



# MONTHLY REPORT

2025 – Q1

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# LETTER TO STAKEHOLDERS

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Dear B Capital Stakeholders,

B Capital is an investment fund run by Bocconi students that invest in stocks and obligations with an initial equity of 1 mln US dollars.

The main goal of the fund is to manage the money by diversifying the portfolio and to maximize the returns over the medium to long term.

We aim to achieve these numbers by adopting Macro investment strategies and analysis, combined with the experience and knowledge of the Portfolio Department.

Based on our knowledge we always aim to enrich our investment strategies and to grow experience by keeping informed and studying the market, in addition to the preparation that our university provides us.

Our team is composed by five different departments, each one with precise instructions and duties, and operates according to the rules of a specific statute.

If you want to get in touch with the fund, you can fill out the form on the website [www.bcapitalfund.com](http://www.bcapitalfund.com) or you can contact us directly on the various social accounts such as LinkedIn or Instagram.

We appreciate your confidence, and we are sure that we can increase the fund's investments

Sincerely,

President  
Roberto Restelli



Vice president  
Eraldo Bausano



”

**VISA**

TOP ASSETS

INTESA  SANPAOLO

enel

# STRATEGY

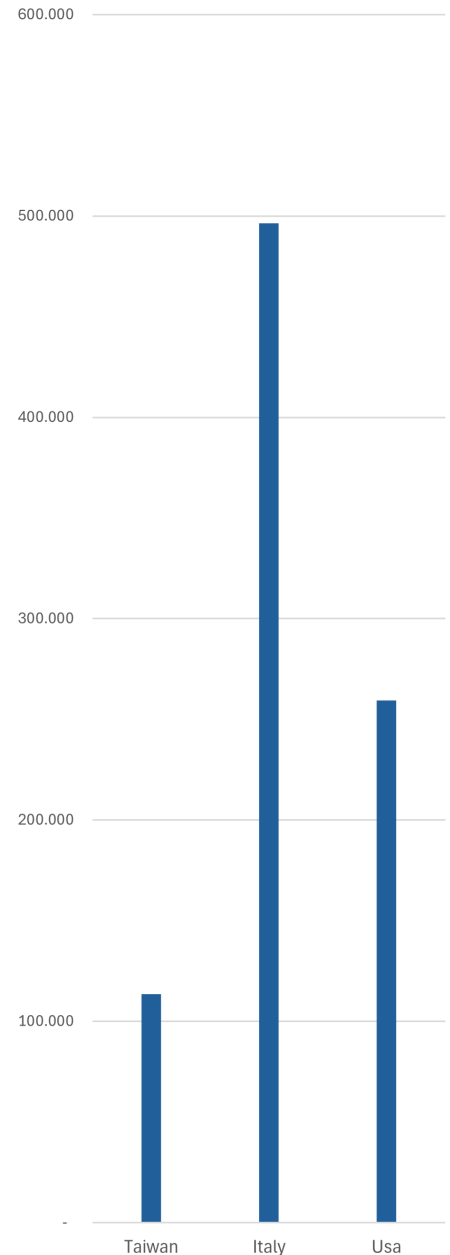
Kind investors,

Welcome back to our report about the development of B-Capital during the last quarter of 2024 and the beginning of 2025. It is our pleasure to guide you through our operations, explain the investment strategies we adopt, and showcase the results these have yielded.

After closing a successful 2024 with a +9.45% and a total +39.23% since the launch of the fund in November 2022, the fund began 2025 by increasing its cash position from 19.6% to 51.2% through the divestiture of four positions (STMicroelectronics, Buzzi SPA, Mitsubishi UFJ Financial Group, and Bayer AG).

The economic environment from November 2024 to December 2024 has been marked by a mix of challenges and opportunities globally. In Europe, GDP growth showed a fragile recovery of 0.3% in Q4, with Spain leading the region's resilience, offsetting stagnation in Germany and France. Inflation averaged 2.4% for the year, while political instability in key economies further strained investor confidence.

The ECB continued easing monetary policy, cutting rates by 25 basis points in December to 3%. Across the Atlantic, the U.S. market responded positively to Trump's re-election, with policy-driven deregulation boosting technology and energy sectors.





However, proposed tariffs on European imports introduced new trade tensions. All of these factors will be deeply analyzed in the macro section of the outlook, offering a detailed perspective on their implications for global markets and our portfolio strategy.

The portfolio is composed as of now by 5 holdings, with the majority stake in the U.S. market.

The current number of assets reflects our readiness to initiate the year with new investments, while the divestitures to increase the cash balance were part of this strategic objective.

The year started off strong with a +5.32% even after closing the previously mentioned positions, demonstrating robust portfolio performance reliant on precise asset selection and management.

In the recent portfolio rebalancing, we divested from several holdings, each decision driven by a combination of company-specific performance and broader market considerations. Below is an analysis of each divestiture.



## ST MICROELECTRONICS

STMicroelectronics, a prominent European semiconductor manufacturer supplying major companies like Tesla and Apple, faced significant headwinds in 2024. The company reported a 23% decline in annual revenue, totaling \$13.27 billion, and a 68% drop in fourth-quarter net profit to \$341 million. This downturn was primarily due to reduced demand for legacy chips in the automotive and industrial sectors, leading to inventory buildups and decreased sales. Given these challenges and the anticipated continued softness in the first quarter of 2025, we determined that maintaining our position was not aligned with our investment objectives.

## BUZZI UNICEM

Buzzi SpA, a key player in the construction materials industry, demonstrated robust financial health in 2024. By the end of September, the company achieved a positive net financial position of €1,001.0 million, up from €798.0 million at the end of 2023.

This improvement was attributed to strong operating cash flows and strategic initiatives, including a share buyback program totaling approximately €142 million. Recognizing the substantial appreciation in our investment and aiming to capitalize on these gains, we opted to divest our holdings.



## MUFG

MUFG, Japan's largest financial institution, reported impressive financial results, with a 90% increase in net profit for the July to September quarter, reaching 702 billion yen. This surge was driven by higher interest rates and the strategic sale of cross-held shares.

The bank subsequently raised its annual net profit forecast to a record 1.75 trillion yen. Given the significant appreciation in our investment and the evolving dynamics of the global banking sector, we decided to realize our profits and reallocate capital to other opportunities.



## BAYER

Bayer AG faced considerable challenges in 2024, particularly within its Crop Science division. The company issued a profit warning due to weaker-than-expected agricultural demand and pricing pressures, leading to a 26% decline in adjusted EBITDA for the third quarter.

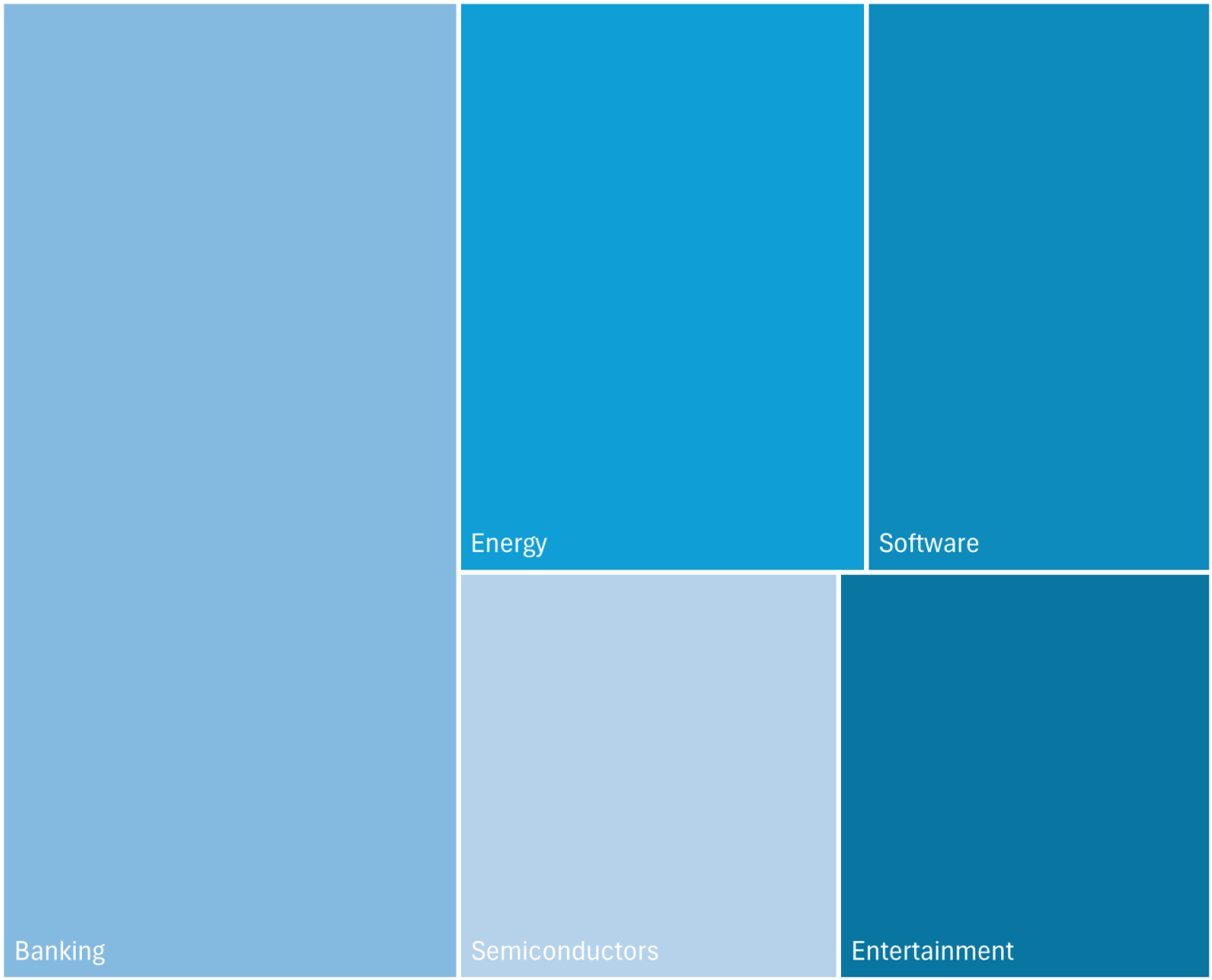
Adverse weather conditions and decreased sales of glyphosate-based herbicides contributed to this downturn.

Despite strengths in its pharmaceutical and consumer health divisions, the overall outlook remained cautious, with expectations of declining earnings in the near term.

In light of these factors and the sustained underperformance of the stock, we concluded that divesting was in the best interest of our portfolio.



SECTOR EXPOSURE



# MACROECONOMIC ANALYSIS

## EUROPE

### Economic environment

The economic environment in Europe during December 2024 revealed a complex interplay of challenges and resilience, highlighting significant regional disparities and sectoral dynamics. GDP growth for the euro area reached a modest 0.3% quarter-on-quarter, a tentative recovery from earlier stagnation.



This fragile growth was buoyed by Spain's remarkable economic performance, which offset the struggles of larger economies like Germany and France. Inflation was a persistent concern, averaging 2.4% for the year, largely driven by volatile energy markets and entrenched core inflation at 3.6%. Core inflation underscored deeper structural issues in housing and services, where demand continued to outstrip supply despite broader disinflationary trends. Geopolitical uncertainties compounded the situation, with external shocks such as trade disruptions and domestic challenges like political upheaval in France and Germany.

