NIC

— Nova Investment Club —

Newsletter

November 2024

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Foreword

This Month:

In our Macro Overview section, analysts from the Financial Markets Division will cover broad macro themes while reviewing major economic news from the past month. In our Deeper Dive section, Adam Green explores the details and aims of China's recent stimulus measures.

Our Investment Banking Division will guide you through October's overall M&A activity. Read about Frontier Group acquiring Spirit Airlines, and ADNOC acquiring Covestro. Additionally, get a detailed overview of what happened to Tesla Inc, and read expert insight on Alimentation Couche-Tard's USD 47 bn takeover bid on Seven & i Holdings.

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 including Currencies through an analysis of the past month's major market moves. The overall performance of the NIC Fund in October was negative, with a cumulative return of -2.10%.

Our Private Equity Division will cover global and European trends in private equity transactions and investments, followed by brief insights into some top deals. Read about Bain Capital's acquisition of Fuji Soft and EQT Partners' acquisition of Nord Anglia Education. Additionally, get insights into the latest fundraising activities and recent ESG developments in the sector.

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Macro Overview

Monthly

November 7th, 2024

Deeper Dive

Exploring China's Latest Economic Stimulus Measures

— p.2

Market Moves

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	5,705	-1.80%	3.32%	19.62%
DJIA	41,763	-1.44%	2.25%	10.81%
Nasdaq	18,095	-1.74%	2.82%	20.54%
MSCI World	3,763	-1.18%	1.13%	6.89%
MSCI EM	3,858	-0.28%	7.03%	5.21%
Russell 2000	2,197	-1.00%	-2.57%	8.37%
Euro Stoxx 50	4,828	-2.18%	-0.93%	6.77%
FTSE 100	8,110	-1.93%	-3.08%	4.87%
Nikkei 225	39,081	2.46%	-0.05%	16.79%
Hang Seng	20,317	-0.84%	17.14%	19.18%
Dollar Index	103.98	-0.08%	-0.12%	2.61%
EUR/USD	1.088	0.52%	0.54%	-1.40%
GBP/EUR	1.185%	-1.10%	-0.19%	2.75%
GBP/USD	1.290%	-0.59%	0.33%	1.32%
USD/JPY	152.030	0.13%	1.37%	7.79%
USD/CHF	0.86	-0.18%	-1.58%	2.70%
Brent Crude	73.160	-1.64%	-9.37%	-5.04%
Gold	2,749.3	0.53%	13.30%	32.70%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	4.284%	7.3	25.5	40.5
GER 10Y Yield	2.390%	12.4	8.6	36.6
JPY 10Y Yield	0.952%	-1.2	-10.4	33.8
UK 10Y Yield	4.446%	20.9	47.6	90.9
PT 10Y Yield	2.800%	10.2	-12.5	14.4

**Source: Bloomberg, as of 2024-10-31*

In Focus

October

European Central Bank lowers rates amid continued economic weakness. The European Central Bank cut interest rates by a quarter-point to 3.25%, with President Christine Lagarde noting that disinflation remains “well on track.” The rate cut, supported by weak Eurozone economic activity, was followed by the HCOB Composite PMI’s flash estimate of 49.7, remaining below the 50-point threshold that separates growth from contraction.

Yen tumbles over 6% against the US Dollar as Japan faces political turmoil. Japan’s yen fell 6.27% against the US dollar this month after Prime Minister Shigeru Ishiba reversed his initial support for Bank of Japan rate hikes, citing that Japan’s economy was “not in an environment” for increases. Ishiba’s snap election led to further yen weakening, as his party lost its 15-Year majority, leading to political gridlock that could delay rate decisions.

US economic resilience in October triggers a Treasury sell-off. The US economy demonstrated notable robustness in October, with the addition of 254,000 jobs in September as reported in the non-farm payrolls, an uptick in core inflation, and increased retail sales. Consequently, US government bonds faced one of their worst months in recent years, with 10-Year yields rising 0.14% to surpass 4.2%, as traders adjusted expectations for the path of future interest rates.

China cuts interest rates amid economic struggles. The People’s Bank of China reduced the 1-Year and 5-Year loan prime rates by 25bps to 3.1% and 3.6%, respectively. This move, reflecting China’s economic challenges, followed disappointing data, with consumer prices near deflation, GDP growth at 4.6% below target, and a 27.1% drop in industrial profits in September.

S&P 500 and Nasdaq hit record highs as tech rebounds. The blue-chip S&P 500 and tech-heavy Nasdaq Composite stock indices reached record highs in October after recovering from summer sell-offs, driven by the Fed’s recent 50bps rate cut. Large tech stocks, particularly the “Magnificent Seven,” boosted market gains, fuelled by strong earnings and investor enthusiasm for artificial intelligence.

Oil prices drop as geopolitical tensions ease and war premium fades. After early October saw oil prices surge on Middle East conflict fears, they reversed course with a 6.1% drop in one session. This shift followed Israel's indication of openness to a short-term Gaza truce and a targeted strike on Iran that spared oil infrastructure. Market focus returned to fundamentals, highlighting weak Chinese demand growth and ample global supply.

Bank of Canada delivers jumbo rate cut on lower inflation. The Bank of Canada cut interest rates by half a percentage point in October to 3.75%, after the annual inflation rate fell below its 2% target, to 1.6%, with Governor Tiff Macklem stating that if the economy continues to evolve in line with current trends, further cuts will follow.

Germany sees modest growth, narrowly avoiding recession. Germany recorded a 0.2% increase in third-quarter GDP, providing a glimmer of hope amid a broader downturn. The uptick follows a downward revision of second-quarter GDP to a 0.3% contraction and Economy Minister Robert Habeck’s adjustment of the 2024 forecast from 0.3% growth to a 0.2% contraction, highlighting ongoing difficulties.

Adam Green
Financial Markets Division

Deeper Dive

Exploring China's Latest Economic Stimulus Measures

Adam Green
Financial Markets Division

"The recently announced stimulus measures are a good start, but generating more balanced growth that is driven by household consumption and private business investment represents an even bigger challenge."

– Eswar Prasad, Professor, Cornell University

"This isn't 'bazooka', this is more 'steady flame-thrower'"

– Ryan Manuel, Managing Director, Bilby AI

In a bid to stabilise the nation's economy and spur growth amid its ongoing downturn, China has recently introduced significant stimulus measures encompassing monetary policy, stock market support, and property sector relief. Unlike past initiatives that sought rapid growth, these actions reflect a cautious approach, delivering short-term support without igniting another speculative bubble.

China's stimulus measures carry significant global implications. As the world's second-largest economy and a major importer, the country heavily influences international markets. Many multinational companies, including Apple, Volkswagen, and Burberry, rely on China's vast consumer base and have felt the impact of reduced household spending. Additionally, China acts as a major driver of demand in commodities, as the world's largest importer of crude oil, and in manufacturing. Thus, even a moderate recovery could boost economies worldwide.

In late September 2024, the People's Bank of China (PBoC) reduced the benchmark interest rate by 25bps and cut the reserve requirement ratio (RRR) by 50bps, injecting RMB 1 tn into the financial system. Another RRR cut of 25-50bps is anticipated to further boost liquidity and lending. These moves aim to address China's sluggish economic performance, with consumer inflation slowing to just 0.4% in September and the producer price index declining by 2.8%, its sharpest drop in six months. By increasing liquidity, the PBoC hopes to revive demand, though the impact on sustained growth remains uncertain.

To support an underperforming stock market, Beijing established a RMB 500 bn fund to support institutional stock purchases, alongside RMB 300 bn designated for corporate share buybacks. These efforts aim to restore confidence in China's equity markets, which have mirrored broader economic concerns. This injection of capital spurred a 34% rally in Shanghai's Shenzhen CSI 300 index, though volatility persists amid uncertainty over further stimulus. The policy shift intends to encourage households to view the stock market as a viable investment alternative to property. Valuations have already climbed to their five-year average, suggesting the measures are having an impact. In the longer term, however, continued support from macroeconomic fundamentals will be essential to sustain market stability.

Recognising the property sector's central role in China's economy, the government increased support with an improved RMB 300 bn program enabling local government-owned enterprises to buy unsold inventory from developers. In addition, the NPC Standing Committee is set to authorise up to RMB 4 tn in special-purpose bonds for idle land and property purchases over the next five years. These measures are critical, with China's property sector historically contributing 25% of GDP and holding 70% of household wealth. With consumer spending at just 53.4% of GDP, well below the global average of 72%, restoring property market confidence is vital to reigniting domestic demand and economic stability.

China's current stimulus package reflects Xi Jinping's aim to stabilise the economy in support of his long-term vision to shift capital from the property sector into technology-intensive manufacturing, which he sees as crucial to China's future prosperity. However, this focus on investment over consumption introduces deflationary pressures, as supply exceeds demand.

While Xi's core vision remains unchanged, he has adapted his approach, recognising that immediate economic stability is essential for sustained success. With further stimulus measures expected, financial markets and the broader economy in China are expected to see a moderate recovery in the months ahead.

Adam Green
Financial Markets Division

Macro Overview

Economic Calendar

Economic and Political Events

US Presidential Election

On the **5th** of November, Americans voted for the presidency. Republican nominee Donald Trump emerged victorious over Democratic nominee Kamala Harris in a historic comeback, given his criminal conviction and survival of two assassination attempts.

APEC Summit 2024

Peru will host the annual APEC CEO Summit in Lima from the **13th** to the **15th** of November. The event will bring together CEOs, multilateral institutions, thought leaders, and senior political figures from around the world under the theme "People, Business, Prosperity."

COP 29 in Baku, Azerbaijan

The 29th Conference of Parties of the UNFCCC will convene in Baku, Azerbaijan from the **11th** to the **22nd** of November. The COP 29 Presidency has outlined a plan based on two mutually reinforcing pillars to enhance ambition and enable action.

Central Bank Decisions

RBA Interest Rate Decision

On the **5th** of November, the Reserve Bank of Australia held interest rates steady at a 12-Year high of 4.35%. The central bank noted that while headline inflation has decreased substantially, underlying inflation remains high, indicating ongoing inflationary pressure.

