NIC

— Nova Investment Club —

Newsletter

March 2024

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, Leon Wolff sheds light on the EU's move to align trade with climate goals. Moreover, in our Regional View, Lorenzo Bonoli explains the fiscal challenges faced by Italy.

Our Investment Banking Division will guide you through February's overall M&A activity. Read about Capital One acquiring Discover, Novo Holdings acquiring Catalent, and Renesas Electronics Corporation acquiring Altium Limited. Additionally, get a detailed overview of what happened to Macy's and Paramount, and read expert insight on Apple canceling their electric car project.

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 three major asset classes through an analysis of the past month's major market moves. The overall performance of the NIC Fund in February was negative, with a cumulative return of -5.80%.

Lastly, on the Hot Topic of this month, Johanna Linden discusses Sweden's recent addition as a member of NATO.

Macro Overview

Monthly

March 12th, 2024

Market Moves

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	5,096	0.18%	11.57%	6.84%
DJIA	38,996	-0.19%	8.47%	3.47%
Nasdaq	16,092	0.31%	13.11%	7.20%
MSCI World	3,559	0.49%	7.68%	1.11%
MSCI EM	3,623	0.58%	0.77%	-1.18%
Russell 2000	2,055	2.04%	13.59%	1.37%
Euro Stoxx 50	4,878	0.46%	11.30%	7.88%
FTSE 100	7,630	-0.71%	2.36%	-1.33%
Nikkei 225	39,166	0.17%	16.96%	17.04%
Hang Seng	16,511	-1.38%	-3.12%	-3.14%
Dollar Index	104.16	0.19%	0.64%	2.79%
EUR/USD	1.081	-0.17%	-0.76%	-2.12%
GBP/EUR	1.1683	-0.13%	0.77%	1.28%
GBP/USD	1.2625	-0.28%	0.01%	-0.83%
USD/JPY	149.980	-0.37%	1.20%	6.34%
USD/CHF	0.88	0.49%	1.06%	5.12%
Brent Crude	83.620	-0.06%	0.95%	8.54%
Gold	2,054.7	1.73%	0.81%	-0.83%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	4.250%	-7.1	-7.6	37.1
GER 10Y Yield	2.411%	-2.9	-3.6	38.7
JPY 10Y Yield	0.709%	-1.1	3.7	9.5
UK 10Y Yield	4.124%	1.9	-5.2	58.7
PT 10Y Yield	3.123%	-6.5	-1.4	46.7

**Source: Bloomberg, as of 2024-02-29*

In Focus

February

US Inflation Cools, Raising Hopes of Fed Rate Cuts in 2024. US inflation fell to 2.4%, matching expectations and supporting predictions of Fed rate cuts later in 2024. This decrease strengthens the case for a policy shift and potentially paves the way for lower borrowing costs by mid-year. However, concerns remain about underlying inflation measures and the overall economic outlook.

Fed Holds Steady, Hints at Dovish Shift as Growth Concerns Mount. At the beginning of February (minutes released on the 21st of February), the Federal Reserve kept interest rates steady as expected, but signaled a potential shift towards a more dovish stance due to concerns about slowing economic growth and inflation cooling down. This decision and the accompanying rhetoric impacted financial markets, with investors reassessing interest rate expectations.

US Economy Grows at Solid Pace, But Q4 Growth Revised Down Slightly. On the 2nd of February, US GDP Growth data was released. The US economy grew at an annualized rate of 3.2% in the fourth quarter of 2023, slightly lower than the initial estimate of 3.3%. While this revision indicated some moderation in growth, it still pointed towards a resilient economy.

Eurozone Inflation Falls to 2.8% in January 2024. Eurozone inflation is falling, but stubbornly high service prices make the ECB cautious about cutting rates. Despite lower energy and food costs, strong wage growth keeps service prices up, raising concerns about future inflation. The ECB awaits clearer signs before potentially lowering borrowing costs.

Eurozone Business Confidence Unexpectedly Declines, Raising Economic Concerns. Published on the 20th of February, the ZEW economic sentiment indicator for the Eurozone unexpectedly fell, indicating weakened business confidence and raising concerns about the region's economic outlook. This data release, while not solely focused on a specific number, provided significant insights into business sentiment, a crucial economic indicator.

UK Consumer Confidence Wanes in February Despite Early Optimism. UK consumer confidence dipped in February despite a strong start to 2024. Inflation concerns and worries about the economic outlook dampened optimism, overshadowing positive data like rising retail sales. While confidence is higher than last year, it remains negative, reflecting ongoing anxieties amongst consumers.

World Trade Organization (WTO) Extends E-commerce Moratorium (2 Years). WTO members secured a two-year extension for e-commerce tariff relief, but progress on tackling harmful fishing subsidies and agricultural disputes remained deadlocked, raising concerns about the organization's ability to address broader trade challenges.

EU Sanctions Reach Beyond Russia, Target Chinese and Indian Firms Aiding War Effort. The EU imposed a new sanctions package on Russia, including for the first time entities from China and India accused of supporting its war effort. These targeted companies are suspected of supplying materials used in weaponry. The move aims to close loopholes and pressure Russia further while avoiding broader economic measures. Separately, the EU will remove sanctions against Russian tech giant Yandex's founder, who condemned the war.

Leon Wagner
Financial Markets Division

Deeper Dive

EU's Pioneering Move to Align Trade with Climate Goals

Leon A. Wolff
Investment Banking Division

"There's a lot of confusion and uncertainty"

– Sarah Hay, Climate Policy Manager, Hydro

"EU Countries with a larger share of imports from Russia, Turkey, India and China in particular could see input costs of cement and lime, fertilisers, iron and steel, and aluminium rise"

– Analysts at Citi

The European Union's aggressive stance on climate change is epitomized by its latest financial instrument, the Carbon Border Adjustment Mechanism (CBAM). Envisioned as a keystone in the EU's Green Deal, the CBAM reflects a growing recognition of the need for a more environmentally sustainable approach to international trade. It aims to not only reduce global carbon emissions but also to drive a significant shift in the environmental accountability of nations and industries.

At its core, the CBAM is designed to level the playing field for EU producers by imposing a carbon cost on imports of certain goods from countries with less stringent environmental regulations. It serves as a border tax that adjusts the price of imports according to their carbon content, effectively extending the EU's carbon pricing to the global market. This mechanism is set to cover a range of sectors, with a phased implementation that will initially include industries like cement, electricity, fertilizers, steel, and aluminum. With this initiative, the EU aims to mitigate the risk of carbon leakage, where companies could potentially relocate production to countries with less emission constraints to lower costs. By imposing the CBAM, the EU seeks to encourage cleaner production processes worldwide and promote a global transition to greener energy and materials.

Recently, the initiative has only seen a lukewarm reception from the business sector, with less than 10% compliance in early reporting by German companies, a figure that reflects similar trends across other EU nations. The reasons cited for the low compliance rate include a lack of awareness about the new reporting obligations and the complexities involved in the transition period. The administrative burden and concerns over losing competitiveness are also pressing issues. Despite the extension of deadlines and potential simplification measures proposed by the EU Commission, industries are wary of rising input costs, particularly for imports from high-emission countries like Russia, Turkey, India, and China. Moreover, recent assessments by the Asian Development Bank (ADB), cast a critical eye on the EU's CBAM, predicting it may have a limited effect on global carbon emissions without a more extensive and cooperative international framework. The studies highlight that while the CBAM may influence the EU's import patterns and incentivize certain industries to reduce carbon intensity, the broader impact on global emissions might be negligible, less than 0.2% reduction compared to scenarios with a higher carbon price and no tariff.

The CBAM is expected to have far-reaching implications for global trade and the reduction of carbon emissions. While the mechanism could potentially drive more sustainable practices and innovation in carbon-intensive industries, there's a concern that it may also lead to retaliatory trade measures and further exacerbate global economic divides. For companies within the EU, this could mean re-evaluating supply chains and production processes to adapt to the new carbon costs that the CBAM introduces. It may inadvertently contribute to a type of carbon leakage where production may shift to regions with less stringent environmental regulations, leading to increased emissions outside of Europe. This underscores the necessity for global cooperation on carbon pricing and emissions reductions to make a meaningful impact on climate change.

Overall, the CBAM marks a significant stride towards aligning global trade with climate objectives. However, the true effectiveness will depend on its integration into a broader, globally coordinated effort to tackle climate change. Without such coordination, the CBAM risks being a unilateral measure that could shift emissions rather than reduce them and could invite trade disputes rather than collaboration. The initial challenges and mixed impacts highlight the complexities of its implementation and the need for global alignment on climate action policies.

