filed for bankruptcy following a whirlwind of happenings that started on November 2nd. Crypto news site CoinDesk reported discovering a leaked document showing that Alameda Research, the hedge fund run by Sam Bankman-Fried, CEO and founder of FTX, held a large percentage of its assets in FTT tokens, a coin whose issuance is arbitrarily decided by FTX itself.
The subsequent loss of credibility in FTX caused a domino effect leading to Binance's announcement that it would sell its stake in FTX tokens, which caused FTT's price to plummet. As traders tried to take out their savings from the exchange, FTX entered a liquidity crunch, ultimately leading to its bankruptcy.

FTX's crumbling was unexpected for a multitude of reasons. Sam Bankman-Fried was, indeed, one of the faces of the crypto industry and FTX sponsored major sports events such as the Super Bowl, while partnering with stars like Tom Brady and Stephen Curry. Furthermore, the exchange was also backed by some of the world's most relevant and successful venture capitalists: VC funds in the likes of Sequoia Capital, Paradigm, and Softbank were high stake investors in the business.

In the context of an already-negative year for the venture capital industry as it has been highly impacted by the current economic outlook and liquidity crunch, seemingly reasonable questions arise. Since the venture capital business essentially comprises investing in promising early-stage firms after careful and considerate research: what happened with FTX? How could some of the best venture analysts not discover such a fraudulent structure? Will the FTX scandal end the so-called "easy-money" era and change VC forever?

Providing a univocal answer to such questions is not trivial. Multiple factors related and unrelated to FTX itself played a role. Firstly, the latest expansionary period has led to unprecedented returns and excess liquidity circulating in the markets. Such happenings presumably resulted in a loosening of investment quality standards within the venture capital industry causing more riskier funding choices.
Secondly, the cult of the leader played a crucial role in the FTX scandal. Sam Bankman-Fried's high involvement in the social and political dimensions was a relevant determinant in his rise to power. FTX's founder was, indeed, a major political election contributor, thereby gaining influence in Congress. He has also been affiliated with social movements such as "Effective Altruism", hence, obtaining investors' trust in his vision.
"Sam is the perfect founder to build this business, and the team's execution is extraordinary.", Sequoia partner Alfred Lin said in June 2021.

Instead of the end of an era, FTX's collapse could be an awakening for a VC ecosystem overly narcotized by the last years' unprecedented returns. Higher scrutiny in the diligence process and lower liquidity available could drive an improvement in the quality of the investments, with the aim of funding not only fast-growth, but more importantly, value.

Date	Recent News
21 Nov 22	What Does FTX Tell Us About The State Of Venture Capital? **Source:** *forbes.com*
18 Nov 22	*Tech venture capital fueled FTX's rise—and bears some responsibility for its downfall* **Source:** *fortune.com*
10 Nov 22	*Update on FTX* **Source:** *twitter.com/sequoia*
02 Nov 22	Divisions in SBF's Empire Blur on His Trading Titan Alameda's Balance Sheet **Source:** *coinbase.com*

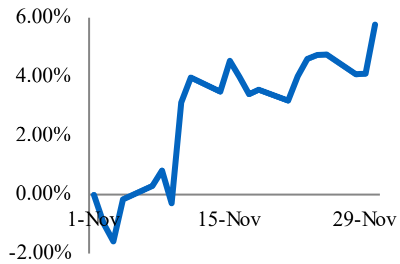
Filippo Marchesin
Investment Banking Division

NIC Fund

NIC Fund

Portfolio Overview

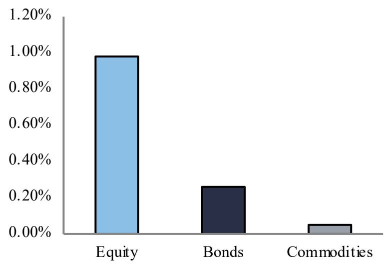
NIC Fund Cumulative Return



Portfolio Statistics	
Cumulative Return	5.76%
Annualized Return	69.18%
Daily St. Dev	1.03%
Period St. Dev	4.71%
Annualized St. Dev	16.33%
Info Sharpe	4.24
Skew (Daily)	1.26
Kurtosis (Daily)	1.86

