

MIMS – Multi Asset Global Opportunities Fund

Portfolio Management Team

Report – December 2024

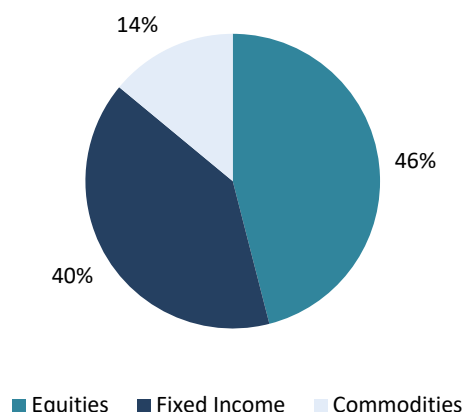
Fund description

MIMS – Multi Asset Global Opportunities Fund is an actively managed fund by Minerva Investment Management Society, based on environmental, social, and governance (ESG) criteria.

The ultimate goal of this portfolio is to achieve long-term growth whilst controlling volatility. To that end, this fund will be comprised of a multitude of securities with the possibility, in exceptional cases, to take short term speculative positions. Hedging positions might be implemented through financial derivative instruments. To ensure diversification, this virtual portfolio is spread across geographies, sectors and asset classes, and is built through fundamental analysis, ESG integration and macroeconomic views.

In total, the asset allocation will aim to include around 30 different securities with a changing risky component to take advantage of contingent market conditions. The dynamic asset allocation prevents us from using a reference benchmark. The portfolio will be rebalanced every six months, with exceptional reviews to position for market shocks. The holdings only include instruments from the public markets, spread across equity, fixed income, real estate and commodities. ETPs might be considered to take additional exposures to niche markets.

Asset Allocation



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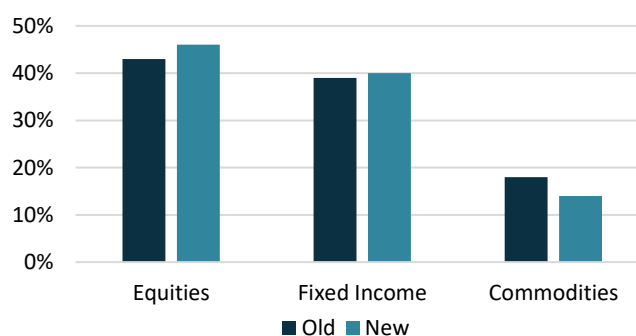
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Asset Class Rebalancing



Investment Approaches

Top-down approach

Starting from a macroeconomic outlook, the investment analysts identify a particularly appealing industry or geography of which the best operating corporations will be analyzed thoroughly. A strong growth potential combined with high ESG standards is of crucial importance.

Bottom-up approach

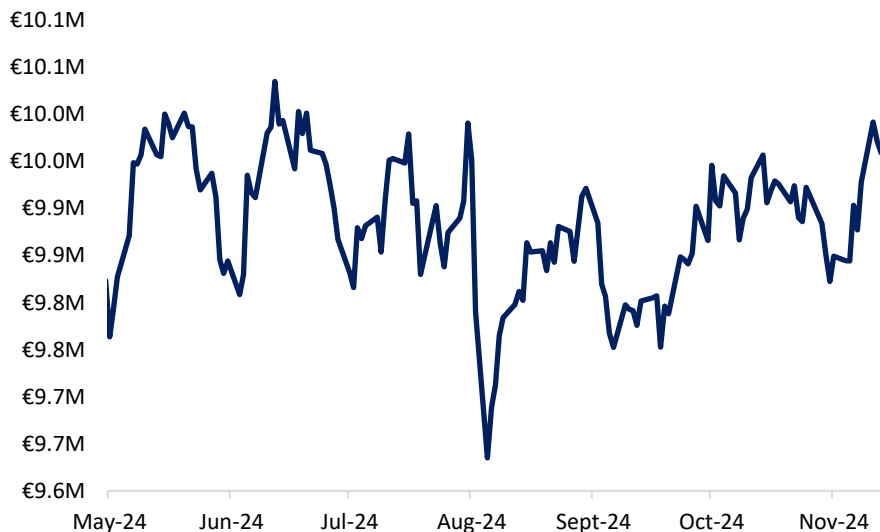
If a security stands out to one of the investment analysts, a detailed analysis is to be done with a bottom-up approach. From that point, an internal discussion follows in order not only to contemplate the validity to the suggested investment, but also to assess the fitting within the portfolio in terms of risk-return contribution as well as diversification considerations.

Equity Research Team

An equity investment can be undertaken following a suggestion by the Equity Research Team of Minerva IMS. This work is revised in the light of new events and company news which might have occurred since the release of the equity research report.

Performance

30.04.2024 - 14.11.2024



Update on performance

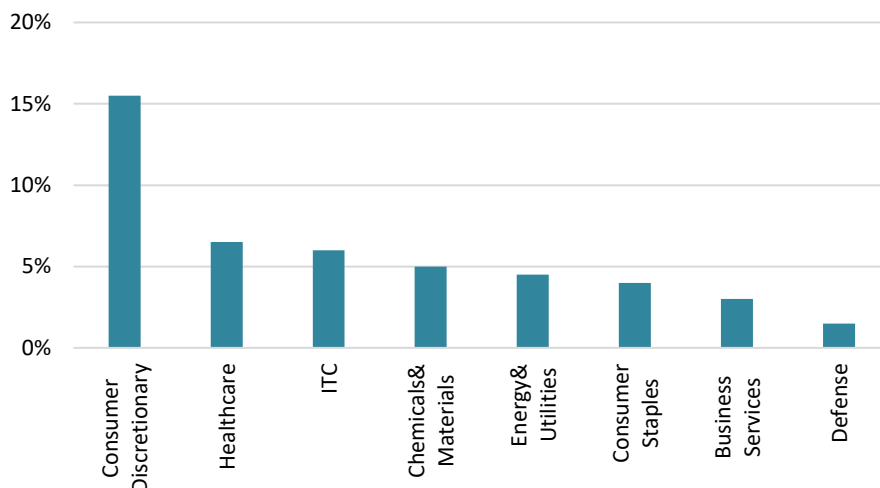
During the current semester, the fund has reported a profit of 1.37%, beginning at €9,823,543 and ending at €9,958,052, with an annualized performance of 2.50%.

The return of the fund was mainly driven by the Fixed Income component of the asset allocation. Despite some extremely positive results (Texas Pacific Land +142.5%, Philip Morris +36.8%, Imperial Brands +32.1%) the Equity component of the fund did not deliver the expected results and contributed significantly to increased volatility.

