NIC

— Nova Investment Club —

Newsletter

December 2024

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Foreword

This Month:

In our Macro Overview section, analysts from the Financial Markets and Private Equity Divisions will cover broad macro themes while reviewing major economic news from the past month. In our Deeper Dive section, Lorenzo Maria Lucicesare reviews some of the major implications of Donald Trump's recent US Presidential election victory.

Our Investment Banking Division will guide you through November's overall M&A activity. Read about Charter Communications acquiring Liberty Broadband, and Amcor acquiring Berry Global. Additionally, get a detailed overview of what happened to MARA Holdings Inc., and read expert insight on UniCredit's strategic stake in Commerzbank.

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 November was positive, with a cumulative return of 2.16%.

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 Blackstone's acquisition of Jersey Mike's Subs and Cinven's acquisition of Grant Thornton UK.

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Macro Overview

Monthly

December 6th, 2024

Deeper Dive

The Macroeconomic Implications of Donald Trump's Election

— p.2

Market Moves

Market Moves

% change

	Last Close	-1W	-3M	YTD
S&P 500	6,032	1.06%	6.80%	26.47%
DJIA	44,911	1.39%	8.05%	19.16%
Nasdaq	19,218	1.13%	8.49%	28.02%
MSCI World	3,889	1.31%	1.61%	10.48%
MSCI EM	3,745	0.12%	3.90%	2.14%
Russell 2000	2,435	1.17%	9.79%	20.11%
Euro Stoxx 50	4,804	0.32%	-3.10%	6.26%
FTSE 100	8,287	0.31%	-1.07%	7.16%
Nikkei 225	38,208	-0.20%	-1.14%	14.18%
Hang Seng	19,424	1.01%	7.97%	13.94%
Dollar Index	105.74	-1.69%	3.97%	4.35%
EUR/USD	1.058	1.53%	-4.26%	-4.19%
GBP/EUR	1.204%	0.05%	1.31%	4.36%
GBP/USD	1.274%	1.64%	-2.99%	0.03%
USD/JPY	149.770	-3.24%	2.46%	6.19%
USD/CHF	0.88	-1.44%	3.70%	4.71%
Brent Crude	72.940	-2.97%	-7.44%	-5.32%
Gold	2,657.0	-2.04%	6.09%	28.25%

Generic Bond Yields

change in bps

	Last Close	-1W	-3M	YTD
US 10Y Yield	4.169%	-23.2	26.5	28.9
GER 10Y Yield	2.088%	-15.4	-21.1	6.4
JPY 10Y Yield	1.048%	-4.1	15.0	43.4
UK 10Y Yield	4.242%	-14.4	22.7	70.5
PT 10Y Yield	2.539%	-18.6	-37.2	-11.7

**Source: Bloomberg, as of 2024-11-29*

In Focus

November

Trump victory spurs US equity market rally. After Trump's re-election, the S&P 500 Index gained 4.70% over five days, marking its best performance since November 2023. This performance was supported by the Fed's rate cut on the 7th of November.

US Yields reverse following Bessent Treasury Secretary nomination. With Trump's return to office, investors sold off bonds, betting that his plans for tariffs and tax cuts would fuel inflation, prompting higher interest rates. The 10-Year Treasury yield jumped to 4.48%, a 4-Month high, before reversing as treasuries rallied following Scott Bessent's nomination as Treasury Secretary, which pushed yields down to 4.17%.

Greenback experiences strongest surge in 2 years. Post US election, the US dollar surged 3.34% against the euro and gained against the yen, driven by expectations of aggressive tariffs. However, following Bessent's appointment as Treasury Secretary, which signalled a more cautious approach to trade, the US dollar weakened against both currencies before recovering. It ended the month up 2.18% against the euro at USD 1.058 and up 1.48% against the yen at USD 149.77.

French bond yields surpass Greece's for the first time. The French 10-Year yield briefly reached 3.02%, surpassing the 10-Year yield demanded by lenders in Greece, before reversing. This crossover reflects an upheaval in the perceived riskiness of Eurozone borrowers and underscores investor concerns about France's political and fiscal outlook as Barnier's minority administration attempts to implement EUR 60.0 bn in tax increases and spending cuts.

Germany reports weaker than expected economic expansion. Germany downgraded its GDP growth to just 0.1% for Q3, with high energy costs and Trump's tariffs adding pressure to key industries and leading to layoffs. The potential collapse of the ruling coalition exacerbates the economic strain, with business sentiment at a 12-Month low and unemployment remaining at 6.10%.

Eurozone inflation accelerated in November. In November, Eurozone inflation rose to 2.30%, up from 2.00% in October, exceeding the European Central Bank's 2.00% target for the first time in 3 months. This development adds pressure on the ECB to adopt a cautious approach regarding an interest rate cut in December.

Tensions escalate in the Russia-Ukraine conflict. On the 18th of November, Biden authorised Ukraine on using long-range US weapons in Russia in retaliation to Russia using North Korean soldiers. This was feared by markets as a potential escalation. However, on the 30th of November, Ukrainian president Volodymyr Zelenskyy signalled intentions to work with Trump to end the war.

Ceasefire agreement between Israel and Lebanon. A United States-brokered ceasefire took effect in Lebanon on the 27th of November. Under the terms of the deal, the Israel Defence Forces will gradually withdraw from Lebanon over a period of 60 days and be replaced by the Lebanese army.

Brazilian Real hits all time-low. Brazil's currency dropped to a record low, depreciating 2.62% against the euro this month, as a government promise to find BRL 70 bn in cost savings over the next two years failed to calm investors' nerves.

Peter Meszaros
Financial Markets Division

Deeper Dive

The Macroeconomic Implications of Donald Trump's Election

Lorenzo Maria Lucicesare
Private Equity Division

"Deregulation could benefit sectors such as energy, financial services, pharmaceuticals, and cryptocurrency, while raising risks for clean energy and electric vehicles"

– Monica Guerra, Head of Policy, Morgan Stanley

"Trump's policies could increase inflation and exacerbate the national debt, particularly through tariffs and protectionist measures"

– Lawrence Summers, Former US Treasury Secretary

Donald Trump's election in 2024 marks a crucial turning point for the global economy, and his return to the White House brings new dynamics that deserve an in-depth analysis. Promises of deregulation, tax benefits, and business-friendly policies combined with the risk of increased protectionism, are creating a complex macroeconomic landscape that could have long-term implications.

Equity markets generally responded positively on the day following the victory. The benchmark S&P 500 index gained 2.53%, with the S&P 500 Financials index surging 6.16%, reflecting optimism due to potential tax benefits and deregulation. Conversely, the US 10-Year Treasury yield climbed 16bps to 4.43%, signalling market concerns about a possible increase in the government deficit, which could surpass USD 2 tn by 2025. The prospect of a more inflationary administration could derail hopes of further interest rate cuts, which may induce short-term volatility. This possibility of higher inflation, combined with potential trade tariffs and expansionary fiscal policies led to a steep increase in the value of the US dollar. Meanwhile, ICE-listed Brent Crude futures dropped by 81bps, while the S&P 500 Energy index gained 4.05%, reflecting Trump's pledge to drive up oil production and reduce consumer prices.

The Trump agenda could revive the mergers and acquisitions (M&A) sector, as was observed during his first administration when M&A activity increased by c. 14.6% to USD 3.6 tn. The same conditions could be repeated thanks to the proposal to reduce corporate tax to c. 15% and ease bank capital requirements. These policies could support operations in more industrialised sectors, such as energy, infrastructure, and telecommunications. Banks, in particular, would benefit from a relaxation of regulation, allowing them to finance larger and higher-leverage M&A transactions, encouraging growth of transactions even between medium-sized institutions. However, a Federal Funds target interest rate of 4.50%-4.75% represents a significant barrier to leveraged operations, especially for larger ones. In addition, growing protectionism and less favourable trade policies could hamper cross-border transactions. According to some estimates, foreign direct investment in the US could decline by c. 10-15%, while many companies may seek to consolidate at home to reduce their exposure to geopolitical risks.

In private equity (PE), the relaxation of the Dodd-Frank law, one of the main measures taken during the Obama presidency to limit systemic risks in the financial sector, could free up to USD 300 bn in capital. This new capital availability would be particularly useful for funds focused on the middle-market, which accounts for around 70% of PE operations in the US. Operations in the infrastructure segment could be the most promising, thanks to Trump's USD 1 tn investment plan, which aims to reinvigorate key sectors such as energy, infrastructure and transport. However, strong interest rate pressure could erode returns for leveraged funds, currently expected to be in the range of 15-17%. The slowdown of globalisation and the relocation of supply chains to America, while increasing the competitiveness of key sectors, could limit opportunities for PE funds in emerging markets, historically a strong point for these investments. Finally, technology funds could benefit from tax incentives and investment incentives for innovation, a priority in Trump's policies, but it is crucial to monitor how these dynamics will develop globally.

The election of Donald Trump in 2024 marks a turning point for the global economy, with potential benefits in terms of domestic economic growth thanks to favourable fiscal policies and deregulation. However, the challenges of protectionism and instability in international markets require careful management. Policies may stimulate some sectors, but it is essential to monitor the evolution of these factors to avoid global repercussions. The next few years will be crucial in determining whether Trump can maintain a balance between domestic growth and international economic stability, as well as the impact his administration may have on global investment.

Lorenzo Maria Lucicesare
Private Equity Division

Macro Overview

Economic Calendar

Economic and Political Events

OPEC Meeting

OPEC+ has postponed a key meeting on production curbs from the 1st to the 5th of December due to discussions on quota compliance and a clash with the Gulf Cooperation Council (GCC) meeting, as five of the GCC's seven members belong to OPEC+.