Leon A. Wolff
Investment Banking Division

Regional View

Italy's Fiscal Challenges: Superbonus Burden and Military Spending Pressures

Lorenzo Bonoli
Financial Markets Division

“The irresponsible season of the Superbonus had a heavy impact on 2023 which unfortunately went beyond our already pessimistic expectations. It was not easy to end that season, but with its closure, the public finances have embarked on a path of reasonable, sustainability from 2024 onward”

– Giancarlo Giorgetti, Economy Minister, Italy.

Italy faced ongoing fiscal struggles throughout 2023, with the government announcing a budget deficit of EUR 149.5 bn, equivalent to 7.2% of its GDP. Despite a slight improvement from the previous year's deficit of 8.6%, it still exceeded the targeted 5.3% shortfall, continuing a trend of significant deficits dating back to 2020. At the heart of this deficit dilemma were the fiscal incentives for energy-saving home improvements.

These incentives, referred to as the Superbonus, aimed to revive a depressed construction sector and support economic recovery post Covid-19 pandemic. However, they proved to be a hefty burden on public finances, amounting to roughly EUR 76 bn in 2023 alone, thereby exacerbating the widening fiscal deficit in recent years.

Despite overshooting its fiscal targets, Italy experienced a decrease in its public debt-to-GDP ratio, the second largest in the Eurozone. This reduction was solely attributed to robust inflation, which bolstered the nominal GDP level. Italy's public debt dropped to 137.3% of GDP in 2023 from 140.5% the previous year, coming close to three points below the government's target of 140.2%.

On a positive note, Italy’s GDP saw a 0.9% increase in 2023, driven by domestic demand, slightly surpassing the government's most recent forecast of 0.8%.

Prime Minister Giorgia Meloni has set a target for the deficit to decrease to 4.3% of the GDP this year. However, this objective faces potential setbacks due to an impending ruling by the EU statistics bureau, Eurostat, regarding the accounting classification of the Superbonus tax credits.

Currently, these costs are recorded in the year in which they are granted rather than used, implying that on a cash basis, costs in 2024 - 2026 will be higher than suggested by fiscal deficits.

Eurostat may decide to shift the impact of the tax credits to 2024 and beyond, potentially revising Italy's budget deficits downward for recent years but upward from 2024 onward. This decision coincides with the deactivation of the general escape clause of the Stability and Growth Pact, which provides temporary deviation from budgetary requirements in the event of a severe economic downturn, at the end of 2023. Italy’s recent expansionary spending could lead to tensions with Brussels’ rules, which cap budget deficits at 3% of GDP. Some other countries have already announced spending cuts to reach that target, and the Italian government may need to reassess the 2024 budget in a more cautious direction as well.

Pre-Covid-19, Italy had historically posted primary surpluses, but its ability to achieve the required adjustment is not a given, in a context where it has to pay high-interest expenses on its enormous outstanding debt level, which keeps rising on a nominal level.

Furthermore, Italy still benefits from the advantage of a positive snowball effect given by the difference between the average cost of debt and nominal GDP growth, which results in an automatic reduction of the debt-to-GDP ratio. This effect is going to disappear over the next two to three years as the debt is renewed at higher interest rates and inflation decreases. To partially balance the 2023 deficit, indeed, the Italian government sought financing from the public, issuing Debt Securities like the BTP Valore, which saw immense success among retail investors, raising EUR 18.3 bn in just the third placement this February.

Another threat to the path to fiscal stability may be represented by defense expenses.

EU Commission President Von der Leyen declared on the last day of February that the risk of war for the EU should not be overblown and that there is “an urgent need to rebuild, replenish modernize member states’ armed forces”. Currently, Italy does not even spend the 2% of GDP on military expenses required by NATO and if the government were to fully comply with Uncle Sam’s demands, it would further worsen its fiscal stability for the following years.

Lorenzo Bonoli
Financial Markets Division

Macro Overview

Economic Calendar

Economic and Political Events

Local Elections in Turkey
Local Elections are scheduled to take place on the **31st** of March. The government has a strong chance of regaining control of the Istanbul metropolitan mayoralty. A government victory supports ongoing reforms and fosters closer ties with the West.

US Super Tuesday
On the **5th** of March, Super Tuesday is scheduled to occur in the United States. On this day, approximately one-third of all delegates to the presidential nominating conventions can be secured, surpassing any other single day in terms of delegate allocation.

Presidential Election Russia
From the **15th** to the **17th** of March Presidential Election are set to take Place in Russia. Incumbent President Vladimir Putin is highly likely to win re-election. The elections will be neither free nor fair, excluding genuine opposition candidates.

Central Bank Decisions

Fed Interest Rate Decision
The FOMC meeting is scheduled for the **19th** and **20th** of March. The Federal Reserve has indicated the possibility of a forthcoming decline in interest rates. Experts anticipate that the Fed will maintain interest rates at the current target range of 5.25%-5.50%.

Bank of England Interest Rate Meeting
On the **21st** of March, the Bank of England convenes for its interest rate meeting. In the January meeting, the Bank of England maintained the 5.25% interest rate but indicated potential future reductions. The Bank substantiated this stance by revising in inflation forecasts.

ECB Monetary Policy Decision
The Governing Council of the ECB holds its monetary policy meeting on the **7th** of March in Frankfurt. Forecasters expected the rate to remain at 4.5% in the first quarter of 2024 before easing from the second quarter of 2024, reaching 3.75% by the fourth quarter of 2024.

Inflation and Deflation

Update on Euro Zone Inflation
The February inflation figures for the Eurozone are slated for release on the **18th** of March. Projections indicate that the Eurozone's economic growth will be less robust than anticipated, contributing to a moderation in inflation forecasts for 2024 compared to previous expectations.

US-Release of the Consumer Price Index
The CPI data for February 2024 is unveiled on the **12th** of March, 2024. In February, US consumer confidence declined, reversing a trend of monthly increases, as households expressed concerns about the labour market and the domestic political environment.

Inflation in Nigeria
Inflation data is set to be released on the **15th** of March. Nigeria's annual inflation rate climbed further to a near 28-Year high of 29.9% in January 2024. However, a downward trend is anticipated with the IMF having predicted a decline in Nigeria’s inflation rate to 23% in 2024.

Labour Market

US Employment Readings
On the **8th** of March the US unemployment rate is announced. The unemployment rate held at 3.7% in January 2024, unchanged from the previous month and slightly below the consensus of 3.8%. Experts expect unemployment to remain unchanged.

Canadian Labour Market
On the **8th** of March, Canada is set to announces its unemployment rate. It is expected to increase to 5.90%. The unemployment rate in Canada eased to 5.7% in January of 2024 from the 22-Month high of 5.8% recorded in the previous month.

Euro Zone Unemployment Data
The European Zone unemployment rate will be announced on the **1st** of March. The overall unemployment rate is expected unchanged around 6.4%, aligning with the market forecasts and remaining historically low.

Luisa Kloth
Financial Markets Division

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Investment Banking

M&A
Overall Activity

Global

In February 2024, global M&A activity improved in deal count relative to January yet regressed in total deal volume. This month registered 4,027 deals, a 66.20% increase relative to the month prior, which together totalled USD 193. 7bn, constituting a 12.66% decrease. Still, February 2024's deal count represented an impressive 69.34% increase compared to February 2023, with deal volumes having recorded a 15.84% climb. However, February 2024's average premium per transaction stood at 15.62%, representing a notable 34.81% YoY decline. A likely explanation for this mixed performance follows from more careful execution during the early months of 2023, as inflation remained high and economic projections placed many on the defensive. As confidence levels and credit availability continue their improvement path, strategic players are now less risk-averse in undertaking transactions to boost their performance. Private equity players, however, remain constrained by tighter financing conditions and higher interest rates which complicates LBOs. Noteworthy transactions in February include Capital One's acquisition of Discover Financial Services for USD 30.34 bn and Diamondback's acquisition of Endeavor Energy Resources for USD 25.90 bn.

Selected Regions

North America
M&A activity in North America registered a 6.58% decline in deal count, reaching 1,548 deals, a 13.32% increase in deal volume, totalling USD 219.76 bn in January 2024. This performance meant that the US market remained the pivotal player in global M&A this month, contributing to 64.93% of total deal volume. A noteworthy transaction was Capital One's acquisition of Discover Financial Services for USD 30.34 bn.

