Newsletter

February 2015

Contents

Investment Banking Report
NIC Fund
Article

nic Nova Investment Club
www.novainvestmentclub.com

Index

Investment Banking Report

1. Macro Overview 3
   Countries' Economic Data | Sector's Overview 4
2. Followed Companies
   HSBC | Alibaba Group | Tesla Motors 5
   Seagate Technology | Wal-Mart Stores | ThyssenKrupp 6
   Petrofac | Maersk | Telefonica 7
3. Detailed Review
   BPI 8
   Google 10
4. Mergers and Acquisitions 12

The NIC Fund

1. Macro Outlook 13
2. Fixed Income, FX and Commodities 14
3. Equities 16

February Article 18

Upcoming Events 19

Investment Banking Report
February

February 2015

www.novainvestmentclub.com

Companies
- HSBC
- Alibaba Group
- Tesla Motors
- Seagate Technology
- Wal-Mart Stores
- ThyssenKrupp
- Petrofac
- Maersk
- Telefonica

This month's detailed company reviews:
- BPI
- Google

Table of Contents

1. Macro Overview
2. Followed Companies
3. Detailed Review
4. Mergers and Acquisitions

1. Macro Overview

In February, the Greek government received a boost when it finally reached an agreement with its Eurozone creditors on a four-month extension of the Greek bailout beyond its February 28 expiry date, hereby staving off a bank run and possible national bankruptcy. The deal entails a four-month extension of Athens' $172bn bailout program. Although the extension gives the Greeks some hope, the country faces a deadline (April) for convincing Eurozone partners that they are serious about the reforms. If they fail, Athens would run out of cash, possibly triggering an exit from the single currency bloc.

Furthermore, still regarding the Eurozone, since the bonds that the ECB needs to buy to meet the QE program are more than those Germany has to offer, the yields have been pushed down.

Asian stocks rose in the last week of February, after China cut interest rates by a quarter of a percentage point. The main reasons for the last cut appear to be the deflationary risk and the housing market slowdown. Alongside with the cut in interest rates, China has been showing additional signs of stagnating economic growth with GDP dipping to 7.3% in the fourth quarter of 2014, which is the slowest rate in over 20 years. The rate is in line with the pace observed earlier in the year, but much below when compared with the previous decade. Beijing's strategy is to rebalance activity by promoting domestic demand instead of focusing on exports. In practice, this will entail the pursuit of structural reforms while providing targeted stimulus. If the Chinese governments succeeds, GDP growth should remain at about 7% in 2015, meaning that the jobs and social stability could be preserved.

The Federal Reserve is following a different strategy than the ECB, highlighted by the signs of US economic recovery. In February, 295,000 new non-farm payrolls were created (more than in January and surpassing expectations) and the unemployment rate fell to 5.6%. As a consequence, interest rates are expected to increase in the near future. Because of the expectations of increasing borrowing costs, the S&P 500 futures slipped by 7 points to 2,094, 1.1% below the record closing price of March 2nd, while the index continues to trade at historical high levels.

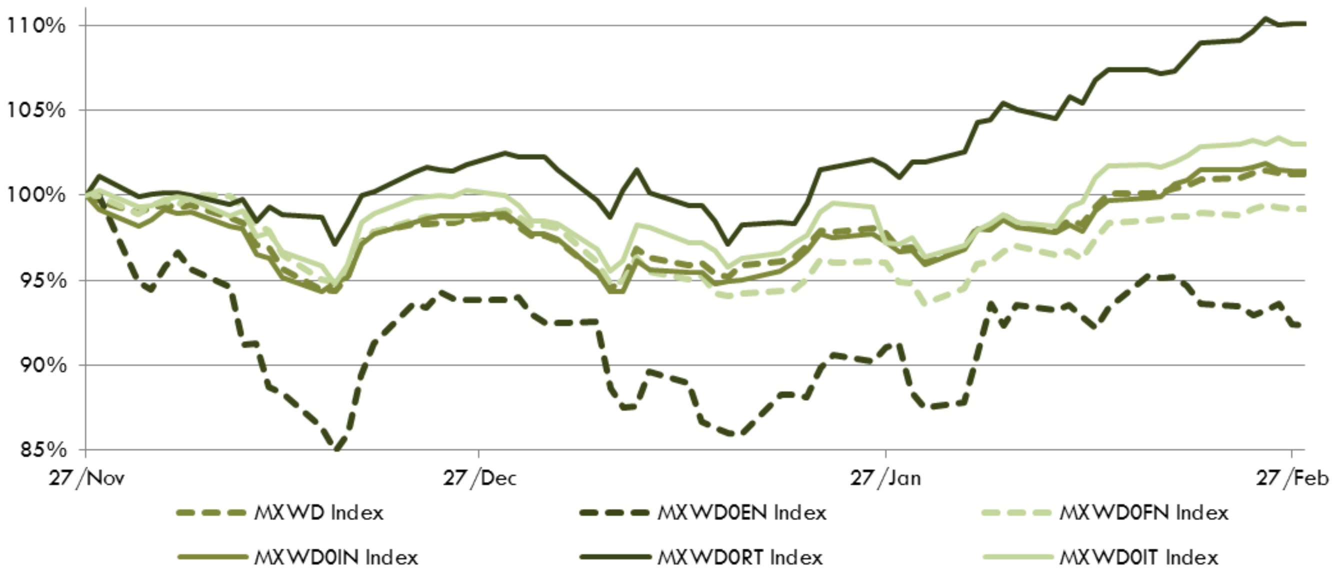
India's Central Bank and Finance Ministry have agreed to introduce inflation targeting after a long history of volatile price rises. The inflation targeting, which is set at 4% for fiscal 2016/2017, will notably be the biggest change to India's monetary policy since opening up its economy two decades ago.

Countries' Economic Data

Country	January Inflation (%)		Exchange Rate		Unemployment Rate (%)		10 Year Yield	
	MoM	YoY	USD	Monthly Change (%)			Current (%)	Montlhy Change (bp)
United States	-0.68	-0.1	1	-	5.70	Q4	1.993	17
Eurozone	0.6	-0.3	1.1196	-1.63	11.40	Q4	0.328	-6
Portugal	-1.4	-0.393	1.1196	-1.63	13.50	Q4	1.828	-62
Japan	-0.2	2.4	0.00836	-1.46	3.47	Q4	0.335	7
Greece	-0.6	-2.2	1.1196	-1.63	26.00	Q4	9.429	-5
Russia	2.2	16.7	0.01586	7.38	5.20	Q4	n/a	n/a
China	1.2	1.4	0.15958	-0.42	4.09	Q4	3.370	-8
Brazil	1.22	7.7	0.3502	-9.88	4.60	Q4	12.288	52

- The United States' economy is currently in deflation. Consumer prices in the US dropped by 0.1% YoY in February, which is the lowest rate since late 2009. On a monthly basis prices went down by 0.68%, mainly due to falling gasoline prices. YoY energy prices fell by 19.6%, with gasoline recording the highest drop (-35.4%). Additionally, the US economy experienced downward pressures from utility gas service (-0.4%), used cars and trucks (-4.0%), and apparel (-1.4%). In contrast, food cost rose by 3.2%.
- The Euro experienced a further depreciation against the USD in February, mainly due to worries about Greece's continued membership in the Eurozone and the planned QE program. Due to the European Central Bank's planned printing of 60 billion euros per month in order to purchase sovereign debt, and the FED planning to raise interest rates, the Euro is expected to depreciate further. The weaker Euro should result into either higher sales for Eurozone companies that choose to lower their prices, or higher revenues if the foreign currency price of their products is kept constant (and translate into more euros).