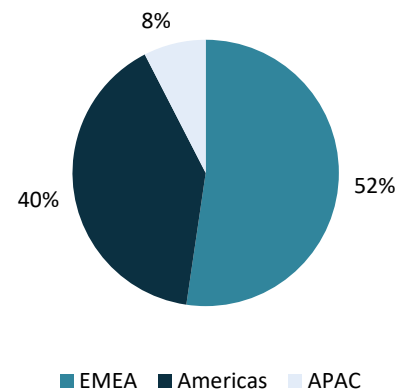
Methodological note

The analysis considered the cumulative gain over the entire period since inception. Stock dividends are reinvested at the end of the day in which payments are received. The fund value is measured at the close of each trading day. Corporate events, dividend reinvestment and fund rebalancing are carried out at the market close.

Portfolio Breakdown by Sector



Portfolio Breakdown by Geography



Top 10 holdings

Security	Weight	Security	Weight
ROMANIA TF 2,124% LG31 EUR	8.00%	Gold	4.00%
Spain 3.45% OCT34 EUR	8.00%	Uranium	4.00%
UST 3.875 30-NOV-2027	8.00%	ASML	3.00%
EUUNI 0.700 06-JUL-2051	8.00%	BTP FX 3.2% JAN26 EUR	3.00%
Oat Tf 1,25% Mg36 Eur	5.00%	MercadoLibre	3.00%

Our view for the next six months

-  Lower than expected US inflation
-  Faster rate cuts in Europe
-  Unattractive Corporate Bond Spreads
-  Increasing commercial tensions

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New entries	Outs
↗ Spain 3.45% OCT34 EUR	↘ USA -T-NOTE 2.25% 15NV24
↗ Oat Tf 1,25% Mg36 Eur	↘ Crude Oil
↗ Uranium	↘ iShares € Corp Bond 0-3yr ESG UCITS ETF
↗ MercadoLibre	↘ Mazda
↗ Nutrien	↘ Sandvik
↗ UnitedHealth Group	↘ Applied Materials Inc
↗ Enav	↘ GSK
↗ Walmart	↘ Texas Pacific Land
↗ Dollar general	↘ Genmab A/S
↗ Ulta Beauty	↘ Brookfield Infrastructure Partners
↗ Cameco	↘ Eni
↗ Palantir	↘ Airbus
↗ NovoNordisk	↘ ITC
↗ Leonardo	↘ Apha Bank
↗ Occidental Petroleum	↘ Target
↗ Nucor	↘ Sanofi
	↘ Sanlorenzo
	↘ Pfizer

REBALANCING RATIONALE

As per fund approach, every 6 months the portfolio is rebalanced. We monitor in depth the evolution of our securities' prices and when we believe they have reached our target or when we recognize that they are positioned sub-optimally due to changing economic conditions, we substitute them with other securities with higher potential.

EQUITIES

Our strong positioning on US Consumer stocks is a consequence of our view on inflation. As we believe in an upward trend that will remain, however, below current market expectations, we forecast higher prices without a significant reduction in volumes. Our choice to avoid China and maintain instead some exposure to India is mainly driven by the recent trend in increasing tariffs. For the same reason, we decided to select some players that may benefit from higher isolationism and geopolitical tensions. We also identified some interesting opportunities to gain exposure to long-term trends at relatively low valuations. In particular, we found opportunities linked to increasing healthcare expenditure, growing population and land scarcity, AI, and nuclear energy.

FIXED INCOME

Given the currently tight spreads for Corporate Bonds, we decided to position the Fixed Income portion of our portfolio entirely on Government Bonds. Due to the more challenging economic conditions in Europe, we expect the ECB to cut rates faster than what markets currently price. As a result, we decided to maintain significant exposure to European medium- and long-term bonds while reducing the US-based component.

COMMODITIES

We decided to maintain some exposure to Gold and Natural Gas due to the current geopolitical scenario and to Copper for its pivotal role in decarbonization and its use in data centers. The introduction of Uranium is motivated in the following section.

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Spain 3.45% OCT34 EUR

Spain continues to perform strongly in 2024, solidifying its position as one of the leading growth engines in Europe. In Q3 2024, Spain's GDP grew by 0.8% quarter-on-quarter, maintaining the same pace as in Q2 and significantly outpacing the euro area average of 0.4%. On a year-on-year basis, growth accelerated to 3.4% from 3.2% in the previous quarter. Notably, the Spanish economy is now 6.6% above its pre-pandemic levels, compared to a 4.6% increase in the euro area. Employment in Spain remained resilient in Q3 2024, with seasonally adjusted growth of 0.4% quarter-on-quarter, matching the robust job creation seen in the previous quarter. The combination of a growing economy and low inflation makes the bonds of countries like Spain particularly attractive to global investors. This dynamic underscores the appeal of Spanish sovereign debt, as it combines robust economic fundamentals with relatively low risk, offering competitive yields compared to other eurozone bonds.

Given this momentum, we see significant opportunities in Spanish bond prices. Additionally, we expect the European Central Bank to cut rates faster than currently anticipated, which could further support Spain's economic growth and investment outlook.

Oat Tf 1,25% Mg36 Eur

An interesting point could be made on the current political instability in Europe, particularly in France. To sustain the French welfare state, every year the public expenditure reaches about 57% of the national GDP. Therefore, the government will not be able to afford paying the current high interest rates on the debt due to the political uncertainty for long. It should be just a matter of time before a stronger majority settles in, which might take months or a year at maximum. This would lead to a substantial decrease in the Oat-Bund Spread, resulting in a decrease in the French debt refinancing costs, which are now considerably high compared to past historical levels. To benefit from the expected Oat-Bund Spread decrease, the Oat Tf 1,25% Mg36 Eur is the correct instrument, since it has a good correlation with the behavior of the spread: it has a gross yield to maturity of 3.14%, a modified duration of 10.29 and an I-Spread of 0.76%, which well reflects the current risk premium on the Oats. To some extent, it could be argued that the color of the next majority in the French government will matter to the abovementioned spread: more conservative fiscal policies, embraced by the right-wing parties, would probably be more beneficial, but even a left-wing government, despite the rise in fiscal deficit, might bring enough stability to reduce the spread in the short-term.

