NIC

— Nova Investment Club —

Newsletter

January 2023

NIC
—Nova Investment Club—

Table of Contents

Macro Overview

In Focus
December — p.1

Deeper Dive
2022 Impact On The Private Equity Industry — p.2

Regional View
A Significant Change In Japan's Monetary Policy — p.3

Economic Calendar
January — p.4

Investment Banking Division

M&A: Overall Activity
Global And Selected Regions: North America, Europe, Asia — p.5

M&A: Top Deals
- Thoma Bravo To Acquire Coupa Software Inc. — p.6
- Getir To Acquire Gorillas Technologies — p.7
- Seadrill Limited To Acquire Aquadrill LLC — p.8

What Happened To
- Tesla Inc. — p.9
- Zoom Video Communications Inc. — p.10

NIC's View On — p.11
US Antitrust Takes Aim At Private Equity: Overreach or A Calculated Move?

Financial Markets Division

NIC Fund
Portfolio Overview — p.12
Assets In Brief — p.13
Equities — p.14
Fixed Income — p.15
Commodities — p.16
Currencies — p.17

Extras

Hot Topic
- Goldman Sachs To Cut Ca. 4,000 Jobs In The Beginning Of 2023 — p.18

ESG Review
- The State Of The Climate 2022 And Implications For 2023 — p.19

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, Filippo Marchesin reviews the impact of events in 2022 on the private equity industry. Moreover, in our Regional View, Jakub Nasilowski sheds light on Japan's monetary policy.

Our Investment Banking Division will guide you through December's overall M&A activity. Read about Thoma Bravo acquiring Coupa Software, Getir purchasing close competitor Gorillas Technologies, and Seadrill taking over Aquadrill. Additionally, get a detailed overview of what happened to Tesla and Zoom Video Communications, and read our opinion on the current situation between US Antitrust and the private equity industry.

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 December was negative, with a cumulative return of -2.35%.

On the Hot Topic of this month, Ignacio Klimowitz discusses the layoffs at Goldman Sachs. Lastly, in our ESG Review in collaboration with Nordea, Lars Dahle discusses the situation of the climate in 2022 and its implications for the year 2023.

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 The reports may contain inaccurate or outdated information and should not be used as an exclusive mean for investment decisions.

Macro Overview

Monthly

January 12th, 2023

Deeper Dive

2022 Impact On The Private Equity Industry

— p.2

Regional View

A Significant Change In Japan's Monetary Policy

— p.3

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	3,840	-0.14%	7.08%	-19.44%
DJIA	33,147	-0.17%	15.39%	-8.78%
Nasdaq	10,466	-0.30%	-1.03%	-33.10%
MSCI World	3,080	0.11%	12.47%	-18.46%
MSCI EM	3,726	1.39%	10.74%	-19.87%
Russell 2000	1,761	0.02%	5.80%	-21.56%
Euro Stoxx 50	3,794	-0.61%	14.33%	-11.74%
FTSE 100	7,452	-0.28%	8.09%	0.91%
Nikkei 225	26,095	-0.54%	0.61%	-9.37%
Hang Seng	19,781	0.96%	14.86%	-15.46%
Dollar Index	103.52	-0.76%	-7.67%	8.21%
EUR/USD	1.071	0.83%	9.21%	-5.85%
GBP/EUR	1.130	-0.47%	-0.83%	-5.03%
GBP/USD	1.208	0.25%	8.17%	-10.71%
USD/JPY	131.120	-1.35%	-9.41%	13.94%
USD/CHF	0.92	-0.93%	-6.33%	1.27%
Brent Crude	85.910	2.37%	-2.33%	10.45%
Gold	1,826.2	1.69%	9.85%	-0.13%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	3.875%	12.8	4.6	236.5
GER 10Y Yield	2.571%	16.8	46.3	274.8
JPY 10Y Yield	0.422%	3.7	17.8	35.1
UK 10Y Yield	3.672%	3.5	-42.1	270.1
PT 10Y Yield	3.586%	18.4	41.1	312.1

**Source: Bloomberg, as of 2022-12-30*

In Focus

December

The Fed expects interest rates to remain high. Even though it was expected that the key interest rate would be raised by 75 bps at the December meeting, it was only raised by 50 bps. It is clear that the Fed will keep a restrictive policy in place while inflation holds unacceptably high. The current estimate for US inflation in December is 6.40%, but the IMF has already stated that the fight against inflation is far from over.

German inflation decreases in December due to government energy payments. According to the statistics office, a one-time payment for home energy bills in December, as part of the government's attempts to protect consumers, helped ease inflation and reduce prices. Overall inflation in Germany has decreased for the second month in a row, with consumer prices rising by 9.60% in December. Bundesbank President, Joachim Nagel, expects inflation in Germany to remain at about 7% in 2023 and to significantly decrease by 2024.

Eurozone inflation eases on lower energy prices. The inflation rate in the Eurozone slowed to 9.20% in December, down from 10.10% the month before. Despite the headlines of inflation having eased, core inflation (which strips out volatile food and energy prices) has not shown the same drop. This calls for caution, as inflation may not have peaked.

Cost of living crisis. Fresh food prices rose at a record rate of 15% in December, at a time when many families would have been stocking up for Christmas. Overall, inflation for food hit approximately 13% in December. Prices have been pushed up by animal feed, fertilizer, and energy costs.

China's factory activity shrank for the third straight month and at the sharpest pace in nearly three years. After mass protests around the country, Beijing abruptly reversed the anti-virus measures. Infections then swept through production facilities across the country. The reported number of Covid-19 cases was at an all-time high.

Lula da Silva took office as president of Brazil. After having been president from 2003 to 2010, Lula is now returning to power and has promised to correct Jair Bolsonaro's era of "devastation". The president has also indicated that he will adopt measures from his two previous governments, such as resuming the policy of permanent appreciation of the minimum wage with public banks and companies playing an essential role in this new cycle.

Presidents Joe Biden and Volodymyr Zelenskyy meet in Washington. The meeting comes after the US announced a new USD 1.85 bn aid package to Ukraine, including a Patriot air defense system. This was Zelenskyy's first trip outside Ukraine since the war started.

US banks get ready for shrinking profits and recession. US banking giants are expected to report lower fourth-quarter profits as lenders stockpile rainy-day funds to prepare for an economic slowdown that is battering investment banking. Consequent layoffs and job cuts are becoming a reality in banks such as Goldman Sachs, Morgan Stanley, Credit Suisse, and Citigroup.

US unemployment rate is back at a pre-pandemic rate of 3.5%. The labour market remains tight which suggests that the Fed's fight against inflation is far from being won. However, the drop in unemployment rate from 3.6% in November reflected robust household employment.

Matilde Costa
Financial Markets Division

Deeper Dive

2022 Impact On The Private Equity Industry

Filippo Marchesin
Investment Banking Division

"The first quarter of 2023 is going to be relatively slow from a sort of M&A and financing front. [But] private equity funds still have significant amounts of dry powder, and by the second half of next year, they will be looking to put some of it to work"

– Uday Malhotra, Co-Head of EMEA LevFin, Citi

The year 2022 has been a peculiar year for the buy side. Uncertainty due to Covid-19, the war in Ukraine, and clogged supply chains – to name just a few – led to rising interest rates and a deep contraction in deals volume, size, and access to debt financing. Given the fact that the industry still heavily relies on leveraged buyouts (LBOs), the current economic outlook is extremely relevant as 2022 could prove to be a turning point for the industry. As a matter of fact, the number of announced LBO deals has dropped by 23.3% YoY, while the overall value of transactions has decreased by 40.4%, based on Refinitiv data. Among the relevant trends emerging as a result of the aforementioned factors, the most significant have been: record dry powder levels, buyout deleveraging, the rise of private credit financing, and the growth in distress investing.

Dry powder levels in the industry had a record year in 2022 (USD 1.8 tn). At the PE level, "dry powder" is defined as cash that has been committed by investors but has yet to be invested by the fund. Having high levels of dry powder can both be an opportunity and a threat. On one hand, having a significant portion of capital available grants the fund liquidity to readily tackle investment opportunities. On the other, limited partners expect their committed sums to be invested in a timely manner. In the current economic scenario characterized by the difficulty in obtaining debt financing and lower valuation multiples, the outlook for the industry is tricky as high levels of competition on the same targets and potential hasty due diligences may hamper the industry's typical above-average returns.

As a consequence of the increasing cost of debt financing from banks, PE funds had to invest increasingly higher portions of equity stakes in deals, hence, putting more "skin in the game". Some weeks ago, KKR, one of the most relevant LBO players in the industry, made the headlines after acquiring the French insurance broker April Group from CVC Capital Partners in a rather unusual equity-only USD 2.4 bn takeover deal. As higher equity stakes are used, the outcome will be rather obvious. In the short term, buyouts will be deleveraged and expected returns will consequently become, on average, lower.

As banks have been forced to sell the debt to investors at significant discounts or keep it on their balance sheets until market conditions improve, alternative credit solutions have emerged. "Private credit was the story of the year for 2022 and perhaps also for the first half of 2023," said Nick Clark, Co-Head of Global Leveraged Finance at Allen & Overy. Private credit funds are non-bank financial institutions that are entitled to directly lend money at privately agreed interest rates. Such a financing option allows PE funds to obtain debt financing through a more seamless and quicker procedure without being impacted by the current credit freeze from bank lenders.