Sectors' Overview



- Overall, sector indexes showed an upward trend during the month of February. However, as the graph above illustrates, the MSCI World Energy Index (MXWD0EN) dropped at the end of January as oil prices fell further. As the companies listed on the MSCI World Energy Index are mainly oil companies which are chiefly driven by oil prices, the drop is not surprising as volatility in oil prices continues.
- The Retail index (MXWD0RT) recovered after being down during January, as the index reached 110% at the end of February. The Industrials index (MXWD0IN) and the Financial Sector (MXWD0FN) continue to show similar market movements.

Source: Bloomberg (as of 28.02.2015)

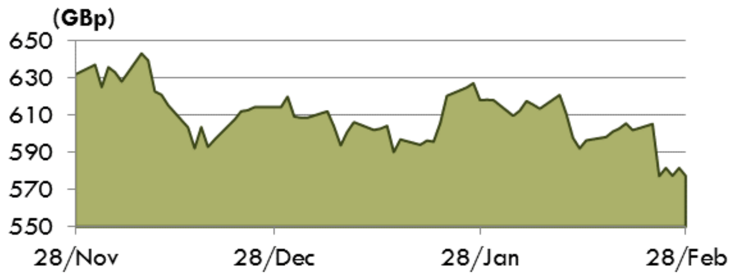
2. Followed Companies

HSBC PLC

(Ticker: HSBA LN Equity)

Industry: FIG

- HSBC admitted that the firm's Swiss private banking arm may have held accounts for tax avoidance practices, after confidential documents were leaked to several news agencies. The allegations claim that HSBC opened Swiss bank accounts for clients who may have breached national tax laws and actively marketed tax aviodance strategies. The pressure on the bank's executive is high. HSBC's CEO Stuart Gulliver and group chairman Douglas Flient were called for questioning by the UK's Treasury Committee.
- We saw a further sharp decline in share price about 7% after HSBC reported the worst quaterly results since 2010, with Q4 pre-tax profits dropping 56%.



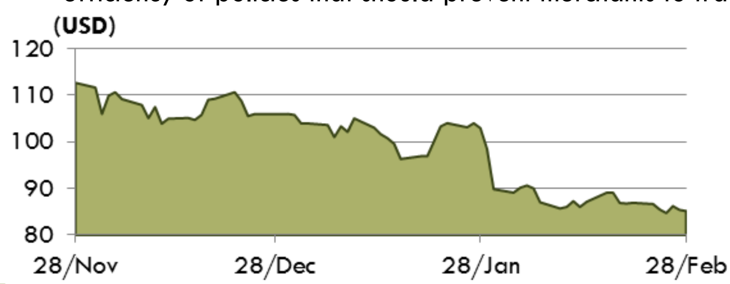
Price (GBp): ↑	577.30
Target Price (GBp):	640.25
Up/downside:	10.9%
Performance 3M:	-9.4%
P/E Ratio:	12.9x
ROC/WACC:	0.8x

Alibaba Group

(Ticker: Baba US Equity)

Industry: TMT

- We saw Alibaba further decline after a weak performance in the last quarter, with shares down by about 24% over the last 3 months. While revenues increase significantly in Q3 (54%) and Q4 (40%) YoY net income dropped by 17% and 28%, respectively. While Alibaba attributes the losses to amortization and share-based compensation, investors who bought shares at the IPO for $68 might be tempted to sell their shares after the end of the lockup period for 17% of the shares outstanding on the 18/03/2015.
- Further concerns were raised about an SEC request targeting non-disclosed claims from the SAIC 3 month ahead of the IPO last September. The Chinese regulator questions the efficiency of policies that should prevent merchants to trade counterfeit goods.



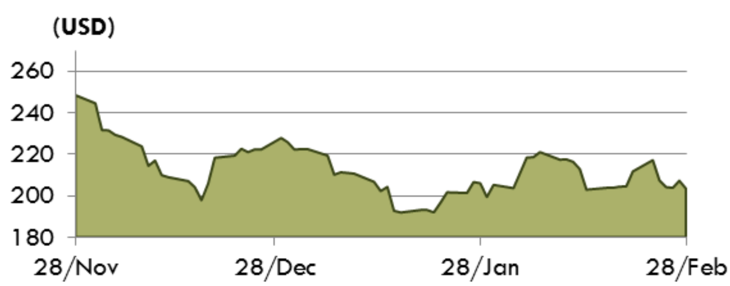
Price (USD): ↑	85.12
Target Price (USD):	110.40
Up/downside:	29.7%
Performance 3M:	-23.8%
P/E Ratio:	45.9x
ROC/WACC:	1.6x

Tesla Motors Inc

(Ticker: TSLA US Equity)

Industry: Industrials

- Tesla missed analysts' expectations of $1.23bn in revenues for Q4 2014 and reported $66m due to a shortfall in delivieries of the new dual-motor P85D model. It is not the first delay this year, where factory retooling reduced the production of the electric vehicle manufacturer by about 2,000 cars. But most imporantly it had to delay the relase of the X model for about 18 month, originally planned for late 2013.
- While financial figures still look fine, and Tesla meets its target to improve operational efficency, analysts watch carefully the rollout of the Model X, where Tesla has to prove its production abilities.



Price (USD): ↑	203.34
Target Price (USD):	277.50
Up/downside:	36.5%
Performance 3M:	-16.8%
P/E Ratio:	n/a
ROC/WACC:	-0.6x

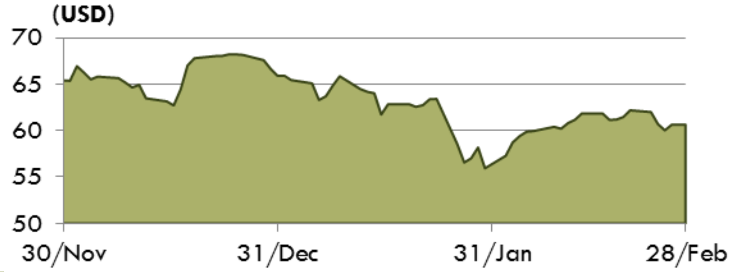
2. Followed Companies

Seagate Technology PLC

(Ticker: STX US Equity)

Industry: Information Technology

- Seagate's second fiscal quarter results were out on the 26th of January. Revenues grew by 5% YoY to $3.7bn, exports by 17% to 61.3 billion GB and Seagate announced a 26% quarterly increase in dividends to $0.54. Despite the solid results, analysts' estimates were expecting a higher growth QoQ, causing a drop in share price of 7.25% on that same day.
- Seagate and the semiconductor producer Micron (MU), announced this month a multi-year strategic partnership to develop next generation flash storage SSDs. This agreement will guarantee Seagate a strategic supply of NAND memories and more efficient R&D.
- Seagate will expand its largest hard drive factory in Thailand, which will be operating by 2016. It will cost $470m and create about 2,500 jobs over the next 5 years.