IISS Manama Dialogue

The 20th IISS Manama Dialogue will be held in Bahrain from the 6th to the 8th of December. This annual forum brings together ministers' policy and decision makers to debate the Middle East's most pressing foreign-policy, defence and security challenges.

UN Internet Governance Forum

The 19th Internet Governance Forum (IGF) will take place in Riyadh from the 15th to the 19th of December. The IGF was established in 2006 by the United Nations and serves as a global platform for inclusive, multi-stakeholder dialogue on internet-related policies.

Central Bank Decisions

Fed Interest Rate Decision

The FOMC meeting will take place on the 18th of December, with markets assigning a 66% probability that the Fed will cut rates by 25bps to a new target range of 4.25%-4.50%. Powell will be giving a speech on the 4th of December.

Bank of Japan Interest Rate Meeting

On the 19th of December, the Bank of Japan (BoJ) will be meeting to announce interest rates. BoJ Governor, Kazuo Ueda, said the bank will consider the impact the yen moves could have on the economic outlook. Expectations are of a 25bps hike from 0.25% to 0.5%.

ECB Monetary Policy Decision

With accelerating inflation in November at 2.3%, the question is by how much should the ECB cut rates on the 12th of December? Advocates of 50bps cite recession risks and the need to protect jobs, while the 25bps camp highlights rising wages, and low unemployment

Inflation and Deflation

Update on Euro Zone Inflation

In November, Eurozone inflation accelerated to 2.3% in line with consensus and above the 2% ECB Target. December inflation data for the Euro Area will be published on the 18th of December and is expected to stay flat at 2.3%.

China's Inflation Rate

China's November CPI numbers will be announced on the 9th of December. Expectations for November CPI numbers are 0.5%, however both CPI numbers in September and October missed expectations by 0.2%, resulting in 0.4% and 0.3%, respectively.

US Consumer Price Index

The US Bureau of Labour statistics will release US November CPI data on the 11th of December. October's annual core inflation rate was in-line with estimates at 3.3% staying flat from September.

Labour Market

US Employment Readings

The US will release November non-farm Payrolls and the unemployment rate on the 6th of December. Non-farm payrolls expectations are at 183k, up from 12k, while the unemployment for November is expected to stay flat at 4.1%.

UK Unemployment Rate

The October unemployment rate for the UK is forecasted to drop to 4.2% on the 17th of December, down from 4.3% in September. This follows September's reading marking the highest level in three months, ending in May.

Canada Unemployment Rate

On the 6th of December, the Bank of Canada will be releasing the unemployment rate, with expectations of 6.5%, remaining flat from October.

Peter Meszaros
Financial Markets Division

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Investment Banking

M&A
Overall Activity

Global

In November 2024, global M&A activity showed a mix of results across regions. Notably, this month witnessed a significant resurgence in public large-cap M&A transactions, particularly in North America, confirmed by global transaction volumes increasing by c. 16.5% YoY, while the deal count decreased by 0.81% YoY. Major deals included Charter Communication's acquisition of Liberty Broadband for approximately USD 17.9 bn and Amcor's acquisition of Berry Global Group for around USD 17.6 bn. These transactions have set high expectations for further M&A growth driven by favourable market conditions, also reflected in the average transaction premium of 24.36%, which is clearly above the fourth quarter 2024 estimate of 18.8%. Hence, experts predict that global M&A activity will further rebound in the coming year, supported by declining geopolitical uncertainties, stabilising inflation, and continued rate cuts by central banks. Mid-market deals and private credit financing remained robust, as companies prioritised the divestment of non-core assets. In the private equity sector, notable transactions included KKR's purchase of Fuji Soft (USD 2.6 bn) and EQT's acquisition of OEM International (USD 1.4 bn).

Selected Regions

North America
North America's M&A market saw a 26.53% MoM increase in deal volume, reaching USD 149.3 bn. This increase is attributable to recent interest rate cuts, robust consumer spending, and the outcomes of the US presidential election. While last month's M&A deal activity fell amid election uncertainty, Trump's economic policies signal potential growth ahead. Even though deal value increased, November deal count decreased by 17.43% MoM, resulting in 1,459.

EMEA
EMEA's M&A activity was rather weak this month with mainly the UK seeing a surge in deal-making, exceeding all other countries. Overall, deal volume in EMEA decreased by 15.95% MoM to USD 52.7 bn. Firms and sponsors tend to remain more cautious about the current interest rate level and market uncertainties, not only reflected in the decrease of deal volumes but also confirmed by a 9.66% MoM decrease of deal count to 982 this month.

Asia
Asia's M&A market was less active this month, with the overall deal volume decreasing by 34.94% MoM to USD 60.9 bn. The focus remains on Japan, as it continues to see intense interest from foreign investors, as for example KKR and Bain Capital for Fuji Soft. In general, cross-border deals increased as foreign investors see benefits in lower valuations, especially in China. Despite regulatory challenges, the deal count saw an increase of 3.94% MoM to 1,503.

M&A
Deals of the Month

Announced Date	Target	Buyer	Target Region	Target Business	Transaction Value[1] (USD m)	Premium (%)
13 Nov 24	Liberty Broadband Corp	Charter Communications Inc	US	Communications	17,883.0	-
19 Nov 24	Berry Global Group Inc	Amcor PLC	US	Materials	17,589.6	11.93
25 Nov 24	Summit Materials Inc	Quikrete Holdings Inc	US	Materials	11,366.0	8.08
07 Nov 24	Petroleos Mexicanos	United Mexican States	MX	Energy	10,400.0	-
24 Nov 24	EnLink Midstream LLC	ONEOK Inc	US	Energy	8,685.6	-2.85
25 Nov 24	CI Financial Corp	Mubadala Investment Co PJSC	CA	Financials	6,186.4	35.94
29 Nov 24	Quality Care India Ltd	Aster DM Healthcare Ltd	IN	Healthcare	5,086.04	-
04 Nov 24	Northwest Fiber LLC	BCE Inc	US	Communications	5,039.3	-
06 Nov 24	Retina Group Inc	Cencora Inc	US	Healthcare	4,600.0	-
19 Nov 24	BlueHalo LLC	AeroVironment Inc	US	Industrials	4,007.19	-

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

Anna-Lena Rost
Investment Banking Division

M&A: Top Deals

Charter Communications to Acquire Liberty Broadband

On the 13th of November, Charter Communications Inc announced the all-stock acquisition of Liberty Broadband Corp for USD 17.9 bn, to be completed by mid-2027. Liberty Broadband common stockholders will receive 0.236 shares of Charter Communications per Liberty Broadband share, while preferred stockholders will receive equivalent preferred stock in Charter Communications.

Buyer vs Seller

Charter Communications Inc is a leading broadband connectivity company and cable operator, while Liberty Broadband Corp owns telecommunications businesses. Liberty Broadband's principal assets consist of a c. 26% stake in Charter Communications and its ownership in Alaska's largest telecommunications provider GCI, which will be spun off before closing the transaction. JP Morgan acted as financial adviser to Liberty Broadband, while Centerview Partners and Citi advised Charter Communications.

Industry Overview

Despite global data consumption being projected to grow from 3.4 m petabytes (PB) in 2022 to 9.7 m PB by 2027, revenues from internet access are only expected to rise modestly at a c. 4% CAGR, reaching USD 921.6 bn by 2027, due to limited pricing power on commoditised services in the global telecommunication industry. Key growth drivers include soaring video traffic, the proliferation of connected devices, and the rise of residential and commercial IoT applications.

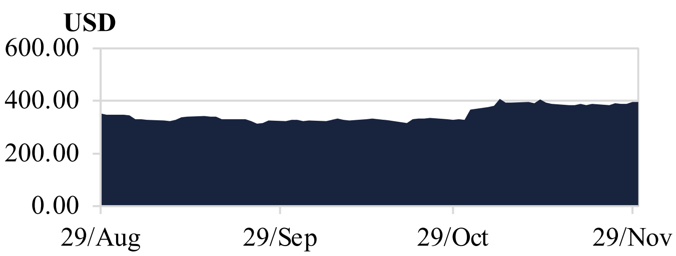
Peers	Currency	Market Cap (CUR m)
Comcast Corp	USD	164,005.50
Frontier Communications Parent, Inc.	USD	8,583.50
Cable One Inc	USD	2,307.79
Altice USA Inc	USD	1,166.81
WideOpenWest Inc	USD	435.74

Deal Rationale

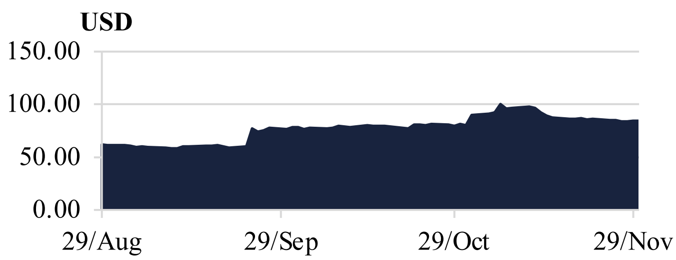
The acquisition builds on Charter Communications' long-standing strategic partnership with Liberty Broadband, established in 2013. As part of the transaction, Charter Communications will retire the c. 45.6 m shares, representing the c. 26% stake in Charter Communications held by Liberty Broadband, and will issue c. 34.0 m new shares to Liberty Broadband shareholders. Charter Communications plans monthly share repurchases of approximately USD 100 m to support Liberty Broadband's corresponding debt repayment before closing, with flexibility for additional incremental repurchases or loans if required.

Market Reaction

Charter Communications Inc
Following a revised proposal on 23/09/2024, Charter Communication's shares dropped by c. 2.9% to USD 322.18 during intraday trading and have since soared to USD 396.97.