When "there is blood in the streets", opportunities arise. The current harsh economic outlook may offer distressed investors interesting prospects on overleveraged companies hit by liquidity crunches due to their unsustainable capital structures. Distress investing is by itself niche-focused with few PE players gravitating around it. In addition, during economic downturns such as currently, the high cost of debt not only makes distressed targets even riskier but also heavily discounts the price of these opportunities. Hence, debt restructurings and carve-outs might make distressed targets highly profitable if duly exploited. 2022 brought relevant trends, some of which may remain in time and characterize the industry in the upcoming years.

Filippo Marchesin
Investment Banking Division

Regional View

A Significant Change In Japan's Monetary Policy

Jakub Nasiłowski
Financial Markets Division

"Demand-driven price pressure remains preciously scarce. While further policy tweaks by the Bank of Japan are a possibility — especially under a new governor next year — it's hard to see a fundamental shift,"

– Sarah Tan, Economist at Moody's Analytics

In the recent year, central banks in most developed economies raised interest rates and tightened their policies, trying to cool down inflation. Japan, as an outlier, kept its interest rates at a very low level. The Bank of Japan's (BoJ) decisions were certainly pointing at an ultra-loose monetary policy. Despite the inflation edging up to 3.80%, pointing to the highest reading since January 1991 the BoJ maintained its short-term interest rate negative, at -0.10%.

No one really expected this approach to change before the end of current governor Haruhiko Kuroda's term (ending mid-2023). After the last meeting in December, it was communicated that interest rates would remain at the same ultra-low level. In the case of the BoJ, however, the tools of monetary policy have not been limited to the deposit rate. For the past five years, through a policy known as "yield-curve control", the BoJ has intervened in the bond market to maintain a 10-Year bond yield of around 0%. This involves buying bonds with longer maturities to keep interest rates as low as possible. On the 20th of December, the bank lifted its cap on 10-Year government-bond yields from 0.25% to 0.5%. In practice, this means raising the long-term interest rate by 25 bps.

The reaction of the debt market was immediate. Yields on the 10-Year bonds went up from 0.25% to 0.45%, before falling to around 0.40%. This is the highest yield on the Japanese government's 10-Year bond since 2015. The rise in yields signals a drop in the market price of fixed-coupon bonds. The unexpected event also affected the Yen. The Japanese currency gained 3.40% against the US Dollar, but still, despite the recent surge, remains at its lowest point in twenty years. For now, the message communicated by the Japanese regulatory bodies is quite clear and indicates that the bank does not admit to changing its outlook. Haruhiko Kuroda, claims that the action taken was in fact not a tightening policy, just a reaction to improve the functioning of the volatile bond market. On the market side. however, this small but significant move sparked speculation about possible future developments. The Central Bank of Japan is currently under great pressure, not only does the Yen's position depend on its next decisions, but a wrong approach could also exacerbate the economic problems Japan is likely to face this year.

The next policy meeting will be held on the 18th of January. On one hand, it seems rational that the Central Bank of Japan will not rush to make further adjustments. Firstly, it will take some more time before the debt market stabilizes and 'digests' December's policy changes. BoJ might want to avoid making hasty decisions without knowing exactly how such moves might affect the market. Secondly, the economic situation in Japan is far from prosperous. In recent months the World's third-largest economy reported bigger-than-expected trade deficits. Exports slow down and economists predict that Japan might enter a recession sometime in 2023. In such an economic environment it would simply be very risky to make further significant adjustments to monetary policy without warning the market.

On the other hand, many believe that what the BoJ recently did, might be the beginning of the normalization of monetary policy in Japan, which last year stood in contrast to the entire developed economic world. Many analysts expect another adjusting move. The Bank itself is facing increasing criticism and might want to take steps to strengthen the Yen, which has been hurt by the soaring US Dollar. The central bank certainly would have a lot of rationale behind such a decision. Yen is weak and the core consumer price index (CPI) has been rising since the beginning of 2022 and is now way above Japan's inflation target (or more accurately, price level target) of 2%.

Jakub Nasiłowski
Financial Markets Division

Macro Overview

Economic Calendar

Economic and Political Events

Croatia Joins the Euro

Croatia will adopt the Euro as its currency on the **1st of January 2023**, making it the 20th member state of the euro zone. It is the most recent enlargement of the monetary union. The conversion rate is fixed at EUR 1.00 = KN 7.5345.

Czech Presidential Elections

The first round of the presidential elections in the Czech Republic will take place on the **13th** and **14th** of **January 2023**. According to a November poll, economist Danuše Nerudová would win the first round of the Czech presidential election with 28% of the vote.

World Economic Forum

The World Economic Forum in Davos 2023 will take place from the **16th** to **20th of January** under the theme "Working together in a fragmented world" and will bring together political representatives, executives of global companies and non-governmental organizations.

Central Bank Decisions

Federal Open Market Committee Minutes

The US Federal Reserve will publish the minutes of the Federal Open Market Committee meeting on the **4th of January**. Fed officials voted at their last meeting in December to lower the pace of interest rate increases to 50 basis points.

South Korea Decision

On the **13th of January**, the Bank of Korea (BoK) will announce its upcoming interest rate decisions. During its last meeting in November, the BoK raised interest rates by 0.25% to 3.25%. Analysts expect another slight increase to 3.50%.

Bank of Japan Interest Rate Decision

The Bank of Japan (BoJ) will meet again on the **18th of January** to discuss further monetary measures. Since 2016, the interest rate has stood at -0.1%. No end to the exit from ultra-loose monetary policy is currently expected.

Inflation and Deflation

Update on Germany Inflation

On the **3rd of January**, Germany will publish its inflation data for December 2022, which is expected to fall to 9.1% after exceeding 10% in November. Among the main categories of the consumer price index are housing, water, electricity, gas and other fuels, transport, leisure, entertainment, and food.

Euro Area Inflation Rate

Eurozone annual inflation for December 2022 will be published on the **6th of January**. After the worst year on record for inflation in the eurozone, a slight decline to below 10% is expected for December. This is predicted to be due to slower growth in energy prices.

US Consumer Price Index

The Consumer Price Index (CPI) is published on the **12th of January** and provides information on inflation in December. Inflation in the US has come down from its peak in recent months, benefiting from falling energy costs. However, the Fed remains concerned that inflation in the service sector is not falling fast enough due to higher wage costs

Labour Market

German Labour Market

On the **4th of January**, Germany announces its unemployment rate. The unemployment rate is estimated at 5.6%, indicating that the labour market as a whole remained stable despite a deepening energy crisis and record inflation.

Labour Market Data United States

US labour market data will be released on the **6th of January**. The market expects about 200 thousand new jobs in December 2022, which would be the weakest month in 2022. In February 2022, a total of over 700 k new jobs were created, while in November the number was 256 k.

Euro Zone Unemployment Data

On the **9th of January**, the unemployment rate for the European zone will be published. The unemployment rate in the European Zone is expected to continue to fall. The consensus is currently at around 6.50%.

Philipp Hauswurz
Financial Markets Division

Investment Banking

M&A

Overall Activity

Global

After soaring to an all-time peak in 2021, the global M&A market has declined slightly in 2022. There have been suggestions that an uncertain market would encourage smaller and fewer large deals, however, 2022 has seen as many mega deals. Mega deals account for 28% of 2022 deal value versus 23% a year earlier. Deal values were boosted by four transactions announced during the first half of 2022 with values of over USD 50 bn each, compared to just one deal during all of 2021. Overall, however, the number of mega deals greater than USD 5 bn declined by a third, partly due to increased regulatory scrutiny. Top dealmakers are bullish on a recovery in global M&A in the second half of 2023 despite a slowdown in economic growth and a weak credit market. An expected recovery in credit and lending markets in the second half of the year has the potential to fuel M&A. Also, increased M&A activity between public and private companies can be anticipated. Two recent mega deals include Amgen Inc.'s acquisition of Horizon Therapeutics Plc. and the General Electric Company announcement to spin off GE HealthCare Technologies Inc.

Selected Regions

North America

In the second half of 2022, the US economy experienced an increase in employment, continuation in wage rises, and steady household spending. Dealmakers in the Americas have been the most active traders, delivering almost half of the global deal value. This amounted to 48% in 2022, compared to 52% in 2021. Valuation resets, capital availability, and increased corporate competitiveness provide openings for dealmakers in the year ahead.

EMEA

Europe, the Middle East, and Africa's deal share is up slightly at 28% in 2022, compared to 26% in the previous year. With lower natural gas prices, the downturn in sentiment has been temporarily halted, though most indicators are still weak. With retail sales falling sharply in October a recession over the winter quarters still looks very likely. Thereafter, growth will be subdued at best, as higher interest rates will start to bite.

Asia

Asia–Pacific's deal share is up at 24%, compared to 22% in 2021. In China buyers have also become more selective, gravitating toward acquisitions in the energy, technology, healthcare, industrial and consumer sectors. Notable mega deals, such as the USD 15.5 bn acquisition of Aramco Gas Pipelines Company by an investor group that included China Merchants Capital, demonstrate the state-owned enterprises' focus on strategically important sectors.