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%

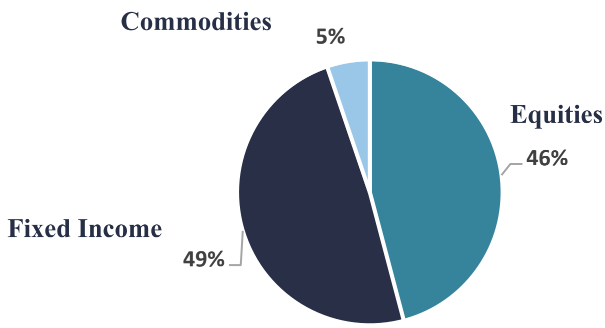
Individual VaR



Portfolio Snapshot

During the last month, the NIC Fund remained invested in equities, fixed income and commodities with similar allocations to our benchmark fund. Overall, 46% of our fund remained devoted to equities, 49% to Fixed Income and 5% to Commodities. Compared to the benchmark, the portfolio is overweighted in equities by 6% and underweighted in fixed income and commodities by 11% and 5%, respectively.

November is packed with key market events, including a meeting of the Federal Reserve, the midterm elections, the latest inflation report and Black Friday.



Return Metrics

The portfolio's overall performance was positive, with a cumulative return of 5.76%. The positive return comes mainly from equities (2.03%), while commodities and fixed income only accounted for 0.73% and 0.29%, respectively.

In terms of equities, besides being invested in the S&P500, 20.46% of the overall portfolio was allocated to 33 specific stocks from nine different industries. The worst sector was the materials sector, which did not contribute to the portfolio's overall return. On the other hand, the best-performing sector was the information technology sector, with a return of 12.16% MoM. All the other industries also contributed positively to the return of equities. After information technologies, the sectors that contributed the most were consumer discretionary (9.72%), financials (13.6% MoM), and healthcare (9.01% MoM).

Risk Metrics

In terms of risk, our portfolio registered a relatively low daily VaR of 1.09%, taking into consideration the benefits of diversification. As a result, this metric remained significantly lower than the maximum established threshold of 2.50%.

Equities were the asset class with the highest individual VaR, around 0.98%. On the other hand, bonds and commodities have a slightly lower VaRs of 0.26% and 0.05%, respectively.

Pauline Schueller
Financial Markets Division

NIC Fund
Assets in Brief

Asset Class	Symbol	Comments
US Equity	**TSLA**	Tesla stock is down 46% this year, while the Nasdaq 100 Index is down 28%. Investors fear that Musk is juggling too many balls by buying Twitter, which can be seen in the deterioration of the share price. Dips are mainly observed when new Twitter events have occurred (e.g., USD 4 bn sales of Tesla stock, Twitter deal closing, Twitter delisting).
US Equity	**EOG**	EOG Resources has benefited from higher gas and oil prices, which helped improve their earnings. The increase in earnings also contributed to the higher return when compared to the last month (3.65%).
US Equity	**DIS**	In November, the shares of Disney decreased by approximately 7% MoM. Walt Disney Co. warned investors that planned changes in management and business strategy could lead to impairment charges.
US Equity	**APPL**	The Apple stock declined by 2.1% on Tuesday the 29th of November after TF International Securities analyst Ming-Chi Kuo warned that the tech giant's smartphone shipments could come in far below investors' expectations.
EU Equity	**AMD**	Advanced Micro Devices returned 24.82% in November. With an investor presentation in early November, AMD gave investors more reasons to be bullish on its prospects. AMD announced that Facebook parent Meta Platforms had chosen AMD's EPYC processors to power its data centres.
US Equity	**KER**	Kering Group returned 19.05% MoM in November, mainly due to the disclosure of treasury stock transactions from November the 21st to the 25th. Alternatively, it might be due to the pullback of Kardashian's inappropriate Christmas campaign for Balenciaga from all platforms.
US Equity	**IVV**	The iShares Core S&P 500 ETF had a positive return of 5.55% MoM in November. Stocks saw board gains on Wednesday the 30th after Federal Reserve Chair Jerome Powell confirmed that the central bank would likely slow the pace of its aggressive rate-hiking campaign that has weighed on markets. S&P added 3.09% on that date.
US Treasury Bonds	**IEI ETF**	The benchmark bond index, IEI, invests in treasuries with maturities from 3-7 years. The ETF returned 1.93% MoM to the portfolio. This slight increase could be attributable to the prospect of a slowdown in the pace of interest rate hikes as early as December.
Commodity	**AAAU**	Goldman Sachs Physical Gold seeks to reflect the performance of the price of gold less the expenses of the Trust's Operations. Gold increased by 10.56% MoM in November due to the increased optimism that the US Fed could slow the pace of its interest rate hikes.
Commodity	**DBC ETF**	Our primary commodities index, DBC, tracks a basket of 14 commodities. The ETF had a slightly negative performance over the last month. In November, the portfolio decreased by -1.44%.