These factors further strained the economic fabric of the region, adding complexity to policymaking and investor decision-making. The labor market reflected these disparities, with unemployment steady at 6.5% across the eurozone but masking underlying weaknesses in industrial employment in Germany and stagnant job creation in France. In contrast, Spain emerged as a beacon of resilience, driven by structural reforms and robust domestic demand.



## Central bank actions

The European Central Bank (ECB) remained at the forefront of addressing Europe's economic challenges, balancing its dual mandate of price stability and growth stimulation. In December 2024, the ECB implemented a 25-basis-point rate cut, lowering the deposit facility rate to 3%.

This marked the third rate cut since mid-2024, reflecting the ECB's commitment to mitigating disinflationary pressures and fostering economic recovery. Despite these efforts, headline inflation averaged 2.4% for the year, with core inflation stubbornly high at 3.6%, particularly in housing and services sectors. Policymakers emphasized that energy price volatility—exacerbated by disruptions in Eastern Europe—remained a key driver of inflationary pressures. The ECB's monetary easing was in

response to declining credit demand, with household lending contracting by 0.8% year-on-year in December. Rising wage pressures in labor-intensive sectors such as healthcare and technology added to inflation risks, as wage growth outpaced productivity gains. Despite the interventions, the refinancing rate was maintained at 3.5%, signaling the ECB's cautious stance amid uncertain economic conditions. Market reactions to the rate cut were generally positive, with German 10-year bund yields declining to 2.1%, reflecting improved sentiment. The euro also depreciated against the U.S. dollar to \$1.07 by year-end, providing short-term relief to exporters but increasing the cost of imports, particularly energy and raw materials. Critics argued that the ECB's delayed response limited the efficacy of its policies, particularly in reviving industrial activity in Germany and France. However, proponents noted the importance of gradual adjustments to avoid destabilizing financial markets. The ECB's forward guidance suggested potential further cuts in 2025, contingent on inflation dynamics and geopolitical developments.

## Geopolitical influence

The re-election of U.S. President Donald Trump in November 2024 significantly impacted Europe's economic outlook, introducing new uncertainties in trade and security dynamics. Central to these concerns was the proposed 10% tariff on European automotive and agricultural imports, which threatened to disrupt trade flows and undermine export-dependent sectors. Germany, as Europe's largest exporter, faced the brunt of these measures, with analysts projecting GDP losses of up to 0.5% annually if the tariffs were fully implemented. France's luxury goods sector also faced potential headwinds, given its reliance on U.S. markets for growth. Beyond trade, Trump's renewed

criticisms of NATO burden-sharing and reduced support for Ukraine heightened security concerns across the continent. These developments indirectly dampened investor confidence, as uncertainties around defense commitments and Eastern European stability loomed large. The combination of geopolitical and trade risks underscored the fragility of Europe's recovery and its exposure to external shocks.

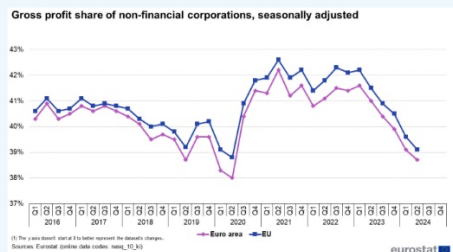
### **Sector performance**

Sectoral performance across Europe revealed significant disparities, highlighting the uneven nature of the recovery. Germany's industrial sector remained under considerable strain, with output contracting for the third consecutive month. The automotive industry, a cornerstone of Germany's economy, experienced sharp declines in exports to both the U.S. and China, exacerbated by rising input costs and persistent supply chain disruptions. Manufacturing PMI for Germany fell below 48 in December, signaling contraction and raising concerns about the sector's ability to rebound in 2025.

France faced similar challenges, with its manufacturing sector contracting sharply due to prolonged labor disputes in logistics and transportation. Core inflation in France rose to 3.9%, reflecting escalating energy costs and supply-side constraints. The services sector also weakened, as political instability dampened consumer confidence and business investment. In stark contrast, Spain emerged as a bright spot, driven by robust domestic demand, a thriving tourism sector, and targeted investments in renewable energy.



Spain's services sector expanded significantly, while its industrial output grew by 1.2% year-on-year, supported by government incentives and stable energy costs.



## Regional Disparities and Political Instability

December 2024 underscored stark regional disparities, driven in part by political turmoil in France and Germany. On December 5, 2024, French President Emmanuel Macron dissolved the National Assembly following months of legislative deadlock. This unprecedented move delayed critical fiscal reforms, including infrastructure investments and tax relief measures. Consumer confidence in France plummeted to its lowest level in three years, with household spending contracting by 1.5% in December. Financial markets reacted negatively, as French government bond yields rose to 2.7%, reflecting heightened investor concerns. Germany's political landscape was equally turbulent. On December 12, 2024, its parliament was dissolved after coalition negotiations collapsed, triggering snap elections scheduled for February 2025.

This political vacuum exacerbated Germany's economic woes, with industrial production declining further and the automotive sector facing intensified global

competition. The GfK Consumer Climate Index fell to -6.5, one of its lowest readings in recent years, highlighting widespread pessimism among German households and businesses. Analysts warned that sustained political uncertainty could lead to further downgrades in Germany's growth forecasts for 2025. Spain, by contrast, continued to defy broader eurozone trends, showcasing resilience and stability. GDP growth reached 0.6% quarter-on-quarter, driven by strong domestic consumption and robust job creation in services and renewable energy sectors.

Unemployment fell to 11.8%, the lowest level since 2008, while targeted subsidies helped mitigate energy costs. Spain's bond market performance further underscored its stability, with 10-year yields falling to 2.4%, making Spanish bonds more attractive than French equivalents for the first time in recent history.

## Outlook for 2025

The outlook for 2025 hinges on resolving the political uncertainties in France and Germany, as their respective elections will shape the trajectory of fiscal and structural reforms. France's March 2025 elections are expected to provide clarity on fiscal priorities, with potential measures to address stagnation and reinvigorate public investment. Germany's February elections will be pivotal in restoring business confidence and charting a path for industrial recovery, particularly in manufacturing and exports. Monetary policy is likely to remain accommodative, with the ECB signaling readiness for further rate adjustments if inflation remains subdued. However, geopolitical risks—including U.S. trade policies, energy market volatility, and NATO dynamics—will continue to pose challenges. Spain's strong performance provides a template for

resilience, but sustained success will require disciplined fiscal policies and continued investments in innovation and infrastructure. Coordinated efforts among eurozone members will be essential to navigate these complexities and foster sustainable growth.

## NORTH AMERICA

### Introduction to the North American Economic Landscape

North America is undergoing significant economic and political transformations. With Donald Trump's re-election as U.S. president, a wave of deregulation and economic protectionism is reshaping the region's macroeconomic environment. Meanwhile, Canada faces political uncertainty following the resignation of Prime Minister Justin Trudeau and potential US tariffs. These developments are redefining trade relations, market dynamics, and the region's global economic positioning.

### U.S. Economic Landscape Under Trump

Donald Trump's re-election marks a new era of economic policy focused on deregulation and protectionism. The financial markets responded positively to his victory, with the S&P 500 and Russell 2000 indices experiencing substantial gains. Key sectors such as technology, energy, and industrials have emerged as significant beneficiaries of Trump's policies, which prioritize domestic manufacturing and reduced regulatory constraints.

Tech industry leaders, including CEOs from Amazon, Meta, and OpenAI, have openly supported Trump's administration, with many contributing to his inaugural fund to strengthen ties with the government. Among these, Elon Musk stands out as a key figure whose companies—Tesla, SpaceX, and Neuralink—are closely aligned with the administration's vision. Musk's support for the republican candidate during his campaign has turned out to be a winning bet.

Musk will be part of Trump's cabinet as Head of the Department of Government Efficiency (DOGE) together with Vivek Ramaswamy. The new government agency has already stated that it believes it could save the government budget \$2 Trillion by minimizing inefficiencies. Musk's new political standing bodes well for all of Musk and his companies that are at the forefront of technological innovation. One example is Tesla, the car company set to benefit from deregulation, especially regarding in full self-driving technology. Since Trump's election Tesla shares have rallied and reached their all-time highs in mid-December before pulling back.

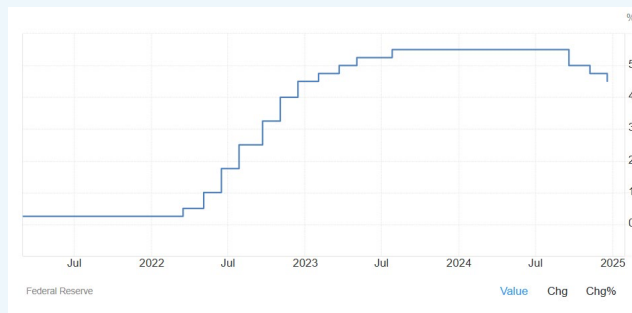


The broader U.S. market has seen optimism among investors, driven by expectations of economic growth and reduced regulatory burdens. While the technology and energy sectors have led the rally, the Federal Reserve's cautious approach to interest rates underscores the need for balance between inflation control and economic expansion.

## Federal Reserve Rate Cuts and Sector Performance

On December 18th, the Federal Reserve cut interest rates for the third time in 2024, bringing rates to a target range of 4.25% to 4.5%. This move aimed to balance inflation control with economic growth as signs of a slowing labor market emerged. The 25-basis-point cut, more measured than previous reductions, reflects progress in curbing inflation, although further rate cuts are anticipated.

Historically, Fed rate cuts have been beneficial for equity markets, as borrowing becomes less expensive and the money supply expands. According to a BlackRock analysis, sectors such as healthcare and consumer staples have consistently outperformed following initial rate cuts, often leading market gains in the years ahead. Additionally, large-cap stocks have shown a tendency to outpace smaller counterparts during these periods, offering opportunities for strategic investment. Despite this, it is important to highlight that historic trends do not predict future performance.



## Trade Relations and Tariff Threats

The U.S.-Canada trade relationship, a cornerstone of North American economic integration, faces heightened tensions due to Trump's protectionist policies. Proposed tariffs of 25% on Canadian imports threaten to disrupt supply chains and drive up consumer prices in the U.S., potentially counteracting the economic gains from deregulation. In Canada, these tariffs could undermine key industries such as automotive manufacturing, agriculture, and natural resources, exacerbating economic vulnerabilities and dampening growth.

Political and diplomatic relations between the two nations have also been strained. Trump's criticisms of Canadian leadership have intensified pressure on Canada's government to respond effectively, further complicating bilateral relations.

## Canadian Political and Economic Challenges

Canada's political landscape has been significantly impacted by the resignation of Prime Minister Justin Trudeau and Deputy Prime Minister Chrystia Freeland. Trudeau's departure, following criticism over his handling of trade tensions and internal political challenges, leaves Canada at a crossroads. The absence of these prominent leaders weakens Canada's negotiating position with the U.S. and raises questions about the country's economic direction.

Amid these political shifts, Canada faces the challenge of stabilizing its economy while addressing trade uncertainties. The resignation of key leaders has



created a vacuum that complicates efforts to maintain investor confidence and safeguard economic interests.