EMEA
The EMEA market showed a robust performance MoM, with deal volumes rising 61.37% to USD 60.14 bn and deal count climbing 49.05% to 866 deals. This represented a 17.77% share of total deal volumes and a 22.68% share of deal count, showing lower average acquisition volumes for EMEA transactions. A notable deal was the acquisition of Catalent by Novo Holding for USD 11.00 bn.

Asia
February constituted a positive month for M&A activity in Asia, with deal volume improving 170.78% MoM to USD 58.57 bn and deal count rising 127.11% MoM to 1,405 deals. The Asian market accounted for 17.30% of total deal volume and a 36.79% share of deal count, representing lower acquisition volumes for this market. KDDI's acquisition of Lawson for USD 3.36 bn was the most notable transaction.

M&A
Deals of the Month

Announced Date	Target	Buyer	Target Region	Target Business	Value (USD m)	Premium (%)
19 Feb 24	Discover Financial Services	Capital One Financial Corp	US	Diversified Financial Services	30,342.12	29.08%
12 Feb 24	Endeavor Energy Resources LP	Diamondback Energy Inc	US	Oil&Gas	25,897.05	-
05 Feb 24	Catalent Inc	Novo Holdings A/S	US	Healthcare	16,207.72	26.4%
20 Feb 24	Truist Insurance Holdings Inc	Clayton Dubilier & Rice LLC	US	Insurance	15,50.00	-
15 Feb 24	Altium Ltd	Renesas Electronics Corp	AUS	Software	5,692.65	37.58%
26 Feb 24	R1 RCM Inc	New Mountain Capital LLC	US	Commercial Services	5,570.73	28.99%
26 Feb 24	Broadcom's End Computer Division	KKR & CO Inc	US	Apparel	4,000.00	-
09 Feb 24	Masonite International Corp	Owens Corning	US	Building Materials	3,844.17	45.26%
21 Feb 24	Enerplus Corp	Chord Energy Corp	CA	Oil&Gas	3,801.53	18.61%
19 Feb 24	Polymetal Russian Unit	Mangazeya JSC	RUS	Distribution	3,690.00	-

Miguel Amaral
Investment Banking Division

M&A: Top Deals

Capital One to Acquire Discover

On the 19th of February 2024, Capital One announced plans to acquire Discover in an all-stock deal worth over USD 35 bn. Under the terms of the agreement, Discover shareholders would receive 1.092 Capital One shares for each of theirs, representing a 26.60% premium above the February 16th closing price. The transaction is expected to close in late 2024 or the beginning of 2025.

Buyer vs Seller

Capital One Financial Corporation is an American bank holding company, listed on the NYSE, and renowned for its expertise in credit cards, auto loans, banking and savings accounts. Capital One is one of the largest credit card companies, with operations in the US, UK and Canada. Discover Financial Services is a digital banking and payment services company and one of the largest card network operators in the world. The financial advisors include Centerview Partners, PJT Partners and Morgan Stanley.

Industry Overview

The global credit card payment market size was valued at USD 461 bn in 2023 and is projected to reach USD 961 bn by 2032, registering a CAGR of 8.5% from 2024 to 2032. The rise in e-commerce and mobile payments, the government's goal to reach a cashless economy and the use of AI to prevent fraud are expected to drive the growth of the market. The surge of fintechs and tech giants pose a major challenge to traditional banks in the global payments industry.

Peers	Currency	Market Cap (USD m)
American Express Co	USD	162,070.83
Synchrony Financial	USD	17,091.50
Capital One Financial Corp	USD	52,586.63
Bread Financial Holdings Inc	USD	1,904.81
PNC Financial Services	USD	59,886.03

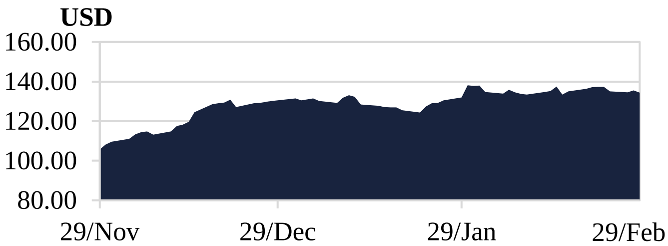
Deal Rationale

The transaction seeks to establish a globally competitive payments and banking marketplace, offering industry-leading products and experiences. Capital One endeavours to capitalize on synergies to drive innovation and enhance customer experiences, with the strategic vision of delivering greater value to consumers and small businesses. Projections indicate that the merger will generate USD 2.7 bn in pre-tax synergies in 2027, achieving a return on invested capital of 16% by the same year, with an internal rate of return surpassing 20%.

Market Reaction

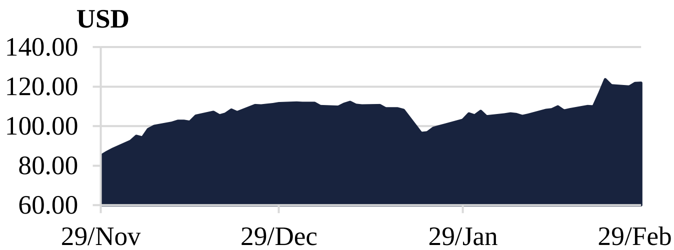
Capital One

After the announcement, Capital One stock price retreated by 4% during premarket trading. However, it witnessed a reversal, with the share price now surpassing pre-announcement levels.



Discover

The market reacted positively to the announcement, with Discover's share price soaring by over 16%, to USD 124.42. Currently, the stock is trading at about USD 121.52.



Future Challenges

Due to the significant size of both companies' credit card operations and the ongoing efforts of the US regulators to enhance transparency and increase scrutiny of the deals, the potential acquisition is expected to prompt thorough examination by US antritust regulators.

Beatriz Domingues Pereira
Investment Banking Division

M&A: Top Deals

Novo Holdings to Acquire Catalent

On the 5th of February 2024, Novo Holdings announced its acquisition of Catalent at USD 63.50 per share, indicating a 16.5% premium over the previous day's closing price and a total deal value of USD 16.5 bn based on enterprise value. This all-cash transaction is planned for completion by the end of 2024.

Buyer vs Seller

Novo is a global investment company focused on long-term value creation through managing and diversifying assets, primarily in the life sciences and biotech sectors. Catalent is a global Contract Development and Manufacturing Organization (CDMO) optimizing product development, launch, and life-cycle supply for development sciences, delivery technologies, and multi-modality manufacturing. Catalent is advised by Citi and J.P. Morgan, while Novo Holdings is advised by Morgan Stanley.

Industry Overview

The global CDMO market was estimated at USD 212.2 bn in 2023 and is expected to grow at a CAGR of 7.3% to reach USD 332.4 bn by 2028, reflecting the increasing demand for outsourced drug development and manufacturing services. Key drivers for the CDMO market include rising R&D costs and shorter development timelines for pharma companies, growing complexity of drug development processes, and increasing demand for biologics and new drug delivery systems.

Peers	Currency	Market Cap (CUR m)
Medpace Holdings Inc	USD	12,599.92
IQVIA Holdings Inc	USD	47,066.89
Charles River Laboratories Int	USD	13,878.30
Laboratory Corp of America Hol	USD	18,364.08
HealthEquity Inc	USD	6,891.55

Deal Rationale

The deal is expected to have low single-digit negative impact on Novo's operating profit growth in 2024 and 2025, resulting in a short-term decrease in EPS, primarily due to increased financing costs incurred through debt financing. Despite this, the acquisition aligns with Novo’s strategy of investing in established life science companies. Catalent is positioned to gain a robust foundation for accelerated growth and enhanced capabilities in healthcare product development, manufacturing, and supply, with the strategic divestiture of three Catalent fill-finish sites to Novo Nordisk.

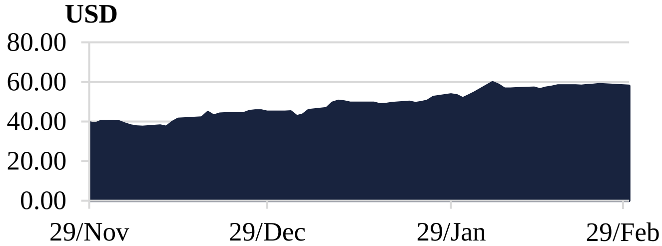
Market Reaction

Novo Holdings

While Novo Holdings is not a publicly traded company, the impact of the acquisition on one of its largest investments, Novo Nordisk, can be examined. This is because, out of Catalent’s more than 50 global sites, three fill-finished locations are expected to be sold to Novo Nordisk shortly after the closing of the merger. Specifically, shares of Novo Nordisk increased by 4.01% following the announcement from USD 113.80 to USD 118.26, climbing 9.52% to USD 124.52 in February 2024. Similar increases may be experienced by other portfolio companies (portcos) if Novo Holdings publicizes synergistic intentions between Catalent and one of its portcos.