Fed Interest Rate Decision

The FOMC meeting will take place on the **6th** and **7th** of November, with markets assigning a 95% probability that the Fed will cut rates by 25bps, setting a new target range of 4.50% - 4.75%. The September minutes indicated officials' support for gradual future rate cuts.

Bank of England Interest Rate Measures

The Bank of England will meet on the **7th** of November and will announce the MPC's benchmark interest rate decision. Economists anticipate a quarter-point cut to 4.75%, following a drop in British inflation to 1.7% in September, below the BoE's 2% target.

Inflation and Deflation

Update on Euro Zone Inflation

In September, Eurozone inflation fell to 1.7%, below estimates of 1.8% and the ECB's 2% inflation target. October inflation data for the Euro Area will be published on the **19th** of November and is expected to increase to 2.0%.

China Inflation Rate

China's CPI numbers will be announced on the **9th** of November. Annual inflation dropped to 0.4% in September, down from 0.6% in August, missing forecasts and reaching its lowest level since June, highlighting Beijing's need for further policy support to counter deflation risks.

US Consumer Price Index

The US Bureau of Labour Statistics will release US October CPI data on the **13th** of November. September's annual core inflation rate beat estimates, edging higher to 3.3% from a three-year low of 3.2% recorded in the previous two months.

Labour Market

US Employment Readings

The US released October's non-farm payrolls and unemployment rate, alongside weekly jobless claims on the **1st** of November. Non-farm payrolls decreased from 254,000 to just 12,000, as the closely watched number was hit by hurricanes and the Boeing strike.

UK Unemployment Rate

On the **12th** of November, the UK announces its unemployment rate. The rate from June to August 2024 fell to 4%, missing forecasts and down from 4.1% in the previous three-month period. The upcoming rate is expected to increase to 4.6%.

German Labour Market

Germany will report its monthly labour market statistics on the **29th** of November. The seasonally adjusted unemployment rate increased to 6.1% in October 2024, up from 6% in September, marking the highest level since February 2021.

Adam Green
Financial Markets Division

Investment Banking

M&A

Overall Activity

Global

In October 2024, the global M&A market exhibited mixed dynamics, with the aggregate deal volume decreasing by 16.66% YoY and the number of transactions increasing by 5.09% YoY. The average transaction premium for October stood at 11.49%, significantly below its third-quarter average of 19.53%. These developments likely reflect persisting geopolitical instability as well as regulatory uncertainty surrounding the upcoming US election, despite recent improvements in the global macroeconomic landscape. Nevertheless, M&A experts seem optimistic in their outlook for a rebound in global M&A activity in the following year, especially given the expectation of further rate cuts by central banks. Overall, October saw a substantial wave of public M&A activity, with ADNOC's takeover offer for Covestro, revived merger discussions between Spirit and Frontier Airlines, and ongoing developments in the potential UniCredit and Commerzbank combination. In private markets, major deals included EQT's acquisition of Nord Anglia Education as well as TPG and GIC's acquisition of Techem.

Selected Regions

North America

North America's M&A market saw a 7.86% MoM increase in deal volume, reaching USD 118.0 bn, representing a swift recovery from a September dip in deal volume which likely reflected uncertainty surrounding the upcoming US presidential election and potential resulting regulatory and policy shifts. Total deal count additionally increased by 7.42% MoM to 1,767 deals, indicating investor optimism for a potential rebound in M&A activity in the following year.

EMEA

EMEA's M&A market experienced a slight decline, with deal volume decreasing by 8.93% MoM to USD 62.7 bn. These developments occurred despite the ECB's efforts to cut its deposit rate to 3.25% in its first back-to-back rate cut in 13 years and are likely attributable to heightened investor caution resulting from ongoing conflicts in Eastern Europe and the Middle East. Conversely to EMEA's deal volume, its deal count saw an increase of 4.92% MoM to 1,087.

Asia

Asia's M&A market displayed relative strength, with overall deal volume increasing by 20.72% MoM to USD 93.6 bn. These results are likely attributable to an increased appetite for inbound or intraregional cross-border M&A despite the reluctance of most major Asian central banks to cut down interest rates. Conversely, deal count saw a downtick of 5.30% MoM to 1,446, suggesting a shift from smaller transactions to an uptick in mega-deals in the region.

M&A

Deals of the Month

Announced Date	Target	Buyer	Target Region	Target Business	Transaction Value[1] (USD m)	Premium (%)
10/1/2024	Covestro AG	Abu Dhabi National Oil Co	DE	Materials	16,163.2	12.33%
10/9/2024	Haitong Securities Co Ltd	Guotai Junan Securities Co Ltd	CN	Financial	14,546.6	4.27%
10/21/2024	Nord Anglia Education Inc	CPPIB, EQT Partners AB, NB Private Equity Partners Ltd	HK	Consumer Discretionary	14,500.0	-
10/28/2024	Garda World Security Corp	Private Investor	CA	Services	9,717.3	-
10/1/2024	Techem GmbH	GIC Pte Ltd, TPG Growth LLC	DE	Energy Services	7,406.2	-
10/9/2024	Arcadium Lithium PLC	Rio Tinto PLC	US	Materials	6,598.7	108.41%
10/7/2024	Athabasca Oil Sands Project / Duvernay Shale	Canadian Natural Resources Ltd	CA	Oil and Gas	6,500.0	-
10/31/2024	Altair Engineering Inc	Siemens AG	US	Technology	6,467.5	14.53%
10/25/2024	Hubei Energy Group Co Ltd	China Three Gorges Corp	CN	Utilities	6,092.8	-
10/12/2024	Fuji Soft Inc	Bain Capital Private Equity LP	JP	Technology	4,354.6	4.08%

Note: 1. Sum of the announced equity value and net debt.

Simon Steinbrech
Investment Banking Division

M&A: Top Deals

ADNOC to Acquire Covestro

On the 1st of October 2024, Covestro signed a EUR 14.7 bn investment agreement with Abu Dhabi National Oil Company (ADNOC), including EUR 3.0 bn in debt, expected to close in H2 2025. Covestro is valued at EUR 62.00 per share, a 53.82% premium to its closing price as of 19th of June 2023, prior to news. Further, ADNOC will invest EUR 1.2 bn in a capital increase.

Buyer vs Seller

ADNOC, a state-owned oil giant in the UAE, is expanding along its value chain in the chemicals, gas, and renewable energy sectors. Covestro is a global leader in high-tech polymer materials based in Germany, serving industries such as automotive, construction, and healthcare. ADNOC's first offer to acquire Covestro was in June 2023 with a share price of EUR 55.00. The deal is being advised by Goldman Sachs and Perella Weinberg for Covestro, with Morgan Stanley acting as ADNOC's advisor.

Industry Overview

The global polymer market, valued at USD 659.8 bn in 2023, is projected to reach USD 1,046.2 bn by 2031, growing at a 4.69% CAGR (2024-2031) with demand for lightweight, durable plastics as a major growth driver. However, conflicts in Eastern Europe and the Middle East are disrupting chemical supply chains, causing limitations to e.g. crude oil. Notable M&A activity includes ADNOC's acquisition of a 24.9% stake in OMV and its USD 3.6 bn majority acquisition of Fertiglobe.

Peers	Currency	Market Cap (Cur m)
Lotte Chemical Corp	KRW	3,969,558.88
Wanhua Chemical Group Co Ltd	CNY	249,044.70
Rongsheng Petrochemical Co Ltd	CNY	94,977.42
Eastman Chemical Co	USD	12,511.07
Wacker Chemie AG	EUR	4,456.96

Deal Rationale

The deal is expected to be accretive, as ADNOC views Covestro as a key strategic asset in its chemical expansion. The parties anticipate significant synergies from Covestro's expertise in high-tech polymers, many of which petroleum-based, and ADNOC's global reach, along with an increase in overall operational efficiency. Additionally, ADNOC's financial backing will enhance Covestro's competitive position in the growing polymer markets while supporting the company's "Sustainable Future" strategy. Together, the firms will be positioned as a leading player in the global chemicals industry with strong growth prospects.

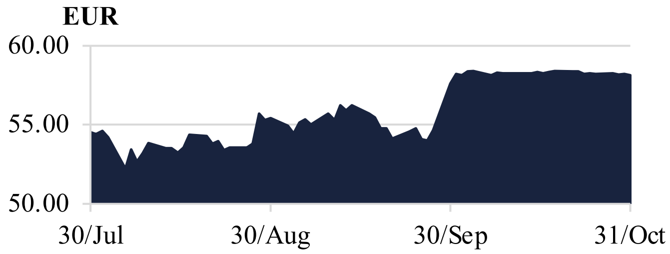
Market Reaction

ADNOC

Established in 1971, ADNOC operates across the entire oil and gas supply chain, from processing, refining, marketing and distribution. The company has committed to investing $150 billion in capital expenditures between 2023 and 2027, with a strong focus on expanding its gas business, driven by increasing demand in Asia, and strengthening its chemicals division. As part of its strategy to reduce dependence on oil, ADNOC is actively diversifying into renewable energy and petrochemicals. Major investments include stakes in OMV and Fertiglobe, and the acquisition of Covestro to enhance its position in the global chemicals market.

Covestro

Covestro's share price rose 3.7% in early trading, hitting a 3-Year high of EUR 58.20, as the market responded positively to the long-term growth potential under ADNOC.



Future Challenges

The completion of the Covestro acquisition will depend on securing shareholder approval of over 50% plus one share until 27th November 2024. ADNOC has promised to maintain Covestro's operational autonomy, ensuring its management retains control. Additionally, ADNOC and Covestro have pledged that there will be no layoffs in Germany until 2032.

Lilly Baltruschat
Investment Banking Division

M&A: Top Deals

Frontier Group to Acquire Spirit Airlines

Frontier Group is revisiting a potential acquisition of Spirit Airlines, with discussions still in the early stages and no set timeline for completion. For Frontier, the acquisition would strengthen its competitive position against larger carriers, though regulatory scrutiny is anticipated.