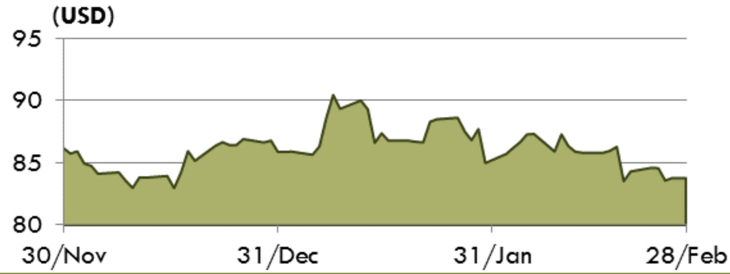
Price (USD):	60.63
Target Price (USD):	65.50
Up/downside:	8.0%
Performance 3M:	-7.5%
P/E Ratio:	12.4x
ROC/WACC:	2.5x

Wal-Mart Stores Inc.

(Ticker: WMT US Equity)

Industry: Retail

- The world's largest retailer and biggest private employer is about to get bigger as Wal-Mart prepares to expand its operations in Canada, a month after Target (TGT) announced it would leave the country. The investment of $269m will be allocated to remodel current stores, complete 29 supercentres, extend its distribution network in the country and improve its e-commerce platform walmart.ca. A total of 5,000 jobs are expected to be created.
- Wal-Mart recently announced it would raise hourly base pay from the Federal minimum of $7.25 to $9 starting in April and $10 by February next year, following other retailers trend. Low unemployment rates and improving quality of online retailers decrease the number of people willing to work for low paychecks and forces retailers to have better in-store services.



Price (USD):	83.77
Target Price (USD):	86.00
Up/downside:	2.7%
Performance 3M:	-3.8%
P/E Ratio:	16.6x
ROC/WACC:	2.0x

ThyssenKrupp AG

(Ticker: TKA GY Equity)

Industry: Industrials

- The German heavy industry conglomerate announced on February 27th that it had returned to profit, with its first quarter net profit at €50m compared with a €65m loss one year ago, when CEO Heinrich Hiesinger sold off the company's loss-making steel plant in Alabama.
- In fact much of these results are a positive outcome of the board's cost cutting and efficiency improvement plans, and increased focus on capital goods. However the net debt to equity ratio also increased by 30 percentage points to 145%, which led shares to go down by 3%.
- Although ThyssenKrupp saw its exports decrease by 5%, its revenues went up by 11% and adjusted operating profit up by 29% YoY. The weaker Euro is set to improve the company's exports, but weaker Russian ruble also means a stronger competition for its steel segment.

Price (EUR):	23.52
Target Price (EUR):	24.00
Up/downside:	2.1%
Performance 3M:	11.1%
P/E Ratio:	39.9x
ROC/WACC:	0.5x

Source: Bloomberg (as of 27.02.2015)

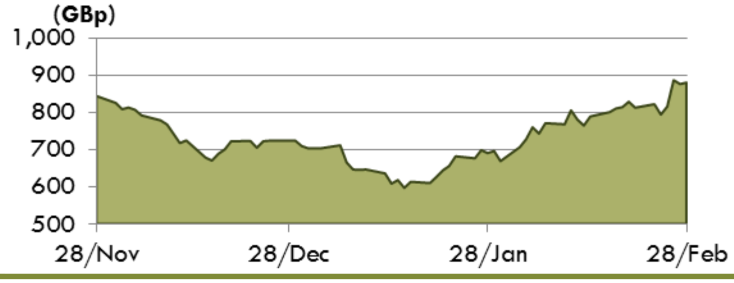
2. Followed Companies

Petrofac Limited

(Ticker: PFC .L)

Industry: Oil and gas

- On the 25th of February the results of Petrofac were released and surpassed expectations. Despite the slip in net profits from $650m to $581m given the oil price slump, the backlog rose by 26%, accruing $18.9bn of order intake. These orders added to the $4bn contract in February to develop a heavy oil project in Kuwait, make Petrofac's revenue forecasts for 2015 optimistic.
- Petrofac is searching for strategic international alliances to turn the cyclical and low leverage industry into a competitive and sustainable industry using the influential power to try and relief fiscal burdens and new investment taxation.
- An alliance was formed with McDermott International at the end of the current month.



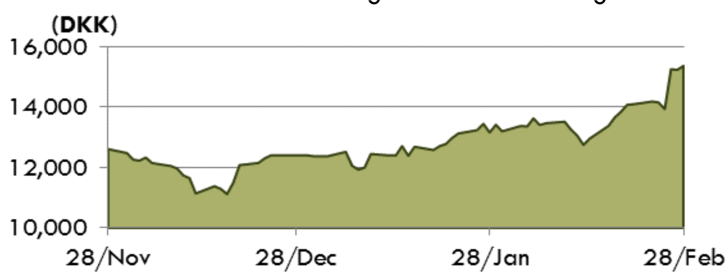
Price (GBp): →	879.50
Target Price (GBp):	880.00
Up/downside:	0.1%
Performance 3M:	6.6%
P/E Ratio:	38.2x
ROC/WACC:	1.9x

AP Moeller-Maersk

(Ticker: MAERSKB)

Industry: Industrials

- Denmark's Maersk, a company that in the past 4 years has kept a cost cutting approach to stay competitive given the low freight growth rate, is now planning to spend $9bn on new ships over the next three years with the purpose of growing with the market and maintaining market leadership.
- The company is also going to dispose 20% stake of Danske Bank, the biggest bank in Denmark, by distributing a total cash dividend to investors of $6.5bn or the possibility of buying Danske Bank stock, which in turn will leave bondholders dry. Rating companies, S&P and Moody's agree that it will reduce the financing flexibility of the group but the disinvestment will not change the overall rating of the firm.



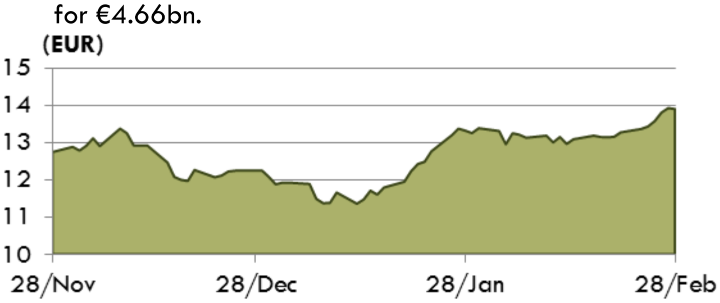
Price (DKK): ↑	15,370.00
Target Price (DKK):	17,000.00
Up/downside:	10.6%
Performance 3M:	23.2%
P/E Ratio:	22.8x
ROC/WACC:	0.4x

Telefonica S.A.