Liberty Broadband Corp
Following its revised proposal on 23/09/2024, its shares surged by c. 25% to USD 76.37 during intraday trading and have since increased to USD 84.67.



Future Challenges

Charter Communications faces mounting challenges from intensifying competition expanding their fibre networks and broadband offerings. Rising customer acquisition costs and deflationary pricing trends are additionally pressuring margins, while Charter Communications' high debt levels may further limit its ability to invest in essential network upgrades and rural expansion.

Simon Steinbrech
Investment Banking Division

M&A: Top Deals

Amcor to Acquire Berry Global

On the 19th of November Amcor Plc announced the merger with Berry Global for USD 8.43 bn in an all-stock deal. Berry Global's shareholders will receive USD 73.59 per share, representing a 9.75% premium to the last closing price. The transaction, unanimously approved by the boards, is expected to be completed by mid-2025, resulting in Amcor holding c. 63% of the entity.

Buyer vs Seller

Amcor Plc is a leading global provider of packaging solutions, specialising in flexible packaging, rigid containers, and closures for the food, beverage, healthcare, and personal care industries. Berry Global Group, Inc. designs and manufactures a wide range of rigid and flexible packaging solutions, emphasising sustainable and cost-efficient production for consumer and healthcare markets, with a strong focus on scalability and innovation. Together they will be operating across more than 140 countries.

Industry Overview

The packaging solutions industry is vast and evolving, with a market value of over USD 1.1 tn in 2024. By 2029, the industry is projected to grow at a 3.89% CAGR, surpassing USD 1.4 tn. Key drivers include increasing demand for sustainable and recyclable materials, growth in e-commerce fuelling packaging needs and innovations in smart and flexible packaging solutions. The healthcare and personal care sectors, remain dominant contributors to industry growth.

Peers	Currency	Market Cap (CUR m)
AptarGroup Inc	USD	11,385.55
Sealed Air Corp	USD	5,307.58
Sonoco Products Co	USD	5,005.34
Winpak Ltd	CAD	3,146.29
Myers Industries Inc	USD	445.63

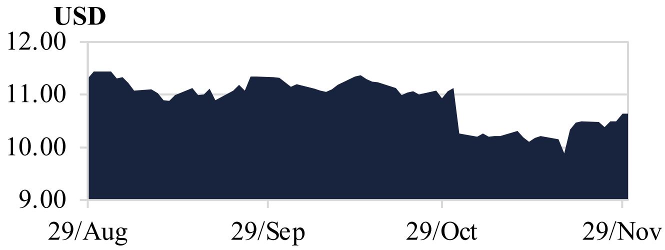
Deal Rationale

The merger of Berry Global by Amcor Plc aims to create a global leader in consumer and healthcare packaging solutions. The deal is expected to be accretive through significant cost savings, including c. USD 650 m in synergies within three years, enhanced operational efficiencies, and expanded geographic reach. The merger will create a company with revenues of c. USD 24 bn and adjusted EBITDA of c. USD 4.3 bn, leveraging c. USD 180 m in annual R&D investment, 1,500 R&D professionals, and over 7,000 patents. The merger is anticipated to deliver substantial value for shareholders and improve competitiveness.

Market Reaction

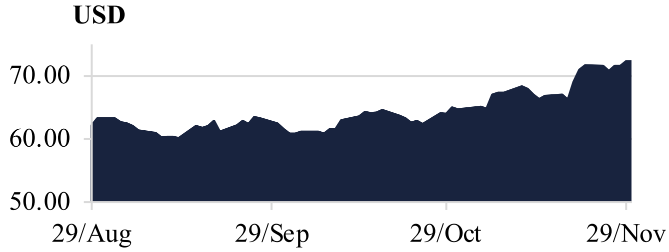
Amcor

After the merger announcement, Amcor's stock saw an increase and remained stable afterwards, with no significant movements in the following days.



Berry Global

Following the merger announcement, Berry Global's stock price increased by 7.88% in the subsequent days and has since sustained this level in the short term.



Future Challenges

The Amcor-Berry Global merger faces significant future obstacles, including Berry Global's declining revenues and elevated debt levels. Additionally, the combined company must navigate broader industry issues such as fading demand, rising raw material costs, and regulatory pressures to adopt sustainable practices, all of which could impact future profitability.

Tim Schröder
Investment Banking Division

What Happened To

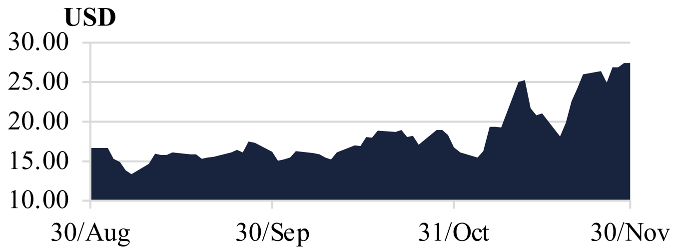
MARA Holdings Inc

MARA Holdings, Inc, based in Fort Lauderdale, Florida, is a US digital asset technology company specialising in cryptocurrency mining and blockchain technology. The company, led by CEO Fred Thiel, was established in 2010, and initially focused on patent holdings. In recent years, it has undertaken strategic initiatives to expand its operations such as investment in data centres.

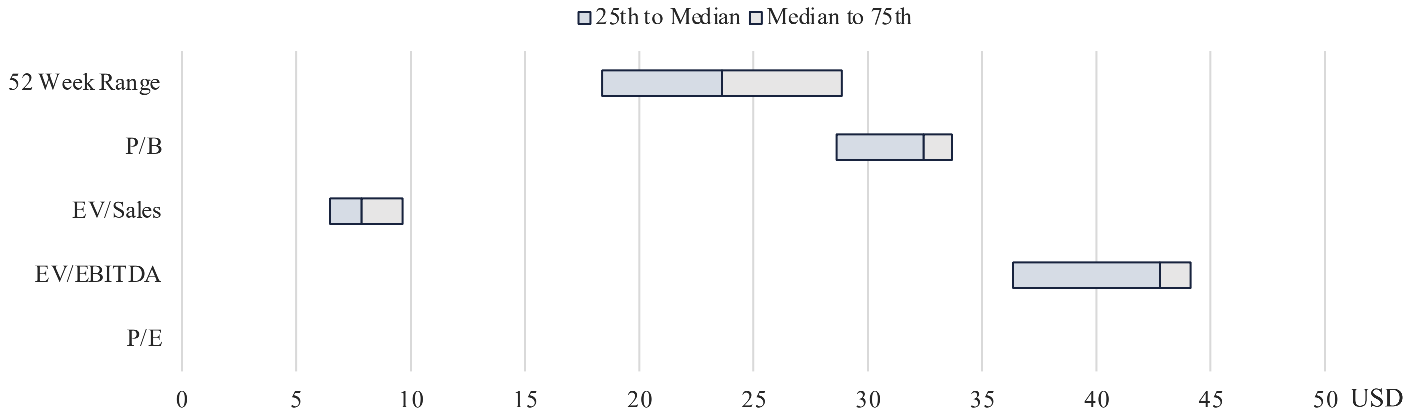
Corporate News

Bitcoin reached a record high on Wednesday, the 6th of November, 2024, driven by President-elect Donald Trump's pro-cryptocurrency stance. Trump's promises, including creating a national Bitcoin reserve and replacing SEC Chair Gary Gensler, increased optimism across the sector. As a result, MARA's share price gained c. 14% and increased to USD 18.47 alongside notable increases from peers such as Cipher Mining surging c. 25%, Iris Energy gaining c. 20%, and Riot Platforms gaining c. 19%. On the 11th of November, 2024, MARA announced a significant expansion of 372 megawatts in computing capacity across three sites in Ohio for USD 59.9 m. This included acquiring two operational data centres in Hannibal and Hopedale, as well as developing a 150-megawatt greenfield data centre. On the day of the announcement, MARA's share price rose by 29.92% to USD 25.01, reflecting strong investor confidence in its growth strategy.

Price (30 Nov 24, USD)	**24.97**
Target Price (USD)	25.00
3M Performance	48.44%
Market Cap (USD m)	7,978.20
Enterprise Value (USD m)	8,421.51
**Target Price is for 12 months*	



Valuation Analysis



After market close on the 12th of November, MARA reported a Q3 2024 loss of USD 0.42 per share, exceeding last year's losses and missing analyst expectations of USD 0.35. Despite a 34.56% YoY revenue increase to USD 131.6 m, the result fell short of the USD 144.4 m estimate by Capital IQ. The stock price dropped 13.99% the following day to USD 21.70, tempering investor enthusiasm after the Ohio expansion announcement, and highlighting ongoing profitability challenges.

As Bitcoin surged above USD 90.0 k, MARA shares reached a 6-Month high of USD 30.28, reflecting a 86.45% gain since Election Day. The company raised USD 1 bn through zero-interest convertible notes, funding the acquisition of 6,474 Bitcoins in November, increasing its total holdings to 34,794 Bitcoins, valued at USD 3.3 bn. These initiatives highlight MARA's ability to leverage cryptocurrency market momentum.

Peers	**Currency**	**Market Cap** (Cur m)
Core Scientific Inc	USD	4,730.55
Cleanspark Inc	USD	4,075.38
Hut 8 Corp	CAD	3,638.57
Cipher Mining Inc	USD	2,396.38
Bit Digital Inc	USD	667.87

Lilly Baltruschat
Investment Banking Division

NIC's View On

UniCredit's Strategic Stake In Commerzbank

Leandra Borsch
Investment Banking Division

"There will be no ability to move in the short term [for Commerzbank] and maybe there won't be an ability to move at all."