Buyer vs Seller

Frontier Group and Spirit Airlines are both US-based low-cost carriers targeting budget-conscious travelers through unbundled pricing across the US, Latin America, and the Caribbean. In 2022, the two airlines were close to merging in a transaction valuing Spirit at USD 2.9 bn in equity and USD 6.6 bn including debt, but anti-trust concerns ultimately halted the deal. Spirit Airlines faces ongoing financial challenges, with a USD 300.0 million credit line draw, and a deferred USD 1.1 bn refinancing.

Industry Overview

The global airline industry generated over USD 573.1 bn in revenue in 2023, with projections to grow at a 3.6% CAGR until 2030. Major growth drivers include increased global travel demand and advancements in airplane fuel efficiency. However, fluctuating fuel prices and geopolitical instability continue to impact profitability. Environmental regulations and labour costs are posing additionally challenges within an otherwise positive industry outlook.

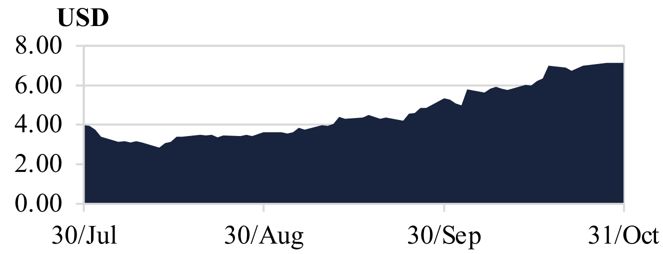
Peers	Currency	Market Cap (CUR m)
Ryanair Holdings PLC	EUR	19,553.19
Southwest Airlines Co	USD	17,806.20
Controladora Vuela Cia de Avia	MXN	17,606.25
JetBlue Airways Corp	USD	2,592.58
Allegiant Travel Co	USD	1,162.40

Deal Rationale

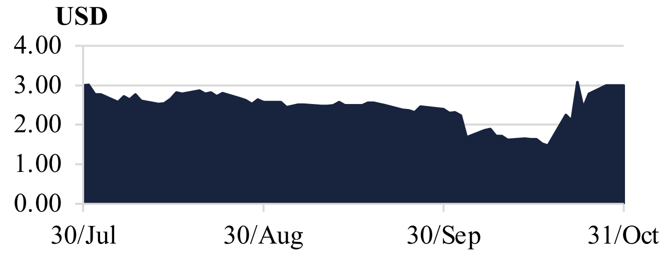
The proposed merger between Frontier Group and Spirit Airlines is set to create a more competitive low-cost airline and is expected to yield significant synergies, including operational efficiencies and enhanced network coverage, which will strengthen their position against larger carriers. The combined airline will focus on expanding its routes and improving cost structures, benefiting from a larger fleet and increased operational scale. The merger is set to create substantial value for shareholders and offer more affordable travel options to a broader customer base.

Market Reaction

Frontier Group
Following the announcement, Frontier Group's stock saw a slight dip but remained stable, with no significant movement in the following days.



Spirit
After the merger announcement, Spirit Airlines' stock jumped c. 27% in early trading but faced volatility, eventually levelling off over the following week.



Future Challenges

The completion of the Spirit-Frontier merger depends on regulatory approvals, facing potential challenges from market consolidation risks, such as overlapping customer bases and route cannibalisation. Additionally, both airlines must navigate a highly competitive market environment, which may pressure pricing and profitability post-merger.

Tim Schröder
Investment Banking Division

What Happened To

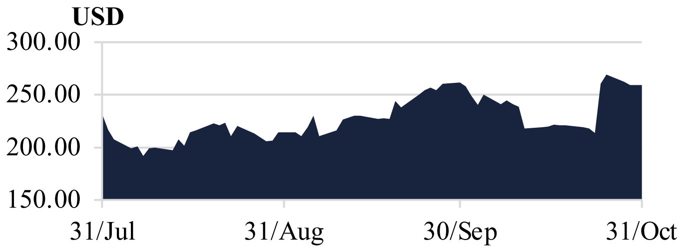
Tesla Inc.

Tesla, established in 2003, is a US-based company at the forefront of electric vehicles and clean energy. Founded by Martin Eberhard and Marc Tarpenning and later with significant influence from Elon Musk's leadership, Tesla pioneered in the electric vehicle market. Additionally, Tesla offers clean energy solutions such as solar panels and battery storage solutions.

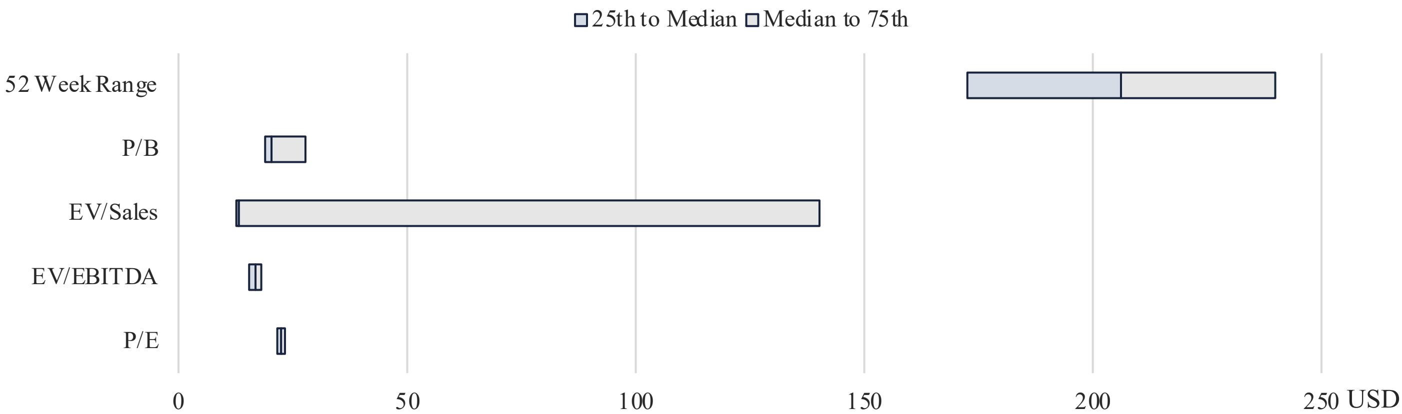
Corporate News

Recently, Tesla's stock price experienced a surge of 21.92% in a single day following its Q3 earnings report published on the 23rd of October 2024. This growth was strongly driven by higher-than-expected financial results and ambitious growth projections, resulting in an increase of the firm's market capitalisation of USD 150.3 bn. Notably, this increase marks the largest one-day gain of Tesla's stock since 2013. Tesla reported an adjusted net income of USD 2.5 bn for Q3 of 2024, representing an 8.07% increase compared to the previous year. Revenue rose by 7.85% to USD 25.2 bn, which was slightly below the USD 25.4 bn average estimate by analysts. Despite this, CEO Elon Musk's emphasis on strengthening demand and further reducing vehicle costs helped bolster investor confidence. Moreover, Musk also underscored the company's ongoing efforts to enhance vehicle autonomy, which represents a crucial piece in Tesla's vision of the future.

Price (31 Oct 24, USD)	**259.52**
Target Price (USD)	244.50
3M Performance	11.83%
Market Cap (USD m)	833,074.68
Enterprise Value (USD m)	812,988.68
**Target Price is for 12 months*	



Valuation Analysis



Additionally, Musk highlighted that autonomous driving, artificial intelligence, and robotics would soon become Tesla's primary revenue sources, enhancing the company's valuation. Earlier this month, Tesla unveiled the "Cybercab", a highly anticipated autonomous vehicle, at their "We, Robot" event. However, the market reacted negatively due to a lack of critical technical details presented at the event, resulting in an 8.78% drop in Tesla's stock on the 11th of October 2024, one day after the showcase.

Tesla's recent stock surge reflects strong investor optimism driven by better-than-expected earnings in Q3 and Elon Musk's focus on strengthening demand and on cost-reduction strategies. Musk's emphasis on autonomous driving, artificial intelligence, and robotics as future revenue drivers highlights Tesla's shift beyond automotive manufacturing. However, the stock's negative reaction after the "We, Robot" event underscores Tesla's price volatility and investor sensitivity.

Peers	**Currency**	**Market Cap** (Cur m)
General Motors Co	USD	56,673.17
Volkswagen AG	EUR	46,235.53
Ford Motor Co	USD	41,372.34
Rivian Automotive Inc	USD	10,556.63
Lucid Group Inc	USD	7,294.92

Leandra Borsch
Investment Banking Division

NIC's View On

Alimentation Couche-Tard's USD 47 bn Takeover Bid on Seven & i Holdings

Anna-Lena Rost
Investment Banking Division

"Our offer is a certainty, right, it's cash, versus a hope that [Seven & i] can continue to execute on a plan that's not delivered value over the last years."

– Brian Hannasch, Special Advisor and former CEO, Couche-Tard

In August, Canadian convenience store operator Alimentation Couche-Tard, owning brands such as Circle-K and On The Run, made a USD 38.5 bn takeover bid for Seven & i Holdings. The Japanese retail conglomerate Seven & i is known for brands such as 7-Eleven, Ito-Yokado, and Denny's Japan. In FY2023, the company reported revenues of c. USD 80.2 bn with an EBITDA margin of c. 7.30% and is currently trading at 9.5x EBITDA.

Seven & i claimed that Couche-Tard's initial offer undervalued the company. This pushback was expected given Japan's historical resistance to foreign takeovers of domestic firms. After Seven & i's rejection of the USD 38.5 bn offer, Couche-Tard significantly increased its bid to around USD 47.2 bn, a c. 20% premium over the original proposal.

Moreover, it seems like the Japanese government is not welcoming this cross-border takeover bid. Shortly after Couche-Tard's first offer, the Japanese government decided to classify Seven & i as a "core business", being essential to national security. While this designation will add a further constraint to acquiring Seven & i, it is most likely more of a signal than a serious barrier for Couche-Tard, as all foreign investors have to go through an extensive security review either way. However, Seven & i already drew the consequences of the takeover offer. The firm has prompted its management to consider an overdue pruning of its conglomerate structure and announced it plans to split its convenience store operations from its non-core business. This is a strong signal for investors and markets to further attempt to fend off the bid.