(Ticker: TEF:SM)

Industry: TMT

- Telefonica S.A. has shown weak earnings in Q4 2014, with earnings decreasing by 32% YoY. The group's profit decreased sharply because of the decrease in the value of the assets in Venezuela (currency devaluation). Net debt was €45.1bn, which is above the €43bn forecasted.
- Telefonica has sold subsidiaries in Ireland and the Czech Republic and agreed last month to sell its British O2 business to Hutchison Whampoa for up to £10.25bn ($15.9 billion). The company desires to focus on its core market Spain, Germany and Brazil. In part, the sale proceeds of O2 will be used to fund the acquisition of GVT, a Brazilian telecom company, for €4.66bn.



Price (EUR): ↓	13.90
Target Price (EUR):	13.10
Up/downside:	-5.7%
Performance 3M:	7.9%
P/E Ratio:	21.7x
ROC/WACC:	0.7x

Source: Bloomberg (as of 28.02.2015)

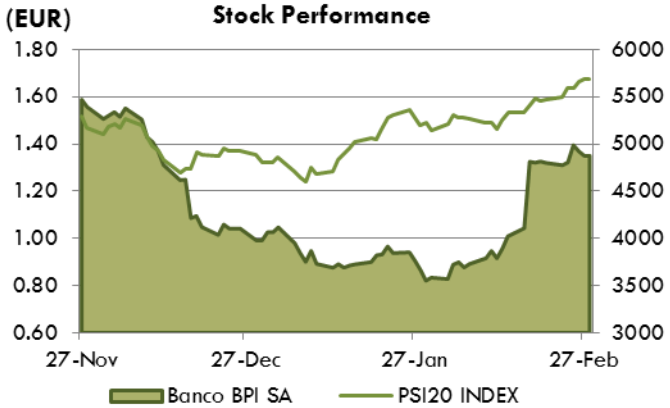
3. Detailed Review – Banco BPI

Company Overview

- BPI, Banco Português de Investimento, is a major privately owned bank in Portugal founded in 1998. The bank is engaged in a wide range of financial services and products for corporate, institutional and individual customers through two segments, domestic and international. In the domestic segment it offers investment and commercial banking, equity investment banking, equity investment, asset management, among others. The international segment includes overseas operations.
- Banco BPI's operations are mainly focused in Portugal, a developed and competitive market where BPI is the third biggest bank in terms of business volume among the private banks, but fourth in the market with a market share of approximately 10%. In Angola, an emerging market, Banco BPI is the market leader with 50.1% market share, through its bank BFA (Banco Fomento Angola).
- BPI is led by Fernando Ulrich and serves around 1.7 million customers with a workforce of nearly 6,000 in Portugal, and 1.3 million clients and 2,500 employees in Angola.

Corporate News

- CaixaBank, BPI's biggest shareholder who already owns 44.1% of the Portuguese bank, launched a full takeover offer for the remaining shares of the bank for 1.329€ per share. CaixaBank was one of Spain's most acquisitive banks during the economic downturn and plans pursue an acquisition of Novo Banco, competing for the Portuguese market leadership.
- However, Isabel do Santos, Africa's wealthiest woman and the second largest shareholder of Banco BPI, is pushing the bank to merge with Millennium BCP, a domestic rival, instead of accepting CaixaBank takeover bid, who argues that the bidding price does not "reflect correctly the value of the institution".
- Analysing a possible merger between BPI and BCP, it would not only allow them to dominate the Portuguese market but to reach a market capitalization of 6.5€bn and assets of 120€bn under management. Yet, it's likely to face considerable regulatory difficulties, given that both rank among the largest in Portugal, which combined would have around 30% of the loan portfolio of the domestic banking sector.
- Aligned with Isabel dos Santos' statement, BPI's board said no to CaixaBank quoting that the bid price was to low, and the true value should be between 2.26€ per share, corresponding to 2.04€ per share to BPI as a stand alone business, plus 0.22€ per share - 50% of the total synergies announced.
- In our view, we believe that what makes sense for a reasonable end is for CaixaBank to increase their bid price, and with the proceeds, Isabel dos Santos to acquire a considerable stake of Millennium BCP, since Sonangol, Angola's state oil company, is by far the biggest shareholder with 20%.



Banco BPI SA (EUR)	
Current Price (28/02/2015)	1.35
52-week high % change	-34.5%
Median Target Price	1.12
Market Capitalisation (mn)	2,233
Return on Common Equity	-8.0%
Dividend Yield	n/a
Beta (vs. PSI20 INDEX)	1.5x
Total Debt/Equity	205.7%

Source: Bloomberg (as of 28.02.2015)

Comparable Analysis

Company Name	Country	Currency	Mcap (m)	Book Value (m)	P/E	Mcap/Depo.	P/B
Banco BPI SA	PT	EUR	2,233	2,130	17.0x	2.1x	1.0x
Banco Comercial Portugues SA	PT	EUR	4,758	4,041	n/a	1.6x	1.2x
CaixaBank SA	ES	EUR	23,557	25,232	35.4x	3.2x	0.9x
Banco Santander SA	ES	EUR	91,366	80,805	13.1x	1.7x	1.0x
Credit Suisse Group AG	CH	CHF	37,672	44,189	20.9x	1.7x	0.8x
Deutsche Bank AG	DE	EUR	40,592	68,400	20.0x	2.1x	0.5x
75th Percentile					20.9x	2.1x	1.0x
Median					**20.0x**	**1.9x**	**1.0x**
25th Percentile					17.0x	1.7x	0.9x

- We chose a set of five European peers for the purpose of this analysis. When comparing the current P/E ratios and P/B multiples, it is suggested that Banco BPI is fairly priced, however the P/E multiple is below its peers. In terms of Mcap/Deposits we could infer that BPI seems overvalued. One reason that might explain this situation is the fact that since Banco Espírito Santo (BES) went bust, BPI was one of the banks that most beneficiated from it and also the recent turmoil around BPI's future, takeover from CaixaBank or merger with Millennium BCP, which is impacting severally the share price.
- Taking this into consideration, we believe that BPI's share price is still overpriced mainly due to the recent news of the possible future scenarios. As mentioned, BPI has either the possibility to be acquired by CaixaBank and then bid for Novo Banco or merge with Millennium BCP (closest competitor, by market cap and operational focus).

Analysts' Corner

- NIC's estimation method resulted in a 1.19€ target price. This analysis was conducted based on book value and its respective price multiple. Other multiples, such as P/E were not taken into account, since Banco BPI have been presenting negative earnings per share, making the multiple negative for recent quarters.
- According to our model, the target price can range from 0.77€ to 1.66€ per share and there is 60% probability for the actual price over perform the 1.19€ price estimated.
- Our target price is very aligned with the market consensus, but it seems that Banco BPI is 12,5% overvalued. This is mainly explained by the recent news, which made BPI shares to rise almost 30% since CaixaBank's takeover announcement.
- This may explain why Banco BPI current price is overvalued, because it might already incorporate these news and it may reflect investors optimistic expectations in terms of the two possible deals.
- Having said this, we may reinforce that this analysis is made from a stand-alone perspective of Banco BPI.