## CHINA

### Overview of China's Economic Landscape

China's economy is navigating a complex environment of slowing growth, structural adjustments, and external challenges. Near-term growth is projected to stabilize as the effects of pandemic-era policies fade, but long-term risks such as demographic imbalances and global trade uncertainties weigh heavily on its potential. The economy is undergoing a transition from an export-driven model to one focused on domestic consumption and technological innovation, reflecting its strategic pivot towards sustainable growth.

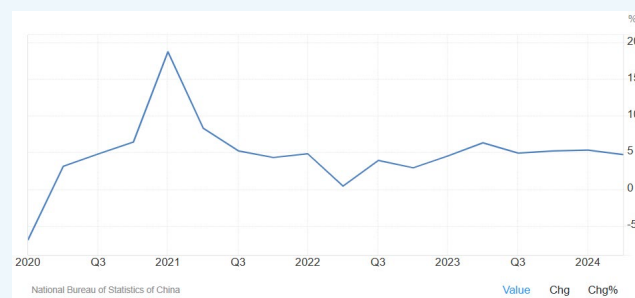
### GDP Growth Trends and Key Drivers

China's GDP growth, expected to stabilize around 4.5% in 2025, reflects a modest recovery from recent slowdowns. Domestic consumption has gained momentum, bolstered by fiscal incentives targeting urban households. Government spending, particularly on infrastructure and renewable energy projects, continues to be a significant growth driver. However, export growth has moderated due to weakened global demand and ongoing trade restrictions, underscoring the challenges faced by the traditional pillars of the economy.

### Policy Framework and Stimulus Measures

China's policymakers have adopted a targeted approach to stimulate growth and manage risks. The

People's Bank of China (PBoC) has employed a combination of measures to maintain liquidity and encourage lending. Recent monetary policies include reducing reserve requirement ratios (RRR) for banks, lowering medium-term lending facility (MLF) rates, and expanding targeted lending programs for small- and medium-sized enterprises (SMEs).



These steps aim to reduce financing costs for businesses and ensure adequate credit flows into key sectors. Additionally, the PBoC's forward guidance suggests an ongoing accommodative stance, particularly as global interest rates remain elevated.

On the fiscal side, tax reductions and subsidies have been directed at high-tech industries and green energy sectors. Local governments have been given additional leeway to issue special-purpose bonds for infrastructure projects. According to estimates, fiscal stimulus is expected to offset about half of the economic impact from U.S. tariffs, providing partial relief in the face of external headwinds.

## Sectoral Analysis

The real estate sector, contributing roughly 25% of GDP, remains a critical area of concern. Although government interventions have alleviated immediate risks of defaults, oversupply and slowing urban housing demand pose medium-term challenges. Manufacturing has shown signs of stabilization, driven by incentives targeting high-tech sectors such as semiconductors and electric vehicles. Traditional heavy industries, like steel and coal, face challenges due to decarbonization policies. In contrast, green energy continues to thrive, with solar and wind power installations expanding by 20% annually. Subsidies for electric vehicles and battery technology underline the government's commitment to leading the global green energy transition.

## Key Risks

Demographic challenges, including a rapidly aging population and declining birth rates, threaten to constrain labor supply and increase social welfare burdens over the long term. High levels of corporate and local government debt limit fiscal flexibility, creating potential vulnerabilities in the financial system. Geopolitical tensions, particularly trade disputes with the U.S. and ongoing concerns over Taiwan, add layers of complexity to China's economic trajectory. Rising inflationary pressures and currency volatility could further complicate monetary policy implementation.



## Opportunities for Growth

Despite these challenges, significant opportunities exist. Policies aimed at boosting household incomes and encouraging domestic consumption can help mitigate the impact of export slowdowns. Investments in cutting-edge technologies like artificial intelligence, semiconductors, and 5G infrastructure position China as a global leader in technological innovation. Furthermore, regional trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) provide a platform for strengthening trade ties and enhancing economic integration within Asia. Efforts to expand the digital yuan's adoption could also position China as a leader in digital finance.

## Impact of Donald Trump's Presidential Election on China's Markets

The potential re-election of Donald Trump as U.S. president is likely to have profound implications for China's financial markets and broader economy. Trump's presidency previously saw a sharp escalation in U.S.-China tensions, marked by trade wars, tariffs, and technology restrictions. A continuation of this approach could heighten uncertainty in China's export markets and further strain its financial sector.

If Trump reintroduces or expands tariffs on Chinese goods, this would put pressure on manufacturing and export-driven industries. Companies heavily reliant on U.S. demand, particularly in electronics and machinery, may see reduced revenue streams. The yuan could face devaluation pressures as the Chinese government seeks to maintain export competitiveness, potentially prompting capital outflows and destabilizing financial markets.

Furthermore, Trump's emphasis on decoupling supply chains may accelerate diversification efforts among global firms, reducing foreign direct investment (FDI) inflows into China. This could particularly impact sectors like semiconductors and telecommunications, where U.S.-China competition is most pronounced. Financial markets could also experience increased volatility as investor sentiment reacts to geopolitical developments and potential sanctions on Chinese companies.

China's response will likely involve bolstering domestic demand to offset external shocks. Policies to enhance self-reliance in critical technologies and expand trade partnerships with non-U.S. markets, such as Europe and Asia, will be prioritized. The government may also increase fiscal and monetary support to stabilize the economy and reassure investors.

While the immediate impact of a Trump presidency on China's markets is expected to be negative, long-term strategic shifts may position China more favorably in a multipolar global economic system. Hedge funds should closely monitor these developments, particularly in currency markets, trade policies, and the performance of key export-driven sectors.

## Outlook and Strategic Implications

China's economy is at a pivotal juncture, balancing near-term recovery efforts with long-term structural reforms. The shift towards a consumption-driven and environmentally sustainable growth model offers substantial investment opportunities, particularly in sectors aligned with these objectives. For investors, understanding the evolving dynamics of China's economic landscape will be essential for navigating risks and capitalizing on emerging opportunities in one of the world's most influential markets. The central bank's commitment to supportive monetary policies provides further confidence in the government's ability to manage economic transitions effectively.

# EMERGING MARKETS

## Overview of Emerging Markets

Emerging markets (EMs) represent a diverse and complex economic landscape with significant growth potential, demographic advantages, and structural challenges. These regions, spanning Asia, Latin America, Africa, and Eastern Europe, have demonstrated remarkable resilience amid global uncertainty but remain exposed to external shocks such as tightening global monetary conditions, geopolitical tensions, and currency fluctuations. For hedge funds, these markets offer lucrative opportunities, provided risks are meticulously managed and strategic insights are applied.

## Economic Growth and Regional Dynamics

Emerging markets are expected to grow at an average rate of 4–5% over the next few years, outpacing developed economies. India has emerged as a standout performer, driven by its digital transformation, expanding manufacturing sector under the “Make in India” initiative, and a robust consumer base. Southeast Asian economies like Vietnam and Indonesia are benefiting from supply chain shifts and infrastructure expansion, positioning themselves as key players in global manufacturing.

In Latin America, countries like Brazil and Chile are leveraging strong global demand for commodities such as agricultural products and lithium, critical for renewable energy storage. However, challenges such as inflation and political instability persist. Africa, with its young and rapidly urbanizing population, offers long-term growth prospects, especially in technology,

renewable energy, and natural resources. Eastern Europe’s growth, on the other hand, remains constrained by the ongoing Russia–Ukraine conflict but shows promise through EU integration and nearshoring trends.

## Monetary Policy Landscape

Monetary policy is a critical determinant of economic stability in emerging markets, particularly given the backdrop of rising global interest rates. Several EM central banks, including those in Brazil and Mexico, acted early to hike interest rates aggressively, containing inflation and stabilizing their economies. These preemptive measures now position them for potential rate cuts to spur growth as inflationary pressures ease.

India and Indonesia have utilized foreign exchange reserves to cushion currency volatility and maintain investor confidence, while also implementing policies to attract foreign direct investment (FDI). Africa’s major economies, such as South Africa and Nigeria, face tighter monetary conditions due to persistently high inflation, driven by food and energy costs. Central banks in these regions are treading carefully to balance inflation control with the need to support economic growth. These varied approaches underscore the importance of tailored monetary strategies in addressing localized economic challenges.

## Sectoral Opportunities in Emerging Markets

Emerging markets present diverse opportunities across sectors, underpinned by structural transformations and global trends. Latin America and Africa remain

indispensable suppliers of raw materials like lithium, cobalt, and copper, essential for the global transition to renewable energy. India and Southeast Asia are solidifying their positions as technology hubs, fostering rapid growth in fintech, e-commerce, and IT services due to favorable demographics and increasing internet penetration.

Manufacturing is gaining momentum in countries like Vietnam and Mexico, which benefit from nearshoring trends and their strategic integration into global supply chains. Renewable energy projects are proliferating across Asia and Africa, driven by international climate commitments and local energy needs. These developments offer hedge funds a range of investment opportunities, from equities and bonds to private market projects in infrastructure and green technologies.

### **Risks to Emerging Market Economies**

Despite their potential, emerging markets face distinct risks that could undermine their economic trajectories. High levels of U.S. dollar-denominated debt remain a critical vulnerability, particularly as the strong dollar and rising global interest rates exacerbate repayment pressures. Political instability, as seen in countries like Turkey and Argentina, continues to deter investors, while widespread corruption undermines institutional effectiveness in parts of Africa and Latin America.

Geopolitical conflicts, such as the Russia-Ukraine war, have disrupted trade and increased economic uncertainty in Eastern Europe and Central Asia. Additionally, climate change poses disproportionate risks to EMs, leading to infrastructure damage, reduced agricultural productivity, and long-term

economic disruptions. Addressing these challenges will require coordinated policy measures and external support from multilateral institutions.

### **Impact of U.S. Policy and Donald Trump's Presidency**

The potential re-election of Donald Trump could significantly impact emerging markets, reshaping their trade dynamics and financial stability. A revival of protectionist policies and tariffs could disrupt exports from EMs, particularly in Asia and Latin America, while a strong U.S. dollar could further strain economies with substantial external debt. Currency volatility would likely increase, complicating monetary policy implementation in these regions.

Geopolitical tensions between the U.S. and China could also have indirect effects on EMs. Countries like Vietnam and Mexico may gain from supply chain realignments as firms seek alternatives to China, but broader uncertainty could dampen investment flows. Conversely, Trump's potential relaxation of environmental regulations may sustain demand for fossil fuels, benefiting energy-exporting nations such as Nigeria and Brazil. Hedge funds must closely monitor U.S. policy developments to adapt their strategies effectively.

### **Strategic Opportunities for Hedge Funds**

Emerging markets offer compelling investment opportunities for hedge funds that can navigate their inherent complexities. Currency volatility, while a risk, provides arbitrage opportunities in high-yielding markets like Brazil and South Africa. Sovereign and corporate bonds in fiscally improving countries, such

as India and Indonesia, present attractive risk-adjusted returns. Equities in consumer-focused sectors in Asia and technology-driven industries in Latin America are poised for sustained growth.

Private investments in infrastructure, renewable energy, and technology projects across Africa and Asia are gaining traction among institutional investors. Hedge funds can also explore strategies leveraging supply chain diversification and green energy initiatives to capitalize on structural shifts in global trade and energy markets.