Nonetheless, Couche-Tard seems eager to acquire Seven & i and hence, there is good reason to believe that the firm could overcome all adversities and take over Seven & i eventually. If this were to happen, the takeover would mark one of the largest foreign acquisitions in Japan, highlighting the growing influence of shareholder activism and governance reform in the country. The potential acquisition would position Couche-Tard, which currently operates 16,700 stores, mainly in Canada and the US, as one of the largest retail chains in the US and would significantly increase its global reach. In fact, with the 7-Eleven brand, Couche-Tard would gain a market share of c. 20% in the United States.

Convenience store sales hit a record USD 859.8 bn in 2023. But also in Japan, convenience store sales rose to a record high of approximately USD 4.3 bn in 2023, making it the third straight year of sales growth for the sector.

Despite the takeover battle, there are strong signs that investors of Seven & i will benefit either way. The takeover bid draws new attention to the firm's stock which is currently up by over 36.67% since an August low. The company has a current market capitalisation of USD 37.6 bn.

As discussions continue, investors are closely watching Seven & i's board response to determine if conditions might favour future negotiations.

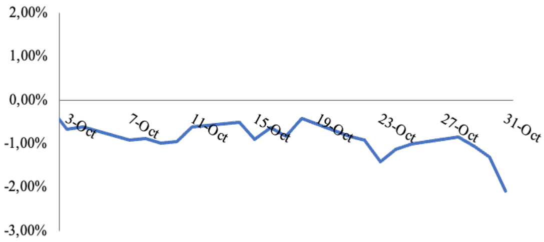
Date	Recent News
17 Oct 24	Couche-Tard chief dismisses Seven & i break-up plan and urges talks on potential deal ***Source:*** *Financial Times*
09 Oct 24	Seven & i shares jump after Couche-Tard says it is ready to pay USD 47 bn ***Source:*** *Financial Times*
13 Sep 24	Japanese government added Seven & i to a list of "core" designated companies ***Source:*** *Bloomberg*
12 Sep 24	7-Eleven owner taps Nomura to advise on takeover battle after rejecting USD 39 bn offer ***Source:*** *Financial Times*

Anna-Lena Rost
Investment Banking Division

NIC Fund

NIC Fund
Portfolio Overview

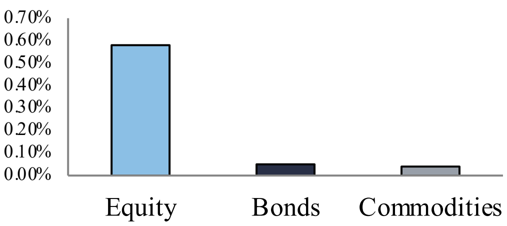
NIC Fund Cumulative Return



Portfolio Statistics	
Cumulative Return	-2.10%
Annualized Return	-25.19%
Daily St. Dev	0.43%
Period St. Dev	1.96%
Annualized St. Dev	6.79%
Info Sharpe	-3.71

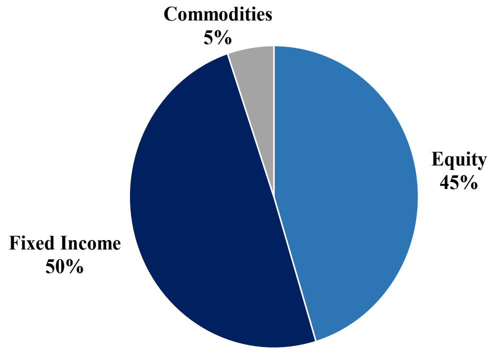
Benchmark	
iShares 3-7 Year Treasury Bonds	40%
SPDR S&P 500 ETF Trust	40%
Invesco DB Commodity Index	10%
iShares JP Morgan USD Emerging Markets Bond Index ETF	10%

Individual VaR



Portfolio Snapshot

In October, the NIC Fund maintained its investments in equities, fixed income, and commodities with allocations largely consistent with those of the benchmark. The fund maintained a 45% allocation to equities, a 50% allocation to fixed income, and a 5% allocation to commodities. Of the equities, 55% were allocated to indices, while the remaining 45% were allocated to single stocks using an equally weighted strategy.
In terms of commodities, over half of the was allocated to gold via the Goldman Sachs Physical Gold ETF.



Return Metrics

The overall performance of the portfolio this month was negative, with a cumulative return of –2.10%. The best-performing asset class was commodities, with the Goldman Sachs Physical Gold ETF contributing a positive return of 4.34%. On the contrary, equities and bonds contributed negatively to the portfolio, with losses of -1.21% and -0.87% respectively.
The equity portfolio consisted of funds such as the MSCI World index fund and other ETFs in combination with 33 individual stocks such as Nvidia Corp. (NVDA US), BNP Paribas (BNP FP), Novartis AG-Reg (NVS SW), Northrop Grumman Corporation (NOC US) and Goldman Sachs (GS US). The top-performing stocks were NVDA and NFLX with returns of 9.32% and 6.59% respectively, while BAYN had the poorest performance, returning -20.48%. The best-performing ETFs were the Goldman Sachs Physical ETF and the Invesco DB Commodity Index, with returns of 4.34% and 1.44%, respectively.

Risk Metrics

In terms of risk, our portfolio registered a relatively high daily VaR of 1.06%. As a result, 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 0.58%. On the other hand, Bonds and Commodities exhibited markedly lower VaRs of 0.05% and 0.04% respectively.

Benjamin Lonnen
Financial Markets Division

NIC Fund

Assets in Brief

Asset Class	Symbol	Comments
US Equity	**TSLA**	Shares of Tesla closed up nearly 22% on Thursday, 24th of October - its biggest single-day gain in over a decade. CEO Elon Musk reassured investors that he is still focused on growing its core business of selling electric cars. Musk forecasts 20% to 30% sales growth next year and announced plans to launch an affordable vehicle in H1 2025. Further, he highlighted that efforts to reduce production costs have led to improved margins in Q3.
US Equity	**NVDA**	Nvidia had a good month in the run-up to its earnings call after market close on the 6th of November, up 9.32% on the month, and overtaking Apple as the most valuable company. This month Nvidia noted they were experiencing issues with their Backwell chip, only to resolve the situation two days later. All eyes will be on the earnings to see if the too big, too strong, too tight tech industry continue its theme.
China Equity	**BYD**	BYD posted an 11.5% rise in Q3 net profit on 30th of October as it maintained strong sales momentum helped by government trade incentives. Net profit rose to USD 1.63 bn with revenue up 24% YoY to USD 28.24 bn. BYD's quarterly revenue outpaced Tesla's for the first time, whose revenue for the quarter reached USD 25.2 bn.
EU Equity	**ASML**	ASML shares fell 16% on Tuesday 15th of October, as the chip equipment manufacturer accidentally released its Q3 results a day earlier due to a technical error. The firm issued a disappointing sales forecast, expecting net sales for 2025 to come in at EUR 30 bn to EUR 35 bn - the lower half of the range it previously provided. In addition, ASML's business outlook may shrink in China due to US and Dutch export restrictions on shipments.
EU Equity	**BAYR**	Bayer hit its 52-Week low at EUR 24.92 on Wednesday 30th of October. This decrease was due to several reasons. Bayer has been facing challenges in fighting legal cases arising from its Monsanto acquisition. Further, Bayer is set to pay USD 78 m for the latest roundup cancer trial, the jury in Philadelphia finds. These negative headlines dragged the stock down 18.24% over the past month.
EU Equity	**VOW3**	Volkswagen posted disappointing earnings in September, missing expectations, and pushing shares to a 24-Year low. The automaker faces rising costs, restructuring expenses, and slowing demand, particularly in China. Following the report, VW broke news that it is planning to shut at least three factories in Germany, laying off tens of thousands of staff, shrinking its remaining plants and asking its workers to take a 10% pay cut.
EU Equity	**MC**	LVMH shares dropped 7% on the 16th of October, as it reported an unexpected fall in Q3 sales due to a pullback in Chinese consumer spending and warned investors of an "uncertain economic and geopolitical environment".
US Treasury Bonds	**IEI ETF**	The iShares 3-7 Year Treasury Bond ETF faced difficulties during the past month. Bond markets saw a large sell-off with traders reassessing the path for further Fed interest rate cuts due to the resilient US economy and rising speculations that Donald Trump will win the election, implementing deficit-boosting policies. Yields on the benchmark 10-Year rose past 4.25%.
Commodity	**AAAU ETF**	Our Gold Goldman Sachs Physical Gold ETF reported a 4.34% gain over the last month. The Gold price rally in Q3 was largely driven by the combination of uncertainties regarding the outcome of the upcoming US election on the 5th of November and the ongoing conflict in the Middle East.
Commodity	**DBC ETF**	Our main commodities index, the DB Commodity Index, monitors a basket of 14 commodities. The ETF experienced a positive performance in the past month, with a 1.44% increase, fuelled by all-time highs in gold and energy prices due to the conflict in the Middle East.

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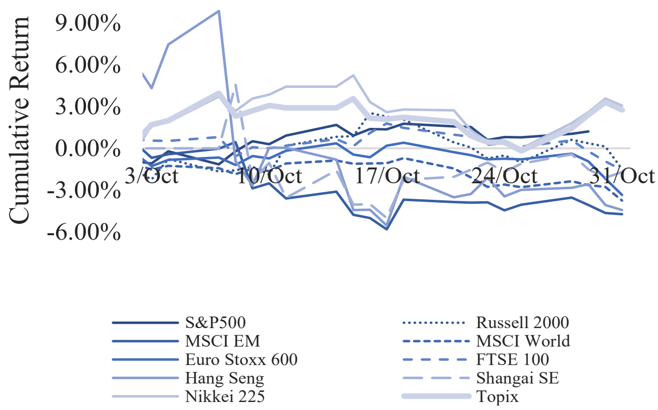
NIC Fund

Equities

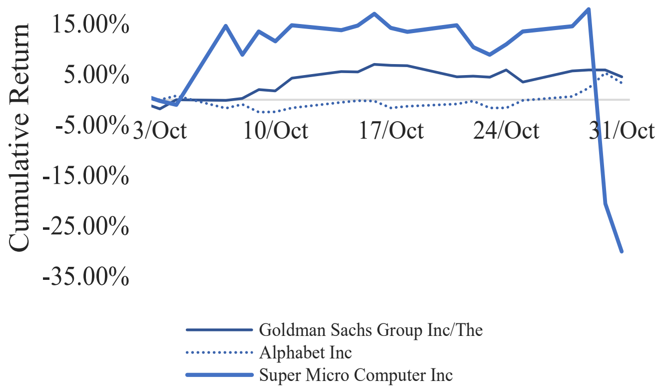
World Equities

Global equities markets showed mixed performance in October, with a notable divergence between developed and emerging markets. The S&P 500 managed a modest gain of 0.89%, extending its upward trend despite ongoing concerns about inflation. The MSCI World index fell 3.74%, while the MSCI Emerging Markets index dropped 4.72%. This divergence highlights the concerns about slowing growth in China. The Euro Stoxx 600 declined 3.35%, impacted by rising energy prices and supply chain issues. Asian markets presented a mixed picture. The Hang Seng index in Hong Kong fell 4.43%, weighed down by regulatory crackdowns in China and concerns about the property sector. The Shanghai SE Composite also declined, losing 1.70%. However, Japanese markets bucked the trend, with the Topix and Nikkei 225 gaining 2.76% and 3.06% respectively, boosted by a weaker yen and optimism surrounding new economic policies following the election of a new prime minister.