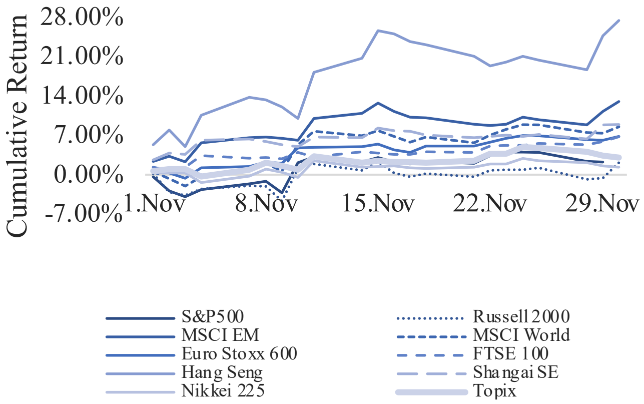
Pauline Schueller
Financial Markets Division

NIC Fund

Equities

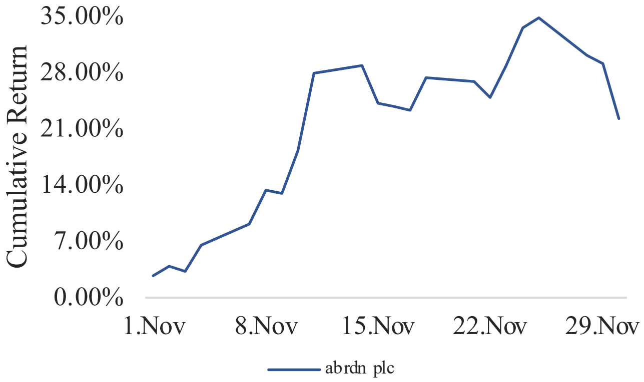
World Equities

Despite the continuing conflict in Ukraine, interest rate hikes, and warnings for a mild recession in 2023, Global equities had a positive monthly return of 8.53% for MSCI ACWI in November. The S&P 500 had a lower monthly return than last month as nine of its major sectors fell, but it is still positive with a 2.21% MoM. Moreover, Russell 2000 also decelerated the growth it had last month and had a positive return of 2.15% MoM. The Euro Stoxx 600 had a positive return of 6.75% MoM, and the MSCI Index for emerging markets returned a 13.01% MoM. The FTSE 100 had a return of 6.74% MoM, backed by gains in energy shares, while the domestically-focused midcap index was subdued amid concerns about a gloomy holiday season as a cost-of-living crisis worsens. The Japanese Topix returned a 3.05% MoM, the Shanghai SE returned 8.91% MoM, and the Nikkei 225 returned 1.38% MoM as investors seek clarity on China's Covid-19 rule changes.



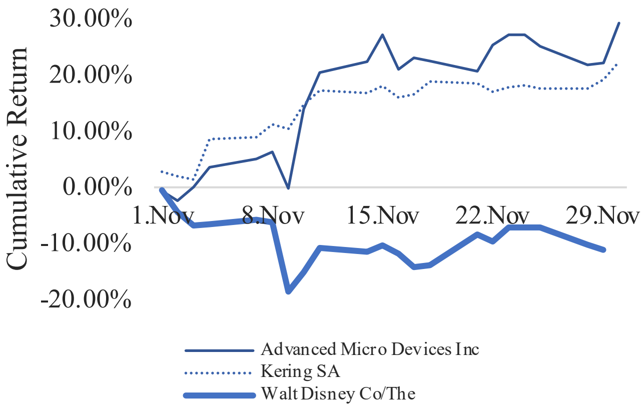
In Depth: ABRDN Back in FTSE 100

In August, ABRDN was dropped from the FTSE 100. The main reason the stock price went down until August was that the company reported a pre-tax loss of GBP 320 m in the first half of the year. This event led to a decrease in the stock price by 40% between January to August 2022, which attracted the attention of short sellers. However, after the removal from FTSE 100, the investment managers' stock has risen 35%, buying its market capitalization of GBP 4.1 bn, which increased hopes of entering the FTSE 100 again. The share price increased due to a share buyback program and a "risk on" mode from investors. This left ABRDN in pole position to return to the FTSE 100, which was confirmed on the 1st of December.