M&A

Deals of the Month

Announced Date	Target	Buyer	Target Region	Target Business	Value (USD m)	Premium (%)
01 Jan 23	Blackstone Real Estate Income Trust Inc.	The Regents of the University of California	US	Real Estate	4,000.00	-
02 Jan 23	State Nuclear Capital Holding Co. Ltd.	Kunlun Trust Co. Ltd.	China	Financial Services	1.173.69	-
03 Jan 23	Grand Prix NGL Pipeline	Targa Resources Corp.	US	Industrials	1,050.00	-
05 Jan 23	Tianjin Jianlong Iron & Steel Industry Co. Ltd.	Camdragon Investment Co. Ltd. / Beijing Camdragon Heavy Industry Group Co. Ltd.	China / British Virgin Islands	Industrials	972.17	-
04 Jan 23	Dignity Plc	Valderrama Ltd.	UK	Other	910.53	-
03 Jan 23	Flexsteel Pipeline Technologies Inc.	Cactus Inc.	US	Industrials	696.16	-
04 Jan 23	Shenzhen Ronghua Land Investment Co. Ltd.	Zhuhai Huafa Properties	China	Financial Services	519.75	-
04 Jan 23	OWL Services	Bain Capital Credit, Trive Capital Management LLC.	US	Technology	500.00	-
05 Jan 23	Digiasia Bios	StoneBridge Acquisition Corp	US	Technology	500.00	-
03 Jan 23	Horizon Global Corporation	First Brands Group	US	Industrials	421.48	-

Karolin Kolarik
Investment Banking Division

M&A: Top Deals

Thoma Bravo To Acquire Coupa Software Inc.

On the 12th of December 2022, Coupa Software Inc. agreed to be taken private by buyout firm Thoma Bravo in an all-cash deal that values the cloud-based business software firm at USD 8.0 bn. The transaction is expected to close in the first half of 2023, pending regulatory approvals. Qatalyst Partners advised Coupa, while Goldman Sachs acted as financial advisor to Thoma Bravo.

Buyer vs Seller

Thoma Bravo, LP, is an American private equity and growth capital firm with over USD 114.0 bn in assets under management. The company focuses on the application, infrastructure, and cybersecurity software and technology-enabled business service sectors as well as applies the "buy and build" investment strategy. Coupa Software is a U.S.-based, global technology platform for Business Spend Management and helps companies to gain visibility into how they spend money, optimize supply chains, and manage liquidity.

Industry Overview

The global Enterprise Software market is valued at USD 237.1 bn in 2022 and is projected to grow at a $CAGR_{2022\text{-}2027}$ of 7.9%, resulting in a market volume of USD 347.30 bn by 2027. Thereof, CRM Software was the leading subsector, accounting for c. 29% of the global market, followed by Enterprise Resource Planning Software (19%) and Business Intelligence Software (16%). Key growth drivers include the increased deployment of enterprise software across end-use industries.

Peers	Currency	Market Cap (CUR m)
Qualtrics International Inc	USD	6,314.91
Guidewire Software Inc	USD	5,436.58
UiPath Inc	USD	7,021.01
SPS Commerce Inc	USD	4,584.51
Manhattan Associates Inc	USD	7,473.27

Deal Rationale

After several billion-dollar buyouts including Ping Identity, SailPoint, Anaplan, Bottomline Technologies, and ForgeRock, Thoma Bravo remains active in acquiring enterprise software companies. Software stocks have taken a dive since the market peak in November 2021, with the Nasdaq Composite down by about 30%, and many stocks off 50% or more. This year's spike in interest rates has weighed heavily on the software group, that reached unusually high valuation levels in late 2021. Meanwhile, Thoma Bravo announced the raise of USD 32.4 bn for its latest and largest fund ever, providing additional capital for major tech buyouts.

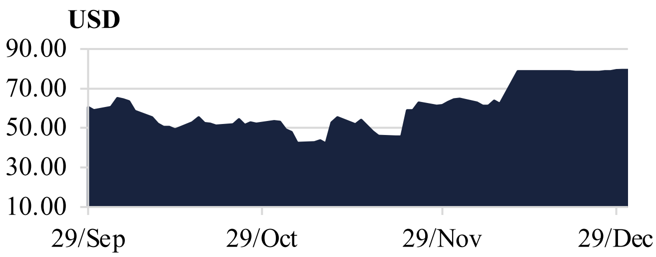
Market Reaction

Thoma Bravo

Thoma Bravo's acquisition of Coupa Software is partly financed by a group of 19 direct lenders including Sixth Street, Oaktree Capital Management, Apollo Global Management Inc, and Blackstone Inc. The transaction further includes a significant minority investment from a wholly-owned subsidiary of the Abu Dhabi Investment Authority (ADIA). Coupa shareholders will receive USD 81.00 per share in cash, which represents a 77% premium to Coupa's closing stock price on 22/11/2022, the last full trading day prior to media reports regarding a possible sale transaction involving the company, and a ca. 64% premium to the average closing price for the 30 trading days ending on 22/11/2022.

Coupa Software Inc.

The deal represents a 77% premium to Coupa's closing stock price on 22/11/2022, the last full trading day prior to media reports that Coupa could be acquired.



Future Challenges

Over the last decade, Thoma Bravo became more active in the acquisition of supply chain software companies. The Private Equity firm successfully integrated companies or drove platform innovation for their targets. It remains questionable whether the financial investor can further expand Coupa's customer base and turn the company profitable within the investment period.

Yutong Wang
Investment Banking Division

M&A: Top Deals

Getir To Acquire Gorillas Technologies

On the 9th of December 2022, Getir announced the acquisition of Gorillas Technologies “Gorillas” for USD 1.2 bn, a valuation discount of USD 3 bn compared to September last year. In addition to Getir’s equity, Gorillas’ investors, including Delivery Hero, Coatue Mgmt. and Tencent, will receive about USD 40.0 m in cash

Buyer vs Seller

Founded in Turkey in 2015, Getir is Europe’s leading on-demand grocery delivery platform that cooperates with local warehouse operators to deliver customer orders within 10 minutes. The company generates revenue by selling groceries at marked-up prices and via delivery and other associated fees. Similarly, competitor Gorillas is a German rapid grocery delivery firm founded in May 2020. The investment banks JP Morgan and Bank of America advised the former and the latter, respectively.

Industry Overview

The global on-demand grocery delivery market is expected to grow to USD 94.0 bn in 2023 at a 13.5% CAGR. Reasoned by the increased customer expectations for convenience and simplicity, the on-demand grocery delivery industry certainly has proven to be a strong alternative to traditional supermarkets and owes a great deal to the optimal market conditions created by the Covid-19 restrictions. However, most of the industry’s biggest players still struggle with profitability.

Peers	Currency	Market Cap (CUR m)
Delivery Hero SE	EUR	11,950.95
Deliveroo plc	GBP	1,720.41
Just Eat Takeaway.com N.V.	EUR	4,554.72
DoorDash, Inc.	USD	18,296.68
Uber Technologies	USD	50,957.11

Deal Rationale

This transaction integrates two of Europe’s largest grocery delivery platforms as well as two of the biggest beneficiaries of the pandemic’s soar in venture capital and start-up financing - together raising more than USD 3 bn from VC funds since 2020 to scale their operations and enhance their operational, and logistical efficiency. With this acquisition, Getir will be one step closer to achieving profitability on a group level, by benefiting from lower customer acquisition costs and driving greater efficiencies in its dark stores and in supplier management. Post transaction, the combined entity will be valued at about USD 10.0 bn.

Market Reaction

Getir

Getir (“bring” in Turkish) is an on-demand delivery company allowing customers to order groceries – usually within 10 minutes. The firm is most notably known for its quick grocery deliveries as it operates numerous grocery warehouses, also called dark stores, in every city it is present, to be within close range of its customers. Getir does not own these dark stores, but instead, it partners with local warehouse owners via a franchise agreement. Getir takes care of product selection, pricing, and shipping items to the distribution warehouses, while the owner operates the delivery to customers. Furthermore, Getir offers restaurant food as well as a variety of other items, including tech items (e.g., chargers), and pet food.

Gorillas Technologies

Gorillas, founded in 2020 with its slogan "faster than you", was one of several others that ran with the idea during Covid-19 lockdowns, opening offices in dozens of European capitals.
During 2021, its business tripled in sales, but it struggled to raise capital in early 2022 and was forced to lay off 300 people, most of them being administrative staff. The firm shifted focus from rapid expansion to targeting a profit by 2023 before entering talks with Getir. The model for rapid grocery deliveries comes with high costs as companies have to pay couriers and rent space for distribution hubs in city centres in order to get products such as crisps, milk, pasta, and other items to customers swiftly – in accordance with its slogan.

Future Challenges

Given the current rough economic environment and the strong influence that cheap financing has had for on-demand delivery platforms, the combined entity will struggle to fund and dispose short-term liquidity for expansion to finally achieve profitability on a group level, considering that from more than a dozen rapid grocery apps only a handful of independent players remain.

Ignacio Klimowitz
Investment Banking Division

M&A: Top Deals

Seadrill Limited To Acquire Aquadrill LLC

Announced on the 23rd of December 2022, offshore drilling companies Seadrill and Aquadrill have agreed that Seadrill will acquire the remains of its former subsidiary Aquadrill in an all-stock deal. Using Seadrill's 30-day volume-weighted average share price of USD 31.25, Aquadrill's equity is valued at approximately USD 958 m. Deal closing is expected in mid-2023.

Buyer vs Seller

Seadrill Limited is a publicly listed, leading offshore drilling contractor from Norway, headquartered in Hamilton, Bermuda. With innovative technology and high-quality fleets, it accesses oil and gas deposits at all water depths for its customers. London-based Aquadrill owns an advanced fleet of a total of 8 ultra-deepwater and tender-assist drilling facilities. Citi and Intrepid Partners are serving as financial advisers for Seadrill and Aquadrill, respectively.