Target Price (EUR)	
Current Price	1.35
Consensus Target Price	1.20
NIC's Target Price	1.19

Book Value per share € (quarter)	
Current	1.32
Market Estimate	n/a
NIC's Estimate	1.51

Price/Book Value	
Current	1.02x
Market Estimate	n/a
NIC's Estimate	0.79x

Source: Bloomberg (as of 28.02.2015)

3. Company Analysis: Google Inc.

Company Overview

- Google Inc. is a global technology company, headquartered in Mountain View, California, focusing their business around key areas, such as search, advertising, operating systems and platforms, consumer content and enterprise and hardware products. Its main source of revenue is by delivering online advertising.

- Being the most visited website in the world, Google dominates the market with more than two million Google searches per second. The company designs and offers various products and services in more than 100 languages and in more than 50 countries and develops the Android mobile operating system and the browser Chrome OS.

- A rapid growth since incorporation has triggered a chain of products, acquisitions and partnerships beyond Google's core search engine. It offers a highly developed software which includes the email Gmail, a cloud storage service, Google Drive, an office suite, Google Docs, a social networking platform, Google+, a programming localization interface, Google Maps and a software for data visualization, Google Earth.

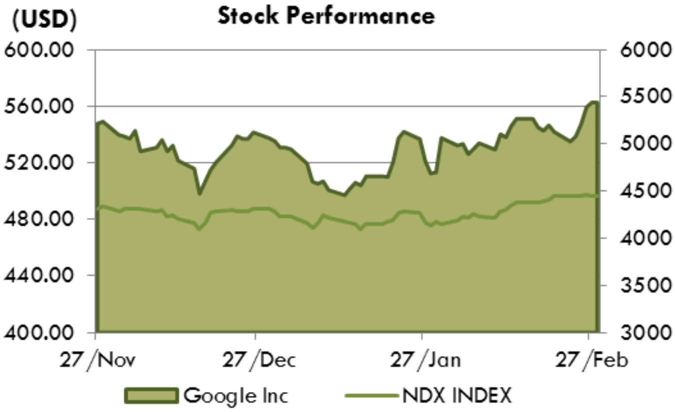
- Thriving to improve the ways people connect with information, Google is one of the most innovative enterprises in the world, having developed cutting-edge technology products from the Google Glass, a wearable technology with an optical head-mounted display, to the Android Wear line.

Corporate News

- Google plans to offer U.S. mobile-phone services on a limited basis and is said to be launching solar-powered planes in the coming months to bring wireless-Web access to unconnected areas around the world. Building on the success of its Android operating system, selling its own wireless service could enable Google to add mobile-device subscribers and make it easier to serve those users ads via smartphones and tablets. This launch places Google in a threatening position to become a powerful competitor to telecom groups unless they move quickly to support the giant's ambitious efforts to improve internet access globally.

- The European arm of Google Ventures has made its first investment, acquiring a stake in Kobalt, a UK based music technology company that helps songwriters collect money from companies such as YouTube or Spotify.

- Google's shares showed a constant pattern in their stock price movements over the end of 2014 and beginning of 2015. The same constant pattern of the last months can be observed in the NASDAQ index as well. Attending to the latest corporate news, the analysts' consensus is that the stock will gain value.



Google Inc (USD)	
Current Price (28/02/2015)	562.63
52-week high % change	-8.4%
Median Target Price	622.82
Market Capitalisation (mn)	388,014
Return on Common Equity	15.1%
Dividend Yield	n/a
Beta (vs. NDX INDEX)	1.1x
Total Debt/Equity	5.0%

Source: Bloomberg (as of 28.02.2015)

Comparable Analysis

Company Name	Country	Currency	Mcap (m)	Enterprise Value (m)	P/E	EV/EBITDA	EV/Sales	P/B
Google Inc	US	USD	388,014	325,777	28.3x	15.2x	4.5x	3.7x
Yahoo! Inc	US	USD	40,665	31,653	35.4x	42.2x	6.9x	1.1x
Baidu Inc	CN	USD	74,815	69,820	35.7x	29.8x	9.0x	9.1x
Facebook Inc	US	USD	224,730	213,764	72.7x	34.3x	17.2x	6.2x
Microsoft Corp	US	USD	347,512	285,571	16.1x	8.7x	3.1x	3.8x
Cisco Systems Inc	US	USD	147,655	115,170	16.7x	9.1x	2.4x	2.6x
75th Percentile					35.6x	33.2x	8.5x	5.6x
Median					**31.9x**	**22.5x**	**5.7x**	**3.8x**
25th Percentile					19.6x	10.6x	3.5x	2.9x

- We chose a set of five US traded stocks for the purposes of this analysis. When comparing the current P/E ratio, it is suggested that Google is correctly valued when compared to the market. As for EV/EBITDA and EV/Sales we could infer that Google seems undervalued. One reason that might explain this result is the fact that the market did not recognize the whole of the company's efforts concerning projects under development which when realized will boost performance, in line with analysts' expectations.

Analysts' Corner

- Google is a fairly stable company, however in the technology industry it is common that stock performance only truly represents the business when actual projects are realized. Hence, because of Google's vast portfolio of projects under development, the market is more conservative regarding its financial performance.
- NIC's estimation method resulted in a $526,13 target price, a value averaged out from the $571,75 price computed based on Sales and $480,51 price based on EBITDA.
- We chose EBITDA and Sales and their respective EV multiples to conduct our analysis, for they're more consistent in Google's case.
- We intend to reach a fair valuation based on the multiples of the selected comparable companies, which compose a proxy for Google's industry.
- We use the ASense Excel add-in for sensitivity analysis as an effective and simple way to account for the uncertainty of our estimates.
- Our target price is more conservative than the market consensus, supporting the fact that Google despite being the market leader, operates under challenging and ever-changing circumstances.

Target Price (USD)	
Current Price	562.63
Consensus Target Price	625.00
NIC's Target Price	526.13

EBITDA $ M (quarter)	
Current	5,666.00
Market Estimate	6,808.46
NIC's Estimate	5,500.00

EV/EBITDA	
Current	15,21x
Market Estimate	11,06x
NIC's Estimate	12,11x

Sales $ M (quarter)	
Current	18,103.00
Market Estimate	14,080.00
NIC's Estimate	15,000.00

EV/Sales	
Current	4,53x
Market Estimate	5,38x
NIC's Estimate	4,98x

Source: Bloomberg (as of 28.02.2015)

4. Mergers and Acquisitions

Announced	Target		Buyer		EV		
Date	Company	Country	Company	Country	(mn)	EV/EBITDA	EV/EBIT
05/02/2015	EE Ltd	UK	BT Group PLC	UK	12,500.00 GBP	8.98x	147.1x
05/02/2015	Hospira Inc	US	Pfizer Inc	US	17,000.00 USD	22.7x	35.0x
10/02/2015	Axis AB	SE	Canon Inc	JP	23,600.00 kr	26.4x	33.4x
18/02/2015	Toll Holdings Ltd	AU	Japan Post Holdings Co	JP	6,500.00 AUD	11.6x	20.1x
19/02/2015	Rexam PLC	UK	Ball UK Acquisition Ltd	UK	4,430.00 GBP	9.3x	12.3x

- One of February's highlights has been the continuation of intense M&A activity within the healthcare sector in the United States. With deals worth more than $10,000 million announced between major pharmaceutical and biotech companies, in what has been a time of industry-wide consolidation, M&A has helped drive American-based healthcare indexes – such as the S&P 500 healthcare index – in an upward trajectory.