Our Performance

In November, equities' contribution to the overall portfolio performance was positive, with a 2.03% cumulative return. Compared to the previous month, there was a slight decrease in the cumulative return of equities. The information technology sector contributed the most with a 0.59% cumulative return. The portfolio's best-performing stock in the information technology sector was Advanced Micro Devices, with a monthly return of 29.25% MoM due to the unveiling of the newest generation of its EPYC data center chips. Another stock in the portfolio that also performed well was Kering, with a 27.51% MoM return due to a stock repurchase program. The worst-performing stock in our portfolio was Walt Disney Co., with a negative monthly return of 8.14% MoM following the company's fiscal fourth quarter of negative financial results due to Disney+ pressuring profits.



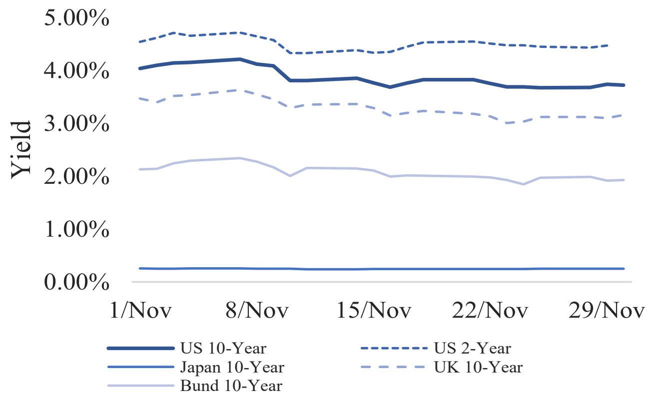
Francisca Bombas
Financial Markets Division

NIC Fund

Fixed Income

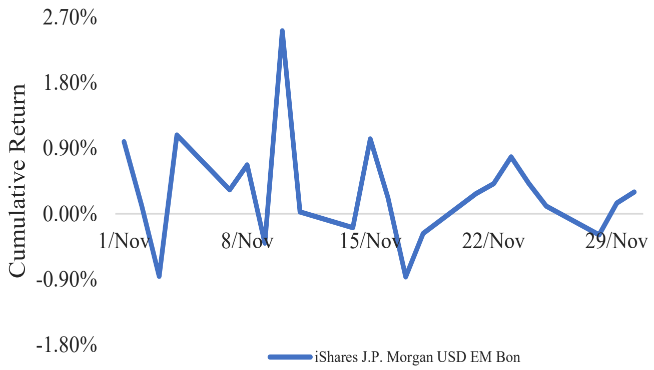
World Yields

After an eventful month in the bond market, US yields have fallen despite the Fed's fourth consecutive 75 bps hike. This can be explained by the October CPI numbers that were softer than expected, putting pressure on the Fed to slow the rate hikes that Powell also signalled in his monthly speech. Money markets are betting on a 50 bps hike in December, and as a result, yields have fallen 10.93% MoM to 3.65%. Furthermore, the UK 10-Year yield has declined 10.10% MoM and has stabilised around 3.1%, remaining close to its lowest level since early September in hopes that the central bank will not hike as aggressively as expected. Markets anticipate a 50 to 75 bps increase at the next December meeting. The 10-Year German Bund is down 9.90% MoM to a yield of 1.90%, close to its lowest level since mid-September. In Europe, there is still uncertainty about whether the ECB will deliver a third consecutive 75 bps rate increase or opt to slow the pace. In November, the Eurozone's inflation rate slowed more than expected and fell for the first time in over a year. Compared to European bonds, the Japanese 10-Year yield increased by 2.02% MoM to yields of 0.25%, implying that it is trading near the Bank of Japan's implicit policy cap of 0.25% due to the Bank of Japan's easy monetary policy.