Catalent

Catalent’s stock price increased 9.74% following the announcement from USD 54.51 to USD 59.82. The stock price has not returned to previous levels since.



Future Challenges

Novo Holdings' acquisition of Catalent may encounter challenges, including integration complexities, regulatory hurdles and synergy realization difficulties. Although the short-term financial impact is predicted to be low to moderate, any hurdle in attaining the expected benefits could lead to investor concerns and potential backlash.

Niccolò Casamatta
Investment Banking Division

M&A: Top Deals

Renesas Electronics Corporation to Acquire Altium Limited

Renesas Electronics Corporation announced the acquisition of Altium Limited on the 15th of February. Renesas acquires all outstanding shares for a share price of AUD 68.50, representing a premium of 37.58%. The cash deal values Altium with a total equity value of AUD 9.1 bn and an enterprise value of AUD 8.8 bn and is expected to close in the second half of 2024.

Buyer vs Seller

Renesas is a Japan-based leading global provider of microcontrollers delivering advanced semiconductor solutions for the automotive, industrial, infrastructure sector as well as IoT applications. San Diego based Altium is a global software company and market leader in printed circuit board ("PCB") design software solutions for PCB designers and electrical engineers to design and realize electronics-based products. Renesas was advised by Deutsche Bank while J.P. Morgan advised Altium.

Industry Overview

The global market for software for the design of printed circuit boards ("PCB") is estimated to be worth USD 3.2 bn in 2023 and is expected to grow at a CAGR of 14.8% until 2030. This double-digit growth is driven by the need for more precise and error-free development of mission-critical and highly complex electronic products. Geopolitical influences are also noticeable in the PCB design software market, as the software plays a crucial role in the development of semiconductors.

Peers	Currency	Market Cap (USD m)
Audinate Group Ltd	AUD	1,805.12
Chrysos Corp Ltd	AUD	779.65
Sansan Inc	JPY	226,729.94
GigaCloud Technology Inc	USD	1,271.54
Mobvista Inc	HKD	5,202.10

Deal Rationale

The transaction is expected to be immediately accretive for Renesas shareholders, contributing to Renesas' strategic vision of establishing an accessible electronics system design and lifecycle management platform that streamlines all developmental stages at a systemic level. Moreover, Altium brings deep cloud capabilities to Renesas' portfolio of embedded solutions, thereby fostering accelerated innovation opportunities. Renesas anticipates substantial revenue synergies, as an integrated and open development platform simplifies the process for businesses across sectors and sizes to construct and expand their systems.

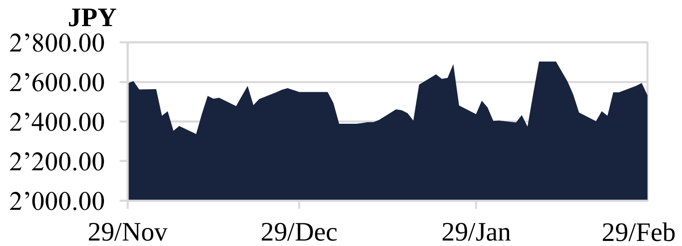
Market Reaction

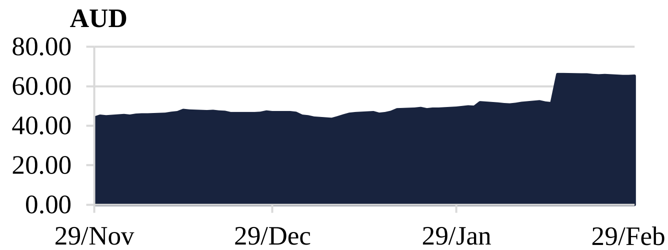
Renesas Electronics Corporation

Following the announcement of the transaction, the share price fell by 3.5%. However, in the following days, the share price recovered to a current price of JPY 2,715.

Altium Limited

The market reacted very positively to the announcement of the company´s acquisition, pushing Altium's share price to a new all-time high of AUD 67.





Future Challenges

The acquisition of Altium by Renesas may encounter challenges such as the realization of synergies, integration complexities, and regulatory hurdles. Particularly, the compatibility of Altium's software and Renesas' hardware will pose a challenge for the realization of the envisioned open platform.

Peer Lasser
Investment Banking Division

What Happened To

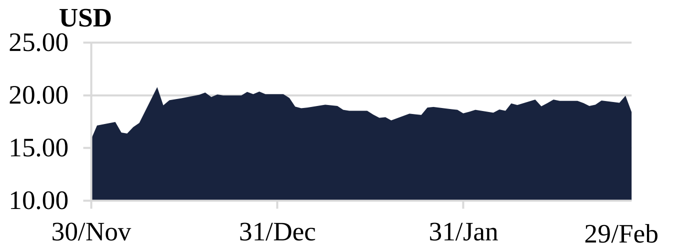
Macy's

Macy's is an American department store chain founded in 1858 and is renowned for its broad array of merchandise. Specializing in a diverse range of products, from high-quality fashion for men, women, and children to home furnishings, cosmetics, and accessories, Macy's has a strong presence both in-store and online, with over 560 stores, most of which are in the US.

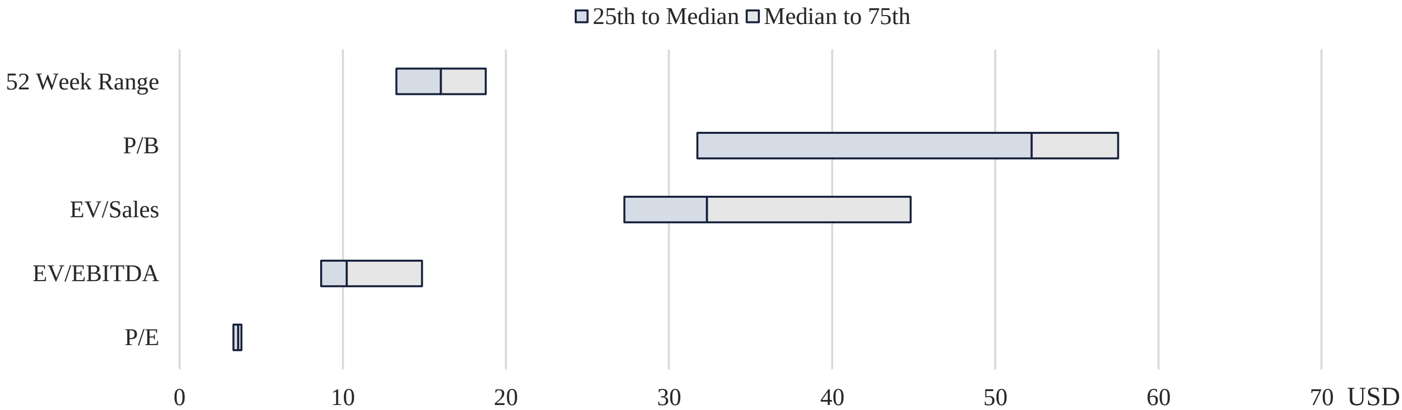
Corporate News

In November 2023, Tony Spring took over as CEO of Macy's amid rising challenges from activist investors, notably Arkhouse Management's USD 5.8 bn take-private bid, which Macy's declined. Macy's had a 15% decrease in revenue to USD 23.9 bn compared to a decade ago and one of its lowest net incomes in two decades at USD 105 m. Spring's restructuring plan "A Bold New Chapter," aims to close 30% of stores, enhance upscale chains like Bloomingdale's and Bluemercury, focus on smaller format stores, and sell part of their real estate. However, the plan faces skepticism for a lack of novelty and direct address of Macy's core issues. The company is struggling to connect with younger consumers and compete with both luxury and discount retailers. Meanwhile, Macy's valuable real estate, potentially worth USD 6 to USD 12 bn, draws interest from investors more focused on assets than retail revival, echoing past failures in the retail industry.