Industry Overview

The offshore drilling industry highly depends on global gas and oil markets. Due to their volatile nature, driven by OPEC+ supply shortages and macroeconomic shocks, offshore drilling market forecasts are equally volatile. Former reports claimed a CAGR of 8% from 2018 (USD 31.7 bn) to 2026, while recent reports are more conservative exhibiting 1% CAGR predictions from 2021 to 2026. However, a growing population and technological progress aid market growth.

Peers	**Currency**	**Market Cap** (CUR m)
Diamond Offshore Drilling Inc	USD	1,005.29
Precision Drilling Corp	USD	986.02
Helmerich and Payne Inc	USD	4,822.45
Noble Corporation Plc	USD	4,834.57
Odfjell Drilling Ltd	USD	587.85

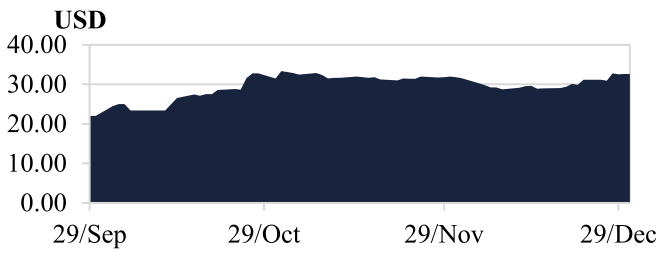
Deal Rationale

After having emerged from its bankruptcy earlier this year, Seadrill tries to rebuild its role as a leading offshore driller. Adding Aquadrill's modern fleet to its portfolio and taking over the company's customers, it significantly grows its order capacity and market coverage in the US Gulf of Mexico. Moreover, Seadrill's long-term, low-rate order backlog will be enhanced by Aquadrill's high-profit contracts. According to Seadrill, the deal holds significant synergy potential of USD 70 m per year realized within 2 years after closing and attributable to cost and Capex savings, fee optimizations, and efficiency gains.

Market Reaction

Seadrill Limited

After a decline in the share price by about EUR 1.0 on the 23rd of December 2022, the market reacted positively to the deal announcement, reflected in an increase to EUR 28.32 on the 27th of December 2022.



Aquadrill LLC

Aquadrill's debt-free fleet, adding USD 150 m to Seadrill's balance sheet, consists of eight drilling units: 1 ultra-deepwater semi-submersible, 4 ultra-deepwater drillships, and 3 tender assist drilling units. Among these are two 7th-generation drillships, constituting the company's most valuable assets. With an exceptional day rate of USD 400 k, the 6th-generation drillship Capella will take on a new contract close to Indonesia from May. The merged company will manage one of the youngest and most sophisticated fleets in the industry, consisting of 12 floaters, 3 harsh environment rigs, 4 benign jack-ups, 3 tender-assisted rigs, and another 7 drilling units operated under several partnerships. As of now, in total, USD 2.8 bn in order backlog will be served.

Future Challenges

All required approvals from both sides have been obtained. However, final deal execution is still subject to regulatory acceptance. Also, continued market volatility in crude oil and gas prices as well as the pending implementation of the merger continue to pose risks to the realization of the projected synergies for the rather unstable emerging industry-leading offshore drilling company.

Charlotte Mayr
Investment Banking Division

What Happened To

Tesla Inc.

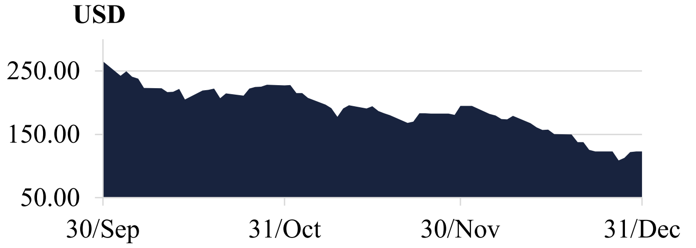
Tesla is a public, US-based company, which was founded in 2003. It is a vertically integrated sustainable energy company focused on the design, manufacture, and sale of electric vehicles as well as the development and sale of different energy generation and storage systems. In fiscal year 2021, Tesla generated a total of USD 53.8 bn in revenues.

Corporate News

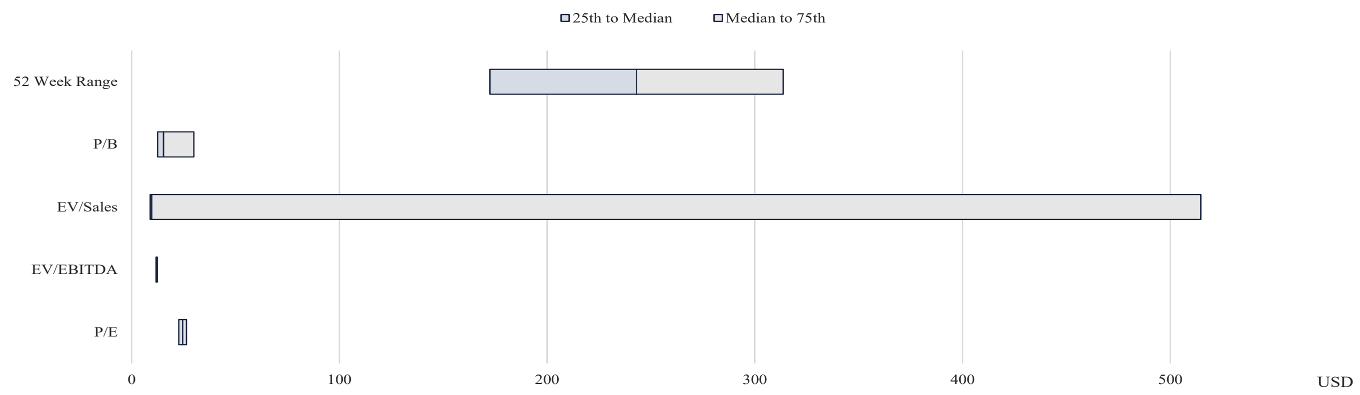
The NASDAQ-listed company is trading at a price of USD 119.8 per share on 31/12/2022 and is currently trading at a 52-week low. The world leader in the design and manufacture of electric vehicles is momentarily experiencing the biggest downward trend in its stock price since its IPO in June 2010 with a 2-year low. Trading at USD 410.0, the stock price is down 70.78% compared to its all-time high just 13 months ago. Investors have been selling Tesla shares since CEO Musk sold around USD 19 bn in total to fund the recent purchase of Twitter. Further, investors face several issues: A dreadful market environment and the probability of an upcoming recession are taking a toll on stock prices throughout the entire automotive industry. This, in combination with other factors such as growing competition, might be responsible for a decline in the demand for electric vehicles. Further, Tesla faces delivery issues due to a worsening Covid-19 situation in China.

Price (31 Dec 22, USD)	**119.77**
Target Price (USD)	220.00
3M Performance	-54.85%
Market Cap (USD m)	378,204.01
Enterprise Value (USD m)	364,244.01

**Target Price is for 12 months*



Valuation Analysis



Tesla historically held, and still holds, high valuations by traditional metrics. The high valuation is particularly severe when comparing it to the average industry valuation of electric vehicle manufacturers. The car manufacturer's price-to-earnings ratio remains above 50x on a trailing 12-month basis which is well above competitors in the automotive industry. Among other investment banks, Goldman Sachs lowered the price target as well as operational targets, reflecting lower supply and demand.

Elon Musk's recent acquisition of Twitter Inc., in combination with the controversial actions taken shortly after the acquisition, shed negative light on Tesla's CEO. Investors are concerned that Musk's actions will also reflect negatively on the Tesla brand. KoGuan Leo, the third largest individual shareholder of Tesla, expressed his apprehension in a tweet last year: "Elon abandoned Tesla and Tesla has no working CEO".

Peers	**Currency**	**Market Cap** (Cur m)
Lucid Group Inc	USD	11,774.36
Ford Motor Co	USD	51,020.07
General Motors Co	USD	51,031.43
NIO Ltd	USD	17,331.89
BYD Co Ltd	USD	97,152.13

Marie Klingsporn
Investment Banking Division

What Happened To

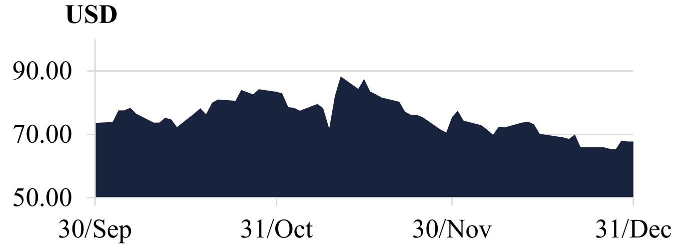
Zoom Video Communications Inc.

Zoom Video Communications Inc. is active in the videoconferencing software market and provides a communication platform that enables people to connect via video, voice, or chat and thus empowers face-to-face interactions across locations and devices. The company generated revenues of USD 2.7 bn in fiscal year 2021 with an EBITDA margin of around 25%.