### **Outlook and Strategic Implications**

Emerging markets are positioned for steady growth, supported by favorable demographics, technological advancements, and resource wealth. However, their success hinges on navigating external shocks, such as rising interest rates and geopolitical tensions, while addressing domestic vulnerabilities. Hedge funds should adopt a diversified and flexible approach, focusing on high-growth opportunities while mitigating risks through careful country and sector selection.

Close monitoring of global monetary policy trends and U.S. political developments will be crucial for optimizing investment strategies in these regions. With targeted insights and proactive risk management, emerging markets can offer substantial returns in a rapidly evolving global economic landscape.

# SECTORS BREAKDOWN

## TECHNOLOGY

### Overview

The tech sector in 2024 was a story of both dominance and disruption. While Big Tech continued to lead the charge, the landscape saw a gradual diffusion of innovation, with smaller players leveraging cutting-edge advancements to enhance productivity and carve out market share. Once groundbreaking technologies—AI, cloud computing, and advanced semiconductors—became more widely accessible, the new environment enabled a broader wave of digital transformation.

The macroeconomic situation presented mixed signals. Rising interest rates and geopolitical tensions, particularly between the U.S. and China, influenced investment flows, supply chains, and regulatory pressures. Meanwhile, the AI boom drove unprecedented demand for computing power, pushing semiconductor giants like Nvidia, AMD, and Intel to the forefront. AI remained the most significant growth driver, with companies like Microsoft, Open AI, and Google expanding their dominance in generative AI. It's also true that lots of players worked on a horizontal level, increasing number of startups and enterprises entering the space, applying AI across industries such as healthcare, finance, and cybersecurity.

The semiconductor industry experienced both surges and bottlenecks. While demand for AI chips skyrocketed, supply chain disruptions and geopolitical risks led to strategic shifts, with manufacturers seeking diversification beyond China and Taiwan.

Market performance reflected these dynamics. The S&P 500 Technology Index surged 18% in 2024, largely fueled by the AI rally and semiconductor demand. However, software and fintech firms faced challenges due to tighter regulations and a slowdown in enterprise IT spending.

## Outlook

The technology sector enters 2025 at a turning point, with innovation accelerating across AI, quantum computing, and cloud infrastructure. While Big Tech continues to dominate, smaller players are finding ways to leverage existing breakthroughs to enhance efficiency and compete in niche markets.

Regulatory challenges are expected to shape the industry's trajectory. Mainly in the U.S. but also in the EU, ongoing antitrust scrutiny on companies like Google, Meta, and Amazon could lead to structural shifts. At the same time, the newly elected Trump administration is likely to ease certain business regulations, which may benefit large corporations but create uncertainty for smaller tech firms and startups. Financially speaking, the S&P 500 Technology Index trades at a high valuation, reflecting strong investor confidence but also raising concerns about potential market corrections.

Meanwhile, demand for AI chips, automation, and edge computing is set to surge, fueling competition among semiconductor firms. The rapid adoption of AI across industries remains a central theme, with businesses integrating automation tools to improve efficiency. Edge computing, blockchain

applications, and advances in cybersecurity will also be key drivers of growth as companies prioritize speed, security, and data decentralization.

## 2025 Indicators and Projections

The technology sector in 2025 is so defined by rapid innovation, shifting regulations, and evolving market dynamics. AI adoption is expected to increase by approximately 35% year-over-year, with businesses integrating AI-powered automation across industries, from finance and healthcare to manufacturing and retail. Cloud computing remains a cornerstone of digital transformation, with hybrid and multi-cloud strategies gaining momentum as enterprises seek flexibility and cost efficiency.

Meanwhile, edge computing is set to expand as companies prioritize real-time data processing and lower latency, particularly in sectors like autonomous vehicles, IoT, and smart cities.

The semiconductor industry will continue to be a major driver of technological advancements, with demand for AI chips fueling competition among Nvidia, AMD, and Intel. The automotive and industrial sectors are also increasing reliance on advanced processors to support automation, electric vehicles, and robotics.

However, supply chain disruptions and geopolitical tensions, particularly between the U.S. and China, pose risks to semiconductor production and pricing stability.

From a financial perspective, the S&P 500 Technology Index is trading at a forward P/E



ratio of 27.8x, significantly above its historical average, reflecting strong investor confidence but also concerns about overvaluation. Venture capital investment in tech startups remains strong, particularly in AI, fintech, and cybersecurity, though rising interest rates have made capital more expensive. Big Tech companies continue aggressive M&A strategies, acquiring AI firms and data analytics companies to strengthen their competitive edge, while regulators scrutinize potential monopolistic behavior.

Geopolitically, the Trump administration's policies are expected to favor deregulation and domestic tech expansion, particularly in AI and semiconductors, but may also heighten trade tensions with China. In contrast, the EU is enforcing stricter data privacy laws and digital market regulations, creating a fragmented global tech landscape. Cybersecurity threats are also at an all-time high, with ransomware attacks and state-sponsored cyber warfare prompting businesses to invest heavily in digital security infrastructure.

Overall, 2025 presents a dynamic but complex landscape for the tech industry, with opportunities for growth in AI, cloud computing, and automation, but also significant risks tied to regulation, cybersecurity, and economic uncertainty.

## **Main Threats**

### **1. Regulatory clampdowns**

Antitrust lawsuits against Big Tech could lead to record-breaking fines or even

forced structural separations. Both the EU and the U.S. are ramping up efforts to curb the dominance of tech giants.

### **2. U.S.-China tensions**

Trade restrictions on advanced semiconductors could disrupt AI development in China while exposing Western companies to retaliatory measures, affecting revenue streams and supply chains.

### **3. Cybersecurity risks**

The increasing digitization of critical infrastructure makes the industry more vulnerable to cyberattacks. In 2024, ransomware incidents surged 40%, with financial institutions and cloud providers among the hardest hit.

### **4. Rising operational costs**

Inflation and higher interest rates are making capital-intensive projects more expensive, particularly for startups and firms reliant on debt financing.

## **Main Opportunities**

### **1. AI & automation**

The AI market is projected to reach \$500 billion by 2026, with applications spanning from healthcare diagnostics to automated customer support. AI-driven cybersecurity and financial analytics are particularly promising segments.

## 2. Semiconductors & AI chips

Nvidia, AMD, and Intel are racing to develop next-gen processors for AI training, cloud computing, and quantum computing. Demand for specialized chips is expected to soar.

## 3. Quantum computing

Tech giants like Google, IBM, and Amazon are accelerating quantum research, unlocking potential breakthroughs in cryptography, molecular simulations, and industrial optimization.

## 4. Cybersecurity & data privacy

As digital ecosystems expand, cybersecurity solutions are becoming mission-critical. AI-powered security platforms and zero-trust architectures are seeing increased adoption, with the market projected to hit \$250 billion by 2027.

## 5. Cloud & edge computing

The demand for cloud services remains robust, with a particular focus on edge computing, which enhances real-time data processing and reduces latency in connected environments.

### Notable Players

#### 1. Apple Inc.

A global leader in the design and production of consumer electronics, software, and online services. Known for iconic products like the iPhone, iPad, and MacBook, Apple continues to drive innovation in technology and consumer electronics.

#### 2. Microsoft Corporation

A multinational technology company that develops, licenses, and supports a wide range of software products and services. Best known for the Windows operating system and the Office productivity suite, Microsoft is also a key player in cloud computing through its Azure platform.

#### 3. Alphabet Inc.

A holding company that includes Google and its subsidiaries. Google dominates the search engine and online advertising markets and has expanded into areas such as YouTube, the Android operating system, artificial intelligence, and self-driving car technology.

#### 4. NVIDIA Corporation

A leading company in designing graphics processing units (GPUs) for gaming and professional markets, as well as system-on-chip units for mobile and automotive markets. NVIDIA is at the forefront of developing technologies for artificial intelligence and deep learning.

## HEALTHCARE

In 2024, the healthcare sector faced a multifaceted landscape characterized by productivity challenges, significant mergers and acquisitions (M&A), and notable stock market performances.

### Productivity Challenges

The UK's National Health Service (NHS) experienced a marked decline in productivity.

According to the Office for National Statistics, NHS productivity decreased by 2.4% in the third quarter of 2024, culminating in an 18.5% decline from its pre-pandemic peak in late 2019. This downturn underscores the ongoing challenges public health services face in the post-pandemic era.

Similarly, the broader UK public sector reported a 1.4% productivity decline in the same period, attributed to the lingering effects of the COVID-19 pandemic and industrial actions. Despite a 30% increase in public healthcare resources since 2019, output has risen only 6%, resulting in a 19% productivity decline compared to the last quarter of 2019.

### Mergers and Acquisitions

The healthcare sector remained active in M&A, with a focus on strategic acquisitions to bolster capabilities and market share. Notably, Novo Holdings acquired Catalent for \$16.5 billion to enhance manufacturing capacity for Novo Nordisk's GLP-1 products, such as Ozempic. Additionally, Lundbeck's \$2.5 billion

acquisition of Longboard Pharmaceuticals and Sanofi's sale of a 50% stake in its consumer health unit, Opella, to Clayton, Dubilier & Rice for €16 billion highlighted the sector's dynamic investment landscape.

In the pharmaceutical industry, Germany's Merck KGaA entered advanced discussions to acquire U.S.-based Springworks Therapeutics, a company specializing in cancer and rare disease treatments, with a market value of \$3 billion. If finalized, this acquisition would significantly enhance Merck's oncology pipeline.

### Stock Market Performance

Healthcare stocks underperformed in 2024 as investors favored high-growth tech stocks over more defensive sectors. The S&P 500 Health Care index rose by just 5.29% in 2024, significantly lagging behind the broader S&P 500's 28.54% gain. Fundamental challenges and policy uncertainties posed headwinds for certain segments, leading to a bumpy performance in 2024.

### Outlook

Looking ahead, healthcare leaders are prioritizing operational efficiencies and productivity gains. A survey by Deloitte indicated that over 70% of C-suite executives across five countries plan to focus on these areas in 2025, aiming to enhance patient engagement and service delivery.

In summary, 2024 was a year of contrasts for the healthcare sector, marked by productivity challenges in

public health services and robust investment activities aimed at fostering innovation and growth.

## **2025 indicators and projections :**

As we enter 2025, the healthcare sector exhibits a cautiously optimistic outlook, underpinned by key financial indicators and strategic projections.

### **Financial Performance and Valuations**

The S&P 500 Health Care index currently holds a forward Price-to-Earnings (P/E) ratio of 21.9, which is 18% above its 10-year average. This valuation reflects investor confidence in the sector's resilience and growth prospects.

In terms of profitability, the sector is projected to experience a compound annual growth rate (CAGR) of 7%, with EBITDA expected to rise from \$676 billion in 2023 to \$987 billion by 2028. This anticipated growth underscores the sector's robust financial health and its capacity to generate substantial earnings.

### **Executive Sentiment and Revenue Projections**

A survey conducted by Deloitte reveals that nearly 60% of healthcare industry leaders hold a favorable outlook for 2025, a notable increase from 52% in the previous year.

Furthermore, 69% of respondents anticipate a rise in revenue, while 71% expect improved profitability in the coming year.