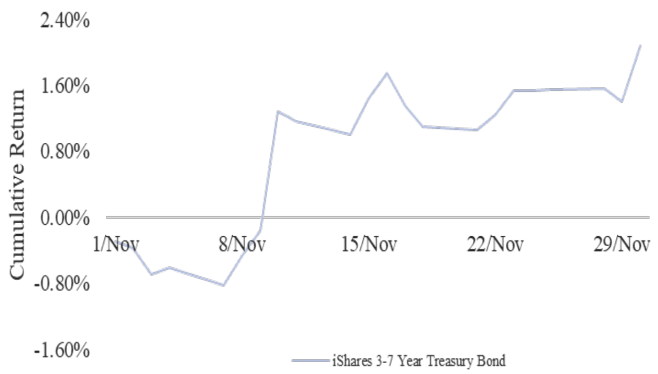
In Depth: Emerging Markets

Slower interest rate hikes have begun to appear in emerging markets, leading to the best month in 24 years. This is due to emerging market bonds and equities seeing a solid rebound as investors hope China will unwind the Covid-19 restrictions. Further, the markets have seen a dollar sell-off, which has helped to relieve pressure on some emerging economies. The fact that US inflation was lower than expected in October triggered a rally in both equities and bonds, with emerging market assets performing particularly well. This can be explained with the general perception of how emerging markets are handling the global financial turbulence well. Some are doing worse than others, primarily eastern European countries, which are experiencing rising inflation due to Europe's energy crisis and risk due to the war in Ukraine, which has resulted in a drop in financial market liquidity. On the other hand, since most emerging markets tightened monetary policy early to face the high inflation, most have managed to produce a turnaround and appear to be near the peak of interest levels.



Our Performance

Notice that the iShares 3-7 Year Treasury Bond, which seeks to track the 3-7 Years US Treasury bonds, reported a return of 2.09% MoM and fixed income contributed 0.40% to our total portfolio.