Price (28 Feb 24, USD)	**21.19**
Target Price (USD)	21.00
3M Performance	33.61%
Market Cap (USD m)	5,810.30
Enterprise Value (USD m)	10,760.30
**Target Price is for 12 months*	



Valuation Analysis



On the 10th of December 2023, Arkhouse Management and Brigade Capital Management made their bid to take the company private. This seems to have been driven more by the retailer's real estate portfolio rather than its retail operations, as Arkhouse Management is a real estate investor, and Macy's owns over 320 of its 784 stores. The bid was for USD 21 per share, which represents a 23.57% premium over the closing price of USD 17. Macy's stock price spiked to USD 21.16 after the announcement.

Spring has argued that a few stores have been kept open due to having positive cashflows; however, he aims to change this approach. After the take-private bid was rejected, the retailer faced a proxy fight as Arkhouse Management nominated 9 candidates for Macy's 14-person board. Macy's direction under Spring's leadership remains uncertain, with stakeholders yet to be convinced of a successful turnaround strategy.

Peers	**Currency**	**Market Cap** (Cur m)
Kohl's Corp	USD	2,900.66
Dillard's Inc	USD	7,077.74
Nordstrom Inc	USD	2,936.09

Benedita Velozo
Investment Banking Division

What Happened To

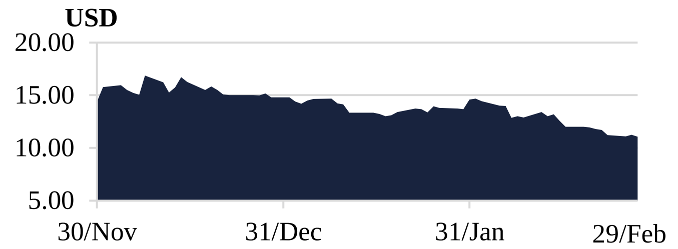
Paramount

Paramount Global ("Paramount"), headquartered in Los Angeles, is a prominent figure in the entertainment industry. The group comprises major film and TV studios and streaming platform Paramount+. Their productions have made substantial contributions to cinematic history. Paramount operates globally, is traded on the NYSE, and employs approximately 21,900 people.

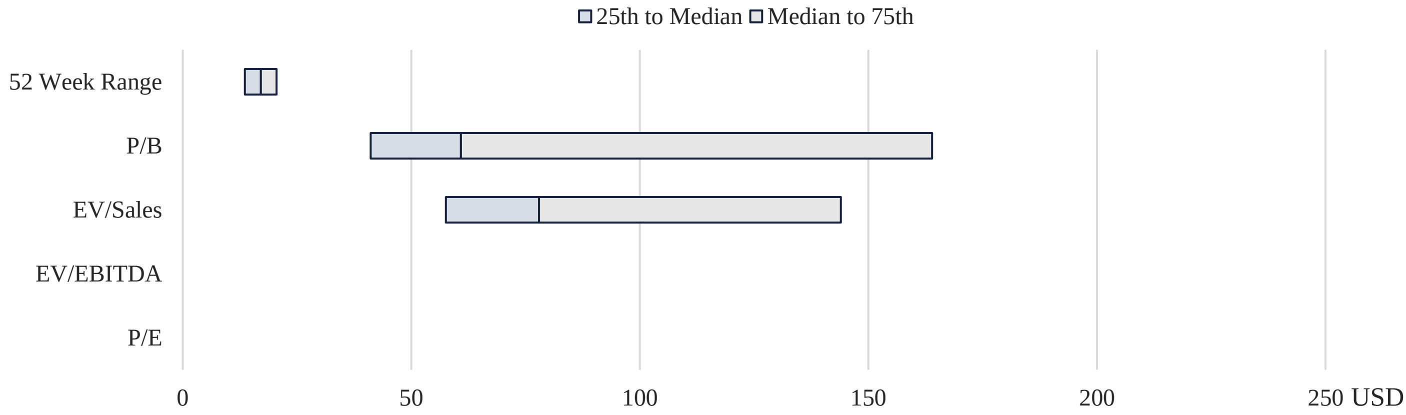
Corporate News

Paramount's stock has suffered a decline of 21.19% this past month, amounting to a loss of USD 2.38 bn in market cap, after the company missed analyst targets for earnings and revenue. Paramount's pivot towards streaming, highlighted by its Paramount+ and Pluto TV platforms, mirrors the broader industry's shift from traditional broadcasting to digital content delivery. However, the company's streaming division Paramount+ reported a loss exceeding USD 1 bn last year, underscoring the challenges of monetizing digital content amidst fierce competition from streaming giants such as Netflix and Disney+, among others. This loss accentuates the challenge faced by traditional media giants: the necessity to innovate in the digital space without a proven path to profitability. So far, Paramount's only consistently profitable division is the traditional TV Media arm, which is currently a deteriorating industry.

Price (31 Jan 24, USD)	211.92
Target Price (USD)	261.00
3M Performance	13.44%
Market Cap (USD m)	129,299.85
Enterprise Value (USD m)	167,460.85
Target Price is for 12 months	



Valuation Analysis



Amidst these operational challenges, Paramount had also been at the centre of M&A speculations, particularly a USD 14 bn bid by Byron Allen as well as an undisclosed amount by Warner Bros. These offers highlight a consolidation trend in the industry, driven by the need for scale in the streaming wars. However, the potential buyers halted their talks regarding a potential acquisition of Paramount, given the complexities and uncertainties inherent in possible strategic pivots.

In response to these financial strains, Paramount announced a significant layoff, affecting 3% of its workforce. This move, aimed at "returning the company to earnings growth," suggests a strategic realignment as Paramount grapples with its transformation from traditional television to a digital-first entity. Time will tell if Paramount can transition to a digital-first business without compromising its financial health and strategic integrity.

Peers	Currency	Market Cap (Cur m)
Walt Disney Co/The	USD	205,350.14
Warner Bros Discovery Inc	USD	20,834.93
Fox Corp	USD	13,405.94
Netflix Inc	USD	262,200.38

Fabio Schiller
Investment Banking Division

NIC's View On

Apple Cancelling Electric Car Project

Jakub Jarzęczka
Investment Banking Division

"Apple has very high levels of profitability for the rest of its businesses. The fact that [Apple] decided this isn't a market that can ever get to that level of profitability is probably a signal to other participants it may not be worth their time."

– Gil Luria, Managing Director,
D.A. Davidson & Co

In a surprising twist, Apple has decided to shelve its ambitious electric car project, known internally as "Project Titan", a decade after its initiation. This decision marks a significant turning point for the tech giant, as it veers away from the challenging and increasingly competitive electric vehicle (EV) market towards a renewed emphasis on artificial intelligence (AI).

The discontinuation of Project Titan comes amidst a broader trend affecting global automakers, including EV market leader Tesla, which is scaling back investments in electric vehicles due to high interest rates and a slowdown in demand for pricier electric vehicles. This has prompted industry-wide cutbacks, job reductions, and a shift in priorities toward hybrid alternatives.

Apple's decision to reassign several employees from the car project to its AI division aligns with its traditionally reserved approach to AI, in contrast to tech rivals like Alphabet and Microsoft, which have been pioneers in incorporating AI breakthroughs into their products. This move is anticipated to instil optimism among investors about Apple's capability to compete at a platform level in the AI space.

Project Titan faced a decade of challenges, including internal disagreements, false starts, and changes in direction. The project, initially aimed at creating an electric vehicle to rival Tesla, morphed into a self-driving car endeavour before reverting to an electric vehicle with advanced driver-assistance features. The intricacies of developing technology for autonomous driving contributed to the uneven progress of the project.

The discontinuation underscores Apple's struggles to introduce groundbreaking products since the passing of Steve Jobs in 2011. Despite a substantial investment of over USD 10 bn, the complexities of developing technology for autonomous driving proved insurmountable, leading to the decision to shift resources to other ventures.

The impact of Apple's move is reflected in the stock market, with Apple's share gain last year being the smallest among the so-called "Magnificent Seven" stocks. Microsoft recently overtook Apple as the world's most valuable company, indicating challenges for Apple, especially in major markets like China, where demand for its key products has weakened.

The discontinuation of Project Titan is likely to relieve German automakers such as VW, BMW, and Mercedes-Benz, who may have been in talks to build an Apple car on their behalf.

In conclusion, Apple's decision to abandon its electric car project and redirect efforts towards AI showcases the challenges of breaking into the competitive EV market. As the tech giant pivots, the impact on the German car industry could be seen as a silver lining, sparing established automakers from potential competition with a tech giant in their traditional domain. This move by Apple underscores the complex dynamics at play in the rapidly evolving intersection of technology and automotive industries.