Uranium

The rationale underpinning the potentiality of a long position in uranium consists of several factors, both from the demand and supply side. First, the need to support the AI-driven data center boom has resulted in growing demand for stable and cost-effective power sources. Given the limitations of renewables and batteries to meet such demand, tech companies are shifting towards nuclear power, as demonstrated by the recently announced deals by Amazon and Google for the development and supply of small modular reactors. On the other hand, the main global producer of uranium is Kazakhstan, from where the US and EU derive 40% and 44% of their respective utility needs, while Russia controls 50% of the world's enrichment capacity. The recent tit-for-tat restrictions on uranium exports to the US imposed by Russia, as well as the tensions coming from the war in Ukraine, pose the uranium global supply chain under significant geopolitical risk, while the geographic position of Kazakhstan, completely surrounded by Russia and China, makes it extremely difficult to find alternative shipping routes. This situation is further worsened by the fact that Western countries are not increasing their uranium inventories which, combined with the aforementioned factors, might lead to a scenario of soaring demand and constrained supply, therefore ensuring a robust price outlook for uranium.

The main risk that might threaten the scenario presented above is related to Sweden and the commitment made by its government at the beginning of 2024 to lift the ban on uranium mining in its territory. Given the country's large uranium deposits, this action might lead to an increase in supply, which in turn could put downward pressure on prices. However, the timeline of the decision is still unclear and therefore we keep our bullish view on uranium, especially in the medium-short term.

Gold

The outcome of the US elections, as well as the consequent fears of inflationary policies and slower rate cuts by the FED, have reversed the rally that gold prices had experienced over the past months.

However, the main reasons underpinning the rally are still in place, including global geopolitical tensions, which raise the demand of gold as a safe-haven asset, and the demand from Central Banks, especially those from emerging markets, that aim at diversifying their reserves away from a stronger US dollar.

We therefore maintain a positive outlook on gold for the coming months. This view is further supported by the recently published report from Goldman Sachs, which has set its 2025 gold price forecast to 3000\$ per troy ounce.

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MercadoLibre

Company Overview

MercadoLibre Inc. is the largest e-commerce and financial technology company in Latin America, operating in 18 countries, with key markets in Brazil, Mexico, and Argentina. Its business model integrates three segments: Marketplace, Logistics, and Fintech, with the first two contributing ~60% of revenues, and the third ~40%. MercadoLibre's Marketplace division, which offers a platform for buying and selling goods, covered 21.6% of all e-commerce sales in Latin America in 2023. MercadoPago, provider of digital payment solutions, credit, and wallets, plays a key role in addressing low banking penetration in Latin America, while MercadoEnvios streamlines delivery with integrated logistics solutions. The company also generates revenues through MercadoAds, its advertising division. MercadoLibre is a cornerstone of Latin America's digital transformation, uniting commerce, payments, and logistics in a cohesive ecosystem.

Financial Analysis

In Q3 2024, MercadoLibre reported \$5.31 billion in net revenues, a 35% year-over-year increase. Gross merchandise volume (GMV) rose 14% to \$12.9 billion, with items sold growing 28% to 456 million. The fintech division, MercadoPago, drove strong growth, with total payment volume (TPV) reaching \$50.7 billion (+34% YoY) and the credit portfolio expanding 77% to \$6 billion. Monthly active fintech users also grew 35% to 56 million.

The group's operating income was \$557 million, reflecting a 10.5% margin, impacted by higher bad debt and logistics investments. Net income rose to \$397 million, a 7.5% margin, supported by lower tax rates and FX gains offsetting the YoY decline in income from operations. Despite a negative free cash flow of \$203 million due to credit portfolio growth, the company's \$4.4 billion in cash and investments underlines its financial strength and capacity for continued investment.

Considerations

After the last Quarterly Earnings report in the beginning of November, MercadoLibre's stock plunged by almost 16% in one day. The company's Earnings, in fact, missed expectations by 20%, despite the 9% YoY growth. MercadoLibre opened 5 fulfillment centers in Brazil during the quarter and one in Mexico. This expensive investment, which, in our view, is going to widen the company's competitive advantage, was perceived negatively by the market. This happened because the company decided to expense the investment instead of capitalizing it in the balance sheet. In our opinion, such a strong reaction creates an interesting opportunity to buy at a significant discount.

From a competitive moat point of view, MercadoLibre's growth is underpinned by increasing e-commerce penetration in Latin America, supported by rising internet usage and smartphone adoption. MercadoPago continues to gain traction as digital payments become more prevalent, particularly in regions with limited access to traditional banking services. The expansion of MercadoEnvios into same-day delivery and infrastructure investments enhances customer satisfaction and strengthens the company's competitive edge. Finally, one of the main drivers of our belief in MercadoLibre is the recent opening of the Chancay harbor in Peru. Being 3 times bigger than Rotterdam's harbor, it will create unique opportunities for MercadoLibre to scale its business. In fact, since it was built in collaboration with China, we expect it to become the main entrance point for cheap Chinese goods in Latin America, which will be probably sold largely through e-commerce like MercadoLibre.

Nutrien

Company Overview

Nutrien Ltd. is Canadian company engaging in the production and distribution of crop nutrients, crop protection products, seeds, and chemicals such as Potash, Nitrogen, and Phosphate for agricultural and industrial companies.

Financial Analysis

After the outstanding growth of 2022 driven by supply-side shocks, the company's performance has been disappointing. In 2023 Nutrien reported \$29bn in sales (around 20% lower than FY22) and a \$4.9bn EBITDA (60% decline from FY22). This decline in profitability was reflected in the share price, which, from the ATH of April 2022, has dropped more than 50%. Despite that, the business remains solid, with \$5bn of operating cashflows generated in 2023 and a 4.7% dividend yield.

Considerations

In our view, the recent decline in the share price represents a great opportunity to buy a cash-generating business linked to the secular trends of population growth and land scarcity. In fact, the increasing need for food supplies and limited soil availability strengthen the necessity for higher crop yields, and companies like Nutrien provide the technology for this. Moreover, the company's focus on rewarding shareholders, its strong vertical integration, and its continuous investment in sustainable solutions create, in our view, a fertile ground for long-term growth.

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UnitedHealth Group

Company Overview

UnitedHealth Group, founded in 1977 and headquartered in Minnesota, is a diversified healthcare company operating through two platforms: United Healthcare and Optum. The former focuses on health insurance and benefits, while the latter delivers integrated health care solutions supported by data-driven insights.