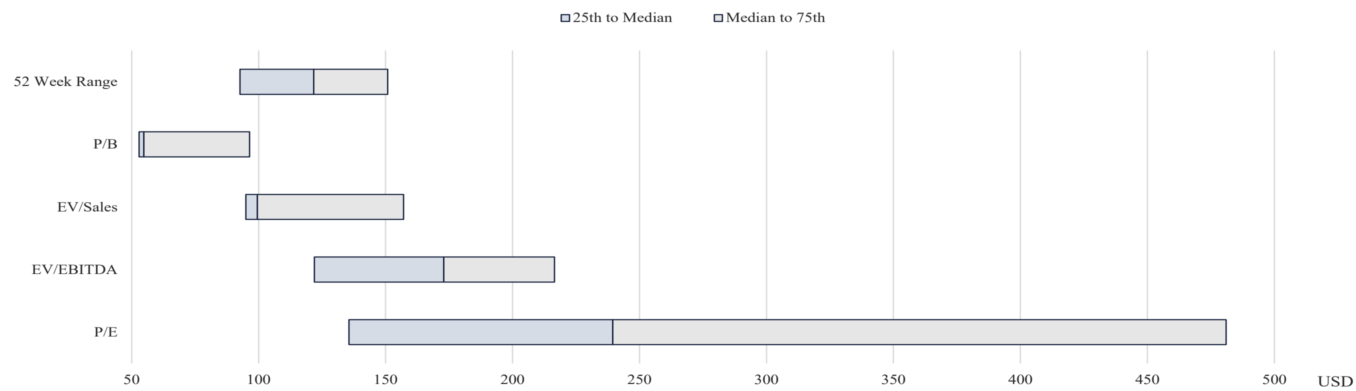
Corporate News

The cloud-based software company Zoom is currently trading at USD 70.1 and is thereby reaching its 52-week low. After traders flocked to Zoom during the Covid-19 pandemic, with the pandemic mend, the stock took a hit in 2022 when profits soared for the tech company. 2022 has been a tough year for tech stocks overall, and the tech-heavy NASDAQ was outperformed by the S&P 500 for the second year and is headed towards its worst performance since 2008. Given the prevailing and difficult macroeconomic headwinds, especially those facing SMEs, it is not too surprising to see the stock price of Zoom continuously decreasing as management was forced to downward adjust its Q2 earnings and was not able to meet projected earnings for Q3. Currently, the stock is down 54.87% from last January and 87.66% from its all-time high of USD 568.3 in October 2020 and is thus reached its lowest price level since its IPO in April 2019.

Price (31 Dec 22, USD)	**70.08**
Target Price (USD)	84.00
3M Performance	-4.77%
Market Cap (USD m)	20,485.94
Enterprise Value (USD m)	15,420.81
**Target Price is for 12 months*	



Valuation Analysis



The consensus estimate of analysts covering the company is USD 84.0 on average for Zoom's price target. This suggests the stock is significantly undervalued. After increased demand for video conferencing software, revenue growth has slowed as face-to-face meetings pick up and employees return to their offices, retaining small businesses will be an important and necessary goal for Zoom going forward.

In addition, the company granted a high amount of stock-based compensation during previous periods of strong stock performance, which will be a drag on the stock especially as they grow in percentage of free cash flow. However, Zoom's industry-leading position and consistent innovation combined with a cash balance of almost USD 6 bn suggest that the company has still room to run.

Peers	Currency	Market Cap (Cur m)
Calix Inc	USD	4,544.90
RingCentral Inc	USD	3,266.74
Consensus Cloud Solutions Inc	USD	1,066.34
CCC Intelligent Solutions Hold	USD	5,213.98
Schrodinger Inc/United States	USD	1,288.69

Marie Klingsporn
Investment Banking Division

NIC's View On

US Antitrust Takes Aim at Private Equity: Overreach Or A Calculated Move?

Guilherme Capinha Lopes
Investment Banking Division

"In many instances, divestitures that were supposed to address a competitive problem have ended up fueling additional competitive problems. (...) If we're going to be effective, we cannot just look at each individual deal in a vacuum detached from the private equity firm."

– Jonathan Kanter,
Head of the Department of Justice Antitrust Division

Back in May of last year, a staunch warning was issued by the US Department of Justice Antitrust Division to, in essence, the entire Private Equity world: "We are going to tighten the rope from now on, get ready". While not a direct quote, this is the feeling that seems to have permeated throughout the American PE sphere when the DOJ made clear that no longer were only individual deals under its microscope, but the activities of PE firms themselves and the interlinks between them were now in the spotlight. At first, this might seem like an antitrust regulator just getting on with its business as usual, but there are deeper implications to be considered from Mr. Kanter's words.

The effectiveness of antitrust entities in the US has fluctuated over the years, with different administrations changing priorities as they come in and out of office. At least since the 70s, Democratic presidencies have brought with them bolder and more emphatic regulator activity, with the Biden administration seemingly no exception to this trend. This announcement by the DOJ makes clear the intent behind these moves, but it does not shed light on how this is to be achieved. Other appointments by the Biden administration also highlight this desire to start challenging the private equity modus operandi: The current chair of the Federal Trade Commission, Lina Khan, gained notoriety by writing a paper in 2017 out of Yale Law School that argued for a break-up of Amazon. Such beliefs are not lost on corporate players and are certainly a cause for concern.

This begs the question: How is this actually impacting PE firms? For now, the current situation is reminiscent of the "Phoney War" period from World War II, where even though war had been declared, for a few months neither side seemed to really take many actions and instead looked to consolidate and gather intelligence on the other side: A sort of calm before the storm if you will. And this is where one gets to the crux of the issue: Is the Biden administration looking to go after Private Equity firms themselves, as players that are "too big" and breaking them up, or does it intend to say that the whole portfolio of deals is now being more carefully considered when the antitrust regulator evaluates whether an individual deal should be investigated? This is a critical clarification as it distinguishes bolder action on individual deals, a minor historical deviation, from direct action against firms themselves. One is a minor problem, and the other is a major issue for PE.

Curiously, this appears to have been left intentionally unclear and thereby indicates that the Biden administration might not yet have decided on their course of action, presenting an interesting opportunity for PE players. Do you use this short moment in time to try and convince the administration that the PE sphere is not the antitrust threat that it is made out to be, but potentially have to give up valuable information to the DOJ that could later be used against you, or do you see this as a trap and instead hunker down legally and prepare for a storm?
There is no easy answer, and each firm will certainly take different approaches with the DOJ, but none of them can remain indifferent to what is a clear threat to the current status quo of the PE world.

Date	Recent News
23 May 22	Private equity moves into the antitrust spotlight. ***Source:*** *Financial Times*
22 Aug 22	US trustbusters: Why Joe Biden is taking on private equity. ***Source:*** *Financial Times*
01 Dec 22	Blackstone limits withdrawals at $125bn property fund as investors rush to exit ***Source:*** *Financial Times*
21 Dec 22	Private equity enters the emergency room. ***Source:*** *Financial Times*

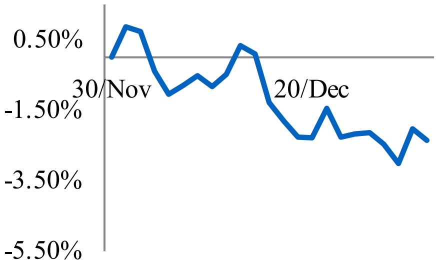
Guilherme Capinha Lopes
Investment Banking Division

NIC Fund

NIC Fund

Portfolio Overview

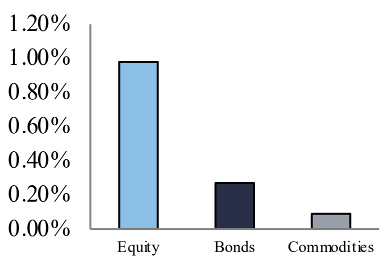
NIC Fund Cumulative Return



Portfolio Statistics	
Cumulative Return	-2.35%
Annualized Return	-28.18%
Daily St. Dev	0.66%
Period St. Dev	3.01%
Annualized St. Dev	10.41%
Info Sharpe	-2.71
Skew (Daily)	0.06
Kurtosis (Daily)	-0.76

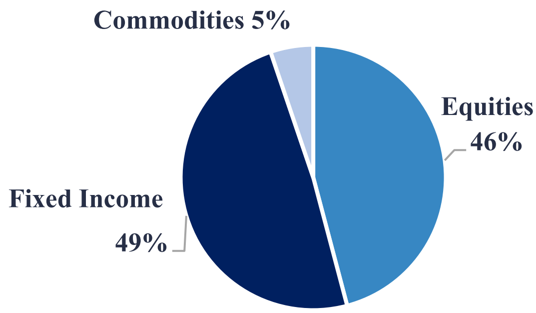
Benchmark	
iShares 3-7 Year Treasury Bonds	40%
SPDR S&P 500 ETF Trust	30%
Powershares DB Commodity Index	10%
iShares JP Morgan USD EM Bonds	10%

Individual VaR



Portfolio Snapshot

During the course of the last month, the NIC Fund remains invested between Equities, Fixed Income, and Commodities aligned with our benchmark. Overall, we have maintained a similar allocation compared to that of November, with 46% allocated to Equities, 49% to Fixed Income, and the remaining 5% to Commodities. Relative to our benchmark, we maintain an overweight position in Equities of 16%, and thus, underweight on both Fixed Income and Commodities of 11% and 5% respectively.
This allocation is in accordance with our view that there exists room for rises in Equity valuations in the medium-to-long term.



Return Metrics

December proved to be a negative month for the performance of the fund with a cumulative return of -2.35%. The best performer was Commodities, with a return of 0.04% driven by a rise in the value of gold, followed by Fixed Income and Equities that recorded contribution returns of -0.38% and -0.98% to the portfolio, respectively. In terms of Equities, the MSCI World Index was the most significant source of downfall, although it only recorded a monthly fall of -4.67%, it accounts for 15.33% of the fund, the 2nd largest individual position within the fund, amplifying its impact on the cumulative returns. On the flip side, the rise in the price of gold positively translated to the outperformance of commodities in our portfolio with respect to Equities and Fixed Income, with our position in Goldman Sachs Physical Gold recording a monthly return of 3.02%.