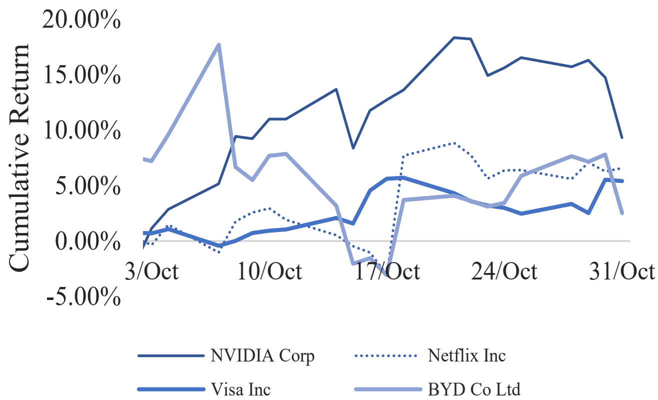
In Depth: Tech and Financials Emerge as Top Performers

Recent market performance has highlighted standout sectors, with Goldman Sachs achieving a notable 4.58% return, driven by strong earnings in investment banking and trading, where higher commissions fueled growth. This performance reflects the broader trend among banks, many of which surpassed analysts' forecasts in Q3 2024. On the tech front, companies like Alphabet, Meta, and Apple exceeded expectations, with Alphabet gaining 3.17% due to robust digital advertising and cloud services growth, supported by advancements in artificial intelligence. Meanwhile, Super Micro Computer, a significant AI player, faced challenges after auditor EY resigned, but long-term investors may still find value in the company given the rising demand for data centre solutions. On the other hand, value stocks, which have lagged their growth counterparts for much of the past decade, are showing signs of resurgence. The Morningstar US Value Index, which returned a comparatively modest 12% in 2023, has remained flat in the early months of 2024.



Our Performance

Based on the latest data, our equities delivered a slight negative contribution to the portfolio's performance. Despite the overall negative performance, Nvidia Corp posted a robust 9.32% gain, driven by continued AI-driven demand and market enthusiasm. Netflix Inc. followed closely with a solid 6.59% return, supported by subscriber growth and new content offerings. Visa Inc. contributed a steady 5.53%, benefiting from resilient consumer spending and payment volume growth. Lastly, BYD Co. Ltd., China's biggest electric vehicle maker, has posted higher quarterly revenues than US rival Tesla for the first time and added 2.63%, reflecting sustained interest in the electric vehicle market in China.



Pascal Naumann
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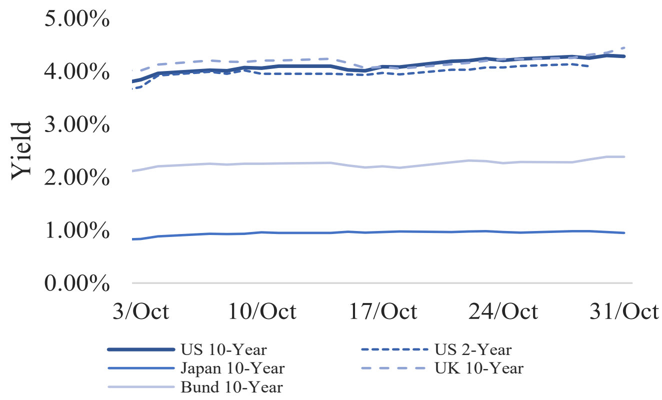
Fixed Income

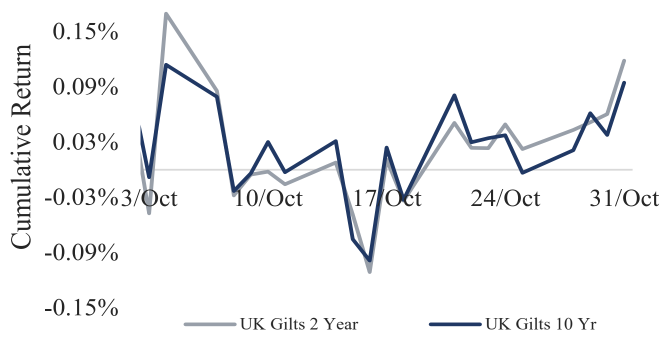
World Yields

On the 7th of November both the US Federal Reserve and the Bank of England will make their next interest rate decisions, with target rates currently at 4.75% to 5.00% and 5.00% respectively. Both banks have already cut once this year, following the ECB's first cut in the summer. At the end of the month, markets are pricing in a 25bps cut for both with a 97% probability. Nevertheless, October saw a sharp sell-off in US bonds, with the US 10-Year Treasury yield rising to 4.33%. The yield ended the month at 4.28%, an increase of 13.32%. The US 2-Year Treasury rose by 14.53% in October to end the month at 4.17%. The higher yield reflects growing uncertainty in the US over the outcome of the US elections, continuing inflationary pressures and fears of a 'no landing' scenario. At the end of the month, UK bonds hit post-election highs as the bond market braced for an increase in UK debt issuance to GBP 300 billion this year, pushing the UK 10-Year government bond up to 4.51% and closing the month at 4.45%. The German economy grew by 0.2% in the third quarter, defying expectations of a contraction. The monthly yield on 10-Year German government bonds rose to 2.39% from 2.12% the previous month. In Japan, the 10-Year monthly government bond yield rose to 0.95% from 0.86% the previous month.



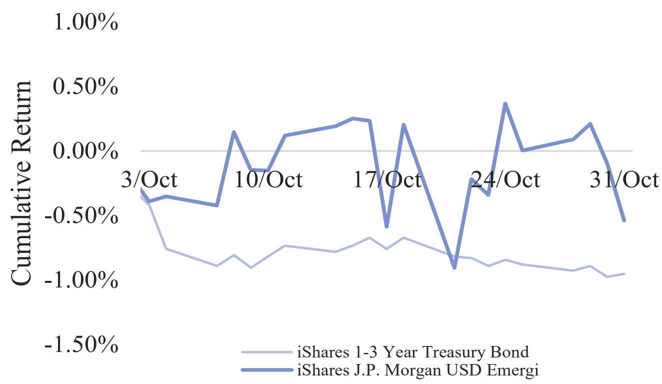
In Depth: UK faces surge in borrowing costs as Labour unveils historic growth budget

The UK's long-term borrowing costs have surged in the wake of the election as markets anticipate Labour's Rachel Reeves' budget, which proposes significant borrowing to boost growth. Labour plans to loosen fiscal constraints to fund infrastructure, green projects and public services. Rising gilt yields are a sign of investor unease, and concerns about increased debt issuance are weighing on bond prices. While the government emphasises that investment is essential for growth, it also promises "guardrails" to ensure responsible spending. A substantial tax-raising plan, potentially one of the largest in history, aims to close a GBP 40 bn funding gap, with new levies on employers, high earners and wealth expected.



Our Performance

Our benchmark fixed income fund, the SHY ETF, which tracks 1-3 Year US Treasury Bonds, was down 0.95%. In addition, the iShares JPMorgan USD Emerging Markets Bond ETF had a negative return of 2.84% in October 2024, the lowest fixed income return in our portfolio in October 2024. Both funds are representative of the strong global bond sell-off that drove bond prices lower last month.



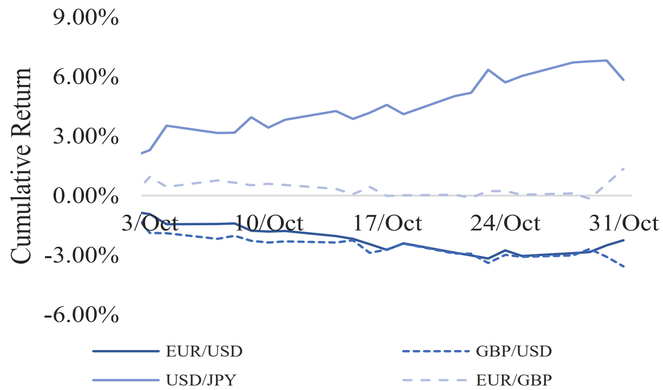
Rosa Gutierrez Sandoval
Financial Markets Division

NIC Fund

Currencies

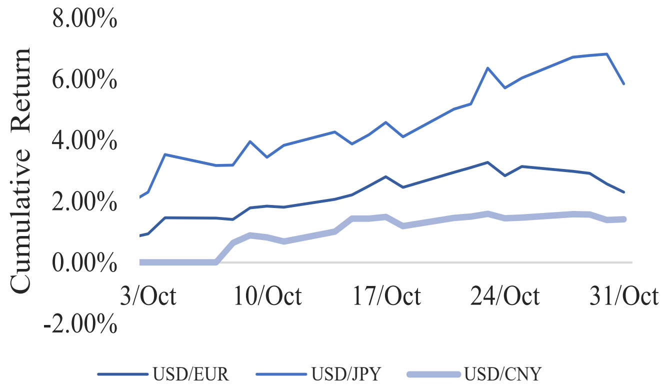
World Currencies

Looking at the EUR/USD, the euro closed at 1.0884 down from its peak in late September at 1.1214, with the US dollar appreciating 2.25% vs the euro in October. The ECB implemented a 25bps rate cut just five weeks after a similar cut in September. This second cut followed Eurozone inflation data showing a rate of 1.7%, below the 2% target, as well as negative GDP growth in Germany and a budget draft from France proposing public spending cuts and tax hikes for 2025, amounting to 6% of GDP. The September cut reflected growing concerns as both the EU's largest and second-largest economies showed signs of economic strain. In October, the US dollar further benefited from its position as a safe haven currency due to increased escalation in the Israel-Iran conflict, when Iran attacked Israel with 200 ballistic missiles and in late October Israel responded. This geopolitical uncertainty alongside the uncertainty regarding the upcoming US elections further benefitted the US dollar. The US dollar reached three-month highs against the yen in late October, with the yen hitting 153.88. This marked a 5.85% appreciation for the US dollar against the yen over the month. The unexpected loss of a parliamentary majority by Japan's ruling coalition in the late October elections surprised markets, adding to political and monetary uncertainty and weighing on the yen. The Bank of Japan is expected to keep interest rates unchanged at its upcoming meeting.