Financial Analysis

UnitedHealth Group's EV/EBITDA NTM stands at 12x, and its Net Debt/EBITDA ratio is 1.17x, reflecting moderate valuations and strong leverage management. The operating margin for FY2023 was 9.7%. In Q3 2024, UnitedHealth Group reported revenues of \$100.8 billion, marking an increase of \$8.5 billion or 9.2% year-over-year. This growth was driven by strong performances in both the divisions, with UnitedHealthcare's revenues rising by 7.2% to \$74.9 billion, supported by an expanding customer base, and Optum's revenues increasing by 12.7% to \$63.9 billion, reflecting robust demand for its health services and pharmacy solutions. Margins saw some compression, with the operating margin decreasing to 8.6% from 9.2% the previous year, largely due to a rise in the medical care ratio from 82.3% to 85.2%, driven by Medicare funding changes and shifts in the business mix. However, cost efficiency improvements were evident, with the operating cost ratio declining to 13.2% from 15.0% in the prior year. Year-to-date, UnitedHealth returned over \$9.6 billion to shareholders through dividends and share repurchases, underscoring its commitment to delivering value despite external challenges.

Considerations

UnitedHealth Group stands as a dominant force in the health care sector, supported by its innovative, data-driven approach and extensive market reach. The company is poised to thrive under reduced government health care spending, with private, high-margin businesses expected to flourish. Its consistent growth, strong cash generation, and focus on operational efficiency make it a compelling investment in the long term.

Following Brian Thompson's assassination in early December, the stock experienced a 20% decline. However, in our view, this event does not represent a game-changer in terms of valuation, creating an opportunity to capitalize on the market's reaction and acquire shares at a notable discount.

Walmart

Company Overview

Walmart Inc. is a multinational retail corporation, based in Bentonville, Arkansas, and one of the largest companies in the world by revenue. It operates discount stores and grocery stores across several countries. The company generates revenue from multiple categories of goods, including groceries, electronics, apparel, and home goods. Walmart started innovating towards e-commerce and supply chain efficiency to deliver value. Furthermore, it has diversified its revenue streams by offering services such as financial products, health and wellness solutions, and online retail.

Financial Analysis

Walmart dominates the retail market with a strong Q3 2024 performance. Total revenues increased by 6%, and operating income by 30% YoY, showing how the company managed to combine revenue growth and cost cutting. The standout figures are return on equity of 23.31% and return on capital employed of 17.87%, which depicts strong financial management. The low net profit margin of 2.92% is standard for its sector, as it reflects the competitive and cost-intensive nature of retail. Multiples such as the Forward PE Ratio (NTM) of 34.2x and the Forward EV/EBITDA (NTM) of 17.6x show that investors are willing to pay a premium, likely expecting strong growth and profitability.

Considerations

Walmart's extraordinary ability to manage and optimize its supply chain, integrated with its strong bargaining power with suppliers, provides a significant competitive advantage. This is evident in its effective financial management, characterized by high payables and low receivables, which result in cheap funding - a key differentiator in the retail industry.

Furthermore, Walmart's positioning as an inflation hedge is advantageous in light of the current deflation trend.

Lastly, in the last few years, Walmart has exponentially gained market share, including among higher-income households, through innovations like Walmart+ and its private-label food brand, Bettergoods. Because of its strong brand popularity and broad customer base, this company is among the favorites for capitalizing on ongoing demographic trends, with the possibility of leveraging pricing power and increasing marginality.

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Dollar General

Company Overview

Founded in 1939 and headquartered in Goodlettsville, Tennessee, Dollar General Corporation is a leading American discount retailer. With a network of over 20,000 stores across the U.S. and Mexico, the company provides everyday essentials, including food, cleaning supplies, health and beauty products, and seasonal goods. Dollar General operates under multiple banners, including DG Market, DGX, and pOpshelf, targeting value-conscious customers.

Financial Analysis

Dollar General's EV/EBITDA stands at 11.0x, while Net Debt/EBITDA is 1.96x, reflecting moderate leverage relative to industry averages. Taking into account also the company's price-to-earnings (P/E) ratio at 11.5x, we see a fair valuation compared to historical levels and sector peers. For the second quarter of 2024, net sales increased by 4.2%, reaching \$10.2 billion, compared to \$9.8 billion in the same period of 2023. Same-store sales grew by 0.5%, driven by an uptick in customer traffic, although the average transaction amount declined. Margins declined during the quarter. Gross margin fell from 31.1% in Q2 2023 to 30.0% in Q2 2024, impacted by higher markdowns, increased inventory damages, and a shift in sales towards lower-margin consumables. Operating margin dropped from 7.07% to 5.39%, primarily due to a rise in SG&A expenses, which increased from 24.0% to 24.6% of net sales. Stock performance has been subdued in 2024, reflecting investor concerns over shrinking margins and softer sales. Despite this, the company continues its aggressive expansion, adding 410 new stores and remodelling 478 locations in the first half of the year.

Considerations

Dollar General remains a compelling value investment, particularly as current valuations reflect market overreactions to short-term challenges. The company's ability to expand its footprint and focus on high-margin consumables ensures a stable revenue stream, even in volatile macroeconomic conditions. With a disciplined approach to cost control and store expansion, Dollar General is well-positioned to deliver long-term shareholder value despite recent headwinds.

Ulta Beauty

Company Overview

Founded in 1990 and headquartered in Bolingbrook, Illinois, Ulta Beauty is the largest specialty beauty retailer in the United States. It offers a wide range of products, including cosmetics, skincare, haircare, and fragrances, along with salon services. Operating over 1,400 stores and a robust e-commerce platform, Ulta combines an extensive product selection with an immersive customer experience.

Financial Analysis

Ulta's EV/EBITDA (LTM) is 11.9x, with an operating margin of 17.15%. In Q2 2024, net sales rose slightly to \$2.6 billion, a 0.9% increase from \$2.5 billion in Q2 2023, driven by contributions from 29 new stores and higher ticket sizes. However, comparable sales declined by 1.2% due to a 1.8% drop in transactions, reflecting a slowdown in foot traffic. Gross profit margin contracted to 38.3% from 39.3% in the prior year, impacted by lower merchandise margins and fixed cost deleveraging. Operating income also declined, falling to \$329.2 million (12.9% of net sales) from \$391.6 million (15.5% of net sales) in Q2 2023. Despite these pressures, Ulta maintained robust cash flow and continued its shareholder-focused strategy, repurchasing \$212.3 million in shares during the quarter. Year-to-date, Ulta has opened 29 new stores and remodelled 9, bringing its total to 1,411 locations. Inventory levels increased by 10.1%, primarily to support new brand launches and expanded store formats. Additionally, Ulta's strong loyalty program with 44 million members drives 95% of sales, providing a stable revenue base amid competitive pressures. The ongoing store expansion, including plans to reach 1,800 locations and international growth into Mexico, is expected to enhance future revenue streams and market penetration. Stock performance has faced headwinds in 2024 (currently trading at -22% from the ATH of March 2024) due to compressed margins, cautious spending and ULTA's disclaimer about 2025 expected performance. However, the company's long-term fundamentals and market leadership remain intact.