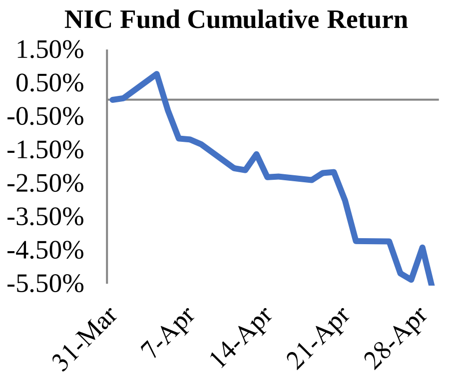
Date	Recent News
28 Feb 24	Apple Cancels Much Delayed Electric Car Project ***Source:*** *silicon.co.uk*
28 Feb 24	How Apple Used its Car Project to Drive Wider Innovation ***Source:*** *nytimes.com*
27 Feb 24	Apple to Wind Down Electric Car Effort After Decadelong Odyssey ***Source:*** *bloomberg.com*
27 Feb 24	Apple cancels secretive electric car project in shift to focus on AI ***Source:*** *ft.com*

Jakub Jarzęczka
Investment Banking Division

NIC Fund

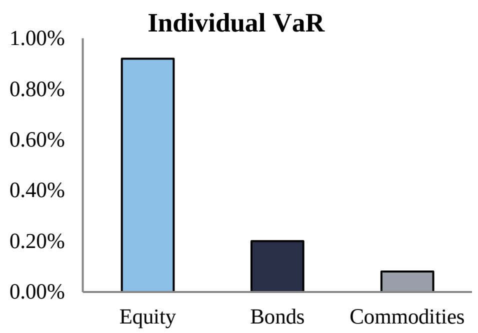
NIC Fund

Portfolio Overview



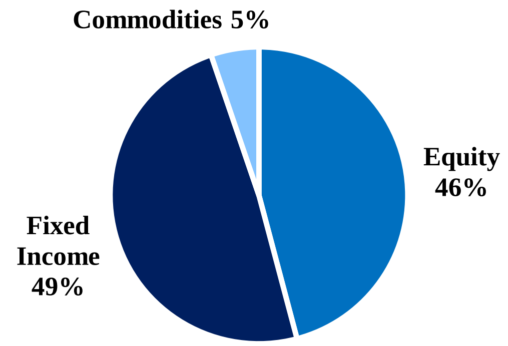
Portfolio Statistics	
Cumulative Return	-5.80%
Annualized Return	-69.54%
Daily St. Dev	0.64%
Period St. Dev	2.95%
Annualized St. Dev	10.23%
Info Sharpe	-6.80
Skew (Daily)	0.05
Kurtosis (Daily)	-0.82

Benchmark	
iShares 3-7 Year Treasury Bonds	40%
SPDR S&P 500 ETF Trust	40%
Invesco DB Commodity Index	10%
iShares JP Morgan USD Emerging Markets Bond Index ETF	10%



Portfolio Snapshot

During the last month, the NIC Fund remained invested in Equities, Fixed Income and Commodities. Specifically, 46% of our fund continued to be devoted to Equities, 49% to Fixed Income and 5% Commodities. Around 50% of the equities were distributed among various funds, with the remainder allocated to individual stocks using an equally weighted approach.



Return Metrics

The overall performance of the portfolio was negative, with a cumulative return of -5.80%. The best performer was equity, contributing with a positive return of 0.89%. On the contrary, commodities and bonds contributed negatively to the portfolio, with losses of -0.02% and -0.26% respectively.

The equity portfolio consisted of not only the MSCI World index fund and other ETFs but also 27 individual stocks such as Nvidia Corp. (NVDA US), BNP Paribas (BNP.PA), Novartis AG-Reg (NVS), Northrop Grumman Corporation (NOC) and HDFC Bank Limited (HDB). The top-performing stocks were Nvidia Corp. and Tapestry Inc. with returns of 28.58% and 22.53%, respectively, while CompuGroup and Medical and McPhy Energy had he poorest performances, with a return of -26.61% and -25.81%, respectively. The best- performing ETFs were the Global X Data Center REITs and the iShares MSCI World ETF, with returns of 5.82% and 4.53%, respectively.

Risk Metrics

In terms of risk, our portfolio registered a relatively high daily VaR of 1.06%. Still, this metric remained significantly below the maximum established threshold of 2.5%.

Equities were the asset class with the highest individual VaR, which was around 0.92%. On the other hand, Bonds and Commodities were clearly lower VaRs of 0.20% and 0.08% respectively.

Naomi Steiner Oliva
Financial Markets Division

NIC Fund

Assets in Brief

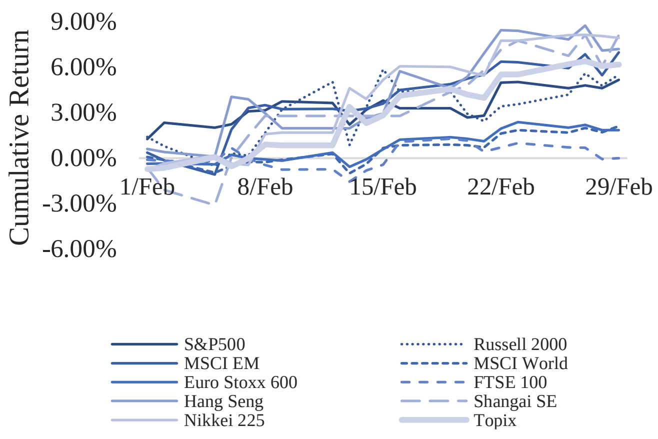
Asset Class	Symbol	Comments
US Equity	**NVDA**	Nvidia Corp. provided a remarkable return of 28.58% in February, buoyed by sustained demand for AI infrastructure and the company's strong earnings report as of the 21st of February. Investor optimism remained high throughout the month, with Nvidia experiencing initial gains driven by excitement surrounding AI chips.
US Equity	**TPR**	Tapestry Inc impressive return of 22.53% followed the company reporting a strong fiscal second quarter with a 3% revenue increase, driven by international growth and holiday season performance. The company's gross margin and operating profit also rose, alongside a substantial increase in diluted EPS and robust cash flow. Tapestry's acquisition of Capri Holdings Ltd in mid-2023 is expected to expand its brand portfolio and fuel future growth.
EU Equity	**RACE**	Ferrari NV stock continued to rise after the luxury car maker reassured to its investors that revenues and core earnings would continue growing this year, providing a return of 20.02%. Ferrari continues to be an attractive investment.
US Equity	**DIS**	Walt Disney's shares rose roughly by 7% in post-market trading following its quarterly results, driven by streaming business momentum. Recent gains brought the stock above USD 100 for the first time in nearly a year. This month's return was 16.7%.
US Equity	**AMD**	Advanced Micro Devices has experienced a 123% increase in shares over the past year, largely attributed to the growing demand for AI technology. However, unlike Nvidia, AMD's surge is driven more by future expectations than current financial performance.
US Equity	**DE.N**	On the 15th of February, Deere & Co lowered its 2024 profit outlook due to farmer reluctance in making significant equipment purchases amidst high borrowing rates and declining crop prices. This adjustment is observed in our portfolio by a negative performance of 7.25%.
US Equity	**ADBE**	Adobe Systems closed at USD 560.28, down by -0.52%, trailing the S&P 500, which saw a marginal loss, while the Dow and Nasdaq experienced drops of 0.25% and 0.41%, respectively. ADBE shares had lost 9.31% over February, despite anticipation for its earnings release on the 14th of March, projected to show YoY growth in earnings and revenue.
EU Equity	**BNPP.PA**	After BNP Paribas's missed fourth-quarter sales and net income estimates, delaying its profitability target to 2026, the shares decreased by 11.78%.
EU Equity	**MCPHY**	McPhy Energy SAS has received a binding offer from Atawey for the sale of its refueling station business. The transaction, expected to be finalized in the second quarter of 2024, will allow McPhy to concentrate on its core business as an electrolyzer manufacturer and the startup of its Gigafactory. Its shares decreased by 25.81%; our second worst performer.
EU Equity	**FRA**	CompuGroup Medical SE & Co KgaA experienced a notable downturn during the last trading session, reaching a new 52-Week low. This decline reflects a broader trend, with the company's share price showing a significant decrease over the past year. Despite a modest increase in revenues, CompuGroup's net income saw a considerable drop YoY. Additionally, there has been a reduction in the company's cash reserves. However, there are positive indicators, such as a decrease in the Debt to Total Capital ratio, suggesting some financial management improvements. CompuGroup Medical had a negative performance in February of 26.61%.