**Mergers and Acquisitions (M&A) Activity** The M&A landscape in healthcare is poised for significant activity in 2025. PwC forecasts a robust pipeline of private equity-owned businesses entering the market, driven by multinational companies seeking to realign their portfolios towards higher-growth areas. This trend is expected to foster increased consolidation and investment within the sector.

### **Private Equity Dynamics**

Private equity firms are facing mounting pressure from limited partners to exit older investments, leading to an anticipated increase in the sale of portfolio companies in 2025. Currently, nearly half of the 29,400 private equity-backed companies worldwide have been held since 2020, indicating a potential surge in divestment activities.

### **Cost Projections**

Healthcare expenditures in the U.S. have escalated from \$2.8 trillion in 2012 to \$4.5 trillion in 2022 and are projected to reach \$7.7 trillion by 2032. This upward trajectory is attributed to factors such as price increases, rising utilization, and the demands of an aging population.

In summary, the healthcare sector in 2025 is characterized by positive financial projections, active M&A landscapes, and evolving private equity dynamics. While challenges such as rising costs persist, the overall sentiment and indicators point towards a year of growth and strategic realignment.

## Main threats

### 1. Medical Services Conditions

A critical issue is regards the current situation of medical services : globally, services are confronted with : a critical labor shortage, aging infrastructures and a multiplication of pharmacy desert. Some striking numbers helps evaluating the situation : The World Health Organization (WHO) projects a shortfall of 10 million healthcare workers by 2030, with low- and lower-middle-income countries being the most affected. This shortage is anticipated to continue in 2025, with more than 80% of surveyed healthcare executives expecting external workforce challenges, such as hiring difficulties and talent shortages and leading company like CVS are planning on closing 270 pharmacy in 2025, leading to the creation of more pharmacy desert.

### 2. Policy Shifts Under the Trump Administration

With trump back at the office, many concerns are rising in the field of healthcare. The major concern is around US departure from the WHO in January 2026. The U.S. was a major contributor to the WHO's budget, and its departure may undermine multilateral efforts in public health. On Medicaid, Trump backed block grants, giving states more control but potentially reducing funding and coverage for low-income individuals. His administration also sought to reduce Medicaid expansion and implement work requirements.

### 3. Regulatory Framework Challenges

The evolving regulatory landscape presents compliance challenges for healthcare providers. In the United States, nearly 60% of health plan respondents expect that recent and upcoming regulatory changes will influence their organizational strategies in 2025. Issues that could potentially affect margins and medical loss ratios include adjustments to Medicare Advantage payment rates, Medicare drug-price negotiations under the Inflation Reduction Act, price-transparency regulations, and stricter rules regarding mental health parity. The updates to Health Insurance Portability and Accountability Act (HIPAA), the Affordable Care Act (ACA), and other federal or state regulations, pose risks related to compliance. Failure to adhere to these regulations can result in fines and legal issues »

### 4. Cybersecurity Threats

The healthcare industry faces significant cybersecurity threats, including data breaches, ransomware attacks, phishing scams, malware infections, fraudulent fund transfers, insider threats, and account takeovers. In 2024, the healthcare sector experienced a significant surge in cyberattacks, with 386 incidents reported up to October, indicating a persistent threat to healthcare organizations. Additionally, 92% of healthcare organizations reported experiencing at least one cyberattack in the past 12 months, up from 88% in 2023. The average cost of a healthcare cybersecurity compromise in 2024 was \$4.74 million, a slight decrease of 5% from the previous year.

## Main opportunities

### 1. Healthcare Policies under President Trump

President Trump's administration has implemented several healthcare policies that are expected to impact the sector in 2025. Notably, the introduction of Individual Coverage Health Reimbursement Arrangements (ICHRA) allows employers to provide tax-free allowances for employees to purchase individual health insurance. This market-based approach aims to offer employees more choice and flexibility in their healthcare coverage. Additionally, the administration has rolled back policies aimed at limiting drug spending by Medicaid and Medicare, potentially leading to increased drug costs for these programs. The rescinding of an executive order that prompted the Center for Medicare and Medicaid Innovation (CMMI) to consider new payment and healthcare models to limit drug spending may result in higher expenditures for these federal health programs.

## 2. Artificial Intelligence (AI) in Healthcare

AI is set to revolutionize healthcare in 2025, with applications ranging from diagnostics to personalized treatment plans. In the United Kingdom, NHS clinics are utilizing AI to screen for breast cancer, aiming to detect cases earlier and more efficiently. A significant trial involving around 700,000 women is underway, with the potential to double a radiologist's efficiency and improve early-stage cancer detection.

Furthermore, AI is streamlining the drug discovery process, enabling faster development of new medications and personalized treatment plans. Generative models like ProGen, RFdiffusion, SCUBA-diffusion, and Chroma are transforming traditional therapeutic development approaches, potentially reducing time-to-market and improving therapeutic efficacy.

## 3. Advancements in Genomic Research

Genomic research is advancing rapidly, with significant implications for personalized medicine. By 2025, genomic testing is expected to become a standard part of clinical practice, facilitating earlier diagnosis, personalized treatment plans, and better management of chronic conditions. This integration aims to improve patient outcomes and reduce healthcare costs.

Additionally, large-scale biobanks containing genetic and health data from diverse populations are being established, driving research into population-specific disease patterns and therapeutic responses. These biobanks are crucial for advancing precision medicine initiatives and understanding the genetic basis of diseases.

### Key actors

EssilorLuxottica, the world's leading eyewear and optical equipment company, recently expanded its portfolio with the \$1.5 billion acquisition of Supreme and an 80% stake in Heidelberg Engineering, enhancing its position in eye care technology. The company continues to invest in innovation, leveraging AI-driven diagnostics, such as the Vision-S 700 refraction system for more precise eye exams, and integrating AI into Ray-Ban Meta smart glasses for advanced functionality. Additionally, EssilorLuxottica is expanding its global footprint through strategic partnerships and digital transformation initiatives, including AI-powered vision screening solutions and tele-optometry services, aimed at improving vision care accessibility worldwide.

Novo Nordisk, the Danish leader in diabetes and obesity treatments, saw its market cap reach \$604 billion following strong trial results for its weight loss pill, amycretin, which showed significant efficacy in reducing body weight. The company is expanding into cardiovascular disease with the \$1.1 billion acquisition of Cardior Pharmaceuticals, strengthening its pipeline in heart failure treatments. Additionally, Novo Nordisk is investing in next-generation obesity drugs, including CagriSema, a combination therapy showing promise in early trials, and expanding its production capacity to meet surging demand for GLP-1 receptor agonists like Ozempic and Wegovy, which are reshaping both diabetes and weight management markets.

AstraZeneca, the British-Swedish pharmaceutical giant, specializes in oncology, cardiovascular, and respiratory treatments and recently raised its sales forecasts amid strong demand for its innovative therapies. The company surpassed a \$200 billion market valuation and announced major investments, including \$3.5 billion in the U.S. to expand manufacturing and R&D capabilities, and \$570 million in Canada to strengthen biologics production. AstraZeneca is also advancing its oncology pipeline, with promising developments in enhanced antibody-drug conjugates (ADCs) and next-generation immunotherapies, reinforcing its leadership in cancer treatment.

Roche, the Swiss pharmaceutical powerhouse, is a leader in oncology, immunology, and diagnostics, continually advancing in cutting-edge treatments. To bolster its presence in immune cell therapies, the company is acquiring Poseida Therapeutics for \$1.5 billion, aiming to accelerate breakthroughs in next-generation CAR-T and gene-editing technologies. Additionally, Roche is expanding its capabilities in AI-powered diagnostics and personalized medicine,

integrating biomarker-driven research to develop more precise and effective treatments across various disease areas.

# ENERGY

## Overview of 2024

The energy sector in 2024 was marked by high volatility, driven by geopolitical tensions, supply chain disruptions, and the ongoing transition to renewable energy sources. While oil and gas companies saw strong profits due to high energy prices, renewables continued to gain traction despite macroeconomic challenges.

Energy markets faced significant disruptions in 2024. The war in Ukraine continued to impact European energy security, with LNG (Liquified Natural Gas) imports from the U.S. increasing to offset reduced Russian supply. Meanwhile, the conflict in the Middle East pushed oil prices above \$100 per barrel at times, raising concerns over supply stability. Strategic M&A played a major role in the energy sector. ExxonMobil completed its \$60 billion acquisition of Pioneer Natural Resources, strengthening its Permian Basin operations. Chevron followed suit, acquiring Hess for \$53 billion. The renewable sector also saw consolidation, with BP acquiring Ørsted's U.S. offshore wind portfolio for \$10 billion to expand its clean energy footprint.

The energy sector had a mixed performance markets-wise. Traditional oil and gas stocks performed well due to high commodity prices, with the S&P 500 Energy Index rising 12%. However, renewable energy stocks underperformed, as high interest rates increased the cost of capital for new projects.

## Outlook

Heading into 2025, the energy sector is expected to remain highly dynamic. While fossil fuel demand remains resilient, regulatory pressures and investor demand for ESG-friendly initiatives continue to shape industry strategies. Energy firms are increasingly investing in carbon capture, hydrogen, and battery storage to align with long-term decarbonization targets.

## 2025 Indicators and Projections

As we enter 2025, the energy sector faces evolving market dynamics, with key financial indicators and strategic projections shaping its trajectory.

As we enter 2025, the energy sector remains at the center of global economic and geopolitical debates. The industry's outlook is shaped by oil market stability, regulatory shifts under the new Trump administration, and increasing investments in clean energy. Despite the push toward renewables, traditional oil and gas companies continue to dominate in terms of profitability, with high investor confidence driven by expected policy support.

Financial performance across the sector reflects this dual reality. The S&P 500 Energy Index trades at a forward Price-to-Earnings (P/E) ratio of 14.3, slightly above its 10-year average, as investors continue to favor stable cash-generating energy companies. Oil and gas giants such as ExxonMobil and Chevron are expected to maintain strong earnings, benefiting from sustained high crude prices, which are forecasted to average \$85 per barrel for Brent in 2025. In contrast, renewable energy firms, while continuing to grow, are grappling with



higher capital costs due to interest rate pressures, resulting in an average EV/EBITDA multiple of 13.5, significantly above the 6.8 multiple seen in traditional energy. Mergers and acquisitions (M&A) activity is expected to accelerate as energy giants seek to secure long-term assets and optimize portfolios. Major oil players are acquiring smaller competitors to consolidate market positions before a long-term decline in fossil fuel demand materializes. Meanwhile, renewable energy firms are being targeted by large energy conglomerates looking to diversify. Additionally, private equity firms are playing an increasingly active role, especially in battery storage investments, offshore wind projects, and carbon capture initiatives.

Global energy demand is projected to increase by 2.5% in 2025, primarily driven by economic expansion in emerging markets and continued reliance on fossil fuels for industrial and transportation needs. While renewable energy remains an essential part of the transition, its pace of growth is highly dependent on policy incentives, infrastructure development, and financing availability. The costs of renewable power generation are continuing to decline, with solar power now reaching an average levelized cost of energy (LCOE) of \$30/MWh, making it cheaper than coal in most regions. Battery storage is also becoming more competitive, with costs dropping 9% year-over-year, improving grid stability and reducing dependence on traditional baseload power sources. Under the newly elected Trump administration, the regulatory framework for energy markets is undergoing a shift. The administration is prioritizing energy independence, easing restrictions on drilling and pipeline projects, and rolling back stringent environmental regulations. This shift is expected to provide a boost to oil and gas companies,

encouraging further investment and production expansion in the U.S. However, for renewable energy, the outlook is more uncertain, as federal subsidies and incentives may be scaled back in favor of fossil fuel dominance.