– Andrea Orcel, CEO, UniCredit

UniCredit's ongoing pursuit of Commerzbank marks one of the largest potential banking M&A deals in Europe in over a decade. The Italian lender's acquisition of a c. 9% stake in Commerzbank in September 2024 positions UniCredit as the second-largest shareholder, trailing only the German government, which retains a c. 12% stake. This bold move, which involved purchasing half of the c. 9% stake from the German government and the remainder on the open market for approximately EUR 1.4 bn in total, can be seen as a calculated step to establish a stronghold in Germany.

By using financial derivatives such as total return swaps, UniCredit was allowed to go beyond the 10% shareholding threshold. By doing so, the company quietly gained further economic exposure to Commerzbank. Following its acquisition of the 9% stake, UniCredit revealed that it had raised its stake to c. 21% within days, conditional on supervisory approval.

This sparked debates about the political, strategic, and operational implications of such a potential deal. German political leaders, unions, and regional states have expressed unified opposition to a foreign lender gaining control of Commerzbank and have emphasised their desire to maintain Commerzbank's independence as a vital provider of capital for the domestic economy.

Additionally, in November 2024, UniCredit launched a EUR 10.1 bn all-share bid for Banco BPM, Italy's third-largest bank. While this move appeared to shift UniCredit's CEO Andrea Orcel's focus toward domestic consolidation, it could have broader implications for the Commerzbank stake. Orcel has acknowledged the strategic limitations of integrating two large banks simultaneously, signalling that the Commerzbank stake will remain a long-term investment for now. The Banco BPM bid could also be seen as a hedge against delays or failure in Germany. By pursuing consolidation opportunities in its home market, UniCredit could ensure that its growth ambitions are not solely reliant on the uncertain political and regulatory landscape surrounding Commerzbank. Instead, the acquisition of Banco BPM could offer a clear path to strengthening UniCredit's capital base and market position, which could enhance its ability to revisit a potential full-scale German expansion in the future.

Banco BPM, however, dismissed the offer, describing it as undervaluing the bank's profitability and future potential. In contrast, Banco BPM has expressed its commitment to its ongoing business plan and its planned acquisition of asset manager Anima.

In conclusion, UniCredit's strategy reflects its ambition to expand in Europe while managing political and operational complexities. The huge Commerzbank stake signals long-term intent in Germany, though strong political opposition and regulatory challenges make a full takeover unlikely soon. Concurrently, the EUR 10.1 bn bid for Banco BPM underscores a pivot to domestic consolidation, serving as a hedge against delays in Germany. It remains to be seen how UniCredit will navigate the regulatory hurdles in Germany regarding Commerzbank and whether the company will find alternative ways to advance its growth strategy following the rejection of the Banco BPM bid.

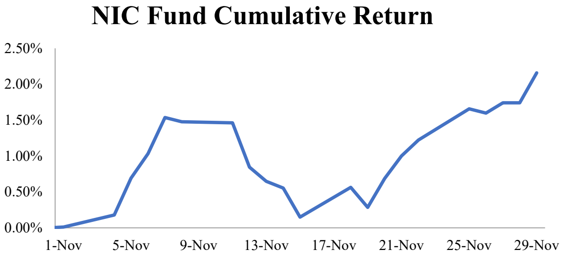
Date	Recent News
10 Sep 24	UniCredit bought a 9% stake in its rival Commerzbank ***Source:*** *ft.com*
23 Sep 24	UniCredit has increased its stake in the German lender Commerzbank to 21% ***Source:*** *unicreditgroup.eu*
25 Nov 24	UniCredit made an EUR 10.1 bn all-share offer for Banco BPM ***Source:*** *ft.com*
26 Nov 24	Banco BPM rejected the all-share bid from rival UniCredit ***Source:*** *reuters.com*

Leandra Borsch
Investment Banking Division

NIC Fund

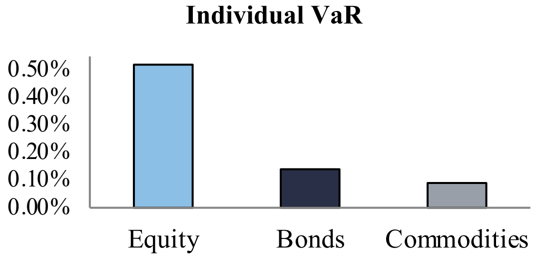
NIC Fund

Portfolio Overview



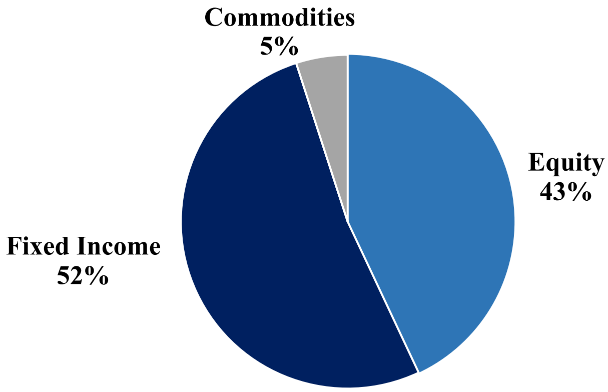
Portfolio Statistics	
Cumulative Return	2.16%
Annualized Return	25.90%
Daily St. Dev	0.35%
Period St. Dev	1.63%
Annualized St. Dev	5.63%
Info Sharpe	4.60
Skewness	-0.66

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

In November, the NIC Fund remained invested in Equities, Fixed Income and Commodities. Specifically, 43% of our fund remained devoted to Equities, 52% to Fixed Income and 5% to Commodities. Concerning the equity allocation, 55% was devoted to indices, with the remainder allocated to individual stocks using an equally weighted strategy.
Regarding commodities, over half was allocated to Gold via the Goldman Sachs Physical Gold ETF.



Return Metrics

This month's overall portfolio performance was positive, with a cumulative return of 2.16%. The best performance came from equities, contributing a positive return of 1.58%, while bonds also achieved a positive return of 0.81%. On the contrary, commodities reported a marginally negative performance, contributing -0.12%.
The equity portfolio consisted of the MSCI World index fund among other ETFs and 33 individual stocks including Nvidia Corp. (NVDA US), Visa (V US), Thermo Fisher Scientific (TMO US), Delta Air Lines (DAL US) and Netflix (NFLX US). The top-performing stocks were Tapestry and Walt Disney Co. with returns of 31.25% and 22.11%, respectively, while BNP Paribas recorded the poorest performance, returning -12.16%. The best-performing ETFs were the iShares S&P 500 Value ETF and the iShares MSCI World ETF, with returns of 5.92% and 4.82%, respectively.

Risk Metrics

In terms of risk, our portfolio registered a daily VaR of 0.51%. 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 0.52%. On the other hand, Bonds and Commodities exhibited markedly lower VaRs of 0.14% and 0.09% respectively.

Adam Green
Financial Markets Division

NIC Fund

Assets in Brief

Asset Class	Symbol	Comments
US Equity	**DIS**	The Walt Disney Company recorded an impressive return of 22.11% in the past month, fuelled by strong box office performances from Marvel's *Deadpool & Wolverine* and Pixar's *Inside Out 2*. CEO Bob Iger praised it as "one of the best quarters in the history of our film studio." Combined with solid streaming profits, earnings surged 39% YoY.
US Equity	**TSLA**	Tesla experienced one of the best months in its history, with shares rising 38.15% to USD 345.16. CEO Elon Musk's backing of Trump's candidacy and appointment as Head of the Department of Government Efficiency (DOGE) has boosted investor confidence in potential political tailwinds. Possible benefits include a federal standard for regulating self-driving cars, as Tesla prepares to launch its self-driving robotaxi service in 2025.
US Equity	**NVDA**	Nvidia shares faced a rare setback in November, declining 5.24% since its 20th of November earnings call, but ending the month up 4.14%. Quarterly revenue nearly doubled YoY to USD 35.1 bn, beating analysts' forecasts but marking a slowdown in growth. The company highlighted strong demand from Big Tech for its next-generation Blackwell chips, though supply constraints are expected to persist into the next fiscal year.
US Equity	**PLTR**	Palantir Technologies led the S&P 500 in November, with shares soaring 61.41%. Early in the month, the software company announced a 30% increase in third-quarter revenues to USD 725.5 m, beating analysts' expectations of USD 703.7 m. Momentum grew after the US election positioned the company, whose largest client is the US government, to benefit from increased federal spending on national security, immigration, and space exploration.
US Equity	**TPR**	Tapestry Inc. shares rose 31.25% in November following announcements of the termination of its merger with Capri Holdings and a USD 2.0 bn Accelerated Share Repurchase program, expected to return over 100% of free cash flow in Fiscal 2025 to shareholders through dividends and buybacks.
US Equity	**MRNA**	Moderna shares fell 20.79% over the past month, despite surpassing third-quarter earnings expectations during its 7th of November earnings call. The decline was driven by concerns over a 2024 revenue miss, coupled with Trump's nomination of vaccine sceptic Robert F. Kennedy Jr. as Health and Human Services Secretary. The stock tumbled 7.34% on the day following the announcement.
EU Equity	**VOW**	Shares in Volkswagen AG dropped 8.85% in November, as Donald Trump's pledges to scrap EV subsidies and impose tariffs on foreign-made cars dampened ambitions to double market share in the US. Adding to the auto manufacturer's woes is a planned strike at Volkswagen's plants in Germany after executives rejected workers' demands to rule out factory closures.
EU Equity	**RACE**	Ferrari NV reported a 7% increase in third-quarter core earnings on the 5th of November, largely in line with consensus. However, shares in the luxury sports carmaker suffered their worst single-day performance since March 2022 as shipments declined 2%, including a 29% decrease in China. The stock ended the month down 6.39%.
US Treasury Bonds	**IEI ETF**	Our benchmark bond index, the iShares 3-7 Year Treasury Bond ETF, posted a slight gain in November of 0.32%. Yields on 5-Year Treasuries spiked to 4.325% following the US election, before easing to end the month at 4.060%.
Commodity	**DBC ETF**	Our main commodities index, the DB Commodity Index, monitors a basket of 14 commodities. The ETF fell 1.99% in November, dragged down by a mild decline in Crude Oil prices and a reversal in Gold's historic rally due to Trump's election and a strong dollar.