Considerations

Ulta's position as the leading U.S. beauty retailer, supported by a differentiated product mix, an omnichannel strategy, and a highly loyal customer base ensures resilience even amid economic headwinds. With ongoing investments in new stores, innovative brand partnerships, and a disciplined capital allocation policy, including 5% annual share buybacks, Ulta offers an attractive long-term value proposition. Trading at a P/E of 17.2x, below the sector average, the company represents a solid opportunity for investors seeking exposure to the beauty and personal care industry.

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Cameco

Company Overview

Cameco Corporation, established in 1987 and headquartered in Saskatoon, Canada, is one of the world's largest uranium producers. The company operates through two primary segments: Uranium and Fuel Services. The Uranium segment involves the exploration, mining, and milling of uranium concentrate, while the Fuel Services segment focuses on refining, conversion, and fabrication services for uranium. Cameco's extensive portfolio includes high-grade uranium mines in Canada and the United States, positioning it as a key supplier for nuclear power generation globally.

Financial Analysis

In 2023, Cameco Corporation reported CAD 2.59 billion (USD 1.92 billion) in revenue, a 39% increase from 2022, driven by higher uranium prices and sales volumes. Net earnings rose significantly to CAD 361 million (USD 267 million) from CAD 89 million (USD 66 million) the previous year, while gross profit doubled to CAD 562 million (USD 416 million). The uranium segment delivered 32 million pounds at an average price of CAD 67.31 per pound (USD 49.76 per pound), reflecting strong market conditions.

Cameco enhanced its position across the nuclear fuel value chain with the USD 2.1 billion acquisition of a 49% stake in Westinghouse Electric Company. The company maintains a solid balance sheet, ending the year with CAD 567 million (USD 420 million) in cash and cash equivalents and CAD 1.8 billion (USD 1.33 billion) in total debt. These results underscore Cameco's strong performance and its strategic role in the growing nuclear energy market.

Considerations

Cameco is well-positioned for sustained growth, bolstered by its recent acquisition of a 49% stake in Westinghouse Electric Company, expanding its role in the nuclear fuel cycle.

As the world shifts toward clean energy, nuclear power is gaining importance as a reliable low-carbon source, especially with the rising energy demands of AI-powered data centers that require constant, stable energy. This positions Cameco as a key player in meeting these needs. The company benefits from long-term contracts and a diverse customer base, providing revenue stability despite risks like regulatory changes and uranium price fluctuations. With a focus on efficiency and strategic partnerships, Cameco is equipped to navigate these challenges and capitalize on growing demand.

Palantir

Company Overview

Palantir Technologies Inc., founded in 2003 and headquartered in Denver, Colorado, is a leading software company specializing in big data analytics and artificial intelligence. Its three platforms—Palantir Gotham (defense and intelligence), Palantir Foundry (commercial data integration and analysis), and Apollo (software deployment)—serve governments, healthcare, finance, and industry.

Renowned for security and scalability, Palantir excels in integrating diverse data sources to deliver actionable insights. As demand for AI-driven solutions grows, Palantir is positioned as a key partner in data-driven decision-making across public and private sectors.

Financial Analysis

In Q3 2024, Palantir Technologies reported \$726 million in revenue, a 30% year-over-year increase, with GAAP net income of \$144 million (20% margin) and adjusted free cash flow of \$435 million. U.S. revenue grew 44% year-over-year to \$499 million, driven by a 54% rise in U.S. commercial revenue and a 40% increase in U.S. government revenue.

The company secured 104 deals over \$1 million, including 16 exceeding \$10 million, and ended the quarter with \$4.6 billion in cash while remaining debt-free. These results highlight Palantir's strong execution and growing demand for its AI-driven solutions across government and commercial sectors.

Considerations

Palantir's Q3 2024 earnings slightly missed Wall Street expectations, causing a temporary 7% dip in stock price. Delayed government contracts, finalized in Q4, highlighted its strength in securing long-term revenue despite short-term volatility.

Palantir's competitive edge lies in solving complex data integration and AI challenges. Foundry is gaining traction in industries like healthcare and energy, delivering cost savings through advanced analytics, while Gotham remains vital for governments addressing cybersecurity and geopolitical threats.

Strategic partnerships with AI and cloud providers enhance Palantir's ability to deliver cutting-edge machine learning solutions, aligning with the surge in AI investments across industries. The company's focus on emerging markets and involvement in critical infrastructure projects positions it for significant future growth, making it a compelling buy for investors seeking exposure to the expanding AI and analytics sectors.

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Enav

Company Overview

ENAV is the exclusive provider of air traffic control and navigation services in Italy, operating within a Pan-European regulatory framework and subject to oversight by Italian authorities. 96% of its revenues (FY23) derive from regulated activities, including En-route services, Terminal services and support activities. ENAV's top 5 customers include Ryanair, EasyJet, ITA Airways, Wizzair and Turkish Airlines.

Financial Analysis

ENAV reported revenues of €309 million for 3Q24, reflecting a 2% year-over-year increase but slightly below the €311 million forecast. EBITDA came in at €123 million, down 2% year-over-year but exceeding expectations of €121 million. Net profit stood at €67 million, matching forecasts but representing a 2% decline year-over-year. The net financial position was €-332 million, aligned with the anticipated €-333 million. Overall, the results were in line with expectations, and the company reaffirmed its full-year 2024 guidance.

Considerations

There are three main factors supporting the investment thesis. First, traffic trends for Italy remain strong, with January-October 2024 showing an 11% year-over-year increase and 16% growth compared to 2019, outpacing other countries. Second, the company is set to generate solid free cash flow (FCF) in the coming years, with a 2024-26E average FCF yield exceeding 9%. This provides potential for enhanced dividend distributions. Finally, while current operational challenges in the sector, such as strikes, capacity constraints, and delays, may impact short-term performance, they are likely to support a favorable regulatory framework for the RP4 period (2025-2029), allowing ENAV to achieve cost savings and strengthen its position.