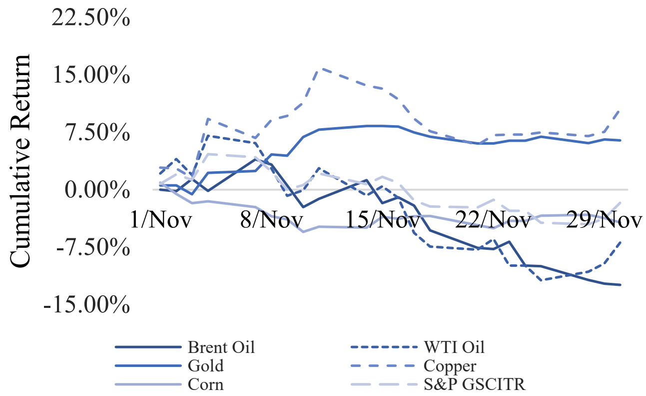
Lars Dahle
Financial Markets Division

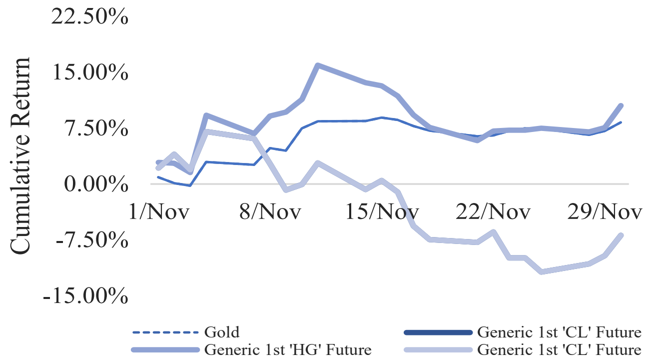
NIC Fund

Commodities

November Round-Up

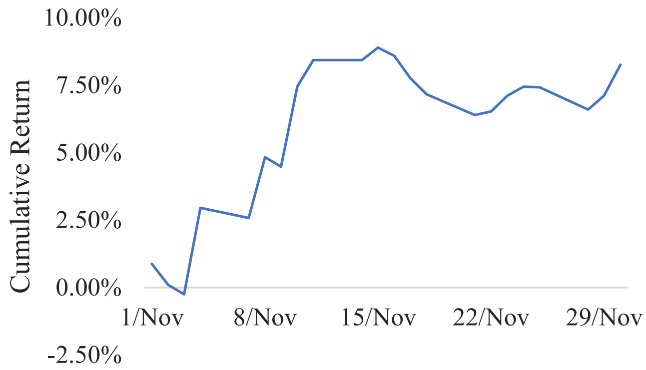
In November, the S&P GSCI Total return index, which tracks 24 commodities, decreased by -4.37%. However, YtD, the index gained 10.0%, which is still reflected in the elevated inflation. Due to OPEC discussions, oil prices declined nearly 7% in November but are still up 7.15% YtD and off nearly -35% since its high in March. Gold rose 9.00% in November before settling up 8.26%. Nonetheless, gold decreased by -13.70% since its high in March, and gold is down 3.30% YtD. The Chinese government appears to be succeeding in its attempt to stem the rise in the price of lithium. However, China's factory activity shrank in November as widespread Covid-19 curbs disrupted manufacturers' output, a private sector survey showed on Thursday, weighing on employment and economic growth in the fourth quarter. The Caixin/S&P Global manufacturing purchasing managers' index rose slightly to 49.4 in November from 49.2 the previous month and beat expectations of a Reuters poll of 48.9. Since it announced a program against alleged hoarding, which calmed prices, European wheat prices continue to weaken. One reason is the extension of the export deal. This leads to more supply in the export markets. In addition, there are higher imports from Ukraine into the EU. The recent strong appreciation of the Euro is also putting pressure on grain prices. Further, a potential European gas and oil price cap for Russian cuts is in the discussion. Additionally, Germany's inflation decreased by 0.4% last month. Therefore, hopes that European inflation had already peaked led to a positive equity performance the previous month.





Outlook for December

China, the biggest metals consumer, is set to announce a reduction in mass testing and an easing of Covid-19 quarantine protocols in the coming days. Considering the possibility that China could change their non-Covid policy, prices of commodities could rise due to higher demand. Oil markets are expected to rise as OPEC discusses further cuts in production after discussing a possible output of 500,000 barrels a day earlier this month. Further, increase Goldman Sachs sees a high probability that oil prices will hit USD 110 per barrel in 2023. Due to the high level of uncertainty, elevated volatility in energy prices is expected. Gold could also profit from a recession since precious metals outperformed stocks in the previous financial crisis.



Our Performance

During November, the Goldman Sachs Physical Gold ETF was the only commodity-related asset in the NIC fund and currently contributes 3.06% to our portfolio. During November, the gold ETF increased by 10.19%.

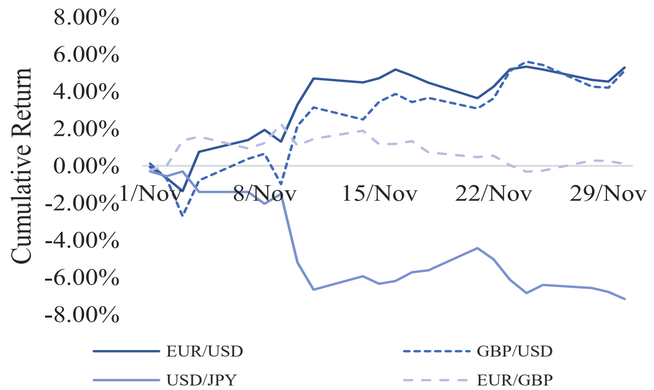
David Biewald
Financial Markets Division