Overall, 2025 presents a complex but opportunity-rich landscape for the energy industry. While renewables continue their long-term expansion, traditional oil and gas companies remain the most profitable part of the sector, benefiting from both strong market fundamentals and a favorable policy environment under Trump's leadership.

## **Main threats**

### **1. Supply chain challenges**

One of the most pressing concerns is geopolitical instability and supply chain disruptions. The ongoing conflict in Ukraine continues to affect European energy security, leading to increased reliance on liquefied natural gas (LNG) imports from the U.S. and other suppliers. Additionally, tensions in the Middle East have caused volatility in oil markets, with potential supply shocks if conflicts escalate. Any further geopolitical disturbances could push Brent crude oil prices above \$110 per barrel, impacting inflation and economic growth worldwide. Disruptions in the shipping industry, particularly in key transit zones such as the Suez Canal and the Strait of Hormuz, also pose a significant risk to global energy supply chains.

### **2. Trump administration**

Another major threat is regulatory uncertainty and policy shifts under the Trump administration. While Trump's victory has provided a boost to the fossil fuel industry, it has also created uncertainty for the renewable energy sector. The administration is expected to roll back environmental regulations, ease restrictions on drilling, and reduce subsidies for clean energy projects. This could slow the pace of renewable energy adoption in the U.S. and lead to a more fossil-fuel-dependent energy strategy. Meanwhile, Europe and China continue to implement aggressive decarbonization policies, creating a fragmented regulatory landscape that companies must navigate.

### 3. Uncertainty from cybersecurity

Cybersecurity threats remain a growing concern, particularly as energy infrastructure becomes more digitized. Ransomware attacks on oil pipelines, power grids, and refineries have surged, with state-sponsored cyberattacks posing a direct risk to national security. In 2024, cyber incidents targeting the energy sector increased by 35% year-over-year, affecting both traditional and renewable energy firms. The vulnerability of power grids to cyberattacks could result in widespread blackouts and financial losses, making cyber resilience a top priority for energy companies in 2025.

### 4. Demand fluctuations

Additionally, fluctuations in energy prices and investment risks could pose challenges for the industry. While oil and gas prices remain strong, demand fluctuations caused by economic slowdowns, shifts in energy policies, or technological

advancements in alternative energy sources could impact revenue stability. For renewable energy companies, rising interest rates have made financing new projects more expensive, limiting growth in some markets. Investors must carefully evaluate these macroeconomic trends when allocating capital to energy assets.

## Main Opportunities

### 1. The return of traditional energy sources

One of the most significant investment opportunities in 2025 remains the oil and gas industry. Despite ongoing efforts to transition toward renewable energy, oil giants continue to generate the highest profits within the sector, making them attractive for investors seeking stability and strong returns. With Donald Trump's victory in the 2024 U.S. presidential election, the outlook for traditional energy has improved dramatically. His administration is expected to roll back climate regulations, increase domestic drilling, and fast-track major pipeline approvals. These policies will likely prolong the dominance of fossil fuels, creating a favorable environment for companies such as ExxonMobil, Chevron, and ConocoPhillips to expand production and maintain their cash flow dominance.

### 2. New technologies to manage emissions

At the same time, hydrogen and carbon capture technologies are emerging as key areas of growth. Green hydrogen is projected to become a \$250 billion industry by 2030, with major oil firms aggressively investing in this space to hedge against

the energy transition. ExxonMobil and Chevron are leading the charge in carbon

capture and storage (CCS) initiatives, positioning themselves to benefit from potential regulatory incentives while offsetting emissions from their traditional operations.

### 3. Digitalization of energy markets

The digitalization of energy markets is another major opportunity in 2025. AI-driven predictive analytics is revolutionizing the way energy is managed, reducing waste and improving efficiency across grids. Smart grid technology is gaining traction, allowing for better energy distribution and demand forecasting, particularly in large urban areas. Additionally, blockchain-based energy trading is emerging as a viable solution for decentralized power generation, enabling peer-to-peer transactions between producers and consumers.

### 4. The growth of new energy sources

Finally, offshore wind and solar energy continue to be growth areas, despite challenges posed by rising interest rates and policy uncertainty. The global offshore wind capacity is expected to double by 2030, with total investments exceeding \$1.5 trillion. Solar power remains the cheapest and fastest-growing energy source, with further efficiency gains expected through advancements in photovoltaic technology and energy storage. While Trump's policies may slow the momentum of renewables in the U.S., international markets—particularly in Europe and Asia—are continuing to push forward with ambitious clean

energy targets, making global renewable investments an attractive long-term bet.

## Notable Players

### 1. Exxon Mobil Corporation

Focuses on expanding oil and gas production, enhancing operations in key regions, and increasing shareholder returns while investing in carbon capture technologies.

Continues to lead in renewable energy, expanding wind, solar, and energy storage projects while advancing its carbon reduction goals.

### 2. The Williams Companies, Inc.

Expands natural gas infrastructure, increases pipeline capacity, and strengthens its role in supporting U.S. energy exports.

### 3. Sempra

Focuses on energy infrastructure development, renewable projects, and modernizing electric and gas transmission systems to support cleaner energy solutions.

# INDUSTRY

## Overview of 2024

In 2024, the industrial sector experienced significant growth, with the S&P 500 Industrials Index rising by 16.2%, slightly trailing the broader S&P 500's 23.3% increase. This performance was driven by robust demand in automation, aerospace, and defense industries. Geopolitical tensions played a key role in shaping market dynamics, as increased defense spending, particularly in Europe, boosted revenue for aerospace and defense companies.

The U.S.-China trade dispute further accelerated supply chain diversification, with a notable shift towards domestic manufacturing and reshoring efforts.

Mergers and acquisitions (M&A) activity was intense throughout 2024, with companies seeking technological synergies and expanded market presence.

Siemens acquired Altair Engineering for \$10.6 billion, strengthening its simulation software capabilities and enhancing its digital factory offerings. Meanwhile, Amcor merged with Berry Global Group in an \$8.4 billion deal, positioning itself as the largest global player in plastic packaging. The aerospace sector remained vivid due to heightened global security concerns, with major contractors like Boeing and Lockheed Martin securing increased military orders from the U.S. and NATO countries.

The sector's market performance reflected these trends. The S&P 500 Industrials Index rose by

16.2%, driven largely by defense and aerospace stocks, while traditional manufacturing companies underperformed due to rising input costs and persistent inflationary pressures.

## Outlook

The industrial sector is expected to maintain a solid growth trajectory in 2025, supported by technological innovation, increased reshoring, and sustained defense expenditures. However, global economic slowdowns and trade conflicts could present significant challenges.

## 2025 Indicators and Projections

The sector is projected to grow steadily, with opportunities in automation, robotics, and digital twin technologies. The S&P 500 Industrials Index trades at a forward P/E ratio of 17.5x, reflecting investor optimism about increased efficiency through technological adoption.

Industrial conglomerates are expected to leverage AI and IoT technologies to optimize operations and reduce downtime. For example, General Electric is expanding its investment in predictive maintenance technologies to enhance operational efficiency. Defense contractors are poised for further growth, driven by rising global defense budgets, particularly from the U.S. and NATO members.

M&A activity is expected to remain strong as companies continue to pursue digital transformation. Industrial software providers are anticipated to be prime acquisition targets due to the rising demand

for smart manufacturing solutions. Private equity firms are also increasing their involvement, particularly in the automation and aerospace segments.

Global industrial production is forecasted to increase by 2.2% in 2025, with emerging markets contributing significantly to the demand for machinery and construction equipment. Additionally, the cost of industrial automation is expected to decline by 8% year-over-year, further driving adoption of robotics and smart manufacturing technologies.

### Main Threats

1. Increased production costs due to geopolitical tensions

Geopolitical tensions, particularly in Asia, could disrupt key supply chains for semiconductors and raw materials, increasing production costs and causing delays. The ongoing U.S.–China trade conflict remains a critical risk, with potential tariffs and sanctions further straining global manufacturing networks.

2. Regulatory challenges

Regulatory pressures are another key concern, as stricter environmental policies in the U.S. and Europe may increase compliance costs, especially for automotive and heavy machinery manufacturers.

3. Cybersecurity risks

Cybersecurity vulnerabilities continue to grow with the digitalization of industrial operations. Industrial control systems, particularly in smart factories, are increasingly targeted by ransomware attacks and other cyber threats, posing a risk to both operational stability and financial performance.

### Main Opportunities

1. Technological drivers

Automation and robotics remain a major growth driver, with the market projected to reach \$120 billion by 2030. Companies investing in AI-driven manufacturing solutions, such as ABB and Siemens, are expected to benefit from enhanced productivity and reduced operational costs.

Additionally, digital twins and industrial IoT solutions are revolutionizing manufacturing by enabling real-time simulation and optimization of production processes. Investments in industrial software and cloud-based platforms are expected to accelerate as companies seek greater efficiency and resilience.

2. The benefit of geopolitical tensions

Aerospace and defense will continue to see strong demand, driven by global security concerns and increased defense budgets. Boeing and Lockheed Martin are well-positioned to benefit from growing military orders and investments in next generation defense technologies.

3. Sustainable opportunities

Sustainability trends are unlocking new revenue streams, particularly in the development of energy-efficient machinery and electric-powered industrial vehicles. Caterpillar, for instance, is expanding its electric construction equipment line, anticipating increased demand for eco-friendly solutions in industrial operations.

## **Notable Players**

### **1. Emerson Electric Co.**

In recent years, Emerson Electric has focused on expanding its industrial automation and software capabilities, driving growth through digital transformation and strategic acquisitions. The company continues to strengthen its position in process management and industrial solutions.

### **2. Fortive Corporation**

Fortive has steadily expanded its portfolio through acquisitions, with a focus on precision technologies, healthcare solutions, and digital workflow tools. The company is leveraging data analytics and IoT solutions to drive efficiency and innovation across its segments.

### **3. Ingersoll Rand Inc.**

Ingersoll Rand has concentrated on growth within the flow creation and industrial technologies sectors, focusing on sustainable solutions and aftermarket services. The company has been expanding its

global presence and enhancing operational efficiency through digital and IoT-enabled solutions.

### **4. 3M Company**

3M has been adapting its diversified industrial portfolio to market trends by emphasizing sustainability and advanced materials. The company has streamlined its operations through restructuring efforts while maintaining a strong presence across industrial, healthcare, and consumer markets.

# CONSUMER STAPLES

## Overview of 2024

The consumer staples sector in 2024 encountered a dynamic environment shaped by inflationary pressures, supply chain disruptions, and shifting consumer preferences.

Despite economic uncertainties, the industry demonstrated resilience as demand for essential goods, including food, beverages, and personal care items, remained stable. However, rising costs and changing consumption habits placed new pressures on companies within the sector.

Throughout 2024, supply chain inefficiencies and cost volatility posed challenges for consumer staples companies. The Food and Agriculture Organization (FAO) reported a 6.4% increase in global food prices, driven by commodity shortages and geopolitical tensions.