Leonardo

Company Overview

Leonardo S.p.A., headquartered in Rome, Italy, is a global leader in aerospace, defense, and security. The company operates through several key segments: Helicopters, Defense and Security Electronics, Aeronautics, and Space. Its diverse portfolio includes the design and manufacture of helicopters, military and commercial aircraft, unmanned aerial systems, and advanced defense electronics. Leonardo serves a broad clientele, encompassing governments, defense agencies, and commercial entities worldwide. The company's commitment to innovation and technological excellence positions it as a pivotal player in international defense and aerospace markets.

Financial Analysis

In the first nine months of 2024, Leonardo reported revenues of €12.08 billion (USD 13.16 billion), a 17.6% year-over-year increase, with orders up 11.1% to €14.75 billion (USD 16.06 billion). Net debt decreased 18.2% to €3.12 billion (USD 3.40 billion).

Considerations

Leonardo's strategic initiatives and market positioning underscore its potential for sustained growth. The company's recent joint venture with Germany's Rheinmetall to build military vehicles and the sale of its underwater unit to Fincantieri for up to €415 million (USD 451 million) reflect its focus on strengthening international alliances and rationalizing its portfolio.

The global defense landscape, particularly in Europe, presents significant opportunities. As geopolitical tensions rise, Europe is increasingly recognizing the need to expand its military expenditures to reduce reliance on the United States for defense. This shift is expected to favor European defense companies like Leonardo, as governments prioritize domestic and regional producers to enhance supply chain security and foster local innovation. Leonardo's involvement in major European defense projects and its reputation as a reliable partner position it to benefit from this transition.

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Occidental Petroleum

Company Overview

Founded in 1920 and headquartered in Houston, Texas, Occidental Petroleum is a leading international oil and gas exploration and production company. Its operations span the United States, the Middle East, and Latin America, making it one of the largest producers in the U.S. The company also operates a robust chemicals division (OxyChem) and has a growing presence in carbon management through its Oxy Low Carbon Ventures subsidiary.

Financial Analysis

Occidental's EV/EBITDA stands at 6.0x, with a Net Debt/EBITDA ratio of 1.34x, highlighting strong financial leverage management. The operating margin for Q3 2024 was an impressive 50%, driven by robust operational performance and cost control. In Q3 2024, Occidental reported revenues of \$8.7 billion. The company generated \$3.8 billion in operating cash flow, its highest quarterly figure this year, and \$1.5 billion in free cash flow. Production volumes exceeded guidance, with average worldwide output reaching 1,412 Mboed, up from 1,258 Mboed in Q2, led by strong performance in the Permian Basin. Occidental has focused on deleveraging, repaying \$4 billion in debt this quarter, achieving 90% of its short-term debt reduction target. These efforts have strengthened the balance sheet, allowing greater flexibility for shareholder returns and strategic investments. The stock's performance in 2024 has been buoyed by the company's cash flow generation and its strategic acquisitions, including the recent \$12 billion purchase of CrownRock, which is expected to enhance production and drive further growth in the Permian Basin.

Considerations

Occidental's focus on high-margin production, disciplined capital spending, and aggressive debt reduction positions it as a leader in the energy sector. The company's strategic pivot toward carbon management, coupled with its scale and operational efficiency, ensures resilience in a volatile energy market. With strong free cash flow, ongoing dividend growth, and potential upside from its CrownRock acquisition, Occidental remains a compelling investment opportunity.

Novo Nordisk

Company Overview

Novo Nordisk is a global healthcare company headquartered in Denmark, focusing on diabetes care, and treatments for rare diseases, with blockbuster products like Ozempic and Wegovy. It is a leader in insulin production and the development of innovative healthcare solutions for chronic diseases. Its revenue is generated through sales of diabetes management products, including insulin devices, and biopharmaceuticals for obesity.

Financial Analysis

In Q3 2024, revenues and operating income have grown by 22% and 21% year-over-year, respectively, signaling steady growth. Novo Nordisk demonstrates exceptional profitability, as reflected in its gross profit margin (84.66%) and net profit margin (35.01%), and impressive returns on capital (ROE of 86.40% and ROCE of 62.74%).

Considerations

Since June 2024, Novo Nordisk stock has entered a negative trend, mainly fuelled by high expectations on for Wegovy (weight-loss drug), coupled with disappointing results in terms of effectiveness. Moreover, in December 2024, the stock performance has been strongly impacted (-20% in one day) by the release of phase-3 testing results for CagriSema. This new weight-loss drug was expected by the company to cause a 25% average weight reduction after 68 weeks, but only delivered a 22.7% result. These recent developments brought the P/E ratio to 27.9x, the PEG ratio NTM to 1.3x, and the EV/EBITDA to 19.1x.

Despite the disappointing results, we recognise the company's strong positioning in the market, its continuous efforts in diversification, and its unparalleled R&D potential. As a result, we believe that the current market conditions create a good opportunity to acquire a leading player in the Pharmaceutical sector that will likely maintain a dominant position in the long term, at a discount.

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Company Overview

Nucor Corporation is a leading U.S.-based steel producer and recycler, known for its innovative technologies in sustainable steelmaking. It operates through segments that include steel mills, steel products, and raw materials. Nucor's revenue derives from the production and sale of a broad range of steel products, including sheet, and structural steel, as well as downstream products like rebar and metal buildings. The company also focuses on vertical integration and sustainability to enhance efficiency and profitability.

Financial Analysis

In the Q3 of 2024, Nucor reported a decline in net sales by 8% to \$7.44 billion compared to the previous quarter and a 15% decrease from the same period in 2023. The decrease was driven by lower average sales prices. In the first nine months of 2024, net sales totaled \$23.66 billion, down 12% compared to the previous year. A gross profit margin of 15.57% and a net profit margin of 8.05%, show the company's ability to manage production costs effectively, but it also indicates that margins are generally tighter, since raw material prices and energy costs can fluctuate significantly. Furthermore, an EV/EBITDA of 5.94x and a P/E ratio of 9.61x suggest that the company is relatively undervalued compared to industry competitors, even if it is the largest steel producer in the country. Conclusively, a debt ratio of 0.2 and a debt-to-equity ratio of 0.34 are strong indicators of financial stability.

Considerations

Given that Trump's presidency is likely to implement tariffs on imports of natural resources, like steel, and may incentivize domestic automotive production, there will be a strong need to source these materials within the U.S., to avoid the high costs associated with Chinese imports. Taking into consideration these aspects we can infer that this could drive a significant increase in steel production domestically and directly help Nucor to increase its revenue and profit.