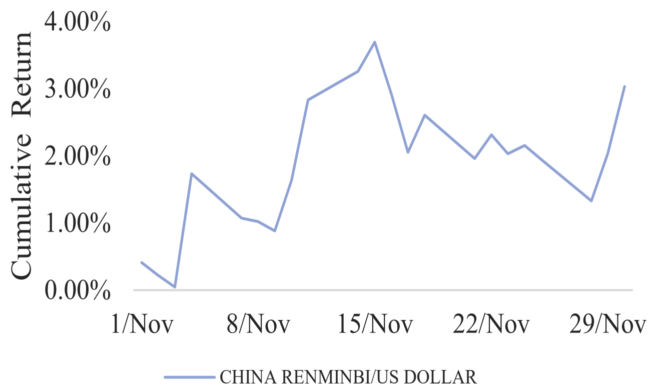
NIC Fund

Currencies

World Currencies

Fed Chair, Jerome Powell, has acknowledged that moderation in the speed of interest rate increases might come as soon as the next meeting on December 14th. As such, the next rate hike might be 50 bps instead of 75 bps. At the same time, during November, 10-Year treasury yields have fallen around 50 bps, and mortgage rates followed. Additionally, more job offers were reported in the US than expected in November. This signals that demand for new workers remains strong despite the Fed's efforts to cool the economy. Nonetheless, in Europe, inflationary pressures remain high, coupled with a weakening economic outlook. This insinuates that there is a need to continue raising interest rates, and Christine Lagarde has publicly left the door open for a potential 75 bps hike at the ECB December meeting. With this said, given the improved economic sentiment in the Eurozone and US being less appealing as a safe haven, the EUR to USD exchange rate has risen close to 8%. Considering the Japanese Yen, after Powell's recent comment and the intervention of the Bank of Japan, the dollar tumbled more than 1.5% to a three-month low against the Yen. Simultaneously, with another prime minister and new policies, the British Pound has climbed to its highest level against the dollar since June, registering gains of around 6%. With inflation in Britain persisting, another interest rate rise will likely be on the table, potentially providing more strength for the pound in the near future.





In Depth

Following speculation regarding China potentially reopening, the Yuan had surged to an 8-week high. However, protests against China's Covid-19 curbs have been unraveling gains. On the crypto side, November was one of the most turbulent months of all time. FTX, the world's second-largest cryptocurrency exchange, filed for bankruptcy. Troubles started when leaked documentation revealed that Alameda Research possessed a significant amount of FTT (FTX's own cryptocurrency) on its balance sheet. Being both businesses owned by Sam Bankman-Fried, such a leak posed serious questions about the health of the trading firm. Investors then started selling their FTT possessions and withdrawing their crypto assets from FTX, pushing it into collapse. Criminal investigations have now been launched into the company's ruin, with aggrieved investors filing a flurry of lawsuits. Even though some crypto companies have been tipped into bankruptcy (such as BlockFi), the shockwaves have been primarily contained in the crypto sector and have not spilled over into traditional markets. Nonetheless, such a collapse came as another hammer to the credibility of cryptocurrencies (with Bitcoin having reached its lowest value YtD). Yet, this event also calls for regulation in the cryptocurrency market.

Our Performance

We currently hold no currency-related assets in our portfolio.

Matilde Costa
Financial Markets Division

Extras

Hot Topic

China's Turbulent Future

Jakub Nasilowski
Financial Markets Division

"When you multiply any problem by China's population, it is a very big problem. But when you divide it by China's population, it becomes very small."

– Wen Jiabao, Former Prime Minister of People´s Republic of China

China's real GDP growth has averaged more than 10% over the last 30 years. This has elevated their economy from "only marginally important" to one of the greatest drivers of global growth. We know the past in which China, at a great cost, achieved spectacular economic success. The future remains a mystery. Yet, we don't have to look far to see that there are several factors that may hinder the growth that the giant has experienced in recent decades.

It's been almost three years since the pandemic broke out. Going back to the beginning, in the first half of 2020 China, thanks to its zero-covid strategy, appeared to be successful in containing the disease. Today, most countries around the Globe have already withdrawn strict covid restrictions. The Chinese authorities are acting on the contrary, fighting to keep cases as close to zero as possible. This clearly has a huge effect on global supply chains and the Chinese economy, which continues to slow down. GDP of China in the second quarter of 2022 fell by 2.6% (compared to Q1). In the last days of November, thousands of people protested against the zero covid policy on the streets of Beijing, Shanghai, Guangzhou, and other Chinese cities. The governments are beginning to ease its testing requirements and quarantine rules in some cities, but so far no major changes are being communicated. A complete change of Xi Jinping's signature Covid-19 policy on one hand would mean admitting a huge mistake. On the other hand, such a move would relieve the economy, which currently faces other big problems.