- Another one of this month's focal features has been the increase in the total deal value of M&A in the Western part of Europe, to €98,498 million – a 39 per cent growth relative to the previous month and the highest result since last June –, in spite of decreasing deal volume.

- Regarding the latest transactions, detailed information about five 100% acquisition deals, chosen on the basis of their relevance and media attention, will be provided below. These are: BT vs. EE, Pfizer vs. Hospira, Canon vs. Axis, Japan Post vs. Toll Holdings and Rexam vs. Ball Corp.

- Following talks initiated back in December 2014, on the 5th of February, telecommunications group BT has agreed to acquire EE, UK's largest mobile network operator. The deal, worth £12,500 million (€16,774 million), is February's biggest European transaction. However, there are concerns that the takeover might create unfair competition issues. BT's competitors, Vodafone and TalkTalk, have requested that competition authorities intervene, and the deal will be susceptible to regulatory approval by March 2016.

- Also on the 5th of February, multinational pharmaceutical products manufacturer Pfizer has signed an acquisition agreement with global pharmaceutical and medical devices producer Hospira, in a $17,000 million deal. The deal represents a 39% premium over Hospira's 4th of February closing price of $64.80 per share. The deal is scheduled to be completed later in 2015, due to being subject to shareholder and regulatory approval.

- Japanese imaging and optical products manufacturer Canon has agreed to purchase Swedish network cameras producer Axis for kr 23,600 million ($2,824 million), on the 10th of February. The deal, already approved by Axis' board of directors, constitutes the biggest acquisition in Canon's corporate history, in a time when the company is trying to expand beyond the declining cameras and camcorders market.

- On the 18th of February, Japanese state-owned financial giant Japan Post Holdings announced the takeover of Australia's largest supply chain firm Toll Holdings. This is the Japanese firm's largest-ever deal, valued at A$6,500 million ($5,100 million), and it comes in the context of the company's first globalization efforts.

- U.S.-based drinks can maker Ball Corp has announced its intention to buy British competitor Rexam for £4,430 million ($6,850 million), on the 19th of February, after confirming that both companies were in talks in the beginning of the month. The acquisition would combine two of the largest can makers in the world, if approved by shareholders and the regulation authorities.

Source: Bloomberg (as of 27.02.2015)

The NIC Fund

Student-run Virtual Fund - February

February 2015

Nova Investment Club

www.novainvestmentclub.com

1. Macro Outlook

USA

• The US economic picture has improved over the recent months. In the seven months through January, US firms added more than 1.9 million workers to non-farm payrolls, helping to reduce the unemployment rate to 5.7%. The economy recovered from a 1Q slump to expand at a 2.4% pace in 2014, the most since 2010.

• Although the job market showed strong positive signals certain economic indicators illustrated some weaknesses in the US economy. The Institute for Supply Management Manufacturing Index came in at 53.5 below expectations of 54.5 although the number is above the 50 line that signals expansion. Furthermore the Consumer Confidence Index reached 96.4 a lower level than expected and down from 102.9 from the previous month.

• Federal Reserve Chair Janet Yellen wanted to prepare investors for an alteration in Fed policy on being “patient” on raising interest rates, mentioning that it would allow for flexibility to tighten when conditions are right. A change in policy would suggest that the economy has improved to an extent that an increase "could be warranted at any meeting", whilst not specifically committing policy makers to a rate increase at a specific date. Yellen's remarks are similar to her previous talks as she intends to distance the Fed from calendar based decisions to conditioning investors to keep an eye on the data and judge when borrowing costs are likely to rise. Federal Reserve Vice Chairman Stanley Fischer mentioned that the Central Bank looked most likely to raise interest rates in June or September, although changes in the economic environment may lead to a different timing for higher interest rates.

• Speculation that borrowing costs would remain near zero for longer aided the S&P 500 and the Dow to all-time highs on the 24 February. The S&P 500 currently stands just north of 2110 while the Dow is slightly greater than 18100.

Europe

• Europe also had an extraordinarily strong month as economic environment improved and as investors started positioning themselves for the beginning of QE in March. European economy reported a 2014Q4 annualized economic growth of 0.9 which was better than expected. Some investors may already be moving from bond markets to equities to anticipate the general tide that will probably be observed as bondholders start selling those bonds to the ECB pushing equities up.

Table of Contents

1. Market Outlook
2. FICC
3. Equities

The NIC Fund

Student-run Virtual Fund - February

February 2015

www.novainvestmentclub.com

• Equity markets proved to have nerves of steel while there was increasing uncertainty about the Greek's bailout extension. It seemed clearly that the Greek problem did not affect much peripheral countries stock markets and sovereign debt yields as it used to affect in the recent past. Despite the agreement, it is still not clear what the solution will be after this extension period and extreme volatility may come back and spread to European Markets. In Eastern Europe, the conflict between Ukraine and Russia which is still far from solved, may pose the biggest risk for European Markets in the short-term.

• The UK FTSE 100 yielded a 3.3% return, the Euro Stoxx 50 7,4% and the German Dax 30 6,6%.

Japan

• The Japanese economy expanded less than economists forecast in the 4Q illustrating Shinzo Abe's difficulty in stimulating growth while exports gains are undercut by weak investment and consumption. GDP grew at an annualized 2.2% less than economists expected where the median forecast value for an 3.7% increase. The yen has weakened about 28% against the dollar since Abe took power in December 2012 and began his reflationary politics. While the lower currency has aided the increase in exports it has also increased import costs and lowered consumer sentiment. The industrial production preliminary number month over month came in at 4% higher than the expected number of 2.7% and also larger than last month's number which stood at 0.8%.

Emerging Markets

• As the hike rate in the US approaches, the tension in emerging markets grows up. Another major driver of the bad performance of emerging markets continues to be the commodities price that keep on being stubbornly low. As most of emerging markets' exports depend on these prices, as long as they are low these economies will suffer.

• China announced another benchmark interest rate cut of 0.25% to 5.35% in an attempt to fight disinflationary pressures that have been affecting the economy and also to support de decelerating growth via monetary policy. India also cut its benchmark interest rate to 7.5% early this month joining the global easing of monetary policy. However, one of the most worrying cases is Brazil. The country has seen a sharp depreciation of its Real during the month from 2.7 to 2.9$ among concerns about the achievement of fiscal targets and consequently the country's credit risk.

• In February the MSCI Emerging Markets underperformed most developed markets with a 3.1% return in US Dollar.

• The Shanghai Stock Exchange Composite Index yielded 3.1% , The Indian Sensex 30 Index 0.1% and the Brazilian Ibovespa 8.7% recovering from the last months declines.

Table of Contents

1. Market Outlook
2. FICC
3. Equities

2. Fixed Income, FX and Commodities

Tu quoque, Rouble, fili mi!