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Detailed Holdings

ROMANIA TF 2,124% LG31 EUR	XS2027596530	8.00%	Enav	IT0005176406	2.50%
Spain 3.45% OCT34 EUR	ES0000012N35	8.00%	Walmart	US9311421039	2.00%
UST 3.875 30-NOV-2027	US91282CFZ95	8.00%	Dollar general	US2566771059	2.00%
EUUNI 0.700 06-JUL-2051	EU000A3KTGW6	8.00%	Ulta Beauty	US90384S3031	2.00%
Oat Tf 1,25% Mg36 Eur	FR0013154044	5.00%	Cameco	CA13321L1085	2.00%
Gold	IE00B579F325	4.00%	Palantir	US69608A1088	2.00%
Uranium	UXXc2	4.00%	Shimano	JP3358000002	1.50%
ASML	NL0010273215	3.00%	Albemarle Corp	US0126531013	1.50%
BTP FX 3.2% JAN26 EUR	IT0005584302	3.00%	Snam	IT0003153415	1.50%
MercadoLibre	US58733R1023	3.00%	Rentokil	GB00B082RF11	1.50%
Natural Gas	JE00BN7KB334	3.00%	Imperial Brands	GB0004544929	1.50%
Copper	GB00B15KXQ89	3.00%	Entegris	US29362U1043	1.50%
Nutrien	CA67077M1086	2.50%	NovoNordisk	DK0062498333	1.50%
UnitedHealth Group	US91324P1021	2.50%	Leonardo	IT0003856405	1.50%
Philip Morris	US7181721090	2.50%	Occidental Petroleum	US6745991058	1.00%
Abbott India	INE358A01014	2.50%	Verizon	US92343V1044	1.00%
Hindustan Unilever	INE030A01027	2.50%	Nucor	US6703461052	1.00%

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Quantitative Research Team

Risk Report – December 2024

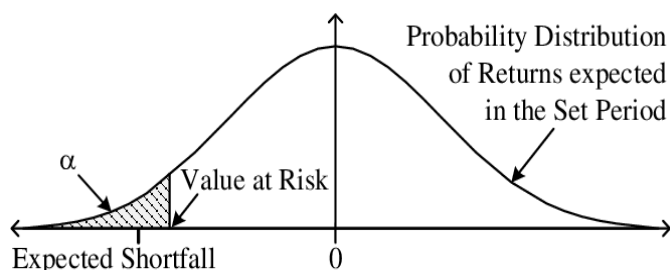
Introduction

The main objective of this section is to assess and quantify the risk embedded in the Minerva IMS Long-Short Equity Fund built by the portfolio team. We use a daily perspective on the potential extreme behavior of a basket of assets selected by the portfolio analysts. The analysis will include three VaR and ES models (two parametric and one non-parametric) and an overview of how sentiment analysis can be considered a factor for short term investments.

As the Quantitative Research division, our focus is the estimation of the two main risk indicators:

- The daily Value at Risk (VaR): the maximum portfolio loss that occurs with $\alpha\%$ of probability over a time horizon of 1 day. For instance, if the VaR ($\alpha=5\%$) = -3.00%, it means that tomorrow there is a 5% probability of encountering a loss in the interval [-100%, -3.00%] potentially;
- The daily Expected Shortfall (ES): the expected return on the portfolio in the worst $\alpha\%$ of cases. So, it is just a mean of the returns lower than the VaR.

A simple technique to estimate these two measure is based on a historical approach: given a time series of returns of a financial security, we can easily compute the desired quantile of the historical distribution to estimate the VaR, and, after that, estimate the ES just by averaging the values below this threshold.



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However, this naive approach is not well suited for our purpose: in fact, by considering our portfolio as a single financial asset, we are losing all the information that comes from all the components; moreover, with this approach we are simply focusing on the past behavior of the fund, while our main goal is to retrieve a risk metric for the future possible trends.

In order to overcome these issues, we propose two alternative techniques that provides better risk estimates:

- Parametric approach (simple approach and time-series modelling approach),
- Bootstrapping

The first method is very well suited for understanding the main vulnerabilities in the portfolio composition, while with the second one it is possible to observe how the metrics varied in the past quarters.

For both pieces of analysis we used daily market prices of portfolio constituents for the past 6 months,. All the analysis has been conducted with Python.

Parametric approach

In this section we propose to analyze VaR and ES separately for each asset included in the portfolio and then, to estimate the VaR and ES for the whole fund by taking into account the correlation between portfolio constituents.

Parametric approach is based on the assumption that returns of a financial security follow some theoretical distribution. Thus, VaR and ES can be expressed as an α -percentile of the distribution. The crucial step to accurately estimate VaR and ES is to select the appropriate distribution of returns and estimate its parameters.

It is possible to state that stock returns do not follow Gaussian distribution due to the presence of "fat tails": unexpected events might have a huge impact on the stock prices, so it is possible to observe extreme values more frequently than a Normal distribution would predict. For this reason, we assume that stock returns follow a Student-t distribution, thus, the parameters to be estimated are the mean μ , volatility σ and number of degrees of freedom ν .

To obtain more valid and robust results, we proceed with two alternative parameter estimation approaches – (a) simple approach, and (b) time-series modelling approach. For all parts of analysis, we use the last 252 return observations, which correspond to 1-year window.

Simple approach

Under the simple approach, we estimate the above-mentioned parameters in the following way:

1. We assume that the mean historical daily return of each security are a good estimate for the expected future return. Thus, μ is estimated as a simple average of daily returns.
2. Volatility of returns σ is calculated as a simple standard deviation of returns.

3. Number of degrees of freedom ν is selected in a way that it best approximates the empirical distribution of returns. In order to do that, we used the Kolmogorov-Smirnov statistic that, for a given empirical cumulative distribution function F and a proposal F_n , is:

$$D_n = \sup x |(F_n - F)|$$

Ideally it should be equal to 0 for a perfect fit, so our goal is to minimize it by proposing different ν for Student-t distribution.

Time-series modelling approach

Because the volatility of returns is not constant over time, it is often modelled by conditional heteroscedasticity processes. The most common way to model volatility is through a Generalized Autoregressive Conditional Heteroscedasticity model GARCH(p,q), where the forecast of the next-period volatility depends on the previous p shocks to stock returns (derived from some mean model) and previous q forecasts of volatility:

$$\sigma_{t+1|t}^2 = \omega + \sum_{i=1}^p \alpha_i \epsilon_{t-i}^2 + \sum_{j=1}^q \beta_j \sigma_{t-j+1|t-j}^2$$

The advantage of GARCH model is that it allows to better estimate the current forecast of return volatility by putting more weight on more recent information. Thus, in the periods of market turbulence GARCH model will produce higher volatility forecasts than the simple average of squared deviations from the mean (see the graph at the bottom).