In Depth

The US dollar has appreciated against the euro, with EUR/USD declining to around 1.0884 representing a 2.25% drop in the euro for the month. This trend is driven by contrasting economic outlooks and central bank policies. Weak Eurozone data has increased expectations for aggressive ECB rate cuts, while stronger US data and anticipation around the upcoming US elections have boosted the US dollar's appeal, as markets expect the Fed to slow its rate cuts. Against the yen, the US dollar has also gained, with USD/JPY rising above JPY 153.88, marking a 5.85% decline in the yen over the past month. This depreciation reflects expectations that the BoJ will proceed cautiously with rate hikes, reinforced by dovish remarks from Japan's new prime minister. The yen's weakness has reignited the yen carry trade, where investors borrow in yen to invest in higher-yielding assets abroad. This trend briefly reversed after an August rate hike by the BoJ, but Japan's dovish stance has renewed interest in yen-funded trades, adding further pressure on the yen.



Our Performance

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

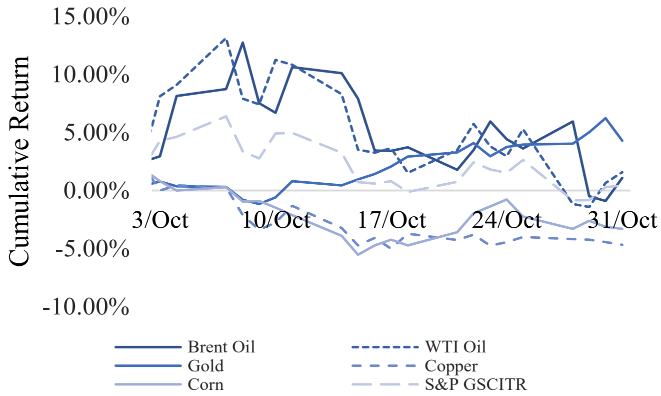
Peter Meszaros
Financial Markets Division

NIC Fund

Commodities

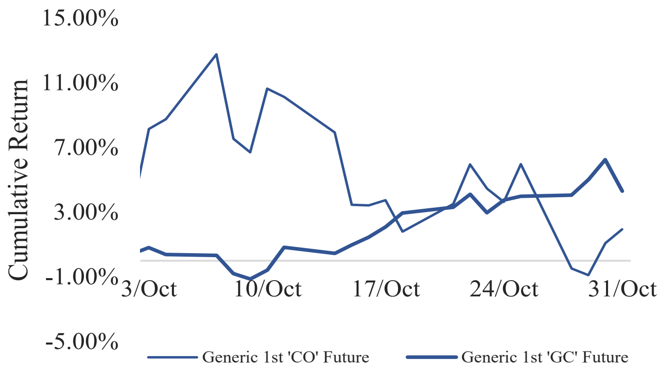
October Round-Up

Gold has had the strongest performance of all major asset classes this year, with a 35% increase YTD and a solid 4.29% gain in October. Gold surged to a record USD 2,788 per ounce, driven by geopolitical tensions and uncertainty around the upcoming US election. Central banks have significantly contributed to this rally, purchasing a record 483 tonnes in the first half of the year as they diversify reserves away from the US dollar. Investor demand has also remained strong, with five consecutive months of inflows into gold-backed ETFs from May to September. Globally lower interest rates have boosted gold's appeal as a non-yielding safe-haven asset. Silver has mirrored this trend, reaching a near 12-Year high due to supply constraints and increased industrial demand. On the 1st of October, Iran launched 200 ballistic missiles at Israel, prompting markets to anticipate that Israel might retaliate by targeting key oil refineries. However, on the 26th of October, Israel responded by striking missile manufacturing instead. This initial conflict drove Brent oil prices up by 10% in early the month. Yet, Libya's production of 1.6 m barrels per day and decreased oil demand from China placed downward pressure on prices. Ultimately, Israel's targeted response, which avoided oil refineries, contributed to a 1.94% increase in Brent prices by the end of the month. For the month of October, the S&P GSCI Total return index, which tracks 24 commodities, increased by 0.45% after falling 2.1% in April and 3.9% in March. YTD, the index has gained 5.8%.



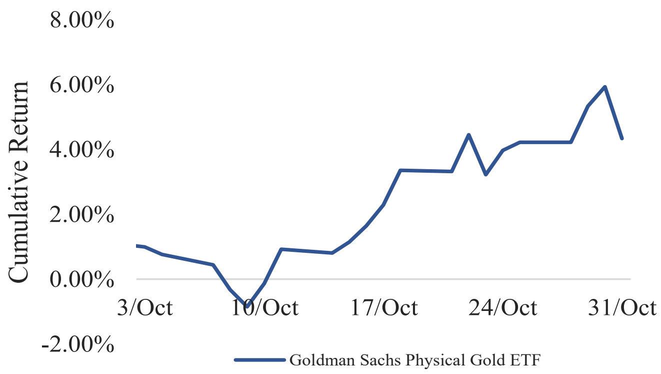
Outlook for November

Gold surged to a record USD 2,788 per ounce, marking a 40% increase over the past year, driven by geopolitical tensions, central bank rate cuts, and uncertainty around the upcoming US election. However, the passing of the US election and the potential for prolonged higher interest rates may diminish gold's appeal going forward. Given the current demand and supply dynamics, which appear likely to persist, oil prices are expected to remain in the current zone with potential spikes in case of further geopolitical escalations.



Our Performance

During October, the Goldman Sachs Physical Gold ETF returned 4.34%, with a YTD performance of 32.74%.



Peter Meszaros
Financial Markets Division

Private Equity

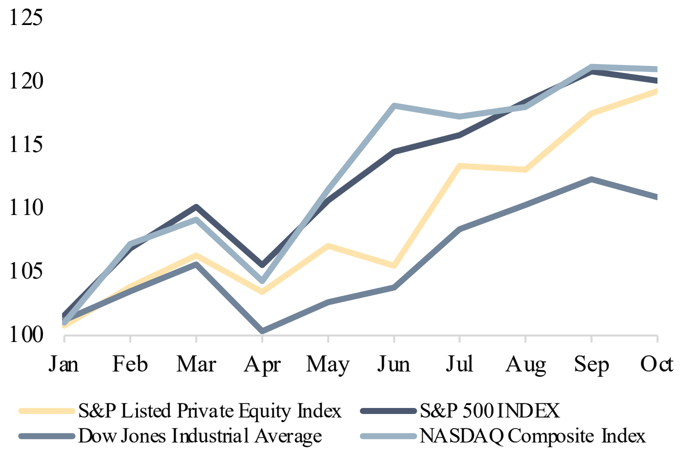
Transactions & Investments

Overall Activity

Global

At a Glance

In October, global private equity deal value reached approximately USD 42.5 bn, the third weakest month in 2024, following August and September. Despite cooling demand, private equity firms remain active, especially in resilient sectors like Technology and Communications. The S&P Listed Private Equity Index posted an 18.34% year-to-date return, slightly outperforming the S&P 500 by 0.14pp but lagging the NASDAQ Composite, which gained 19.77% YTD. This relative underperformance reflects post-2022 interest rate hikes, which have raised borrowing costs, reduced leveraged buyout returns, and limited both deal activity and investments as public equities grow more attractive.



Selected Regions

North America

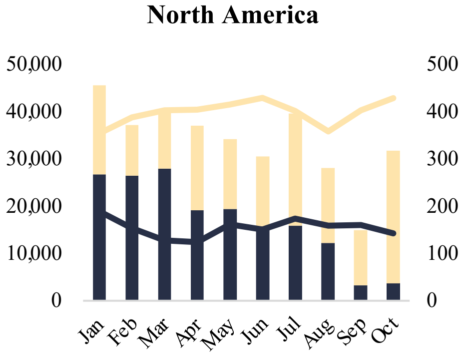
North America remains the largest private equity market, accounting for 62.07% of global deal volume this year. In October, deal value surged to USD 31.8 bn, more than doubling September's total with only 8 additional deals. Key sectors driving activity in the region included Technology (29.99% of deal value) and Financials (29.34%). Investments in North America raised USD 28.0 bn in October, representing 75.04% of global activity, reflecting strong investor confidence in the region.

