Newsletter

February 2016

Foreword

It is a pleasure to introduce you the new version of the Nova Investment Club Newsletter.
In this issue, our Investment Banking team will guide you towards our followed companies and present an in depth overview of Exxon Mobil and Alphabet.
Our Financial Market division will provide some interesting investment ideas for this period of high volatility and uncertainty. In our monthly article, João Ramos will present his point of view on the Chinese turmoil. Finally, I invite you to stay tuned for the next issues, since we will introduce even more engaging features.

Roberto Tedesco – Head of Financial Markets Division

Nova Investment Club
www.novainvestmentclub.com

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Investment Banking Report

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Companies
- McDonald's
- BP
- Ryanair
- ArcelorMittal
- Credit Suisse
- Facebook
- Syngenta
- LVMH
- Toyota

This month's detailed company reviews:
- Exxon Mobil
- Alphabet

1. Macro Overview

Analyst: Vasco Moura

January got off on a terrible note. The slowdown in China and crashing oil prices sent the Dow Jones to its worst 10-day start in a year since records exist (1897). China wasn't much luckier, as it had its worst start of the year in its 25 years of market history, with stocks plummeting 23% this month. On another note, the Nasdaq fared even worse, sinking nearly 8%, its worst month since May 2010 when the infamous flash crash spooked investors.

Investors sold stocks of all stripes, including ones in the previously-booming tech world. Even companies from the nifty nine, which helped to save the S&P 500 from a disastrous year in 2015, with its great results, had a difficult start of the year. The best example is Netflix, which skyrocketed 134% in 2015, plunged 21% in January. Miners, energy companies and exporters made the heaviest losses, as concerns about the implications for global growth intensified due to continuing falling oil prices and tensions in the Middle East and Korea continue to appear as a problem. The downward trend in oil prices however, came to a halt on the 20th of January when oil hit a 12 year-low of USD 26 per barrel, but finished the month valued at USD 33.50. Among many other factors one can pinpoint the instability in emerging markets and the fear of investors that cheap oil can be an early economic warning sign that suggests an alarming slowdown in global demand, which would hurt economies all over the world.

At the beginning of this year, a new system was created in Europe, the Single Resolution Board, which puts bank bondholders at risk of a bail-in rather than leaving taxpayers on the hook for a bailout. This new Brussels-based body will take over responsibility for deciding when a bank has failed and for overseeing its "resolution".

At the end of the month, the Bank of Japan had cut interest rates to -0.1%, as a move that is part of a trend that has emerged in recent weeks, with many of the world's major central banks signaling that they stand ready to counter the slowdown in emerging markets and slumping oil prices. These hints have helped shore up equity markets that began the year with sharp falls.

The European Central Bank policymakers have kept interest rates on hold, with the plunge in oil prices and the rocky start of the year in financial markets not yet severe enough to decrease borrowing costs in the Eurozone to new low levels. Its benchmark main refinancing rate and deposit rate unchanged at 0.05% and -0.3%, respectively. The Fed also did not raise its benchmark rate at January's meeting, pausing as expected after increasing rates in December for the first time since the financial crisis.

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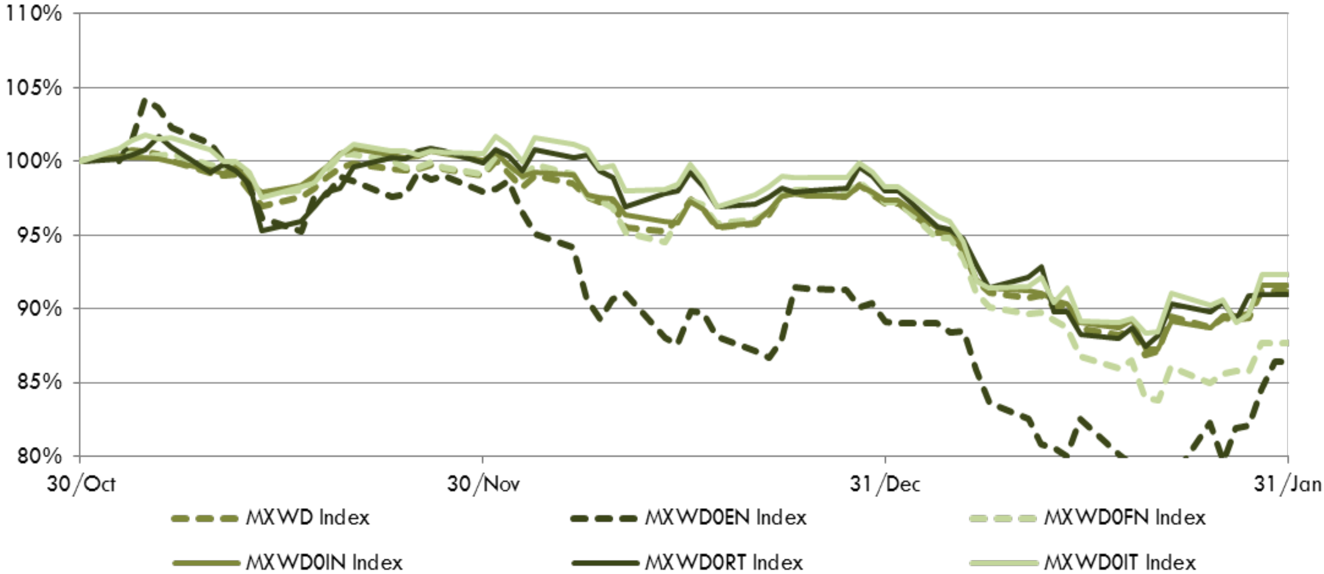
Countries' Economic Data