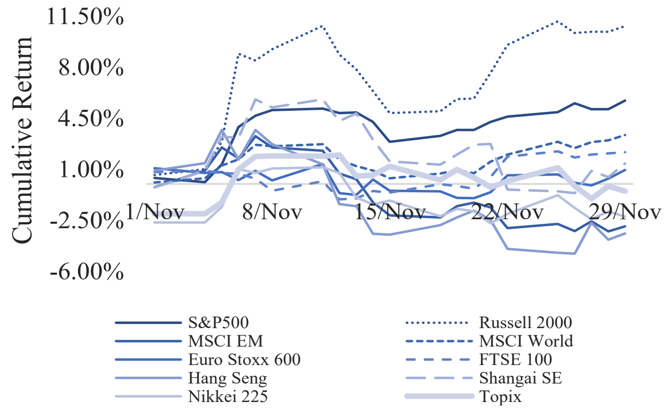
Adam Green
Financial Markets Division

NIC Fund

Equities

World Equities

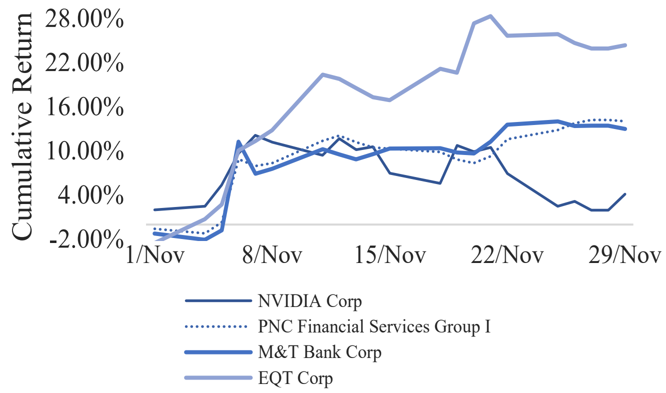
Global equities are up this month, with a positive monthly return of 3.36% for the MSCI All Country World Index in November. In the US, benchmarks pushed further into record territory, as the unique combination of political optimism, robust corporate earnings, resilient economic data, and easing monetary policy expectations, pushed the S&P 500 to record highs at USD 6,032.44 (+5.14% MoM). The Dow Jones Industrial Average also exhibited monthly gains of 7.54%, closing at USD 44,9910.65, while the tech-heavy NASDAQ Composite closed at USD 19,218.17, up 6.21% MoM. For APAC, the indices outcomes varied, reflecting the diverse economic landscapes and challenges across regions, with the Nikkei 225 ending the month at JPY 38,208.03 (-2.23% MoM), the Hang Seng at HKD 19,423.61 (-3.39% MoM) and the Shanghai Composite at CNY 3,328.454 (+1.42% MoM). Stocks in Europe faced headwinds from US tariff threats, political instability in France, sector-specific struggles in autos and defence, and mixed economic data, leading to cautious investor sentiment and modest performance, with the STOXX Europe 600 Index showing a slight decrease of 0.96% MoM, closing at EUR 510.25 and the UK's FTSE 100 Index advancing 2.18% MoM, to GBP 8,287.30.



In Depth: Trump Trade & NVDA earnings

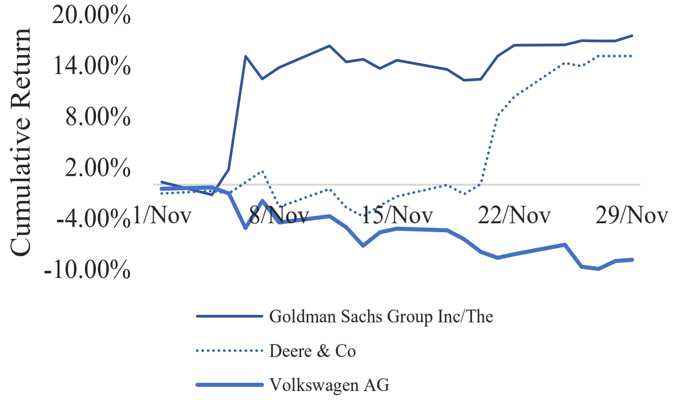
Following President-elect Donald Trump's re-election and the subsequent pro-business policy announcements, such as corporate tax cuts, deregulation, infrastructure spending, protectionist trade policies and expanded fossil fuel production, the US market has seen a boost across key sectors. For instance, PNC Financial Services and other regional banks thrived on the expectation of deregulation and favourable interest rate policies. Small-cap stocks, including EQT Corporation, soared on anticipated infrastructure spending and support for US-based operations.

NVIDIA posted strong earnings during the month, reporting revenue growth of 17% QoQ, driven by robust demand for AI chips and data centre solutions, which exceeded Wall Street expectations and further fuelled investor enthusiasm.



Our Performance

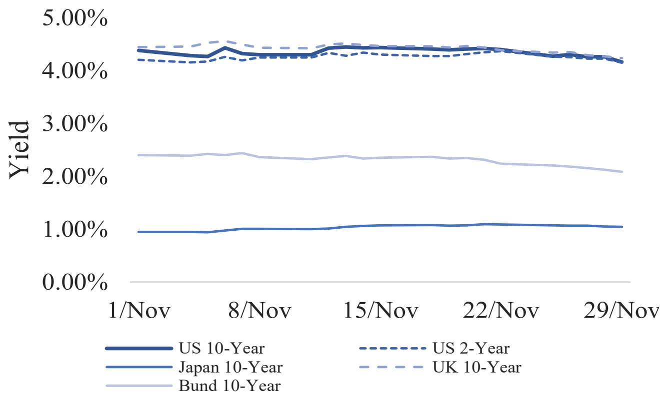
In November, equities' contribution to the overall portfolio performance was positive, with a 1.58% cumulative return, heading back to green territory after a marginally negative performance in October. So-called "Trump Trades" were core drivers, with banks such as Goldman Sachs, gaining 17.53%. The stock saw a 13.1% gain the day following the US Presidential election, as investors anticipated lower taxes and softer regulations on the sector. Continuing along this theme, Deere & Co. increased by 15.13% citing better-than-expected margins and earnings, even amid a downturn in farm equipment demand. Volkswagen AG's performance, however, was hit by Trump's tariff announcement, in combination with the labour union initiating warning strikes due to disputes over job cuts and wage reductions. The stock slid 11.68%.



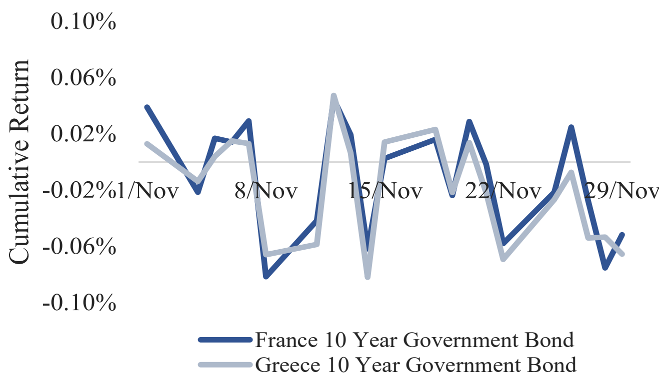
Benjamin Lonnen
Financial Markets Division

NIC Fund
Fixed Income

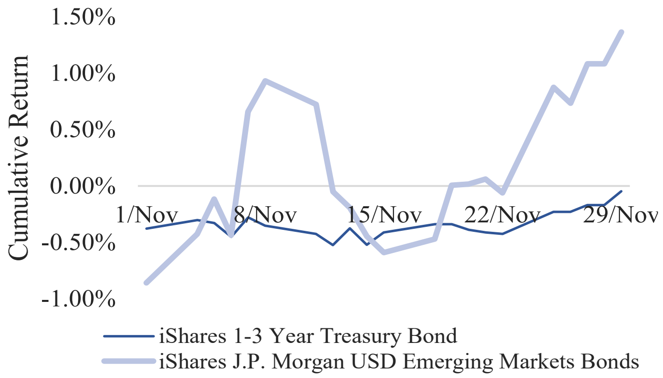
World Yields
After an initial spike to 4.50% post-election, the US 10-Year Treasury yield softened following the announcement of Scott Bessent as US Treasury Secretary for the incoming Trump administration. This easing was amplified by the release of dovish November FOMC meeting minutes. The subsequent day saw traders raise the probability of a 25bps December rate cut by 7.13pp, according to CME FedWatch. Yields ended the month at 4.17%, a decrease of 2.71%. Meanwhile, the US 2-Year Treasury yield dropped slightly by 0.46% to 4.15%, reflecting a flattening of the recently un-inverted yield curve.
Japan's 10-Year Government Bond yield surged by 10.08% to 1.05%, as hotter than expected inflation readings fuelled bets that the BoJ will raise rates in December.
European bonds saw notable declines: the UK 10-Year Gilt yield fell by 4.59% reaching 4.24%, with BoE Governor Andrew Bailey reiterating the central bank's gradual approach to rate cuts, but highlighting complications introduced by Chancellor of the Exchequer Rachel Reeves' budget. Similarly, the German 10-Year Bund yield declined significantly by 12.64% to 2.09%, driven by market expectations of a potential loosening of the German "debt brake" and weaker-than-anticipated PMI data. Additionally, traders have begun pricing in an increased likelihood of forthcoming ECB rate cuts, adding further downward pressure on yields.