Packaging and transportation costs also surged due to inflation and energy price fluctuations. Many firms responded by increasing product prices, though price sensitivity among consumers led to reduced volume sales in certain categories.

M&A activity was robust in 2024 as firms sought to strengthen market positions and enhance portfolio offerings. Nestlé completed a \$3.2 billion acquisition of a plant-based protein company, expanding its alternative food segment. Unilever divested several underperforming personal care brands to focus on high growth categories. Private equity firms remained

active, targeting sustainable and health-conscious brands in response to shifting consumer trends.

Consumer staples stocks underperformed relative to the broader market as investors gravitated toward high growth sectors. The S&P 500 Consumer Staples Index posted a modest 4.8% gain in 2024, trailing the S&P 500's 28.5% increase.

Defensive positioning and stable dividends attracted investment, but concerns over profit margin compression due to rising costs weighed on investor sentiment.

## 2025 Indicators and Projections

As 2025 begins, the consumer staples sector remains a stable yet evolving industry. Consumer demand is expected to remain strong, but margin pressures and competitive challenges will require strategic adaptations. The S&P 500 Consumer Staples Index holds a forward P/E ratio of 19.4, reflecting continued investor confidence in the sector's defensive characteristics.

Revenue growth is projected at a CAGR of 3%–5%, supported by premiumization, emerging market expansion, and direct-to-consumer (DTC) strategies. Gross margins are expected to stabilize as commodity price fluctuations moderate and cost-cutting measures take effect. Companies with strong pricing power and innovation capabilities are best positioned to outperform.

A Deloitte survey revealed that 65% of consumer staples executives hold a favorable outlook for 2025,

an increase from 58% in the prior year. Additionally, 72% of respondents anticipate revenue growth, while 69% expect enhanced profitability due to efficiency improvements and strategic investments.

M&A activity is forecasted to remain strong, particularly in the health-conscious food, beverage, and sustainable packaging segments. PwC projects an increase in strategic acquisitions as multinational firms realign portfolios toward high-growth categories. Private equity firms continue to focus on emerging premium and functional food brands.

## Key Threats in 2025

### 1. Supply Chain Vulnerabilities

Geopolitical instability and global trade tensions continue to disrupt supply chains. The Russia-Ukraine conflict has limited grain exports, while shipping constraints in key trade routes such as the South China Sea impact raw material availability. These disruptions contribute to cost volatility and production delays.

### 2. Inflationary Pressures

Despite some moderation, inflation remains a challenge. Input costs for agricultural products, energy, and logistics remain elevated, straining profitability. The FAO reported persistent price increases in core food categories, exacerbating cost concerns for manufacturers.

### 3. Private Label Competition

Retailer-owned brands continue to gain traction, with private label sales increasing by 8.5% in 2024, according to NielsenIQ. Discount retailers are expanding their private label offerings, undercutting established brands and pressuring pricing power.

## 4. Regulatory and ESG Challenges

New sustainability regulations, including the European Union's directive requiring 70% recyclable packaging by 2027, add compliance costs. Additionally, corporate tax adjustments in the U.S. could increase tax burdens on major consumer staples firms, impacting net earnings.

## Main Opportunities in 2025

### 1. Emerging Market Expansion

Developing economies, particularly in Asia and Latin America, present substantial growth opportunities. The World Bank forecasts a 6.3% rise in consumer spending across emerging markets in 2025, driven by rising incomes and urbanization.

### 2. Sustainability and Ethical Consumerism

Consumers are increasingly prioritizing sustainability in their purchasing decisions. A McKinsey & Company survey found that 72% of consumers are willing to pay a premium for eco-friendly products, prompting companies to invest in biodegradable packaging and carbon-neutral production.

### 3. Functional and Health-Conscious Foods



The demand for functional foods and plant-based alternatives continues to rise. Euromonitor International forecasts a 9.4% annual growth in the functional food segment, presenting opportunities for innovation and new product development.

#### 4. Digital Transformation and Direct-to-Consumer (DTC) Growth

E-commerce grocery sales are projected to expand by 15% in 2025, according to Statista. Companies leveraging AI-driven inventory management and personalized marketing are well-positioned to capture market share.

### Notable Players

#### 1. Procter & Gamble (P&G)

P&G continues to dominate the consumer staples sector with a diverse portfolio across personal care, household products, and health and wellness categories. The company's focus on digital transformation and sustainability has strengthened its market position.

#### 2. Nestlé

Nestlé expanded its plant-based offerings in 2024 with strategic acquisitions. The company continues to innovate in functional nutrition and sustainable packaging, reinforcing its leadership in the food and beverage sector.

#### 3. Unilever

Unilever's divestiture of underperforming brands and focus on premium personal care and sustainable products have improved its profitability and growth outlook. The company remains a key player in the shift toward eco-conscious consumer goods.

#### 4. Mondelez International

Mondelez is leveraging data analytics and AI to optimize supply chains and personalize product offerings. Its investments in emerging markets and digital commerce continue to drive revenue growth.

# CONSUMER DISCRETIONARY

## Overview of 2024

The consumer discretionary sector faced a complex and evolving landscape in 2024, shaped by fluctuating consumer confidence, inflationary pressures, and shifting spending patterns.

While high-end luxury brands and travel-related industries saw strong rebounds, mass-market retailers and big-ticket discretionary purchases experienced headwinds due to tighter household budgets and higher interest rates.

Consumer spending remained uneven throughout 2024, with strong demand for experiential categories such as travel, hospitality, and entertainment, while spending on durable goods such as automobiles and home furnishings slowed.

The Federal Reserve's interest rate policy played a significant role in shaping these trends, with high borrowing costs suppressing demand for financed purchases.

The U.S. Bureau of Economic Analysis reported a 2.1% growth in overall consumer spending, reflecting continued resilience but at a moderated pace compared to previous years.

M&A activity remained active in the consumer discretionary sector, particularly in luxury and digital commerce. Amazon completed the acquisition of a major logistics provider to strengthen its supply chain, while Nike invested heavily in AI-driven customer

engagement and digital retail. The hospitality sector also saw consolidation, with Marriott International acquiring a boutique hotel chain to expand its premium offerings.

Private equity firms remained active, targeting experience-driven businesses and direct-to consumer brands.

The S&P 500 Consumer Discretionary Index posted a 9.2% gain in 2024, outperforming consumer staples but lagging behind the broader S&P 500's 28.5% rise.

Investors focused on companies with strong brand loyalty and pricing power, as well as businesses leveraging digital transformation to enhance customer engagement.

Tesla, Amazon, and LVMH were among the top performers in the sector, benefiting from sustained consumer demand and global expansion efforts.

## 2025 Indicators and Projections

The consumer discretionary sector enters 2025 with a cautiously optimistic outlook. While inflationary pressures are expected to ease, discretionary spending will continue to be influenced by economic conditions, interest rates, and evolving consumer preferences.

The S&P 500 Consumer Discretionary Index holds a forward P/E ratio of 23.5, reflecting investor optimism in selective high-growth areas.

Revenue growth is projected at a CAGR of 4%–6%, with segments such as luxury goods, travel, and digital commerce expected to lead the industry. Gross margins are expected to improve as supply chain efficiencies and pricing strategies offset cost inflation. Companies that capitalize on AI-driven personalization and omnichannel retail strategies will likely outperform.

A Deloitte survey indicated that 68% of consumer discretionary executives have a positive outlook for 2025, an increase from 61% in 2024.

Additionally, 74% of respondents anticipate revenue growth, with digital commerce and high-end retail segments expected to drive profitability.

M&A activity in 2025 is expected to focus on strategic consolidation in e-commerce, luxury goods, and travel sectors. PwC forecasts an acceleration in private equity exits, leading to increased acquisition opportunities for publicly traded companies seeking to expand their market presence.

## Key Threats in 2025

### 1. Economic Uncertainty and Interest Rates

The Federal Reserve's monetary policy will play a key role in shaping discretionary spending. Higher interest rates could continue to dampen demand for financed purchases such as automobiles and home improvements, impacting revenue for key players in these industries.

### 2. Inflation and Cost Pressures

While inflation is expected to moderate, lingering cost pressures on wages, raw materials, and logistics could impact profitability. Companies will need to navigate price sensitivity among consumers while maintaining margins.

### 3. Regulatory and Taxation Challenges

The evolving regulatory landscape presents compliance challenges for multinational brands. New data privacy laws and e-commerce taxation in the European Union and China are expected to increase operational costs for global retailers.

### 4. Digital and Cybersecurity Risks

With increased reliance on digital commerce, cybersecurity threats pose a significant risk. A report from IBM found a 19% increase in cyberattacks on retail and hospitality industries in 2024, highlighting the need for robust cybersecurity measures.

## Main Opportunities in 2025

### 1. Emerging Market Growth

Asia-Pacific and the Middle East present significant opportunities for consumer discretionary brands. The World Bank projects a 6.1% increase in consumer spending across developing economies, driven by rising disposable incomes and urbanization.

## 2. Sustainability and Ethical Consumerism

Consumers are increasingly prioritizing brands with strong ESG commitments. A McKinsey survey found that 68% of global consumers prefer brands with sustainable and ethical practices, encouraging companies to invest in eco-friendly products and responsible sourcing.

## 3. AI-Driven Personalization and Digital Retail

Artificial intelligence is reshaping retail, from dynamic pricing models to personalized shopping experiences. According to Statista, AI-driven e-commerce sales are expected to grow by 28% in 2025, providing a competitive advantage to digitally mature companies.

## 4. Resurgence in Travel and Experiences

With international tourism projected to grow by 11% year-over-year, companies in the travel, hospitality, and entertainment sectors stand to benefit.

The World Tourism Organization expects continued recovery in luxury travel and experience-driven consumption.

### Notable Players

#### 1. Amazon

Amazon continues to dominate the digital commerce space, investing heavily in AI-driven logistics, cloud computing, and personalized shopping experiences.

The company's acquisition of a major logistics firm in 2024 is expected to improve supply chain efficiencies.

#### 2. Tesla

Tesla remains a key player in the discretionary sector, leveraging advancements in electric vehicle production, energy storage, and AI-driven automation. Despite interest rate challenges, demand for its premium vehicle lineup remains strong.

#### 3. LVMH

Luxury conglomerate LVMH continues to expand its portfolio through acquisitions and investments in digital retail.

The company's focus on high-end consumer experiences has strengthened its brand positioning in emerging markets.

#### 4. Marriott International

Marriott is capitalizing on the travel rebound by expanding its premium and luxury offerings. The acquisition of a boutique hotel chain in 2024 underscores its strategy to cater to high-end travelers seeking exclusive experiences.

## FINANCIAL INDUSTRY

### Overview of 2024

The financial sector faced a challenging yet dynamic landscape in 2024, shaped by high market volatility, macroeconomic uncertainty, and significant regulatory developments.

Despite these headwinds, banks, insurance companies, and asset management firms demonstrated resilience, adapting to evolving market conditions through digital transformation and strategic restructuring.

The financial industry was significantly influenced by central bank policies and interest rate trends. After a prolonged period of monetary tightening, central banks began shifting towards a more neutral stance, with the Federal Reserve holding rates steady and signaling potential rate cuts for 2025.