Naomi Steiner Oliva
Financial Markets Division

NIC Fund
Equities

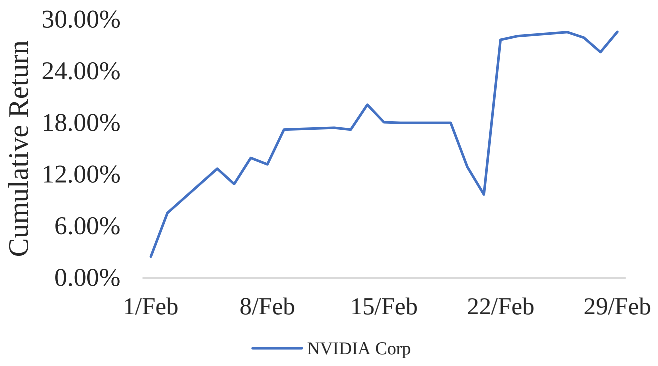
World Equities

Global equities have closed the second month of the year with gains of 4.53% for MSCI ACWI (All Country World Index) in February. The big story of the month was the hawkish shift in market expectations for the first rate cut from March to June. The FOMC statement released on the 31st of January, reiterated how data-dependent the Fed will be, stating, "The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2%". The S&P 500 had a positive monthly return of 4.62%, standing at 5,096.27 points at the end of February. Meanwhile, the Russell 2000 exhibited monthly gains of 5.52%. The Tech-heavy NASDAQ Composite closed February at 16,091.96 points, showing a 6.02% increase. The NIKKEI 225 closed at 39,166.19 points, representing an 7.94% increase in February.



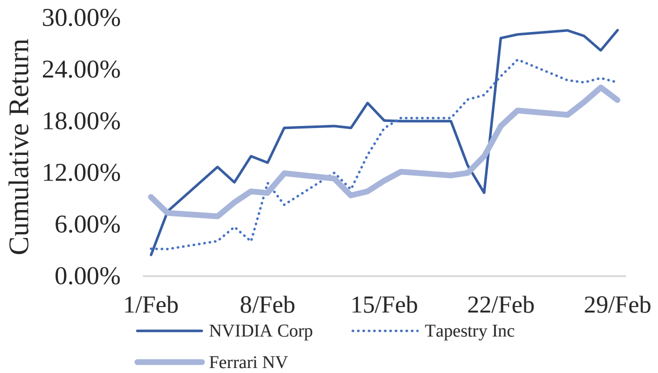
In Depth: Nvidia Earnings Mark Another Historic Quarter For AI Titan.

Nvidia reported fourth fiscal quarter earnings that beat Wall Street's forecast for earnings and sales and said revenue during the current quarter would be better than expected, even against elevated expectations for massive growth. Nvidia shares rose about 10% in extended trading. Here is what the company reported compared with what Wall Street was expecting for the quarter ending in January: earnings per share of USD 5.16 adjusted vs. USD 4.64 expected and revenue of USD 22.1 bn vs. USD 20.7 bn expected. Nvidia reported USD 12.3 bn in net income during the quarter, or USD 4.93 per share, up 769% versus last year's USD 1.41 bn or 57 cents per share. Nvidia's total revenue rose 265% from a year ago, based on strong sales for AI chips for servers. "Strong demand was driven by enterprise software and consumer internet applications, and multiple industry verticals including automotive, financial services and health care," the company said in commentary provided to investors.



Our Performance

In February, equities made a positive contribution to the overall portfolio performance, achieving a cumulative return of 0.89%. The standout performer in our portfolio was Nvidia's stock, which soared by 28.58% in February, surpassing analysts' estimates in their earnings announcement. Tapestry Inc. also made a notable contribution to our portfolio, posting a 22.53% increase in February. Building on the positive momentum from January, Ferrari stock surged by 20.02% in February.



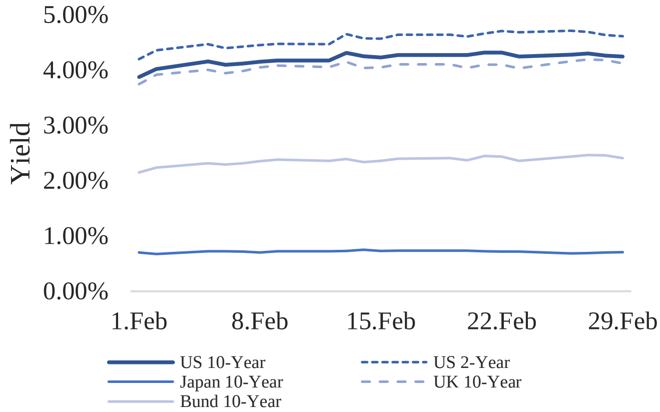
Afonso Domingues
Financial Markets Division

NIC Fund

Fixed Income

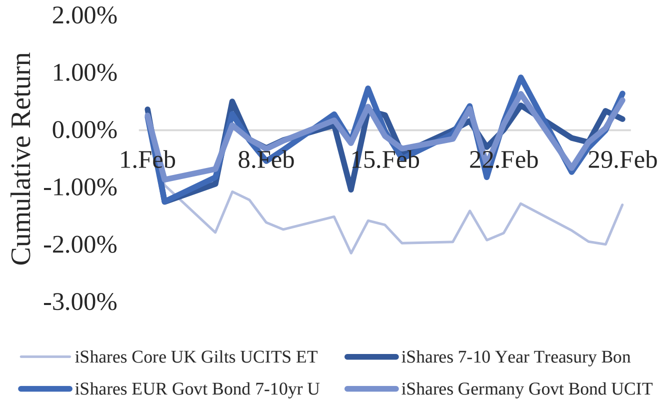
World Yields

February was an interesting month for the bond market. January inflation numbers were stronger than anticipated in the US, with headline inflation at 3.1% year on year. This reduced investors' expectations for Federal Reserve interest rate cuts over 2024 further. US Treasuries thus came under pressure, falling 1.3% over the month. In the Eurozone, government bonds similarly lost ground over the month, with German Bunds down 1.4%. The US 10-Year Treasury yield ended the month on 4.25%, representing a monthly increase of 8.63%. Similarly, the US 2-Year Treasury increased by 9.79% compared to January, yielding 4.62% at the end of the month. Core inflation in Japan's capital re-accelerated in February above the central bank's target as the effect of government fuel subsidies faded. In an effort to reflate growth and keep inflation stable at its 2% inflation target, the BOJ currently guides short-term rates at -0.1%. The Japanese 10-Year government bond yield decreased by 3.14% to 0.71%. UK Bonds show high correlation to its US peers, with the British 10-Year Gilt trading at 4.12% at the end of February, representing an increase of 8.70%. Similarly, the German Bund increased its yield by 11.31% in February, trading at 2.41% at the end of the month.



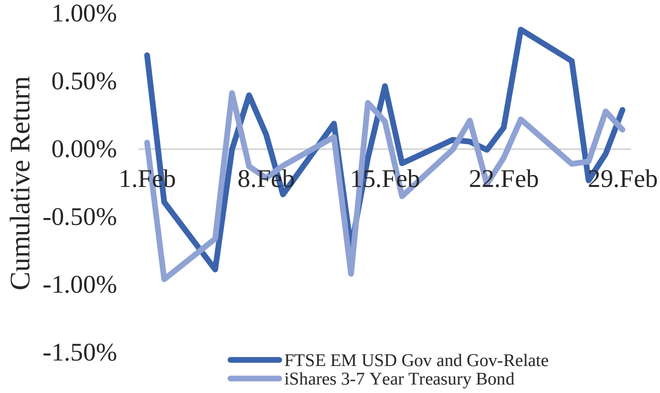
In Depth: European Markets

The Eurozone's economic struggles have not prevented its bonds from closely aligning with US bonds, sparking curiosity among analysts. Despite the Eurozone's sluggish growth, investors are focused on US economic dynamics, particularly inflation and interest rates. While Eurozone GDP growth was a mere 0.5% in 2023 compared to 2.5% in the US, indicators reveal a stark contrast: US private sector growth versus Eurozone contraction. Traditionally, US bond yields set the tone for global borrowing costs, given their influence and the ease of capital flow. The European Central Bank often mirrors the Federal Reserve's policies, further entwining Eurozone and US bond markets. Although correlations are currently high, there is anticipation for divergence in macroeconomic and policy outcomes, potentially loosening the bond market connection between the two regions. However, timing and extent of this divergence remain uncertain.