In Depth: European Markets
For the first time, French bond yields have surpassed those of Greece, reflecting growing investor concerns over France's political and fiscal situation. The 10-Year yield on French government debt briefly exceeded 3% as fears rose over the government's ability to pass its EUR 60 bn budget, which includes tax hikes and spending cuts. While French borrowing costs remain lower than crisis levels, the recent surge in yields highlights how France is increasingly viewed as one of the riskier borrowers in the Eurozone. The government has already made some concessions, such as halting planned tax increases on electricity, but further compromises may be needed to avoid a fiscal crisis. The outcome of the budget process could have significant implications for the stability of France's government and its position in global financial markets.



Our Performance
The iShares 1-3 Year Treasury Bond ETF experienced a slight decline of 0.05%. On the other hand, the iShares J.P. Morgan USD Emerging Markets Bond ETF, saw a strong performance with a 1.35% return, benefitting from the initial volatility following the US election results. While emerging markets currencies faced some initial pressure, sovereign bonds performed well, with higher-yielding nations in Sub-Saharan Africa and Latin America outperforming, as real money investors held steady amidst a recovering global sentiment.



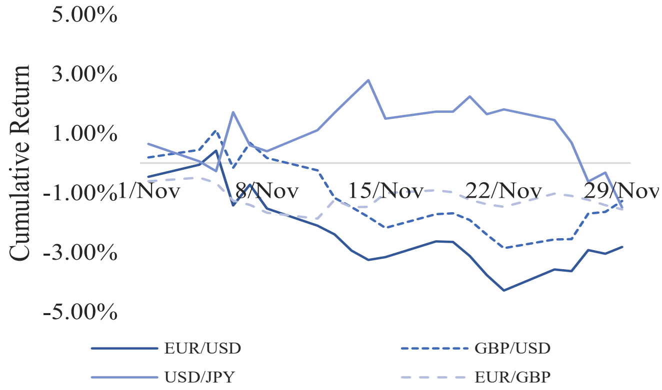
Pascal Naumann
Financial Markets Division

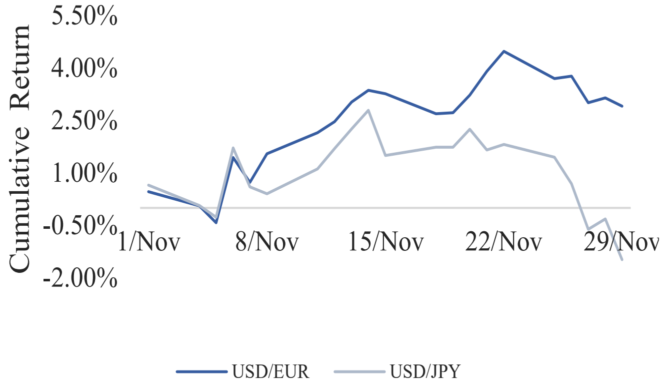
NIC Fund

Currencies

World Currencies

In November, currency markets saw notable movements, with the Japanese yen gaining ground against the US dollar, appreciating 1.5% to close at 149.77. This marked its strongest performance in four months, driven by Tokyo inflation data showing core prices rising 2.2%, surpassing the BoJ's 2% target. Expectations for a rate hike in December rose to 66%, supporting the yen's recovery after a low of 156.27 earlier in the month. The yen's earlier weakness was fuelled by the so-called "Trump trade," which strengthened the dollar following the US elections, but interventions by Japanese authorities and robust economic data helped reverse this trend. The US dollar closed strong against the euro, appreciating 2.8% and pushing EUR/USD to 1.0577. This strength was driven by optimism surrounding President-elect Donald Trump's proposed expansionary fiscal policies, trade tariffs, and inflationary pressures. However, the dollar's trajectory was tempered by the nomination of Scott Bessent as Treasury Secretary, signalling a potentially moderated approach to trade policies. Despite its overall strength, the dollar weakened against major peers the last week of the month, as markets increased expectations for a Fed rate cut in December, with the likelihood rising to 66%. Meanwhile, the euro gained, supported by softer German inflation data and expectations of a 25bps rate cut by the ECB.





In Depth

Looking ahead, currency markets are likely to remain influenced by diverging central bank policies, inflation trends, and global economic developments. The US dollar is expected to stay strong against the euro, with markets closely watching upcoming Fed and ECB decisions. While the Fed's stance remains cautious, expectations of a possible December rate cut could temper the US dollar's gains. Conversely, weak Eurozone data may reinforce the likelihood of a 25bps rate cut, putting further pressure on the euro. Against the yen, the US dollar's trajectory may hinge on the BoJ's anticipated policy moves. Strong Tokyo inflation data and increasing speculation of a December rate hike have bolstered the yen recently. However, if the BoJ opts for a cautious approach or global risk sentiment improves, the yen carry trade could resume, adding downward pressure. This dynamic would likely favour the US dollar.

Our Performance

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

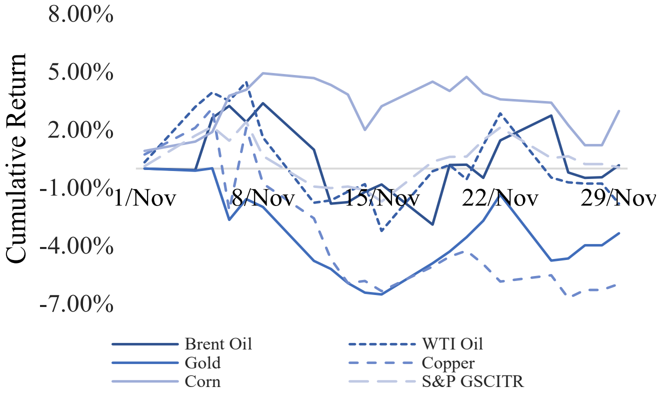
Rosa Gutierrez Sandoval
Financial Markets Division

NIC Fund

Commodities

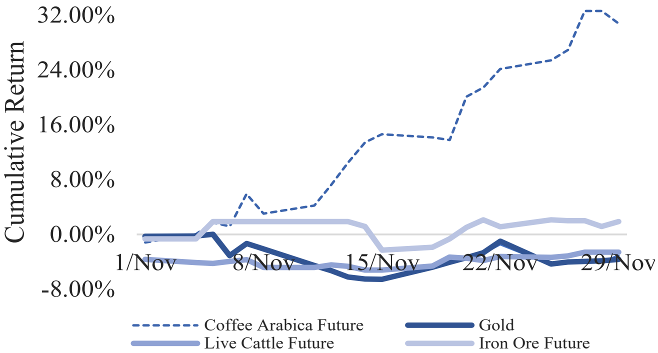
November Round-Up

In November, commodities experienced significant price movements, with coffee and oil standing out due to supply concerns and geopolitical developments. Coffee prices surged, with arabica futures reaching a near 50-Year high of USD 3.26 per pound in New York, marking a 4.7% monthly gain and extending the yearly rally to over 70%. The increase was driven by supply shortages stemming from Brazil's severe drought earlier this year, followed by heavy rains that damaged crops, as well as uncertainty over upcoming EU deforestation laws. Robust import demand from Europe and the US, ahead of potential tariffs under the new US administration, further exacerbated the supply crunch. Oil prices saw mixed performance, with Brent crude ending the month down 0.30% at USD 72.94 per barrel. Prices initially rose on geopolitical tensions, including fears of supply disruptions from Middle Eastern conflicts, but faced downward pressure from higher Libyan output and weaker demand from China. US energy stocks surged following Donald Trump’s election victory, reflecting expectations of a policy shift favouring fossil fuels and relaxed drilling restrictions. Gold declined 3.4% over the month to close at USD 2,657 per ounce, weighed down by a stronger US dollar and rising Treasury yields, as markets adjusted to expectations of Trump’s expansionary fiscal policies. Investors remain cautious, balancing gold's safe-haven appeal against a potential Fed rate cut in December.



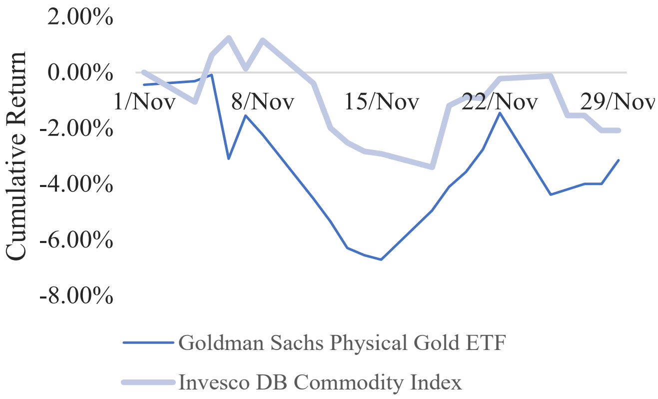
Outlook for December

Commodity markets are expected to be shaped by geopolitical tensions, evolving trade policies, and central bank decisions. Oil prices may see upward pressure as OPEC discusses potential production cuts and US sanctions on Iran create supply risks, although weak Chinese demand could cap gains. Coffee prices are likely to remain high, with arabica futures near 50-Year peaks due to Brazil's crop damage from adverse weather and uncertainty surrounding EU deforestation laws. Gold could benefit from safe-haven demand as geopolitical uncertainties persist, alongside expectations of a US Federal Reserve rate cut, which would weaken the dollar and support gold prices. Meanwhile, iron ore faces headwinds from a struggling Chinese property sector, potentially dampening demand and impacting export economies like Australia. Additionally, proposed tariffs by the incoming US administration could disrupt agricultural trade, affecting commodities like beef, pork, and tequila, and potentially increasing costs for importers.