Because the portfolio is composed exclusively of equity instruments traded on liquid markets, we can assume that prices are efficient, and thus returns can be described by a constant mean model for GARCH(p,q) process, which implies that current mean estimates do not depend on previous returns or shocks. GARCH(p,q) then is estimated by Maximum Likelihood (MLE), which optimizes the distribution parameters. We subsequently use MLE estimates of distribution to derive VaR and ES.

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Parametric approach

Value-at-Risk

Once the parameters of stock returns are known, it is possible to calculate VaR. We estimate the VaR for 95% and 99% confidence level by applying the following formula:

$$VaR_{\alpha} = \sigma * T_{\nu}^{-1}(\alpha) + \mu$$

where σ is the estimated volatility of a security, $T_{\nu}^{-1}(\alpha)$ is the α -percentile of a Student-t distribution with ν degrees of freedom, and μ is the expected return of a stock.

Expected Shortfall

Expected shortfall is defined as a conditional expectation of loss, given that the loss occurred. If we introduce the assumption of a continuous distribution of returns of a security, then parametric expected shortfall is simply defined as a tail conditional expectation, and thus can in general be defined by the following formula for any security X :

$$ES_{\alpha}(X) = -\frac{1}{\alpha} \int_0^{\alpha} VaR_{\gamma}(X) d\gamma$$

Under the assumption of Student-t distribution with ν degrees of freedom it can be proven that the expected shortfall would be given as:

$$ES_{\alpha}(X) = \sigma * \frac{\nu + (T_{\nu}^{-1}(\alpha))^2}{\nu - 1} \frac{\tau_{\nu}(T_{\nu}^{-1}(\alpha))}{\alpha} + \mu$$

where σ is the estimated volatility of a security, $T_{\nu}^{-1}(\alpha)$ is the α -percentile of a Student-t distribution with ν degrees of freedom, $\tau_{\nu}(\cdot)$ is the probability density function of Student-t distribution with ν degrees of freedom and μ is the expected return of a stock.

We estimate the ES for 95% and 99% confidence level.

Portfolio VaR and ES

Considering the correlation between the stocks, we estimate the VaR and ES of the whole portfolio for 95% and 99% confidence level by applying the following formulas:

$$VaR_{\alpha,ptf} \approx \sqrt{VaR_{\alpha} * \rho * VaR_{\alpha}'} \\ ES_{\alpha,ptf} \approx \sqrt{ES_{\alpha} * \rho * ES_{\alpha}'}$$

where VaR_{α} and ES_{α} are column vectors of individual stock VaR and ES, respectively and ρ is the correlation matrix between securities

The approximation arises because of the assumption of Student-t distribution of returns – the formulas above become an equality the closer the distribution of returns is to the Gaussian.

	Simple approach	GARCH
VaR_{95%}	-0.68%	-0.86%
VaR_{99%}	-0.98%	-1.53%
ES_{95%}	-0.86%	-1.31%
ES_{99%}	-1.14%	-2.20%

TOP & BOTTOM 5 stocks (simple approach)

	VaR 95	VaR 99	ES 95	ES 99
Btp Fx 3.2% Jan26 Eur	-0.08%	-0.11%	-0.10%	-0.13%
Obligaciones Fx 3.45% Oct34 Eur	-0.33%	-0.48%	-0.43%	-0.56%
Usa Tf 3,875% Nv27 Usd	-0.41%	-0.58%	-0.51%	-0.67%
Romania Tf 2,124% Lg31 Eur	-0.52%	-0.75%	-0.66%	-0.87%
Oat Tf 1,25% Mg36 Eur	-0.94%	-1.35%	-1.20%	-1.57%

	VaR 95	VaR 99	ES 95	ES 99
CAMECO	-4.03%	-5.84%	-5.14%	-6.76%
NATURAL GAS	-4.98%	-7.12%	-6.30%	-8.25%
DOLLAR GENERAL	-4.99%	-7.25%	-6.39%	-8.52%
ALBEMARLE	-5.70%	-8.10%	-7.17%	-9.33%
PALANTIR	-6.17%	-9.01%	-7.91%	-10.46%

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Bootstrapping

When estimating a certain metric, one of the main problems in Statistics is the lack of the whole population data and the consequent use of only a sample. In our case the population data is the complete historical price data of the securities that are part of our portfolio, in which we only have the data of recent years.

Bootstrapping is a statistical technique that by having only a sample of the population data, provides estimates of statistical metrics that are closer to the ones obtained from the population data.

Given a sample of size n , implementing bootstrap is very simple:

- Sample with replacement n times from the original sample (note that one observation could be selected more than once);
- Compute the metric of interest (in our case the VaR or ES) on this newly created sample and save it;
- Repeat the previous steps M times with $M \rightarrow +\infty$ (we have selected $M=100.000$ for instance);
- Average and compute the standard error of the metrics estimated in each step.

With this method, by estimating the expected shortfall and the standard errors, we can retrieve a more insightful view of our portfolio, but in this case, we are losing the risk contribution of each stock that we had in the previous case.

	Estimate	Standard error
VaR_{95%}	-0.70%	0.05%
VaR_{99%}	-0.99%	0.10%
ES_{95%}	-0.87%	0.05%
ES_{99%}	-1.08%	0.08%

TOP & BOTTOM 5 stocks (GARCH)

	VaR 95 (GARCH)	VaR 99 (GARCH)	ES 95 (GARCH)	ES 99 (GARCH)
Btp Fx 3.2% Jan26 Eur	-0.23%	-0.39%	-0.33%	-0.51%
Usa Tf 3,875% Nv27 Usd	-0.29%	-0.45%	-0.39%	-0.55%
Romania Tf 2,124% Lg31 Eur	-0.41%	-0.73%	-0.62%	-1.01%
Oat Tf 1,25% Mg36 Eur	-0.72%	-1.03%	-0.91%	-1.18%
Obligaciones Fx 3.45% Oct34 Eur	-0.77%	-1.80%	-1.59%	-3.55%

	VaR 95 (GARCH)	VaR 99 (GARCH)	ES 95 (GARCH)	ES 99 (GARCH)
RENTOKIL	-4.83%	-9.55%	-8.17%	-15.26%
DOLLAR GENERAL	-5.48%	-10.49%	-8.96%	-16.07%
CAMECO	-6.20%	-11.09%	-9.45%	-15.59%
ALBEMARLE	-7.50%	-12.23%	-10.55%	-15.94%
PALANTIR	-10.19%	-20.47%	-17.47%	-32.84%

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