- Despite Central Bank of Russia's moves seemed willing to do the opposite, the Ruble's downfall stopped and the trend reversed, heading for the best month since 1990s. During the last month, due to oil stabilization and to a tentative ceasefire between Moscow and Kiev, the Russian currency gained 6,7% against dollar and the long position on USD/RUB weighted quite a lot in the portfolio performance, recording a loss of 2,5%. This large volatility forces me to close the position on the Ruble.
- I keep betting on the two factors that have driven my portfolio so far, that are the dollar strength and the European QE. Even though the long position on gold was not profitable, I am still confident on an appreciation of the metal (current price 1213,05$ per ounce), due to the increasing need of a safe-haven asset after the QE.
- According to the Indian Ministry of Finance's forecasts, the Indian GDP is going to increase by 8,5% in the next year. I am therefore bullish on the rupee, opening a short position on the exchange rate EUR/INR.
- China's central bank cut interest rates again to boost the economy. The slowing of growth feeling regarding the chinese economy has still not ended. Based on such a conviction, I open a short position on USD/CNY.

Analyst: Andrea Ricciardi
andrea.ricciardi@novainvestmentclub.com

Trade Summary:
Long 20% USD/CNY
Short 20% EUR/INR
Long 20% Gold
Short 40% EUR/USD

Asset Class: Currencies, Commodities
Region: Europe, US, Asia

International diversification: here I am.

- The last month performance was not as good as the previous one. The short position on the RUB against the dollar was again the more significant one. Surprisingly, the Russian currency showed a explosive recovery recording one of the best last-60-year performance against the US currency. Thanks to my bullish expectations about the Europe periphery, my portfolio yielded a .5% with a great performance of the Portuguese 10Y bond.
- My attention was captured by emerging markets. The good news flow coming from the Dominican Republic leads me to be bullish on its bond, which is currently yielding positively and being pretty demanded. Lately, the country has economically grown recording an increasing GDP. The long position on the China Government Bond is dictated by the accommodating monetary policy announced and currently on-going by the Chinese Central Bank, which considers the right time to boost the economic growth. The Bank, which has just cut its main refinancing interest rate, might announce a securities purchasing plan as well.
- Keeping both Italian and Portuguese Bonds seems reasonable to me. The ECB is continuing its securities purchasing plan and the last month positive performance proved that investors contributed to keep high the demand. I am therefore still confident in the good results of the two bonds.

Analyst: Edoardo Colella
edoardo.colella@novainvestmentclub.com

Trade Summary:
Long 20% Dominican Republic 10Y
Long 15% China 10Y
Long 35% BTp Italy 10y
Long 30% BPOR 10Y

Asset Class: Bonds
Region: Europe, Asia, Central America

2. Fixed Income, FX and Commodities

Rolling Gains

- This portfolio has gained 8.24% since the beginning of the trades. The main drivers of the positive performance comes from the short EURUSD trade as it has gained 10.42% and the long USDAUD trade which has had a positive performance of 9.93% since the 10th of November.
- The portfolio has steadily been gaining and the recent talk of Greek exit has helped the open positions that gain in value when the euro falls. The Algebris Credit Fund has also gained 2.85% since the position opened and has risen in value as expected due to the QE programme the ECB began.

Analyst: Tiago de Fontes Pereira de Mello
tiago.mello@novainvestmentclub.com

Trade Summary:
Short 33% EUR/USD
Long 10% GBP/EUR
Long 33% USD/AUD
Long 24% AFCIEUR ID Equity

Asset Class: FX
Region: Europe; US, Australia

3. Equities

All eyes on China

- Following the outstanding performance of MAERSK (MAERSKB DC) during the month of February, the Danish container-shipping group has warned the markets of a future slowdown in its growth. In fact, despite the generalized low oil prices, the group forecasts the revenues in some important emerging markets to be rather disappointing. Therefore, such position will be closed. Similarly, the position in Ryanair (RYA) was cancelled due to the extremely high recent volatility in oil prices as well as due to increased competition in the industry.
- Although among the emerging markets previously considered, China is now under a bullish tide given recent news regarding its monetary policy. The PBoC has cut interest rates by 25 basis points this weekend, the second time in a period of 3 months. The latter will most certainly lead to a weaker renminbi that will favor Chinese equities, thus justifying my bet on the iShares China Large-Cap ETF (FXI).
- In the US, the continuous improvement in employment and consumer confidence figures has led me to believe that retailers will continue to outperform. In order to collect some benefits out of these trends, my focus will be on Home Depot's stock (HD), thus dropping Wal-Mart (WMT) which had a somewhat weak performance during February. The former is currently among the world's largest home improvement retailers and has given signs that the future is bright: several figures recently released have proved higher than expected. Also in the US, there are strong reasons to believe that the housing market will continue to expand and, consequently, the investment in the iShares Cohen & Steers Real Estate Investment Trusts ETF (ICF) will be kept.
- Despite Apple (APPL), the remaining stocks are somehow a regular presence within my choices. Alibaba's stock (BABA) has most certainly reached its bottom so I am confident the recent trend will revert and that soon the security will pick up given its strong upside potential. As to Volkswagen (VOW), it seems to me that the quantitative easing in Europe will continue to reinforce this equity's strong growth; also, one of the company's models was awarded car of the year. Finally, Apple, as a cash rich tech giant whose new product, the Apple Watch, is on the brink of being released, is perceived to be a strong buy.

Analyst: Rita Brites
rita.brites@novainvestmnetclub.com

Trade Summary:
Long 5% BABA US
Long 10% HD US
Long 15%% ICF
Long 20% FXI
Long 20% APPL US
Long 30% VOW GR

Asset Class: Equities

Surfing the ECB's bazooka wave

- Last trading ideas yielded a negative return of almost 3%. The main contributors to this performance were the 20% short position on the Russian stock market and the 20% short position on the ETF tracking the Greek Stock Market. Both ETF's yielded positive returns of around 20% which obviously annihilated any chance of positive returns. The portfolio value plunged to almost -8% during the month but a very strong rally in the final days of the month erased some of the losses. The good news came mainly from the ETF's on India, Japan and European Financials but also from the earnings play on the selected stocks. Clearly I underestimated the probability of a quick short-term resolution both in Greece and in Eastern Europe and it is something to bear in mind for the future.
- For this month I expect the flow from fixed income securities to equities due to ECB's QE to start so I'll add an exposure to Europe of 80%: 40% on an Euro Stoxx 50 ETF; 20% on European Financials ETF; 10% on Portugal and Spain stock indexes ETF's each.
- As little is changed regarding expectations on India and Japan I'll keep a long position with the remaining funds using 10% on each ETF.