Our Performance

Our commodities benchmark fund, the Invesco DB Commodity Index, experienced a decline of 0.06%. Additionally, the Goldman Sachs Physical Gold ETF recorded a loss of 3.15% in November 2024.



Rosa Gutierrez Sandoval
Financial Markets Division

NIC
— Nova Investment Club —

Private Equity

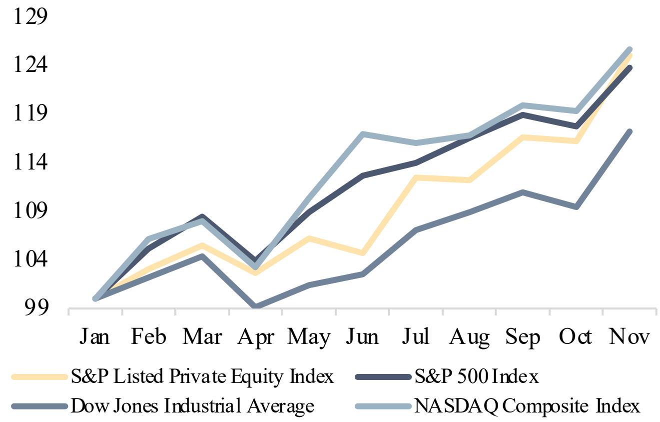
Transactions & Investments

Overall Activity

Global

At a Glance

In November, global private equity deal value reached approximately USD 76.5 bn, the second weakest month in 2024, following January. Despite cooling demand, private equity firms remain active, especially in resilient sectors like Technology, Industrials, and Healthcare. The S&P Listed Private Equity Index posted a 25.08% YTD return, outperforming the S&P 500 and Dow Jones by 1.28 and 7.85pp respectively, although slightly lagging the NASDAQ Composite, which gained 27.70% YTD. However, over the previous month, the S&P Listed Private Equity Index grew by 7.59%, outperforming previously mentioned indexes. This may reflect higher investor expectations towards the future recovery within the private equity landscape.



Selected Regions

North America

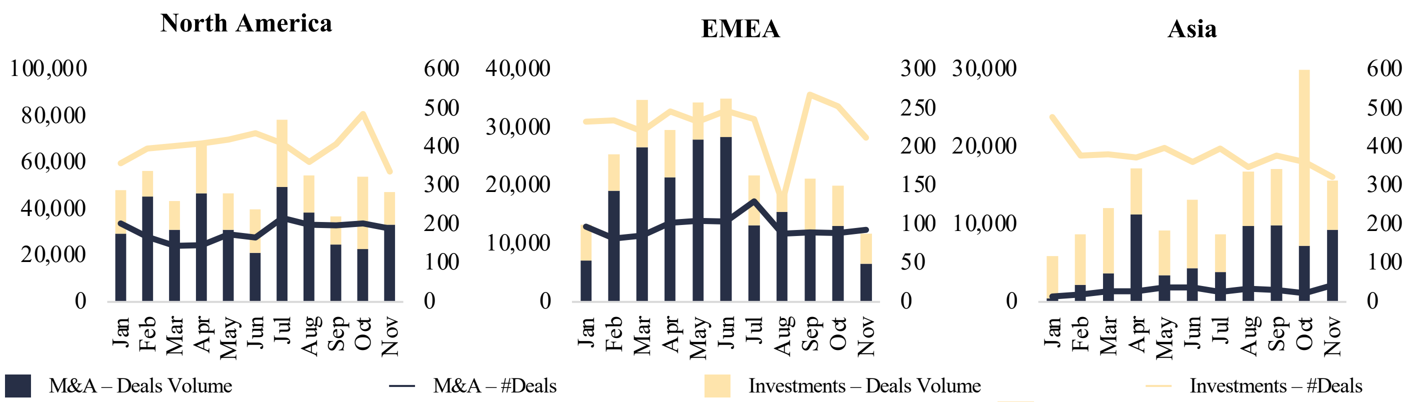
North America remains the largest private equity market, accounting for 67.70% of global deal volume this year. In November, the deal value increased to USD 47.4 bn, overturning the downward trend which lasted from July to October. Key sectors driving activity in the region included Industrials (26% of deal value) and Healthcare (25.6%). Investments in North America raised USD 14.0 bn in November, more than halving from the current year's maximum value achieved the previous month.

EMEA

Private equity deal volume in EMEA was approximately USD 6.6 bn in November, reaching the minimum level since the beginning of 2024. The Technology sector has emerged as a major focus for private equity deals, particularly in Europe, which amounted to approximately USD 2.5 bn in November. Private equity investments in the EMEA region reached about USD 5.1 bn this month, decreasing by 26.27% MoM, with the UK, Belgium, and Germany being the countries with the highest volume.

Asia

Private equity deal volume in Asia increased by 27.77% in November to USD 9.3 bn, aligning with an increase of 50 in deal count. Japan, Singapore, and India were the dominant markets, together accounting for c. 70% of all deal activity in the region. The primary focus area continues to be the Technology sector, contributing 14.37% of Asia's deal volume. Investments in the region, on the other hand, fell drastically, reaching a total volume of USD 6.4 bn this month with just 39 fewer deals.



Note: Summary of announced transactions.

Alexander Savinskiy
Private Equity Division

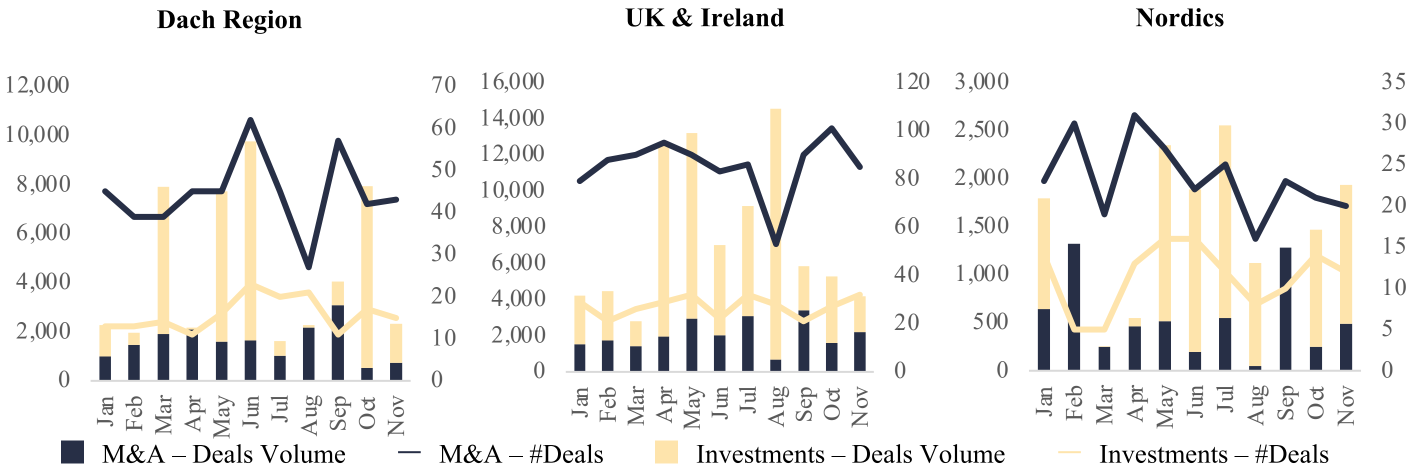
Transactions & Investments

Europe Focus

Overall European Activity

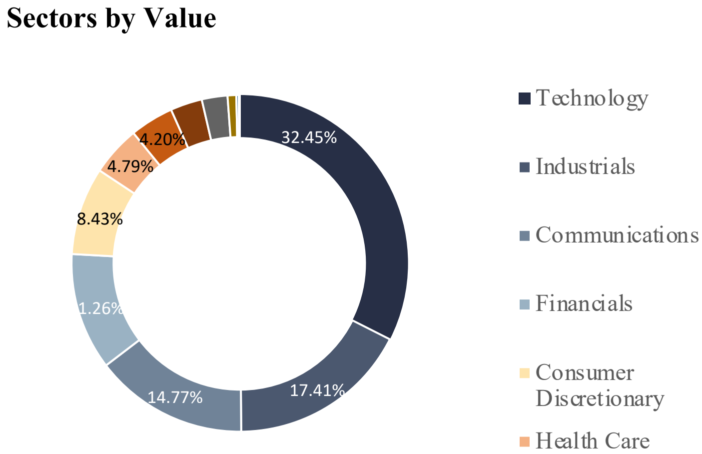
In November, the European private equity market recorded 292 transactions, below the YTD monthly average of 316 deals. The total deal value in Europe reached USD 11.7 bn, falling below the monthly average of USD 23.9 bn. However, on a global scale, Europe underperformed, contributing only 15.28% of the private equity deal volume compared to its typical share of 25.44%. Globally, there were 1,235 deals with a combined value of USD 76.5 bn.
This decline reflects the unique challenges the European market faces, influenced by heightened regulatory scrutiny. The European Central Bank (ECB) raised concerns about eurozone banks' exposure to private equity and private credit markets, prompting plans for stricter risk management expectations. These developments may have contributed to more cautious lending practices, impacting private equity deal activity.
Despite these obstacles, specific regions and sectors displayed resilience. Notably, 32.07% of the top ten largest deals were concentrated in the UK and Ireland. The Technology sector dominated, representing three of the ten largest transactions.
The largest transaction of the month was the public cash offer announcement of EQT AB to acquire OEM International AB, a Swedish distributor of industrial components.

