The NIC Fund
Monthly Management Report

January 2012

Nova Investment Club

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Table of Contents

1. Market Review
2. Performance Monitoring
3. Trading Strategies
4. Management and Participants

1.Market Review

The month of January was marked by several events that increased again the belief in the markets. In the very first week of the year the S&P rallied 4,6% after being disclosed that Democrats and Republican had reached an agreement regarding the "Fiscal Cliff". This "Fiscal Cliff" deal did not include a debt ceiling hike, which means that the need of another intervention may appear in the next few months. Since there are no signs of compromise agreement, the possibility of Treasury default, although remote, cannot be entirely ruled out. This week the S&P index traded at values that had not been reached since December 2007, with all the 10 economic sectors notching expressive gains. The international equity markets, in general, registered gains moderately lower than the US ones.

During the week ending on January 11, the markets received historical inflows to equity mutual funds, in an increase of more than $20B. Not even that fact made the S&P grow much, having only a gain of 0,4%, which calmed down the analysts expectations after the strong first week of the year. Around the world most major markets bested the S&P 500. The Yen suffered a devaluation after the Japanese Prime Minister Shinzo Abe announced a $117B stimulus plan aiming to revitalize the economy. At this time, analysts were also alert to the possibility of the bank of Japan announcing a monetary easing still later on in January. The Euro and the British Pound outperformed.

The third week of the month was the third consecutive week in which the S&P 500 registered gains, 1,0%. The big winners of the week were the cyclical sectors (Energy, Industrials and Consumer Discretionary) with gains around the 2%. The sectors declining the most were Information Technology (-0,5%) and Telecom Services (-1,9%). Across Europe the indexes closed the week with mixed behaviors, with the DAX (-0,2%) and IBEX (-0,7%) performing negatively. The FTSE 100 gained 0,5%. Also in this week good news came from China as the numbers of GDP growth were published. China grew 7,9% YoY in the last semester of 2012 while the consensus pointed to 6,9%.

In the fourth week of January the House of Representatives voted and suspended the debt limit until May 19. The IMF cuted again the global growth forecasts, predicting a second year of contraction in the Euro region, as the economic recovery is very slow and in some cases inexistent. After some speculation, the Bank of Japan announced the target for 2% inflation, letting know that the asset buying program will start next year. Commodities declined 0,6%, with the gold losing 1,5% (-1,0% YTD).