Analyst: João Cunha
Joao.cunha@novainvestmentclub.com

Trade Summary:
Long 40% MSE:FP
Long 20% EUFN:US
Long 10% INDIA:SP
Long 10% 1329:JP
Long 10% 4GXV:GR
Long 10% LYXIB:SM

Asset Class: Equities
Region: EMEA and Asia

Balancing US and Europe

- In regards to last month performance, my portfolio yielded negative 1.5% return mainly due to Michael Kors' drop in price of 5%, while iShares Russel 2000 ETF and iShares MSCI Europe Financials ETF had positive but offsetted returns by Kors performance.
- I will keep my position in Michael Kors because I still believe the company provides solid growth and valuation looks attractive. It is a no debt no dividend company with a lot to grow. It has the lowest P/E among its peers and the highest profit margin in its sector - 29%. With these fundamentals performance, it is not normal to be the worst performer in share price terms, and with such stable and growing Free Cash Flow levels ($348m), a buyback program would be apropriate. To return money back to shareholders through a buyback program would boost stock gains and increase its stability. With $14 Bn market capitalization, an easy to get 10% buyback program would be enough to positively impact the stock price.
- As european equities should keep profiting from ECB's policy actions and given the current environment I believe Eurozone equities are likely to outperform US equities on the short-term view. By also taking into account a stonger dollar (I believe the EURUSD can go to 1.05 in the short-term) I will keep my position on iShares MSCI Europe Financials which is an ETF that seeks to track an index composed of European equities in the financials sector where 55% of the assets are banks, and on iShares Russel 2000 ETF where I believe the mid and small caps exposure to internal US economy might outperform S&P500 which is composed by 40% of exporting companies.
- After reaching more than 20 records on the previous two months, DAX Index is still luring investor's eyes. With the economy expansion, lower euro and cheaper oil boosting exports, I will reduce my position on Michael Kors until new triggers arise, and open a long position on Volkswagen AG.

Analyst: Miguel Leal da Costa
miguel.costa@novainvestmentclub.com

Trade Summary:
Long 30% KORS US
Long 30% EUFN ETF
Long 20% IWM ETF
Long 20% VOW GR

Asset Class: Equities
Region: U.S and Europe

February Article

What has Syriza Changed for Greece?

So how much has Syriza changed the political landscape for the Greek people?

1) Completion of the current review: Greece has essentially agreed to complete the bailout programme that was already established. Any funding is conditional on such a process: *Only approval of the conclusion of the review of the extended arrangement by the institutions in turn will allow for any disbursement of the outstanding tranche of the current EFSF programme and the transfer of the 2014 SMP profits. Both are again subject to approval by the Eurogroup.*

This goes against Greek Prime Minister Alexis Tsipras who said the previous bailout was "dead".

2) Retaining Bank Recapitalization Funds: Greece wanted this money to be held by the Hellenic Financial Stabilization Fund (HFSF) over the extension period, and possibly used for matters outside the banking sector. The request was denied and the bonds will return to the EFTF, although they will remain available for any bank recapitalization needs.

3) Role of the IMF: The Eurogroup statement sates: *We also agreed the IMF would continue to play its role.* Once again Greece has given in on this matter as the Troika continues to exist and strongly involved.

4) No Unilateral Action: According to the statement: *The Greek authorities commit to refrain from any rollback of measures and unilateral changes to the policies and structural reforms that would negatively impact fiscal targets, economic recovery or financial stability, as assessed by the institutions.*

Therefore, the promises made by Syriza during its election campaign will now be harder to fulfill. In the press conference given by Eurogroup Chairman Jeroen Dijsselbloem and EU Economics Commissioner Pierre Moscovici, it was suggested that this pledge also includes Tsipras speech in Parliament when he announced plans to roll back some labor market reforms passed by the previous government.

5) Four Months rather than Six Months: Greece wanted a six month extension however the Eurogroup only accepted a four month extension. This is a crucial point as it means the extension expires at the end of June. Greece faces two crucial bond repayments to the ECB in July and August that totals to €6.7 billion. This is a tough deadline, and it is very likely that there will be a similar situation at the end of June.

Did Greece Secure any Wins?

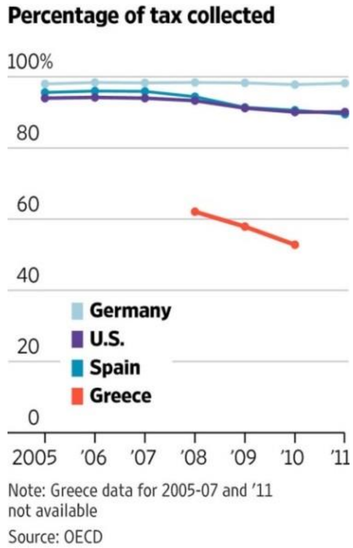
Greece received a small win with the words:

The institutions will, for the 2015 primary surplus target, take the economic circumstances in 2015 into account.

This suggests that Greece may, during 2015 and especially during the extension period, get more fiscal leeway, which presents itself as a lower primary surplus target. A small victory, that may allow for some temporary breathing space for the government. However it already seemed as if the government was going to find it hard to meet its target this year given the significant shortfalls in tax revenue. This leads to the next big issue Greece faces: tax revenue.

Two Certainties in Greek Life: Death and Tax Evasion

Probably the most challenging commitment any Greek government will undertake: tax collection. At the end of 2014, the Greek people owed their government about €76 billion in unpaid taxes accrued over decades. The government states that only about €9 billion can be recovered, in other words only about 11% can be recovered as most of the income is lost to insolvency. Syriza has made tax collection a top priority however Greece has become infamous for tax evasion. One interesting example occurred a few years ago after tax investigators used satellite imaging to check which houses had swimming pools. Only 324 people had admitted to having swimming pools, though once the investigation ended, 16,974 pools were counted. This example illustrates that no matter which party is in power the government is going to have extreme difficulty in collecting tax. There is no doubt that Greece's abnormally high debt is a product of, although not constrained to, the people's belief that tax is to avoid and only paid once caught or obliged to.



Therefore Syriza has not really altered much instead this incident has shown that if other countries were considering following Greece's footsteps the only outcome would be essentially where they started.

Author

Tiago de Fontes Pereira de Mello

tiago.mello@novainvestmentclub.com

Recommended Articles

Eurozone chiefs strike deal to extend Greek bailout for four months
http://goo.gl/v1Sm0g

Greece bends to Eurozone will to find short-term agreement
http://goo.gl/5bW3ZN

Bundestag backs Greek bailout extension*
http://goo.gl/p9eJLK

*** Requires subscription**

Upcoming Events

From	To	Event	Location
05.03.2015		Morgan Stanley Technology, Media & Telecom Conference	San Francisco, USA
06.03.2015		Fifth Annual G20 Anti-Corruption Conference	Istabul, Turkey
14.03.2015	18.03.2015	UN World Conference on Disaster Risk Reduction	Sendai, Japan
16.03.2015		Conference on Investment Treaties: Policy Goals and Public Support	Paris, France
17.03.2015	18.03.2015	FOMC Meeting	Washington, D.C., USA
22.03.2015	24.03.2015	China Development Forum	Beijing, China
25.03.2015	26.03.2015	OECD Integrity Forum 2015	Paris, France

Visit **novainvestmentclub.com** for more updates

Our team:

Investment Banking Division
Head: Pedro Fragoso pedro.fragoso@novainvestmentclub.com
Ana Gonçalves | Carolina Alves | Daniela Feijoca
Francisco Campos | Georg Röder | Lara Souhoka
Moritz Gesang | Pedro Marques | Sofia Sotto-Mayor

Financial Markets Division
Head: Tiago Pereira de Mello tiago.mello@novainvestmentclub.com
Andrea Ricciardi | Edoardo Colella | João M. Cunha
Miguel Leal da Costa | Rita Brites

Email us:
nic@novainvestmentclub.com