Selected European Regions



Europe by Sectors

In November, private equity activity in Europe demonstrated robust momentum, with investments spanning multiple sectors. The Technology sector dominated both in value and volume, accounting for USD 3.8 bn across 123 transactions. TA Associates' acquisition of Nexus AG was a key highlight in this sector. Industrials and Communications followed, with total announced values of USD 2.1 bn and USD 1.7 bn respectively, highlighting a focus on critical infrastructure and connectivity. The biggest deal in industrials was the company takeover of OEM International AB by EQT AB, as well as Goldman Sachs' announced acquisition of Melita LTD for USD 0.8 bn. Combined, those two sectors make up for over 32.18% of the European deals and investments.



Selamawit Asegid
Private Equity Division

Transactions & Investments : Top Deals

Deals & Transactions

Stonepeak
Acquiring
ATSG
USD 3.2 bn

On the 2nd of November, Stonepeak acquired a majority stake in Air Transport Services Group (ATSG) for USD 3.2 bn. Based in Ohio, ATSG specialises in aircraft leasing and air transport solutions. The deal strengthens Stonepeak's transportation and logistics portfolio.

KKR
Acquiring
FUJISOFT
USD 2.6 bn

On the 11th of November, KKR initiated the acquisition of a major stake in Fuji Soft Inc., a Japan-based IT services provider. This deal aligns with KKR's strategy to enhance Fuji Soft's corporate value by supporting its privatisation and leveraging its expertise and resources to drive the company's transformation.

Blackstone
Acquiring
ROIC
USD 2.3 bn

Blackstone fully acquired ROIC on the 6th of November. ROIC is a real estate investment trust. This acquisition enhances Blackstone's portfolio of necessity-based retail centres in densely populated regions, aligning with its strategy to capitalise on limited new retail construction and stable demand for essential goods.

EQT
Acquiring
OEM
USD 1.4 bn

EQT has acquired a majority stake of 72.5% OEM on the 5th of November. OEM International, based in Sweden, operates in the industrial components distribution sector. his acquisition aligns with EQT's strategy of enhancing its presence in industrial supply chains and leveraging OEM International's market expertise to drive future growth.

TA ASSOCIATES
Acquiring
nexus | ag
USD 1.3 bn

TA Associates has acquired a majority stake in Nexus AG, a Germany-based provider of e-health software solutions on the 5th of November. This transaction allows TA Associates to strengthen its presence in the growing e-health sector, leveraging Nexus AG's technology platform, extensive product portfolio, and customer base.

KKR
Acquiring
nxera
USD 0.8 bn

KKR announced the acquisition of a 20% minority stake in Nxera, the regional data centre arm of Singtel's Digital InfraCo unit on the 13th of November. This transaction aligns with KKR's strategy to expand its infrastructure investments and capitalise on the growing demand for green and AI-optimised data centres in the region.

Felix Schappacher
Private Equity Division

Transactions & Investments: Deep Dive

Blackstone to Acquire Jersey Mike's Subs

On the 19th of November, Blackstone agreed to acquire the sandwich chain Jersey Mike's Subs in a deal valued at approximately USD 8 bn, including debt. The deal, expected to close in 2025, includes a notable earn-out structure tied to the chain reaching its 4,000th store. It reflects the trend of linking deal payouts to future company performance in a challenging M&A environment.

Buyer vs Target

Blackstone, the world's largest alternative asset manager with over USD 1.1 tn Assets under Management, has established itself as a leader in franchise investments. Recent ventures include equity stakes in 7 Brew Coffee and Tropical Smoothie Cafe. Jersey Mike's represents a legacy of entrepreneurial success. Founded in 1956 and franchising since 1987, the company has become the second-largest sandwich chain in the US with over 3,000 locations under current CEO Peter Cancro, trailing only Subway.

Industry Overview

The fast-food restaurant industry in the US has shown steady growth over the past five years, with revenue expanding at an annual growth rate of c. 2.5% to US 366.9 bn in 2024. Despite rising food prices, the industry has remained resilient. Major players have diversified their offerings with healthier options and innovative menu items to compete with fast-casual and independent chains that are rapidly gaining market share. In recent years, consumer spending at restaurants has surpassed grocery spending, reflecting a growing inclination toward dining out. This trend has further solidified the industry's growth potential, with the market size now valued at USD 403 bn, supported by over 314,000 businesses. In the next years, competition is expected to remain fierce, with aggressive price wars and product innovation shaping the market landscape. As private equity firms increasingly recognise the value of scalable, franchisable business models, similar strategic acquisitions such as Roark Capital's acquisition of Subway highlight the sector's growth potential.

Date	Buyer	Target	Currency	Total Value (m)
24 Feb 24	Blackstone	Tropical Smoothie Cafe	USD	2,000
24 Aug 23	Roark Capital	Subway	USD	9,600
15 Aug 23	Bain Capital	Fogo de Chão	USD	1,100
24 Jan 23	McWin	L'Osteria	USD	200

Deal Rationale

Blackstone's acquisition is grounded in the franchise's strong financial performance, significant growth opportunities, and alignment with evolving consumer preferences. The sandwich chain has consistently demonstrated robust revenue growth, with systemwide sales surpassing c. USD 3 bn annually. Despite its considerable footprint, Jersey Mike's has substantial room for domestic and international expansion, a potential that Blackstone plans to unlock by leveraging its vast resources and expertise. Jersey Mike's focus on fresh, customisable offerings resonates strongly with today's consumers, enhancing the chain's competitive position in the market. Moreover, the brand's adaptability has been a key factor in its success. During the Covid-19 pandemic, Jersey Mike's quickly embraced digital ordering and delivery platforms, demonstrating its ability to thrive in changing market conditions and highlighting its operational resilience. The deal's earn-out structure, tied to the chain's continued growth and the opening of its 4,000th store, reflects the confidence both parties share in Jersey Mike's scalability. This partnership positions the brand to maintain its trajectory as one of the fastest-growing franchise businesses in the US.

Future Challenges

The fast-food industry faces rising operational costs, including wage inflation and food price increases, which strain profit margins. Labour shortages remain a pressing issue, complicating expansion and franchise operations. Supply chain disruptions continue to pose risks, impacting the availability of key ingredients and materials. Fierce competition from traditional rivals and fast-casual chains demands constant innovation and differentiation. International expansion introduces complexities like adapting to diverse consumer preferences and regulatory hurdles. Additionally, fast technological advancements require sustained investment in digital ordering, delivery, and loyalty programs to maintain a competitive edge.

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Transactions & Investments: Deep Dive

Cinven to Acquire Majority Stake in Grant Thornton UK

Cinven, the international private equity firm, announced on the 21st of November that it has acquired a majority stake in UK professional services group Grant Thornton UK, beating rival bidders EQT and New Mountain Capital. While the value of the transaction was not disclosed, earlier reports by the Financial Times placed the valuation at over USD 1.5 bn.

Buyer vs Target

Cinven, managing over c. USD 40 bn in assets, has a proven track record of investments across the healthcare, financial services, and consumer sectors, with a strategic focus on driving growth and optimising operational performance. As one of the UK's largest accounting and advisory firms, Grant Thornton UK specialises in audit, tax, and advisory services, helping businesses address financial and regulatory challenges. Cinven was advised by Goldman Sachs International on the transaction.

Industry Overview

The global professional services market, encompassing audit, tax, and advisory services, grew from USD 945.9 bn in 2023 to USD 1.0 tn in 2024 and is projected to reach USD 1.9 tn by 2030, growing at a CAGR of 10.82%. Growth is driven by increasing regulatory complexities, globalisation, and demand for digital transformation expertise. Businesses rely on external advisors to navigate financial, operational, and compliance challenges in an evolving landscape. Professional services firms are leveraging advancements in data analytics, automation, and AI for more efficient, tailored solutions. The market remains moderately fragmented, with major players like Deloitte, PwC, EY, and KPMG alongside mid-sized firms like Grant Thornton serving niche markets. Strategic partnerships and acquisitions play a key role in expanding reach, enhancing services, and gaining technological capabilities. The shift toward integrated advisory solutions and sustainability consulting is shaping the industry's future, positioning firms like Grant Thornton to seize emerging opportunities.

Date	Buyer	Target	Currency	Total Value (m)
25 Nov 24	APAX Funds	Evelyn Partners	GBP	700
01 Nov 24	CBIZ	Marcum LLP	USD	2,300
31 Jan 23	WSP	BG Consulting Engineers	USD	1,780

Deal Rationale

Cinven's acquisition of Grant Thornton UK reflects a strategic move to capitalise on the significant growth opportunities in the professional services sector. Grant Thornton's strong position as a leading provider of audit, tax, and advisory services to mid-market and large corporates, alongside its robust public sector practice, makes it an attractive investment. Cinven plans to leverage its extensive experience in supporting people-based professional services firms, such as Alter Domus and CPA Global, to enhance Grant Thornton's operational capabilities and growth trajectory. Moreover, Grant Thornton's strong brand, diversified product offering, and blue-chip client base position it well to capture increasing client demand, particularly in areas such as regulatory compliance, ESG, and cyber risk advisory. Additionally, the firm's reputation for attracting and developing top talent and its commitment to audit quality provide a solid foundation for sustainable growth. Lastly, its leadership role within the global Grant Thornton International Network offers access to international markets and a competitive advantage through its combination of global scale and local expertise.

Future Challenges

The professional services industry faces four key challenges that could impact firms like Grant Thornton. First, increasing regulatory complexities in areas such as tax compliance and financial reporting demand significant investment in expertise and technology. Second, growing client demand for integrated digital solutions pushes firms to adopt advanced tools like AI, automation, and blockchain to enhance efficiency and accuracy. Third, heightened competition from boutique firms specialising in niche services adds pressure to differentiate through innovative offerings. Finally, the rising importance of ESG and sustainability requires firms to expand their capabilities to meet evolving client expectations.

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Thank you!

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

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