One of them is a major complication connected to semiconductors. Microchips are the heart of the entire technology sector, they are needed not only for the development of advanced technologies but also in the production of everyday equipment. China is the 3rd largest producer of integrated circuits in the world. Despite the strength of mainland China, their integrated circuit industry is mainly responsible for the production of the technologically simplest semiconductors. To the misfortune of the Middle Kingdom, it is the USA that is responsible for distributing the technology needed in the production process of those more advanced systems. On October 7, the US Department of Commerce introduced a new set of regulations notably limiting the export of certain types of processors (with a focus on Artificial Intelligence) and their inputs to the People's Republic of China. Interestingly, the law also requires those with US citizenship to obtain licensing nationals if they intend to "encourage the development or manufacture" of certain types of semiconductors in the Chinese Republic. This is undoubtedly one of the hardest blows aimed at China since the beginning of the superpower trade conflict. It aims to decouple the Chinese economy from the ecosystem of developed countries. Technology plays a crucial role in the economic race, this move gives the US a huge advantage and paralyzes the sectors on which the Chinese development model is based.

Despite the desire for further growth, the Chinese authorities face a huge challenge. President Xi Jinping himself called on members of the Chinese Communist Party to prepare for a "critical time" in the country's history. We are still waiting for concrete changes in the approach to the pandemic and response and potential solutions to the problem that arose in the technological sector. China probably won't overtake the US in the next years, still, an important game is being played in front of our eyes. It is worth paying attention to the next moves that may not only affect global financial markets and economies but also potentially change the current global distribution of power.

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Extras

ESG Review

Real Sustainability: From Commitment to Engagement

Filippo Marchesin
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"Being an active owner is central to our understanding of ESG and Responsible Investing. Therefore, our active ownership activities span across all of our products."

– Erik Pedersen, Head of Responsible Investments, Nordea Asset Management.

The upcoming challenges driven by ESG stakeholders' requests lead asset managers to face a burdensome, yet extremely relevant task. Indeed, in evaluating companies in sustainability terms there exists a nuanced trade-off between being cynical and destructive and being objective and constructive. The issue arises as several companies are currently in a limbo between being committed to ESG and not being good enough in terms of actual actions and engagement toward reaching sustainability goals.

In this context, as said, the role of asset managers and, more broadly, of all investors is crucial in understanding whether companies should be excluded or supported when they struggle to reach their sustainability targets. It seems logical that the most effective way to drive change is initiating and building a communication channel with such companies with the final aim of fostering their fruitful transition to sustainability. In fact, the next step in this shift is moving from promising to taking action. Value-creating collaboration between investors and companies is possible.

Among one of the most relevant asset managers globally, Nordea not only invests in companies but also actively engages with them in their transition. Among these companies, one of the most relevant polluters is Air Liquide, a French multinational corporation that provides industrial gases to a variety of industries. Founded in 1902, the company is the second-largest supplier globally of industrial gases. Since collaborating with Nordea, Air Liquide has committed to Net-zero by 2050, has adhered to reporting in line with the Climate-Related Financial Disclosures, and has set science-based greenhouse gas (GHG) reduction targets. At the beginning of the year, the company also posted encouraging results in its first-ever Sustainability Report, showing a carbon intensity reduction of 24% in the past 7 years, while being in line with its objective of a 30% reduction by 2025. In 2023, Nordea will work with Air Liquide on pushing for increased green Capex, and execution of its carbon reduction roadmap. The engagement between Air Liquide and Nordea is, hence, a clear example of the disruptive potential of such collaborative relations. Yet, these changes are not always proactively driven by company management. Indeed, outside pressure from ESG-oriented asset managers increasingly plays a role in company dynamics and can even lead to attritions and unexpected plot twists.

The recent ExxonMobil managers' election scandal is a noteworthy example of the impact that ESG issues have on public opinion. At the 2022 annual general meeting, the energy giant was obliged to replace three of its newly appointed directors because of complaints from major investors regarding the firm commitment to energy transition and climate change matters. The initiative was led by a rather small investor, Engine No.1, a sustainability-focused hedge fund. The New York Times reports that "the tiny firm wouldn't have had a chance were it not for an unusual twist: the support of some of Exxon's biggest institutional investors. BlackRock, Vanguard, and State Street voted against Exxon's leadership and gave Engine No.1 powerful support".

Given the focus of investors and customers on sustainability issues, it is now more important than ever for companies to actively contribute to a better future. It is a matter of life or death, both for our species, and also for them.

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Thank you!

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

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