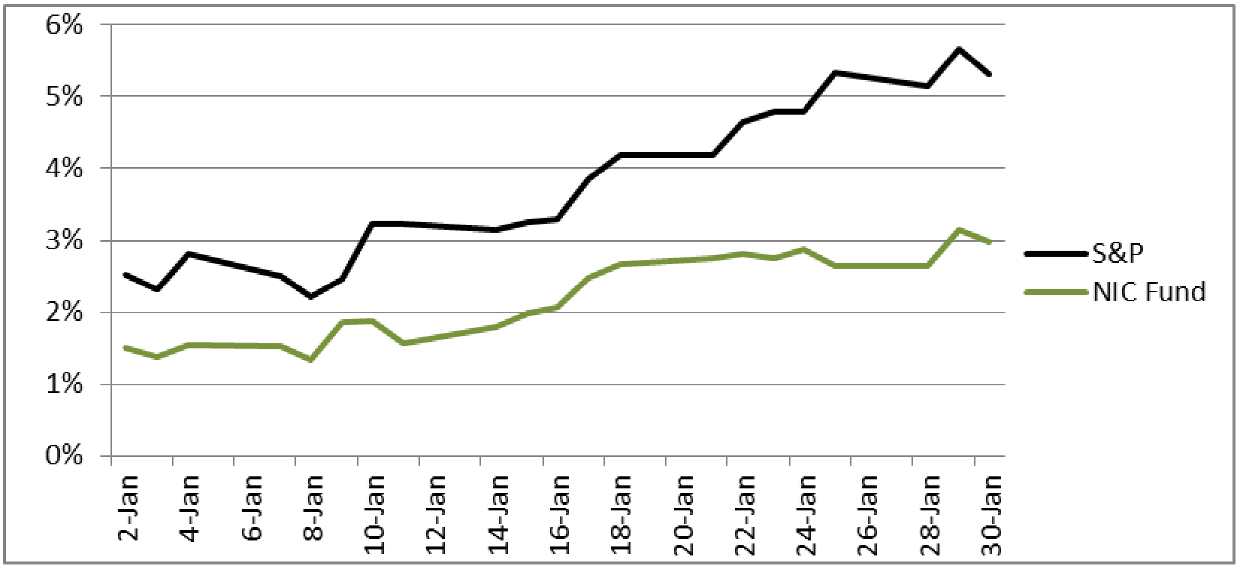
2.Performance Monitoring

Overall Performance and Benchmark Comparison

The month of January was marked by a gain in the price of our benchmark, S&P, that reached values that were not reached since December 2007 and went, for the first time in five years, again up to the $1500. The S&P 500 was then able to achieve a Holding Period Return (HPR) of 5,30% in just 30 days. Because of this unexpectedly high returns in our benchmark, we were not able to outperform it, having achieved an HPR of 2,98%.

As of volatility, the volatility of the Fund is low (6,15%) when compared to the volatility of the S&P 500 (9,91%). Nevertheless the Sharpe Ratio of the S&P 500 is a little better than the Fund's (6,42 vs. 5,81). The number of positive days in the month of January was the same in the Fund as in the benchmark. All the key performance indicators and the evolution of the NIC Fund and the S&P 500 throughout the month of January can be observed in the table and graph below.

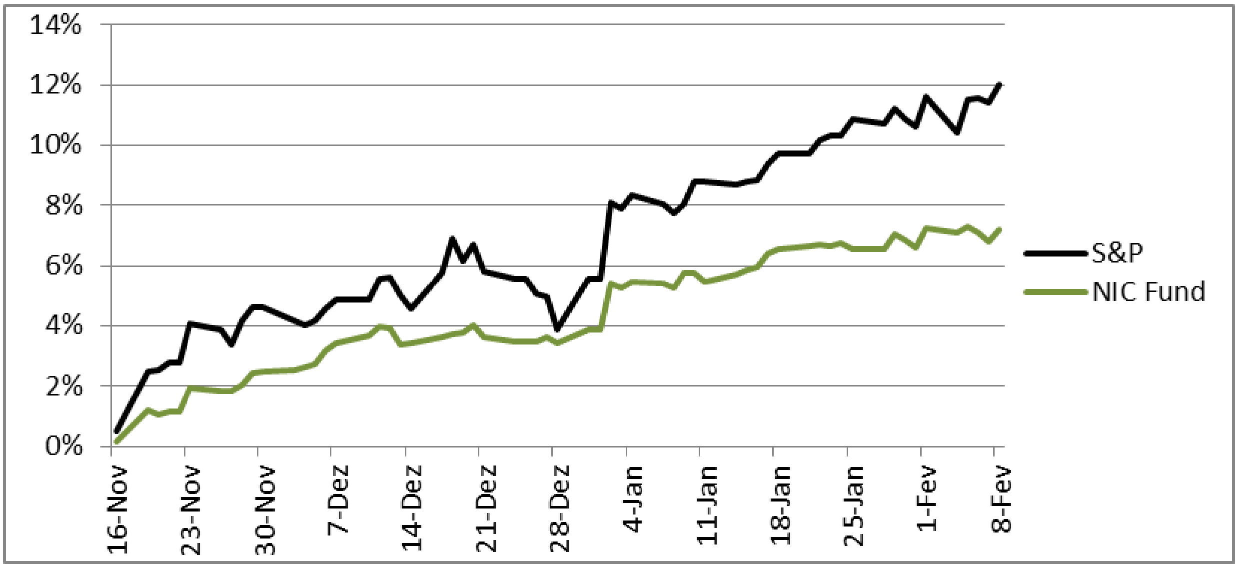
Performance Indicators	Fund	S&P
Return	2,98%	5,30%
Return (annualized)	35,72%	63,60%
Volatility (annualized)	6,15%	9,91%
Sharpe Ratio	5,81	6,42
% Positive days	67%	67%



The performance of the Fund since its inception has reached a HPR of 7,18% which has underperformed the S&P 500 that managed to reach an outstanding HPR of 11,98%. Again, this was motivated by a great and for long no seen performance of our benchmark that made it more complicated to beat.