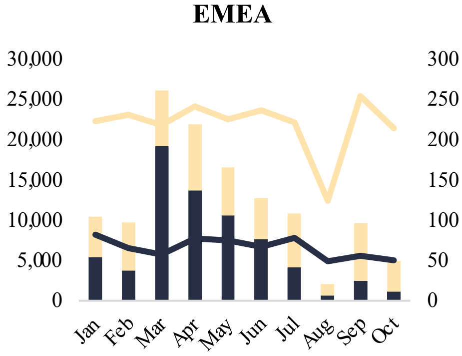
EMEA

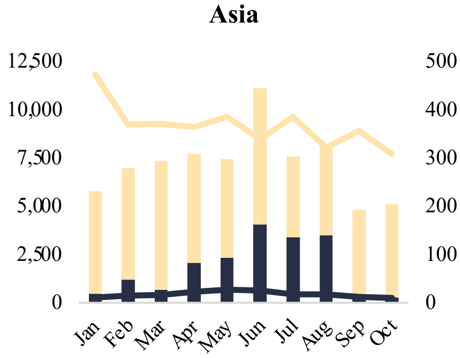
Private equity deal volume in EMEA was approximately USD 4.9 bn in October, reflecting a slowdown compared to USD 9.6 bn last month.
The Consumer and Technology sector have emerged as a major focus for private equity investments, particularly in Europe, accounting for nearly USD 3.5 bn in October.
Private equity investments in the EMEA region reached about USD 3.8 bn this month, with UK, France and Lithuania leading the way.

Asia-Pacific

Private equity deal volume in Asia increased by 6.19% in October to USD 5.4 bn compared to the previous month, despite a reduction of 50 in deal count.
South Korea and China remain the dominant markets, together accounting for 57.84% of all deal activity in the region. The primary focus areas continue to be Technology and Consumer, with Technology contributing 31.45% of Asia's deal volume. Investments in the region saw a positive momentum as well, reaching USD 4.8 bn this month.







M&A – Deals Volume   M&A – #Deals   Investments – Deals Volume   Investments – #Deals

Note: Summary of completed transactions.

Selamawit Asegid
Private Equity Division

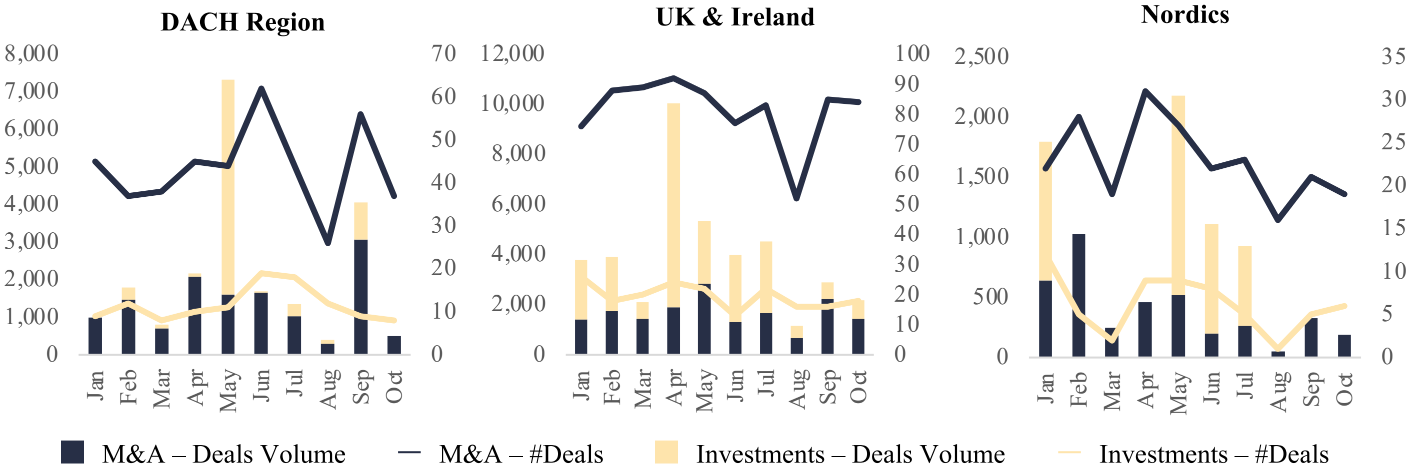
Transactions & Investments

Europe Focus

Overall European Activity

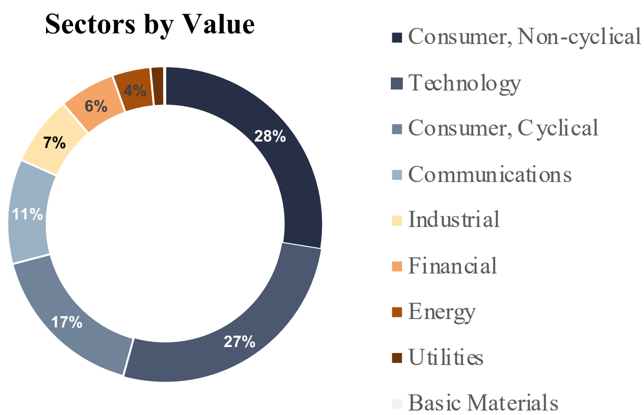
In October, the European private equity market recorded a total of 258 transactions, below the year-to-date monthly average of 275 deals. The total deal volume in Europe reached USD 4.9 bn, which also fell short of the monthly average of USD 12.3 bn. Globally, there were 1,180 deals with a combined value of USD 42.5 bn, indicating a relative slowdown in Europe. Typically, Europe accounts for approximately 22% of global private equity deal volume; however, in October, the region contributed only about 11.5% of the global volume, signaling a significant underperformance relative to the usual trend.
This deviation suggests that Europe faced unique challenges this month, potentially influenced by persistent macroeconomic uncertainty and geopolitical headwinds, and regional uncertainties. Despite these obstacles, certain areas remained active. For instance, 50% of the top ten largest deals were concentrated in the UK and Ireland, and the Non-cyclical Consumer sector dominated, with six of the ten largest deals taking place within this sector.
The largest transaction of the month was the USD 585.3 m sale of a portfolio of seven retail parks by Brookfield Corp to British Land Co PLC, a cross-border private equity-backed deal in the Real Estate sector. This selective activity within specific sectors and regions underscores the caution with which private equity investors are approaching the European market, as many await more favorable conditions before committing to larger transactions.

Selected European Regions



Europe by Sectors

The Non-Cyclical Consumer sector continues to be a key focus for private equity investors. In October, the industry saw nine M&A transactions and 39 investment deals with a total value of over USD 1.3 bn, accounting for 28% of all PE transactions in Europe. Noteworthy, the biggest M&A transaction in this sector was an asset sale of 12 grocery properties in Portugal. The TMT sector, which was the highest volume and value industry in the 2022-23 period, remained the most active this month in terms of transaction numbers, contributing to 27% of the sector's total value. The biggest deal here was the company takeover of Atech Support Ltd by iomart Group PLC. The sector has maintained strong deal activity due to continuous interest in software, digital transformation, and AI, especially in the UK market. Combined, those two sectors make up for over 50% of the European deals and investments.



Note: Summary of completed transactions.

Ferdinand Meinersmann
Private Equity Division

Transactions & Investments : Top Deals

Deals & Transactions

CPP Investments
NB
Acquiring
NORD ANGLIA EDUCATION
USD 14.5 bn

EQT, Neuberger Berman, and the Canada Pension Plan Investment Board are acquiring a majority stake in Nord Anglia Education in a USD 14.5 bn deal. This acquisition will expand EQT's involvement with Nord Anglia, which operates over 80 international schools in 33 countries.

TPG GIC
Acquiring
techem
USD 7.4 bn

TPG Growth and GIC are acquiring a majority stake in Techem from Partners Group, supporting its expansion in digitising and decarbonising the building sector. This partnership aims to leverage TPG and GIC’s expertise to accelerate Techem’s growth initiatives globally.

Microsoft
Invested in
OpenAI
USD 6.5 bn

OpenAI completed a round of financing worth USD 6.5 bn from Microsoft, Nvidia, Thrive, and SoftBank. The company stated in its blog that received funding will be allocated to the company’s AI research, compute capacity, and services and products.

ARES
Acquiring
GC PARTNERS LIMITED
USD 3.7 bn

Ares Management Corporation is entering a deal to acquire the international business of the asset management firm GC Partners Limited, excluding operations in Greater China. This deal will allow Ares to strengthen positions in Real Estate investments sector, doubling the size of its AUM.

APOLLO
Acquiring
BARNES™
USD 3.5 bn

Apollo entered talks to acquire Barnes, a US-based manufacturer. Upon completion of the transaction, Barnes will transition into a privately held entity, with its shares no longer being listed on NYSE. Barnes serves a wide range of industries, including the Aerospace sector.

Italgas
Acquiring
2i Rete Gas
USD 2.3 bn

Italgas has entered into an agreement to acquire 2i Rete Gas, a major gas distribution operator in Italy. 2i Rete Gas currently serves 4.9 million customers and operates an extensive distribution network of over 72.000 km across Italy.

Alexander Savinskiy
Private Equity Division

Transactions & Investments: Deep Dive

Bain Capital to Acquire Fuji Soft

Bain Capital recently placed a high-value bid for Fuji Soft on October 11th, a prominent Japanese software developer, outbidding KKR with a proposed JPY 600 bn (USD 4.1 bn) offer. This bid values Fuji Soft shares at approximately JPY 9,450 per share, about 7% higher than KKR's offer JPY of 8,800 yen per share.

Buyer vs Target

Bain Capital is a leading global private investment firm known for its expertise in private equity, venture capital, credit, and real estate investments, managing over USD 160 bn in assets across diverse industries and geographies. Fuji Soft is a Japanese systems integration and software development company specialising in embedded systems, control software, and IT services across various industries. No specific investment bank advising Bain Capital on this deal has been publicly disclosed.

Industry Overview

The global software market size is calculated at USD 737.0 bn in 2024 and is expected to reach around USD 2,248.3 bn by 2034, growing at a solid CAGR of 11.8% between 2024 and 2034. The industry is driven by innovations in cloud computing, artificial intelligence, and automation technologies. The significant growth in the adoption of cloud-based services, AI, and big data analytics underlines the industry's transformation and highlights the role of software in optimising business operations and customer experiences across industries. The industry is moderately fragmented, with a mix of major global players and numerous smaller firms, which creates a highly competitive landscape. Large companies like Microsoft, IBM, Oracle, Google, SAP, and Adobe hold significant market share due to their established presence, brand strength, and expansive service offerings across cloud computing, AI, and data analytics. Strategic acquisitions are a key focus to bolster capabilities in high-demand areas such as artificial intelligence, automation, and cybersecurity.