Risk Metrics

In terms of risk, our portfolio registered an increase in daily VaR to 1.04% in light of the rise in the frequency of larger negative returns, however, it remains significantly below the maximum established threshold of 2.5%.

Equities remain the asset class with the highest individual VaR, which was around 0.98%. On the other hand, Bonds and Commodities have slightly lower VaRs of 0.27% and 0.09% respectively.

Tomás Forte Vaz
Financial Markets Division

NIC Fund

Assets in Brief

Asset Class	Symbol	Comments
US Equity	**CMG**	As a result of the erosion of purchasing power among consumers, leading to a decline in demand, Chipotle has launched the "Freepotle" campaign, offering 3.1 k free "Chipotle For a Year" prizes to attract new consumers.
US Equity	**MA**	Our long position in MasterCard has been rather successful. As it was able to sustain an operating margin north of 50% whilst still registering an increase in revenue, it showed a 14.4% rise in the last 6 months, proving to be a valuable differential compared to the rest of the market.
US Equity	**AMZN**	Amazon ended the year with an annual performance of -49.6% as revenues have stagnated, and profits have shrunk. Laying off 10 k employees and dozens of warehouses, as well as cutting spending on profit-reducing activities, such as Alexa, have not been sufficiently large for the world's leading online retailer to shake investors pessimism.
US Equity	**NVDA**	Biden's administration ban on exports of advanced US technology to China will likely further accentuate the downfall Nvidia has recorded from deceleration of the post-pandemic PC market, China lockdowns and the crash of the crypto market. Nonetheless there has been a surge in optimism regarding Nvidia's role concerning the growth in AI, most recently exemplified by the release of ChatGPT.
EU Equity	**GS**	As a result of rising interest rates and worsening economic climate, Goldman Sachs has seen a significant halt in deal activity. The US Investment Bank is expected to layoff over 3 k employees as part of its biggest cost-cutting intervention since the financial crisis.
US Equity	**BAYN**	Activist investor, Jeff Ubben, has bought a 0.83% stake in Bayer AG, representing USD 414 m. He has raised concerns regarding the company's CEO and encouraged for an "external hire" who is more equipped and focused on boosting the firms stock price.
US Equity	**VPN**	The Global X Data Center REITS and Digital Infrastructure ETF aims to track the growth of digital infrastructure and communication networks. Over the past month, whilst demand has remained strong, rising commodity prices and supply chain constraints have been the main restriction to the industry, contributing to a 5% loss in the last month.
US Treasury Bonds	**DIS**	Disney stock fell to a 2-Year low after a disappointing opening of the blockbuster sequel "Avatar: The Way of Water", which grossed USD 134.0 m domestically on the opening weekend. Disney's global head of cinema distribution, Tony Chambers, attributed this to a "lack of appetite for cinema due to Covid-19 fears".
Commodity	**AAUU ETF**	The increase in gold prices to over USD 1,820 per ounce, representing a 3.8% rise, was driven by a fall in the US dollar, prompted by expectations of a potential recession, which made buying gold for foreigners cheaper.
Commodity	**DBC ETF**	DBC tracks a basket of 14 commodities, which saw a drop of 2.71% despite the positive performance of gold, as Natural Gas and WTI Crude fell in the month. OPEC has hinted that future cuts in oil production lay ahead in order to rise oil prices above USD 75 to somewhere near USD 90.

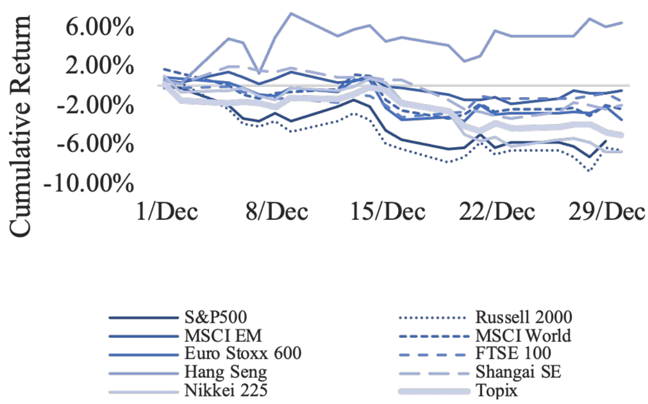
Tomás Forte Vaz
Financial Markets Division

NIC Fund

Equities

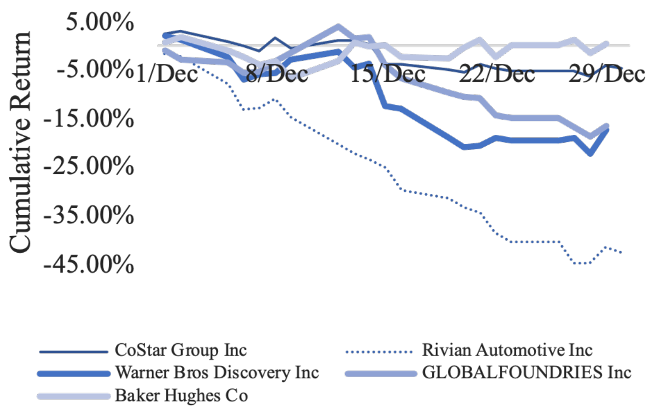
World Equities

Sticky inflation and aggressive rate hikes from the Federal Reserve weighed on investor sentiment throughout the year. Geopolitical concerns and volatile economic data also kept markets on edge. As the calendar turns to a new year, some investors think the pain is far from over. Some also forecast stocks will hit new lows before rebounding in the second half of 2023. These circumstances ensured that both global indices (MSCI World, -2.35%) and regional indices (S&P500, -5.66%; NASDAQ 100, -4.50%; Russell 200, -6.64%; Euro Stoxx 600, -3.44%; FTSE 100, -1.60%; Shanghai SE -1.97%; Nikkei 225, -6.70%) recorded negative monthly returns at year-end. A major index, which had a positive monthly return was Hang Seng with 6.37% MoM.



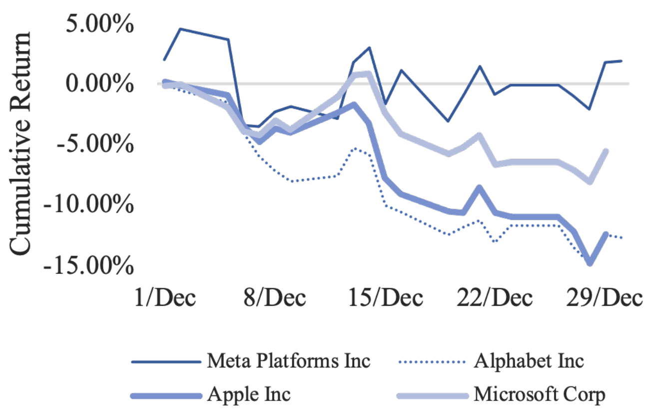
In Depth: Changes in NASDAQ 100

The composition of the NASDAQ 100 undergoes annual changes in December. Seven stocks were removed from the index this time and six newcomers moved up to the index. The first newcomer is CoStar Group, an established provider of online real estate marketplaces. The US company is valued at around USD 33 bn. The second is newcomer Rivian Automotive which produces all-electric pickup trucks and SUVs. The e-car maker is also cooperating with Amazon to develop delivery vehicles for the online shipping giant. The third newcomer is Warner Bros Discovery. Warner Media and Discovery merged to form Warner Bros Discovery. Since the merger, the Group has risen to become the world's second-largest media company, just behind market leader Disney. In 4th place comes Globalfoundries. The company produces semiconductors on a contract manufacturing basis and is one of the five top-selling companies in its sector. Its most recent market share was 6 %. The 5th newcomer is Baker Hughes, a leading manufacturer of service and technology services for oil and gas producers.



Selected Stocks

Tech stocks put in an almost universally dire performance in 2022, with the NASDAQ index falling by a third. This is also mirrored towards the end of the year. Thus, Apple (-12.44%), Microsoft (-6.00%), Alphabet (-12.63%) record negative monthly returns. Interestingly, Meta Platforms recorded a positive return of 1.90% in December. But given the fact that Meta's share value fell by 65% in 2022, the positive monthly return is a rather weak sign of resilience.