As of volatility we reached an really small value when compared to our benchmark, since the 5,30% that we registered less than halve the 10,97% registered by the S&P. Mainly due to this low value of volatility, we managed to reach a better Sharpe Ratio than the S&P 500. For the risk taken, the level of return we achieved was, then, better than the S&P's. In the two months and a half of duration of this fund we also managed to have more days with a positive performance than our benchmark did. The table and the graphic below show the comparison since the inception of the Fund.

Performance Indicators	Fund	S&P
Return	7,18%	11,98%
Return (annualized)	34,46%	57,50%
Volatility (annualized)	5,30%	10,97%
Sharpe Ratio	6,50	5,24
% Positive days	64%	59%



As it can be seen in the table below, there are only four ETF's in the fund that, in January 2013, performed negatively. The worst performing one was the "*Currency Shares Japanese Yen Trust*" which is understandable since, as it was explained before, Japan has just approved another phase of quantitative easing program in order to try to reach the target inflation of 2%. The other funds performing negatively invest on property stocks in the real estate sector in the Euro zone, rare earth and strategic metals and inflation-protected US Treasuries.

In the fund there are three ETFs that, over the two months and a half of existence of this fund as it is now, changed negatively the amount invested. Again, we can see that the ETF that is losing more is clearly the "*Currency Shares Japanese Yen Trust*", with an accumulated loss of €202.858 (around 13% of the initial investment). The other two have lost much less when compared to the initial investment, but still worth mentioning. The "*iShares Barclays TIPS Bond Fund*", invests on inflation-protected US Treasuries and it has lost around 1% of the initial investment and the "*iShares Gold Trust*" which invests only in gold and has lost around 3%. Overall and with the €80M invested on the 15th of November of 2012 the fund has generated almost €6M.

Security	Description	Country	Category	Investment (M€)	Change in Value (€)	Overall Return	Return Jan
XES_US	SPDR S&P Oil & Gas Equipment & Services ETF	Global	Commodities	1,6	439.283	27,46%	9,55%
IASP_LN	iShares FTSE EPRA/NAREIT Asia Property Yield Fund	Asia	Real Estate	6,4	643.372	10,05%	8,28%
EPHE_US	iShares MSCI Philippines Investable Market Index Fund	Philippines	Emerging Markets Equity	6,4	1.369.931	21,41%	7,60%
THA_FP	Lyxor ETF Thailand	Thailand	Emerging Markets Equity	6,4	957.987	14,97%	6,50%
QTEC_US	First Trust NASDAQ-100 Technology Index Fund	US	Global Equity	1,6	258.993	16,19%	6,37%
2823_HK	iShares FTSE A50 China Index ETF	China	Global Equity	1,6	388.407	24,28%	5,93%
VYM_US	Vanguard High Dividend Yield ETF	US	Global Equity	6,4	737.126	11,52%	5,80%
IYR_US	iShares Dow Jones US Real Estate Index Fund	US	Real Estate	1,6	197.384	12,34%	4,52%
WLD_FP	Lyxor ETF MSCI World EURO	Global	Global Equity	6,4	495.086	7,74%	3,49%
XMIN_SP	MSCI INDONESIA TRN Index ETF	Indonesia	Emerging Markets Equity	1,6	59.090	3,69%	1,89%
TUR_US	iShares MSCI Turkey Index Fund	Turkey	Emerging Markets Equity	1,6	168.497	10,53%	0,49%
FXF_US	Currency Shares Swiss Franc Trust	Switzerland	Currency	1,6	42.725	2,67%	0,46%
JNK_US	SPDR Barclays High Yield Bond ETF	US	Fixed Income	6,4	224.183	3,50%	0,39%
FXA_US	Currency Shares Australian Dollar Trust	Australia	Currency	6,4	21.412	0,33%	0,32%
IAU_US	iShares Gold Trust	Global	Commodities	6,4	-179.116	-2,80%	0,07%
WIP_US	SPDR DB International Government Inflation-Protected Bond ETF	Global	Fixed Income	6,4	227.533	3,56%	-0,30%
TIP_US	iShares Barclays TIPS Bond Fund	US	Fixed Income	6,4	-87.345	-1,36%	-0,82%
EEE_FP	EasyETF FTSE EPRA Eurozone	Europe	Real Estate	1,6	58.737	3,67%	-2,14%
REMX_US	Market Vectors Rare Earth/Strategic Metals ETF	Global	Commodities	1,6	134.292	8,39%	-2,38%
FXY_US	Currency Shares Japanese Yen Trust	Japan	Currency	1,6	-202.858	-12,68%	-4,92%