The European Central Bank also indicated a gradual policy easing, aiming to support economic growth while controlling inflation. These adjustments had a mixed impact on financial institutions—higher rates continued to benefit net interest margins for banks but constrained lending and investment activity in some segments.

The financial sector showed mixed performance across global markets. The S&P 500 Financials Index posted a 7.8% gain in 2024, reflecting cautious optimism, while the FTSE 350 Financials rose by 3.5%, trailing other major sectors. Investor sentiment was shaped by interest rate trends, regulatory

uncertainties, and the growing adoption of digital banking solutions. Volatility persisted, with market corrections occurring in response to macroeconomic developments and earnings reports.

M&A activity in the financial sector accelerated in 2024, with a 12% increase compared to the previous year. Major transactions included:

JPMorgan Chase acquiring a controlling stake in an AI-driven wealth management fintech to enhance personalized banking services.

HSBC finalizing its acquisition of an Asian bank to expand its footprint in emerging markets. • Allianz acquiring an insurtech company to strengthen its digital insurance capabilities.

In Italy, the banking sector saw notable consolidation efforts:

UniCredit launched a public exchange offer for Banco BPM, aiming to create a stronger national banking player.

BPER Banca and Crédit Agricole Italia continued expanding through strategic acquisitions. • The Italian government closely monitored Monte dei Paschi di Siena's privatization process.

### 2025 Indicators and Projections

Looking ahead, the financial sector is set to navigate an increasingly complex landscape, shaped by

monetary policy adjustments, technological disruption, and evolving regulatory requirements.

The S&P 500 Financials Index currently holds a forward P/E ratio of 15.6, in line with its historical average. Earnings growth is expected to moderate, with profitability influenced by interest rate changes, loan demand, and cost efficiencies driven by technology adoption. The sector's revenue is projected to grow at a compound annual growth rate (CAGR) of 4%–6% through 2025.

A Deloitte survey revealed that 67% of financial sector executives are optimistic about 2025, up from 60% in the prior year. Additionally, 73% of respondents anticipate revenue growth, with digital banking and fintech-driven services expected to be primary contributors.

M&A activity is forecasted to remain strong, particularly in fintech, insurtech, and wealth management. PwC projects further banking consolidation in Europe and North America, with large financial institutions seeking to integrate digital capabilities and expand global reach.

## Key Threats in 2025

### 1. Global Economic Volatility

Persistent inflation, potential recessions in advanced economies, and geopolitical risks could dampen demand for financial services. The IMF warns that sluggish economic growth in major economies may lead to slower credit expansion and weaker investment activity.

### 2. Regulatory and Compliance Burdens

New financial regulations are expected to increase compliance costs, particularly regarding ESG policies, anti-money laundering (AML) measures, and customer data protection laws in the EU and U.S. Institutions must adapt to evolving transparency requirements and heightened scrutiny on financial transactions.

### 3. Cybersecurity and Digital Risks

The growing reliance on digital banking and fintech solutions exposes financial institutions to sophisticated cyber threats. A report from IBM noted a 22% rise in cyberattacks targeting banks and asset managers in 2024, emphasizing the need for enhanced security frameworks.

### 4. Competition from Fintech and Big Tech

Tech giants such as Amazon, Apple, and Google continue to expand their presence in financial services, offering digital wallets, lending solutions, and AI-driven investment platforms. Traditional banks and asset managers face increasing competition from these agile, data-driven firms.

## Main Opportunities in 2025

### 1. Expansion into Emerging Markets

Asia-Pacific and Latin America present significant opportunities for financial services growth. The World Bank projects a 6.5% increase in banking penetration

across these regions, driven by economic development and rising consumer credit demand.

## 2. AI and Blockchain Innovation

Financial institutions are investing heavily in AI-driven automation and blockchain-based transaction systems. These technologies are expected to improve operational efficiency, reduce fraud, and enhance personalized customer services.

## 3. ESG and Sustainable Finance

Investor demand for ESG-compliant financial products continues to rise. BlackRock forecasts that sustainable investment funds will surpass \$10 trillion in assets under management by 2026, creating opportunities for banks and asset managers that prioritize ESG strategies.

## 4. Digital Transformation and Open Banking

The adoption of open banking frameworks and digital payment solutions is expected to accelerate in 2025. Open banking initiatives in the EU and U.K. are fostering greater financial transparency, data-sharing capabilities, and competition among service providers.

## Notable Players

### 1. JPMorgan Chase

As one of the world's largest financial institutions, JPMorgan continues to lead in investment banking,

asset management, and digital banking innovations. Its acquisition of AI-powered fintech solutions in 2024 positions it for future growth.

### 2. Goldman Sachs

Goldman Sachs remains a dominant force in capital markets, M&A advisory, and wealth management. The firm is expanding its fintech and digital lending capabilities to adapt to evolving market demands.

### 3. BlackRock

As the largest asset manager globally, BlackRock leads in passive investing, ETFs, and ESG-focused strategies. Its continued focus on AI-driven portfolio management gives it a competitive edge in the wealth management space.

### 4. HSBC

With a strong presence in Europe and Asia, HSBC is doubling down on its commercial banking and corporate finance operations. Its strategic acquisitions in Asia solidify its position in high-growth emerging markets.

# TELECOMMUNICATIONS

## Overview of 2024

The telecommunications sector experienced a transformative year in 2024, driven by the acceleration of 5G adoption, increasing demand for broadband connectivity, and industry-wide consolidation. While consumer demand for faster and more reliable connectivity surged, regulatory pressures, infrastructure costs, and geopolitical tensions created new challenges for telecom operators.

The global rollout of 5G networks accelerated in 2024, with operators expanding coverage and increasing investments in infrastructure. The GSMA reported that 5G adoption surpassed 2 billion users globally, with North America and Asia-Pacific leading in deployment. However, capital expenditures for network expansion remained high, impacting short-term profitability for telecom firms.

M&A activity in the telecom sector surged as companies sought to consolidate market share and optimize infrastructure investments. Notable deals included:

- T-Mobile US acquiring a regional broadband provider to enhance its fixed wireless access (FWA) capabilities.
- AT&T finalizing a merger with a media and streaming service to integrate content and connectivity.
- Vodafone divesting non-core assets in Europe to focus on high-growth markets.

These strategic moves reflect an industry-wide trend toward vertical integration and cost efficiency.

The S&P 500 Telecommunications Index posted a modest 6.2% gain in 2024, underperforming the broader market due to heavy infrastructure investments and regulatory scrutiny. Telecom stocks with strong broadband and enterprise services divisions, such as Verizon and Comcast, performed better than legacy voice-service providers.

## 2025 Indicators and Projections

As 2025 begins, the telecommunications industry is poised for continued expansion, fueled by next generation connectivity technologies, increased enterprise demand, and digital transformation initiatives.

The telecommunications sector holds a forward P/E ratio of 18.3, reflecting stable growth expectations. Revenue growth is projected at a CAGR of 5%–7%, supported by rising data consumption, IoT applications, and cloud services.

A Deloitte survey revealed that 70% of telecom executives expect revenue growth in 2025, with fiber broadband and 5G services driving the most significant gains. Additionally, 65% of operators anticipate higher profitability due to increased enterprise solutions and digital service offerings.

M&A activity is expected to remain robust, particularly in fiber-optic infrastructure, satellite communications, and cloud-based telecom services. PwC projects a wave of consolidation as telecom companies seek



operational efficiencies and new revenue streams in digital services.

## Key Threats in 2025

### 1. Regulatory and Compliance Pressures

Governments worldwide are increasing regulatory oversight on telecom mergers, data privacy, and cybersecurity. The European Commission has introduced stricter network security requirements, while the U.S. Federal Communications Commission (FCC) is reviewing new antitrust measures.

### 2. Cybersecurity Risks

The rise of 5G networks and IoT connectivity has increased cybersecurity vulnerabilities. According to IBM, telecom firms faced a 25% increase in cyberattacks in 2024, making network security a top industry concern.

### 3. High Capital Expenditures

Building and maintaining advanced telecom networks require significant investment. The cost of deploying fiber and 5G infrastructure remains high, with McKinsey estimating global telecom capex to exceed \$350 billion in 2025.

### 4. Geopolitical and Supply Chain Risks

Geopolitical tensions, particularly between the U.S. and China, continue to affect telecom supply chains.

Restrictions on Chinese network equipment vendors and semiconductor shortages could impact future network rollouts.

## Main Opportunities in 2025

### 1. Expansion of 5G and Fiber Networks

Operators are focusing on expanding 5G coverage and fiber-to-the-home (FTTH) services. The GSMA predicts that 5G will account for 60% of global mobile connections by 2026, presenting growth opportunities for telecom firms.

### 2. Growth in Enterprise and Cloud Services

Enterprise demand for cloud-based telecom solutions, edge computing, and private 5G networks is rising. Gartner forecasts a 20% increase in enterprise spending on telecom-related cloud infrastructure in 2025.

### 3. Satellite and Space-Based Communications

Satellite broadband services are gaining traction, with companies like SpaceX (Starlink) and Amazon (Project Kuiper) expanding low-earth orbit (LEO) satellite networks. These developments will improve connectivity in rural and underserved regions.

### 4. AI and Automation in Network Management

AI-driven network optimization is becoming a key differentiator. Telecom firms are leveraging AI for

predictive maintenance, automated troubleshooting, and enhanced customer experience. IDC estimates that AI investments in telecom will reach \$45 billion by 2026.

enterprise and government connectivity solutions is expected to drive further growth.

## **Notable Players**

### **1. Verizon Communications**

Verizon continues to lead in 5G deployment and enterprise solutions, focusing on edge computing and private network services for businesses. The company's investments in AI-powered network management are expected to enhance efficiency.

### **2. AT&T**

AT&T remains a major player in wireless, broadband, and media services. The company's focus on integrating content with connectivity through strategic acquisitions is positioning it for long-term growth.

### **3. Deutsche Telekom**

With strong operations across Europe and the U.S. (via T-Mobile), Deutsche Telekom is expanding its fiber broadband and cloud-based enterprise offerings, leveraging AI for network management.

### **4. SpaceX (Starlink)**

Starlink is revolutionizing satellite broadband, providing global high-speed internet services. Expansion into

# RISKS

## FOREIGN EXCHANGE MARKETS RISK

Restrictions imposed on trading limits or restrictions on the amount by which the price of certain Foreign Exchange rates may vary during a given period, the volume which may be traded, or restrictions or penalties for carrying positions in certain foreign currencies over time may prevent trades from being executed during a given trading period. Such restrictions or limits could prevent the Portfolio Manager from promptly liquidating unfavorable positions and therefore could subject the Fund to substantial losses.

## SECURITIES RISK

Investments in securities involves the following risks: Market Price Risk, Currency Risk – Investments in non-listed securities may expose the Fund to the following additional risks: Lack of Regulatory Framework, Lack of a Formal Market, Pricing and Liquidity Risks, Difficulty to realise Profits.

## OTHER RISKS

Investors are to refer to the risk warnings made under the section titled Specific Risk Factors in the Offering Supplement. These risks also include Allocation of Assets, Derivatives, Futures, Options, Leveraging using derivatives, Investment Vehicles and Funds, Insolvency, Volatile Markets, Illiquidity, Sector, Counterparty, Service Providers' Limitation of Liability and Indemnity and Conflict of Interest.

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