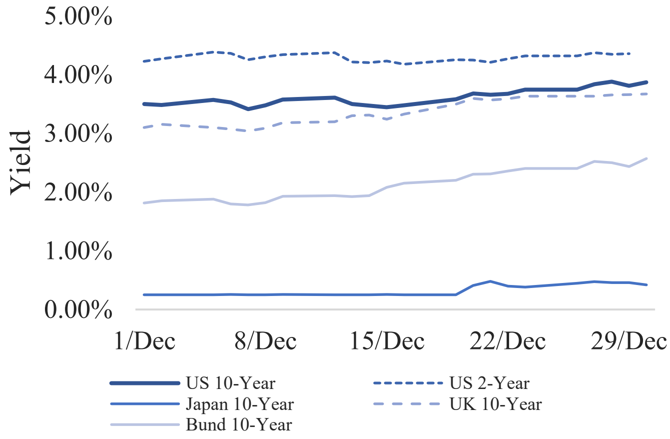
Pauline Schüller
Financial Markets Division

NIC Fund

Fixed Income

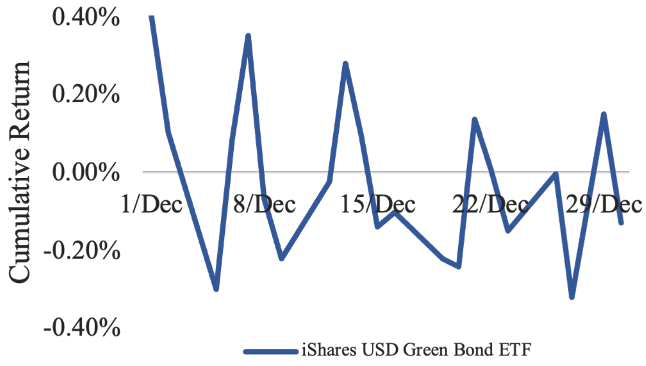
World Yields

December was an interesting month for the bond market as the US 10-Year rates and US 2-Year rates have increased after the Federal Reserve delivered a widely expected 75 bps rate hike and indicated that it will continue raising rates to tame inflation. The US 10-Year rates had a 7.47% MoM and have stabilized around 3.67%. Markets expect the U.S. Federal Reserve to raise rates again, probably by 0.25 percentage points. The 10-Year German Bund is up 33.21% MoM with a yield of 2.43%, which is below the 11-Year high of 2.6% touched on December 30th as investors hope that inflation has peaked. The Euro Area inflation rate fell more than expected to 9.2% in December, returning to single digits for the first time since August, reflecting slowdowns in Germany, and other European countries. Furthermore, the UK 10-Year yield has increased 16.17% MoM and has stabilized around 3.67%. Markets anticipate a 25 to 50 bps increase most likely at the next meeting. The Japanese 10-Year yield increased by 66.08% MoM to 0.44%, which is close to the Bank of Japan's implicit policy cap of 0.25% due to the Bank of Japan's easy monetary policy.



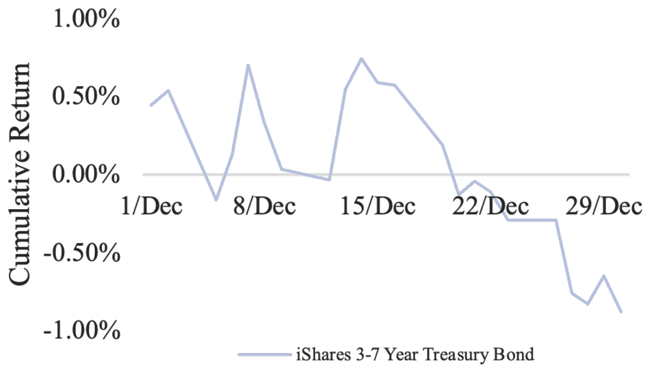
In Depth: Green Bonds

The market for Green Bonds is becoming more normalized. On top of that, to worsen the situation for investors, the discount yield green bond investors use to compare to other non-green bonds has been decreasing. Moreover, for the first time, there has been recorded a decrease in the total issuance of green debt. One reason for this was that green bonds have been highly criticised for serving more to enhance a company's reputation than for complying with their "green" goals. There is another reason for the decrease in total issuance of green debt which is that, if avoidable, investors did not want to lock in 2022's high credit costs. Due to the decrease in the issuance of green bonds, the price of green bonds has become more in line with the non-green bonds. And, when issuing green bonds, the discount that companies get has decreased from a peak of 15-20 bps to low single digits. Nevertheless, when it comes to ESG debt options, green bonds continue to be the dominant player. One alternative to green bonds can be sustainable-linked bonds. However, these carry penalties for borrowers if they fail to meet certain targets, making them less appealing to investors. As a result, green bonds are not going to disappear anytime soon. In fact, in the future one can expect that all debt issued by a company with strong ESG credentials should, in theory, be "green".



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 -0.56% MoM, wherefore Fixed Income contributed -0.04% to our total portfolio.



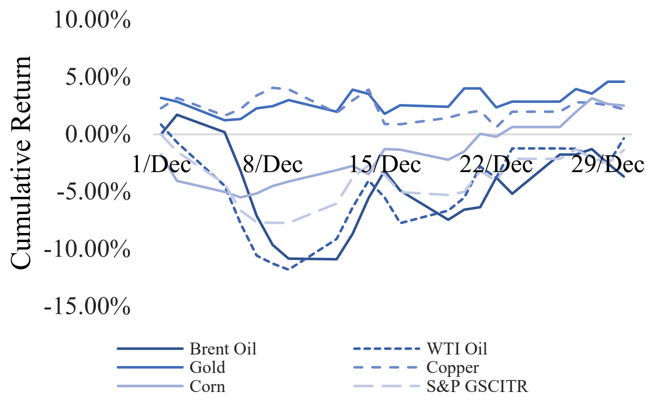
Francisca Bombas
Financial Markets Division

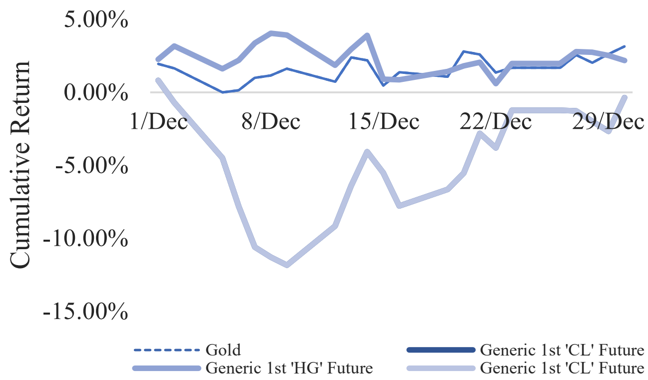
NIC Fund

Commodities

December Round-Up

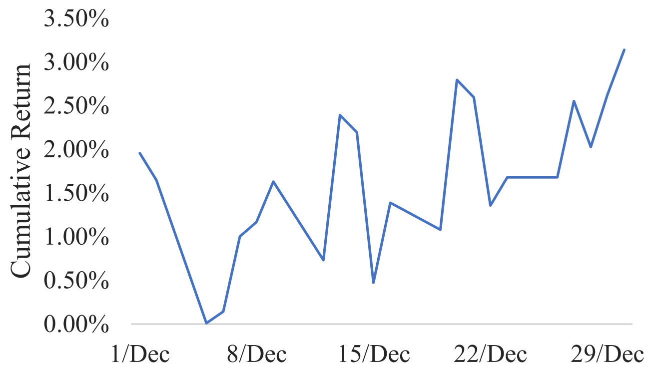
Commodities were the best performing asset class in 2022, with about a 20% increase for the whole year. The S&P GSCI Total return index, which tracks 24 commodities, fell by 1.75% MoM in December. However, the index returned an increase of 8.08% for the entire year 2022 as the war in Ukraine restricted supplies, contrasting sharply with the more than USD 30 tn in losses for equities and bonds. Energy prices dropped 6.2%, led by crude oil with a 10.7% decrease after a turbulent month that saw crude oil fall to a 1-year low of USD 70.3 on December 9th, pressured by a weakening global demand outlook amid growing fears of a Fed-induced recession in the US and persistent Covid-19, related uncertainties in China. Non-energy prices gained 1.0%, and food prices dropped 1.5%, led by a 4.2% decrease in grains. Gold rose 1.19% in December and delivered a yearly return of 1.90% in 2022, ending the year with a price of USD/t.oz 1,824. Due to the disruption caused by Russia's invasion of Ukraine, sending the UN food agency's average price index to its highest level ever, the cost of most food commodities rose in 2022. The FAO food price index, which tracks international food commodity prices, averaged 143.7 points in 2022, up 14.3% from 2021 and the highest since records began in 1990. Fertilizer prices declined 6.1% MoM and metal prices gained 6.6%, led by a 19.8% increase in iron ore and a 13.2% increase in nickel. Commodity trading volumes were high in 2022, with Invesco's USD 6.0 bn PDBC ETF, the largest broad-based commodities fund, increasing more than 60% and nearly three times as high as in 2020.





Outlook for January

With China reopening, Europe improving its energy efficiency in a decline in industrial activity, and the US slowing its aggressive Fed rate hikes, global economic growth is expected to rebound in 2023. Similarly, to how the dollar dominated commodity markets in 2022, Goldman Sachs' Commodities analysts expect underinvestment to shape commodity markets in 2023. For oil, soaring Covid infections in China continued to cloud the outlook for the country, despite authorities' efforts to reopen the market. Spot gold is trading at its lowest level in over two years, and the pace at which central banks have added to their gold reserves this year has not been seen since 1967. The price of gold will continue to be determined by investment flows, which have a less positive outlook in the short term. However, gold prices should rise when the Fed starts to ease its aggressive hiking cycle.



Our Performance

During December, the Goldman Sachs Physical Gold index returned 3.14%, leading to an overall return to our portfolio of 0.04%.