3.Trading Strategies

Bernardo Reis

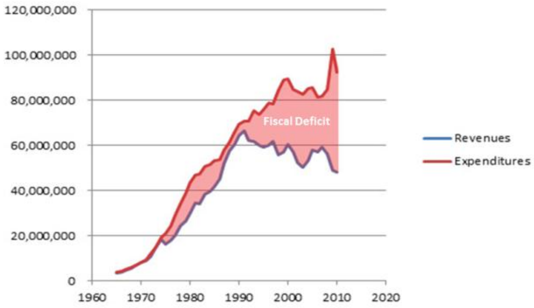
Trade Summary

Long PT 10y 60%
Long Spain 10y 60%
Short Japan 10y 20%

Asset Class: Fixed Income
Region: Asia & Europe

Portugal went back to the bond markets in January, after an issuance of €2,5B of sovereign bonds due to mature in October 2017. The operation was a success with the demand overcoming the supply by more than four times. To be qualify to the Outright Monetary Transactions (OMT) Portugal will need to issue again and now with longer maturities. I do believe that there is still margin for the yields to decrease.

The EU budget cut with the justification of being in a crisis does not seem to please the European Parliament and it is almost sure that the budget will not be accepted. With no other choice available the budget will have to be raised, which means that more money will be distributed to the countries. There is now a controversy about corruption in the Popular Party of Spain. That fact influenced the yields of the Portuguese Republic that increased when this topic was announced.



On the other side Japan went once again to the spotlights for the very high level of Debt it has reached. The IMF expects Japan's debt to have reached around 237% of the GDP, while Greece, for instance, has 171%. Furthermore the Bank of Japan has just announced a new quantitative easing process which shall make the prices of the assets even lower. All in all, my strategy would be to short sell Japanese Sovereign Bonds.

Luís Meirinhos

Trade Summary

Long Microsoft 50%
Long IBM 50%

Asset Class: Global Equity
Region: US

Despite the recent warnings of a slow recovery, investors get more optimistic as markets spring. With another green month for several indices, investors are starting to change their investment strategies to incorporate further risk.

Because when markets go down technology is one of the first fields to fall, it is also one of the first fields to jump when markets recover and today that is no exception. Microsoft, Apple, Google, IBM, you name it, all of them have been closing positive and will continue to do so for a while. Among that cluster, Microsoft and IBM are specially interesting to go long. The apparent success of the just released surface that successfully positions between a regular tablet like iPad and an ultrabook as well as the launching of other products in several new countries such as office 365 and the prospect of a year with new technology trends makes Microsoft a company to bet in 2013.

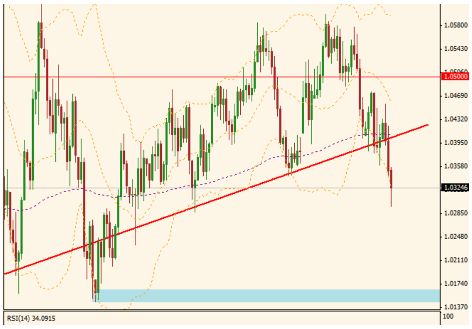
Michael Tanjung

Trade Summary

Short AUS/USD 100%

Asset Class: Currencies
Region: Global

Australian Dollar (AUD) has been weakening against the USD since its rally started in the month of October. As seen in the chart, price has broken the upward sloping trend line indicating its weakness may continue for an extended period. Fundamentally speaking, the *4Q Retail Sales* report of 0,1% has just missed market expectations of 0,3%, and the seasonally adjusted retail sales posted a -0,2% decrease in December, compared with a revised -0,2% decrease in November, which also came in well below expectation set for 0.3%. In addition to that, the Reserve Bank of Australia (RBA) has just stroked a dovish tone for monetary policy. Consequently, we are confident to generate profits from this trading strategy.