Date	Buyer	Target	Currency	Total Value (USD bn)
25/01/2024	Roper Technologies	Procare Software	USD	1.8
05/02/2024	Thoma Bravo	Everbridge	USD	1.7
15/10/2024	Automatic Data Processing	WorkForce Software	USD	1.2
17/10/2024	Silver Lake, GIC	Zuora	USD	1.4

Deal Rationale

Bain Capital's objective in acquiring Fuji Soft appears to be primarily driven by a desire to expand its portfolio in the rapidly growing tech and software sector in Asia, especially within Japan's evolving digital economy. By acquiring Fuji Soft, Bain aims to leverage its expertise in business transformation and enhance Fuji Soft's offerings in system integration and software services, which are increasingly in demand as industries adopt digital solutions and automation technologies. The acquisition could also help Bain gain a foothold in the Japanese market, a region where technology and digital transformation investments are rising, especially as traditional sectors look to modernise their operations. Furthermore, Bain's bid demonstrates its intention to strengthen Fuji Soft's financial position, helping the company better compete within a fragmented market of tech providers by potentially injecting capital and optimising operational efficiencies.

In short, Bain Capital likely sees Fuji Soft as a strategic investment opportunity to capitalise on Japan's digital transformation trend, enhance its portfolio in technology services, and create value through operational improvements.

Future Challenges

The software development industry faces several future challenges, including rapid technological changes, increasing demand for skilled developers, and evolving cybersecurity threats. As new technologies like artificial intelligence, machine learning, and cloud computing grow, companies must continuously adapt and upskill to keep up with advancements. This rapid pace also puts pressure on recruiting and retaining talent, especially as competition for specialised skills rises. The Japanese tech market is becoming increasingly saturated, and finding growth opportunities might require aggressive international expansion, which presents its own risks and costs.

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Transactions & Investments: Deep Dive

EQT and Partners to Acquire Nord Anglia Education

EQT, with Neuberger Berman and CPP Investments, announced the acquisition of a majority stake in Nord Anglia Education for about USD 14.5 bn, including debt. Structured as share purchase agreements, the deal allows EQT and CPP to retain ownership via reinvestments. Set to close by the 31st of December, 2024, the acquisition awaits board, shareholder, and regulatory approval.

Buyer vs Target

EQT, leading a consortium with Neuberger Berman and CPP Investments, is a Swedish private equity firm focused on sustainable growth across industries, including education. This acquisition strengthens EQT's relationship with Nord Anglia, initially established with its 2008 investment. Nord Anglia is a top provider of K-12 international education, operating 80+ schools in 33 countries for over 85,000 students. Goldman Sachs, JP Morgan, and Morgan Stanley serve as lead advisors to Nord Anglia.

Industry Overview

The K-12 education market is estimated to be valued at around USD 4.2 bn in 2024, projected to reach USD 7.0 bn by 2029, with a compound annual growth rate (CAGR) of 10.09%. Key growth drivers include rising disposable incomes, increasing demand for quality education among expatriate families, and a shift toward digital learning solutions. Government funding and policies promoting school choice further contribute to market expansion, as do favourable regulatory frameworks in various countries.
The K-12 sector has seen increased M&A activity as private equity and institutional investors target its resilience and growth potential. Consolidation efforts focus on scaling digital infrastructure and enhancing educational outcomes but face scrutiny over accessibility and affordability. Recent crises, like Covid-19, have accelerated digital transformation and underscored the need for adaptable education models. However, economic uncertainty and potential changes in government funding priorities may affect future growth, especially in emerging markets.

Date	Buyer	Target	Currency	Total Value (USD bn)
08/02/2024	Welbe	Polaris Capital Group	USD	0.2
16/02/2024	Beedie Capital Partners	Think Research Corp	USD	0.1
07/06/2024	Bain Capital	PowerSchool	USD	4.6
25/07/2024	Dragoneer Investment Group & KKR	Instructure Holdings	USD	4.5

Deal Rationale

The acquisition of Nord Anglia Education by EQT and CPP Investments, now in partnership with Neuberger Berman and other global institutional investors, is driven by the goal of fostering growth and stability in the competitive K-12 education sector. This acquisition continues EQT's longstanding relationship with Nord Anglia, which began in 2008 and was reinforced by an increased stake in 2017, when CPP Investments joined as a partner. Now, EQT and CPP Investments renew their commitment to Nord Anglia, with EQT investing through its BPEA Private Equity Fund VIII and CPP reinvesting part of its stake to support the acquisition. Opting for a private acquisition instead of an IPO allows EQT to maintain strategic control and flexibility. The consortium's majority stake aims to drive both organic and inorganic growth, emphasising tailored teaching approaches and digital learning solutions to improve educational outcomes. With a broad shareholder base, the consortium is well-positioned to strengthen Nord Anglia's expansion and operational efficiency, laying the groundwork for sustained success in the international education market.

Future Challenges

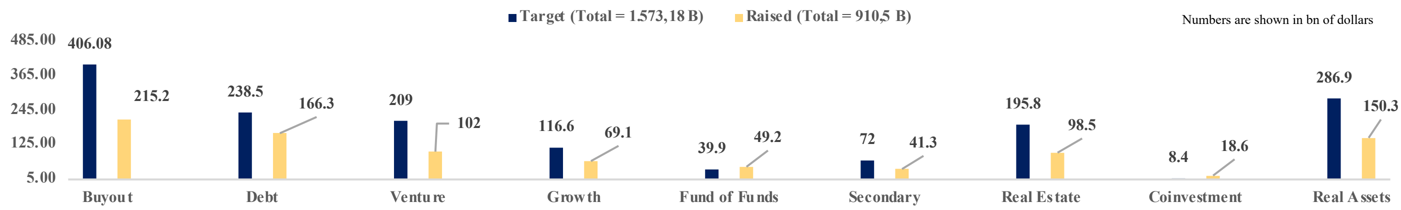
The completion of the deal is contingent upon regulatory and shareholder approvals, which could cause delays. Potential downsides of consolidation include the risk of service cannibalisation and overlapping customer bases, intensifying competition in the K-12 education market. Additional challenges include the complexity of integrating operations across regions, balancing cultural alignment with local practices, and keeping pace with technological advancements in digital learning. Ensuring regulatory compliance and managing economic uncertainties, such as fluctuating interest rates and changes in consumer spending, could further impact growth and expansion plans.

Theresa Christina Noecker
Private Equity Division

New Capital & Sustainability

Fundraising & ESG

Fundraising



In October 2024, private equity fundraising displayed mixed results across asset classes, reflecting the impact of recent interest rate adjustments and ongoing global economic uncertainties. Each segment reacted differently to central bank rate cuts and prevailing macroeconomic conditions, demonstrating varying levels of investor confidence and risk tolerance across sectors.

The Buyout sector raised USD 215.2 bn, significantly below the anticipated USD 406.1 bn, yet indicated some interest in stable, cash-flow-focused investments - particularly appealing in uncertain times. Rising interest rates have increased debt costs, reducing the appeal of traditional leveraged buyouts, but the recent rate cuts offered some relief. Despite the high-cost environment, buyouts retained appeal for stability-oriented investors, outperforming more volatile sectors.

Debt funds raised USD 163.3 bn out of a USD 238.5 bn target, driven by demand for defensive assets. In a high-interest-rate environment, these funds offer stable returns and are less sensitive to market volatility. While the recent rate cut signals potential demand improvement, caution persists as rates remain high, and debt fundraising stays below target.

Venture capital and growth funds saw substantial investor caution, with USD 102 bn raised for venture funds and USD 69.1 bn for growth funds, both under target. With higher risks and longer horizons, these funds have become less attractive as financing costs rise and inflationary uncertainty remains. Investors hesitate to commit capital to sectors unlikely to yield returns until broader market conditions improve.

Real assets and Real Estate funds struggled to meet their targets, raising USD 150.3 bn of a USD 286.9 bn target for Real Assets and USD 98.5 bn against a USD 195.8 bn target for Real Estate. High valuations and financing costs have dampened demand, especially in Real Estate, due to liquidity and valuation concerns. Investors are shifting toward more liquid, short-term assets, and the September rate cut hasn't significantly boosted interest in these capital-intensive sectors.

Overall, October's private equity fundraising data reflect a preference for stability and secure cash flows in a global economic landscape marked by high funding costs and persistent geopolitical uncertainty. While recent rate cuts signal potential improvement, investor selectivity and caution remain, underscoring a prudent approach in today's market climate.

ESG

Fund	General Partner	Vintage	Size (USD bn)	Status
Thoma Bravo Fund XVI LP	Thoma Bravo LLC	2024	15.0	Fundraising and investment
KKR Global Infrastructure Investors V	KKR & CO Inc	2024	11.0	Fundraising and investment
Brookfield Strategic Real Estate Partners V LP	Brookfield Corp	2024	8.0	Fundraising and investment
Adian Infrastructure Fund VI	Ardian SAS	2024	5.4	Fundraising and investment
Whitehorse Liquidity Partners Fund VI LP	Dawson Partners Inc	2024	5.1	Fundraising and investment
Berkshire Fund XI LP	Berkshire Partners LLC	2024	4.7	Fundraising and investment
Carlyle Credit Opportunities Fund III LP	Carlyle Group Inc/The	2024	3.5	Fundraising and investment
West Street Capital Partners IX	Goldman Sachs Capital Partners	2024	2.5	Fundraising and investment
Catalytic Transition Fund LP	Brookfield Corp	2024	2.4	Fundraising and investment

As of October 2024, private equity funds are increasingly focusing on ESG-related investments, reflecting a commitment to sustainable and responsible investing. Notable funds include Thoma Bravo Fund XV LP at USD 15.0 bn and KKR Global Infrastructure Investors V at USD 11.0 bn, which prioritise technology and infrastructure sectors aligned with ESG goals such as energy efficiency and sustainable infrastructure.

Brookfield Strategic Real Estate Partners V LP, at USD 8.0 bn, signals strong interest in ESG-focused real estate, targeting green buildings and energy-efficient assets. Funds like Ardian Infrastructure Fund VI and Whitehorse Liquidity Partners Fund VI LP further emphasise resilient, ESG-aligned investments, reflecting a shift toward balancing financial returns with social and environmental impact.

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Thank you!

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