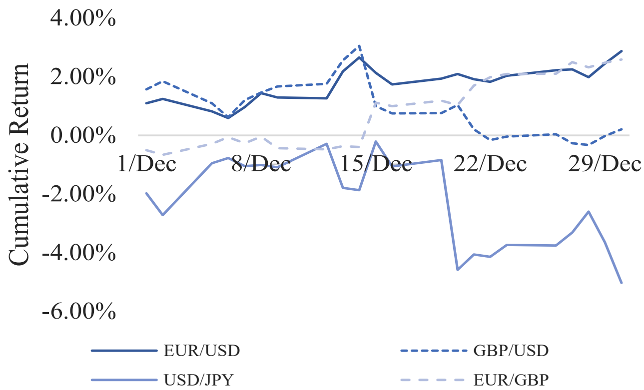
Lars Dahle
Financial Markets Division

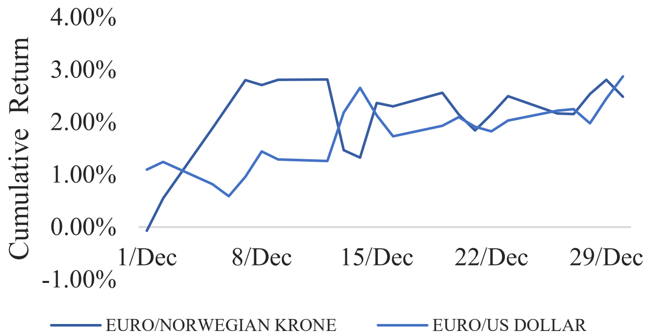
NIC Fund

Currencies

World Currencies

In 2022, the Euro fell about 7% against the US dollar after hitting a 20-Year low of USD 0.96 in September as investors sought safety amid fears of a severe economic recession in Europe due to the ongoing war in Ukraine, rising borrowing costs, and high inflation. As a result of the ECB's monetary policy, the Euro gained strength in December. Even though the rate hike of 50 bps on December 15th was expected by the market, the announcement of a necessity of significantly and constant interest rate hikes to ensure the goal of a 2.00% target inflation led to a stronger Euro. The Fed as well opted for a rate hike of 50 bps, which ended the streak of four consecutive 75 bps rate hikes and suggested further moderation in interest rate hikes in the US. Thus, the EUR/USD is approaching its highest level since June. The Bank of Japan surprisingly modified their yield curve control tolerance range in December, leading to an increase of the Japanese Yen by more than 3.00% in comparison to the USD. The Japanese Yen rose towards 130 per dollar in early January, reaching its highest level in seven months, as speculation mounted that the Bank of Japan would soon abandon its ultra-easy policy. The British Pound, however, shows a different price development in terms of a weakening in comparison to the EUR or USD, despite 50 bps raise. One reason for the decrease in value is the bad outlook for the British economy in the coming year. The British pound ended nearly 11% lower – at USD 1.2 – in comparison to the US Dollar, leading to the worst year since the Brexit vote in 2016.





In Depth

After China loosened their non-Covid policy, the Renminbi gained about 2.0% this year, due to the speculation that China will open up again. This political decision made by the Bank of China could lead to an increasing interest of many investors to invest in China. Morgan Stanley already upgraded its 2023 growth outlook for China by raising Chinas GDP forecast from 5.00% to 5.40%. Especially before the Chinese new year foreign exchange traders have more incentive to invest in Yuan before wages and bonuses must be paid. The Euro might also perform well in the upcoming months due to more moderate rate hikes in the US while the ECB indicates that it may raise rates by another 150 basis points in quick succession. Based on the speculation that US inflation already peaked and will moderately decrease throughout 2023, it is likely that the FED will stop raising interest rates but keep them elevated at around 5% this year. Therefore, a peak of the USD to EUR rate could be reached soon if the slightly more valuable US Dollar shortly after reaching parity was not the bottom already. Further, looking back, EUR/NOK has gained 2.74% in the last four weeks and 7.07% in the last year and. Looking ahead, investors expect EUR/NOK to be priced at about 10.80 in the next quarter and about 11 in the next year

Our Performance

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

David Biewald
Financial Markets Division

Extras

Hot Topic

Goldman Sachs To Cut Ca. 4,000 Jobs In The Beginning Of 2023

Ignacio Klimowitz
Investment Banking Division

"Many firms will have to go back to the drawing board and right-size their organizations, it's not just Goldman. Firms over-hired, and now they will have to over-fire, too.""

– Karp, CEO of Options Group

Goldman Sachs is preparing to trim its workforce in the coming weeks, Chief Executive Officer David Solomon told staff in a year-end audio message. More concretely, Goldman Sachs boss unveiled a plan to cut jobs up to 8% of its total workforce, or ca. 4,000 jobs.

The leader of Wall Street's top investment bank communicated to its workforce that the bank was conducting a review of the company's headcount and holding discussions about potential layoffs likely to take place during the first fortnight of January." There are a variety of factors impacting the business landscape, including tightening monetary conditions that are slowing down economic activity," David Solomon reportedly expressed. "For our leadership team, the focus is on preparing the firm to weather these headwinds." Additionally, Bloomberg also reported Goldman Sachs top executives were asked to identify potential cost-cutting objectives including a reduction in the bonus pool of ca. 40% - but a final count of workforce reduction has not been determined yet. As of the end of Q3 2022, the American bank employed 49,100 people, according to a regulatory filing, up from 43,000 during the same period last year following a ramp-up in hiring throughout 2021 as M&A markets and dealmaking activity boomed after the peak of the pandemic. The layoff discussions come after a considerable slowdown in the bank's profitability in 2022, with market volatility slashing investment banking revenue — and as many companies shrink their workforces to cut costs in fear of a potential economic recession.

At the Wall Street Journal's CEO Council Summit earlier this month, David Solomon acknowledged the banking industry's aggressive hiring last year and in 2020 to keep up with record dealmaking activity during the period. "It's a natural phenomenon that you, therefore, have to trim in some areas and pull back, and so we're going through the process of thinking about how we're going to do that," Goldman Sachs' Boss reported. "But for sure, we'll have to narrow our footprint a little bit." In an earnings call earlier in 2022, Goldman Sachs alleged it would reestablish annual performance reviews paused during the pandemic, a strategy that has historically served to weed out laggard bankers — in addition to slowing hiring. A reduction of up to 8% would go beyond its typical annual cull of low performers. Completing job cuts during the first weeks of January would allow Goldman Sachs executives to present them to investors on January 17th, 2023, upon reporting its full-year 2022 results. CEO David Solomon is scheduled to address investors with a restructuring plan he proposed in October 2022 to enhance its profitability on a group level.

Amid global economy fears, other financial services institutions are also discussing or already delivered layoffs. Morgan Stanley has allegedly cut about 2% of its workforce during December 2022, while Citigroup likewise let some employees go, the latter maintained that it was simply a routine annual purge and part of the usual yearly culling.
Other American banks such as JPMorgan and Bank of America have taken a more conservative approach to potential job cuts for the moment.

Ignacio Klimowitz
Investment Banking Division

Extras

ESG Review

The State Of the Climate In 2022 And Implications For 2023

Lars Dahle
Financial Markets Division

"During 2023, Nordea intends to further establish our strategic approach to biodiversity and nature-related impacts at group level. Going forward, a biodiversity position statement including our ambitions will be published as a foundation to further strengthen our sustainability strategy and bring value to our stakeholders"

– Anja Lidgren Hannerz , Acting Head of Group Sustainability, Nordea

Despite strong evidence that human activity played a role in catastrophic weather events and the emergence of an energy crisis due to the Ukraine war, greenhouse gas emissions increased further in 2022. When the United Nations Climate Change Conference was held in Glasgow at the end of 2021, few expected that a war in Ukraine would throw the global economy into turmoil, convincing nations to abandon their commitments to a low-carbon economy as they scrambled to reduce their reliance on Russian oil and gas supplies. Nonetheless, the United Nations kept the climate emergency at the top of the international agenda, reaching major agreements on biodiversity and financing.

The year 2022 brought some encouraging news as well as some concerning news. On the plus side, authorities in the US and Europe are gradually tightening regulations on climate targets and emissions reporting. The US Securities and Exchange Commission proposed measures in March to require companies to disclose data on carbon emissions in their annual reports, and the US passed its most significant piece of climate legislation ever with the Inflation Reduction Act (IRA), which allocated hundreds of billions of dollars to clean energy and other low-emissions projects and could potentially reduce a large portion of the US's carbon footprint. On the other hand, the Ukraine conflict has increased coal and other fossil use and investment production, further complicating the ongoing clean energy transition.

The big question is where this will leave us in 2023. This year will likely see more litigation and increased regulatory pressure, directly affecting how energy companies plan, operate, and report. If the world is to stay below the two degrees goal, much more aggressive cuts in fossil fuel production and consumption are required. However, last year's energy crisis reignited concerns about energy security, allowing industry groups to argue for continued investment in oil and gas during the transition.

In the future of investing, asset managers will play a critical role in influencing and using their board seats to influence company decisions, as well as pressure from governments and industry bodies. The International Maritime Organization (IMO) is an industry body attempting to navigate one of the industries with the highest carbon footprint. The shipping industry has experienced an increase rather than a decrease in global emissions in recent years, accounting for nearly 3% of global greenhouse gas emissions annually. Because the shipping industry was not initially included in the 2015 Paris Agreement, the IMO published its own commitment to decarbonize global shipping in 2018, including absolute and intensity-based emissions reduction targets. They set an absolute goal of reducing total annual GHG emissions from shipping by at least 50% by 2050 compared to 2008. It is important that industry bodies put such pressure.

Going into 2023, it is even more critical to maintain a continuous focus on sustainability. Climate mitigation and adaptation will be important factors for businesses as global climate-related regulation accelerates and many companies overlook and underreport climate-related risks and opportunities that can be important for stakeholders. At the same time, businesses are increasingly focused on supply-chain resiliency and human rights due to lingering Covid-19-related disruptions, the need to meet evolving ethical labour regulations, and commitments to reduce suppliers' carbon emissions. Private companies that address material ESG issues proactively will be better positioned to navigate the market's shifting expectations.

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Thank you!

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

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