We are targeting 1,015 in a near term, and possibly moving our target to 1,00 in a longer term if price is able to break the 4 months low, or around 1,015 level (light blue area). Nevertheless, we feel comfortable to put our stop-loss above 1,050 level (red marker).

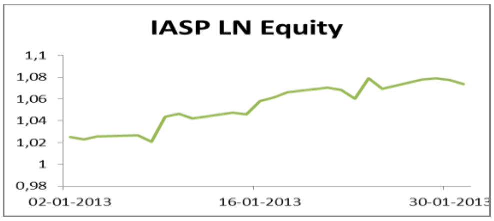
Naim Patel

Trade Summary

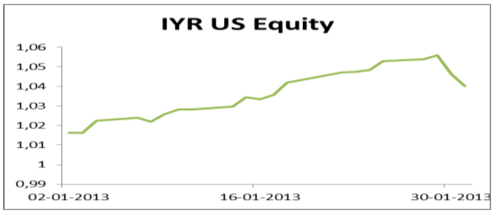
Long Asia Property 50%
Long US Real Estate 50%

Asset Class: Real Estate
Region: Asia & US

Asian emerging markets are facing a need to have access to more houses, infrastructures and commercial buildings, leading to a boom in the real estate market. Moreover, developed cities such as Singapore, Hong Kong and Shanghai, are investing more in high quality buildings. iShares FTSE EPRA/NAREIT Asia Property Yield Fund has sown very good positive returns over month of January. Hence, I believe the best strategy is to go long on this ETF during the month of February.



Real estate is expected to recover over this year, together with gains in rents, leasing and job creation. San Francisco, New York City and San Jose are the top three investment receivers representing a positive trend to the real estate market for 2013. Proof of this was the considerable positive returns of iShares Dow Jones U.S. Real Estate Index Fund. Nevertheless, care should be taken in this market given that the economy is still recovering at a low rate. However, I believe that the best strategy for February would be to go long on this fund.



4.Management and Participants

Legal and Institutional Disclaimer

The NIC Fund is a pure virtual fund, with no real implications, excusing itself by this reason from fulfilling any kind of legal requirements established by law. As there are no returns from a virtual fund, there is also no rationale for distributing them. On this reasoning, the Fund shall compound returns adding them to the value of the Fund periodically. In the same way, as there is no real capital involved, no commissions will be charged.

The Management Team or any other NIC member or equity research author are not responsible for any wrong interpretation, whether it be in the form of recommendation or advisory, or other, that may be done by investors using the information and decision taken in the sphere of the Fund's activity.

The role of the decisions, research and other information done is only pedagogical and must not be interpreted as true or even as a hint. Anyone who does so cannot claim liability with the Nova Investment Club or any other intervenient in this process.

Management Company Details

The Management Company role is represented in this fund by the Nova Investment Club, recognized as a non-profit organization by the Portuguese legislation. Due to the virtual and legally disclosed nature of the NIC Fund, the interpretation of the Management Company must not be seen from a legal perspective, but merely as the entity that develops this activity.

The Management Team is composed by all Nova Investment Club members. The role of the Management Team is to prosecute the objectives described for the existence of this investment tool and cannot be extended further than that, unless explicitly justified and approved.

Participants

The objective of The NIC Fund is to provide members and M.Sc. in Finance students with a powerful and real learning tool that incorporates the output of their knowledge. In this sense, we see the target public as the whole investment community whose interest is sparked by this initiative and wishes to follow it on a regular basis. There are no requirements to these individuals, and, if anything, we strongly appreciate any help or useful comments that there may surge.

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

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