Our Performance

Our benchmark fund for fixed income, the IEI ETF, tracking 3-7 year US Treasury Bonds, decreased by 1.62%, representing the lowest fixed income return for our portfolio in February 2024. On the other hand, the FTSE Emerging Market index returned a positive 0.81% in February 2024, which served as the highest return within our fixed income positions.



Alexander Knott
Financial Markets Division

NIC Fund

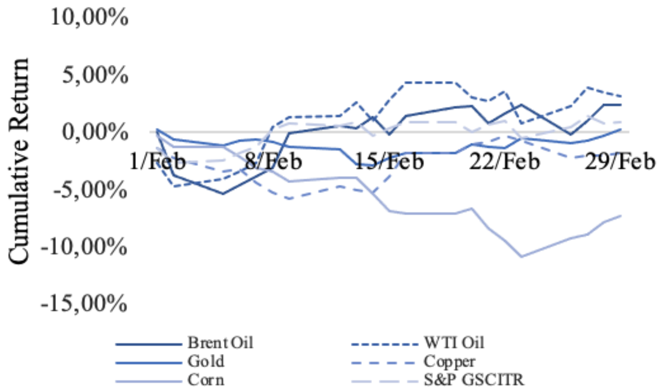
Commodities

February Round-Up

For the month of February, the S&P GSCI Total return index, which tracks 24 commodities, increased by 0.87%, less than the 4.47% increase in January, but still showing a positive trend in contrast to the 3.62% decline at the end of last year.

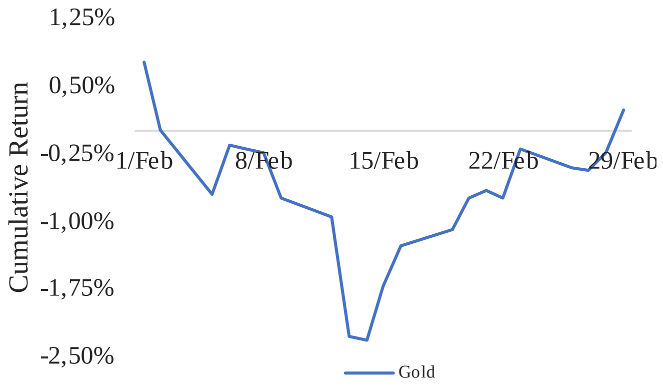
US natural gas futures dropped below 1.85 USD/MMBtu, after falling more than 12% and reaching a low of 1.54 USD/MMBtu on the 19th of February, due to oversupply caused by a mild winter and record production. Brent oil experienced a 2.34% increase in prices last month. OPEC oil production rose by 90,000 barrels per day over January, a Reuters survey showed on Thursday, as a recovery in Libyan output from disruptions offset the impact of voluntary cuts by other members agreed with the wider OPEC+ alliance.

Gold gained around 0.31% last month, despite some volatility during the middle of the month. According to commodity market experts, gold prices are being supported by the weakening US dollar and the crisis in the Middle East, as well as the lack of any sign of a timetable for interest rate cuts and the challenge of achieving the 2% inflation target.



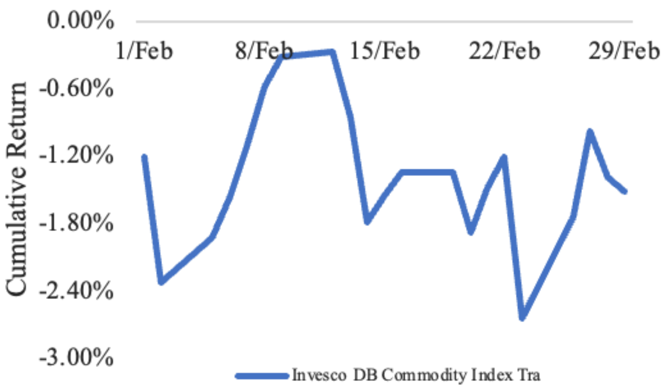
Gold Prices Outlook for 2024

In recent months, gold prices have risen sharply on the back of economic and geopolitical uncertainties, fuelled by the Russia-Ukraine conflict and inflationary pressures. Expectations of Federal Reserve rate cuts and a weaker US Dollar have boosted gold's appeal despite the Fed's dovish policy, leading to a record high of USD 2,135.39 per ounce in December 2023. Looking ahead, analysts see a breakout rally for gold in late 2024, driven by the Fed's taper cycle and falling US real yields. Amidst robust global demand from regulated markets, China's strong investment interest in gold is also playing a crucial role in the price. With local assets underperforming, the allure of gold has attracted investors seeking safety. Moreover, this sustained interest in gold bars and coins has prompted manufacturers and banks to replenish stocks for the upcoming Chinese New Year holiday that will take place this month. Hence, looking further ahead, prices are expected to reach new highs, possibly exceeding 2,300 USD/oz by the third quarter of next year. Gold is reaffirming its status as a safe haven in volatile times. However, it is interesting to note how the inverse relationship between interest rates and the gold price, which is rooted in the opportunity cost of holding gold relative to interest-bearing assets, is affected by the various economic factors mentioned above, and how these can sometimes mitigate or override their impact on the gold price.



Our Performance

During February, the DB Commodity Index ETF which tracks a basket of 14 different commodity futures, decreased by 1.52% MoM, while the Goldman Sachs Physical Gold ETF increased by 0.45%, leading to an overall decline of 0.02%.



Ilenia Fiore
Financial Markets Division

Extras

Hot Topic

Sweden Joins NATO: A Strategic Pivot in European Security

Johanna Linden
Financial Markets Division

"Swedish membership in NATO will make NATO stronger and all of us safer"

– Jens Stoltenberg, NATO Secretary-General

In a historic turn of events, Sweden has finally secured its long-awaited NATO membership, marking a significant departure from its traditional stance of neutrality. After a protracted diplomatic process, the Hungarian parliament voted in favour of Sweden's accession, paving the way for the Scandinavian nation to become the 32nd member of the military alliance.

This milestone comes against the backdrop of Russia's full-scale invasion of Ukraine, which has prompted a seismic shift in the geopolitical landscape of Europe. With Sweden's accession, NATO gains control over almost the entire Baltic Sea region, bolstering its eastern flank and significantly extending its border with Russia.

Sweden's strategic significance in the Baltic region cannot be overstated. Its island of Gotland emerges as a crucial location for the defence of the Baltic states against potential Russian aggression. Moreover, Sweden's accession transforms the Baltic into a "NATO sea", encircling Russia with member countries and strengthening the alliance's collective defence capabilities.

The road to NATO membership was fraught with obstacles, including objections from Turkey and Hungary. Turkey's concerns centred on Sweden's historic support for ethnic Kurds, while Hungary raised objections related to perceived denigrations of its democratic standards. However, after intense diplomatic negotiations and pressure from NATO allies, both countries eventually relented, clearing the final hurdles for Sweden's accession.

For Sweden, NATO membership represents a dramatic shift in its national identity and defence posture. The decision to join the alliance necessitates a fundamental reorientation of Sweden's security strategy, including increased defence spending and a reintroduction of compulsory civic duty. This marks a departure from Sweden's long-standing self-perception as a peaceful nation and underscores the gravity of the geopolitical challenges it faces.

From a broader perspective, Sweden's NATO membership signals the completion of its "long farewell to neutrality", as remarked by Robert Dalsjö, a director of research at the Swedish Defence Research Agency - a process that began with its application for EU membership at the end of the Cold War. It aligns Sweden more closely with its European neighbours and underscores its commitment to Euro-Atlantic security. This historic step not only solidifies Sweden's transition away from its traditional stance of neutrality but also elevates its role in shaping Euro-Atlantic security dynamics.

For Prime Minister Ulf Kristersson, the successful culmination of Sweden's NATO bid represents a significant political victory. It elevates Sweden's standing on the world stage and positions Kristersson as a key player in the new Nordic power base within NATO. Moreover, it allows the government to focus more squarely on domestic issues, such as addressing gang crime, without the distraction of unresolved security concerns.

In conclusion, Sweden's decision to join NATO marks a pivotal moment in its history and carries profound implications for European security. As the geopolitical landscape continues to evolve, Sweden's accession underscores the imperative of collective defence and solidarity in the face of emerging threats.

Johanna Linden
Financial Markets Division

Thank you!

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

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