Analyst: Manuel Leal Coelho

Country	January Inflation (%)		Exchange Rate		Unemployment Rate (%)		10 Year Yield	
	MoM	YoY	USD	Monthly Change (%)			Current (%)	Montlhy Change (bp)
United States	-0.10	0.70	1.0000	-	5.00	Q4	1.73	-39
Eurozone	-1.40	0.40	1.1288	3.35	10.50	Q4	0.23	-28
Portugal	-0.30	0.39	1.1288	3.35	11.90	Q3	3.67	107
Japan	-0.10	0.20	0.0087	2.02	3.23	Q4	-0.03	-25
Greece	0.10	-0,17	1.1288	3.35	24.70	Q3	10.79	211
Russia	1.00	9.80	0.0125	-6.21	5.70	Q4	n/a	n/a
China	0.50	1.60	0.1521	0.25	4.05	Q3	n/a	n/a
Brazil	1.27	10.71	n/a	n/a	7.40	Q4	n/a	n/a

- As it can be seen from the table above, Japan, the US and the Eurozone suffered a decrease in their 10 Year Yield. Japan was the first major economy with a sub-zero borrowing rate for 10-year debt. Moreover, GDP growth in Europe increased by 0.40% over the fourth quarter. Weak trade abroad helped to pullback Germany and Italy, and limited France's recovery too. The quantitive easing adopted by the ECB was under expectations which led to a negative change of the 10 Year Yields.
- The Greek GDP fell by -0.17% (YoY) in the third quarter and as a consequence unemployment reached 24.70%. Furthermore, inflation remains below the targets set by many central banks, a trend reinforced by the collapse in commodity prices and concerns over the slowdown in global economies.
- Regarding the currencies, it is possible to observe that only the Russian rubble depreciated against the USD. Portugal and Greece were the countries that appreciated the most, with an increase of 3.35%. Comparing to last month, Russia continues to show symptoms of recession.

Sectors' Overview



- Overall, all sector indexes showed a continuous decreasing trend during the last three months. In January, the MSCI World Energy Index (MXWD0EN) was the index that suffered the biggest decrease due to the drop of oil prices by approximately 20% of their value. The reasons behind this are the excess supply all over the world and the fears from the economic slowdown in China.
- This situation in the world's second largest economy is affecting significantly the global equity markets. Furthermore, investors are concerned that depressed oil prices follow a fall in demand for fuel which could confirm that global growth is slowing down.

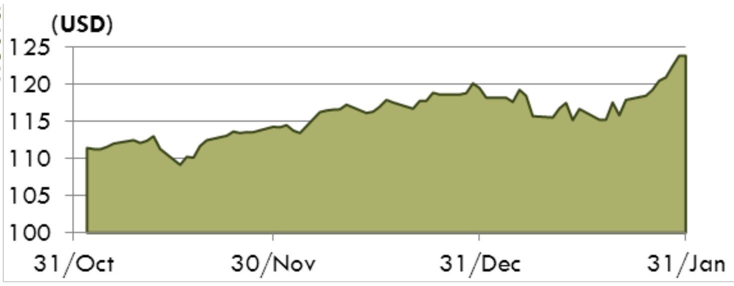
Source: Bloomberg (as of 31.01.2016)

2. Followed Companies

Analyst: Rita Castro Dias

McDonald's Corp.
(Ticker: MCD US Equity)
Industry: Gaming, Lodging & Restaurants

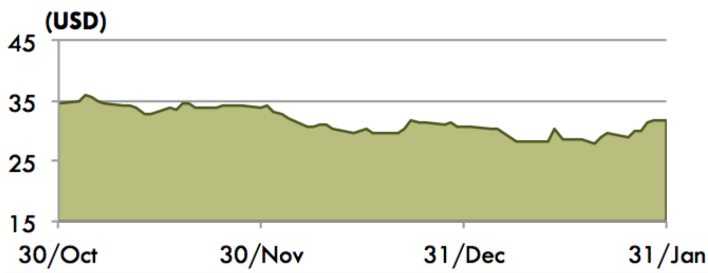
- McDonald's Corporation announcement to move to all-day breakfast helped boost the company's best fourth quarter profit and revenue results in the United States in nearly four years.
- The fourth quarter earnings released on the 25th of January , reported an increase of same-store sales in the U.S of 5.70%, against the 2.70% gain expected. The results in the U.S marked the second consecutive quarterly increase, and the best performance by McDonald's since 2012. Global same-store sales increased 5.00%, compared to estimates of a 3.20% growth.



Price (USD):	123.78
Target Price (USD):	130.00
Up/downside:	5.0%
Performance 3M:	11.1%
P/E Ratio:	23.9x
ROC/WACC:	2.7x

BP Plc.
(Ticker: BP LN Equity)
Industry: Oil, Gas & Coal

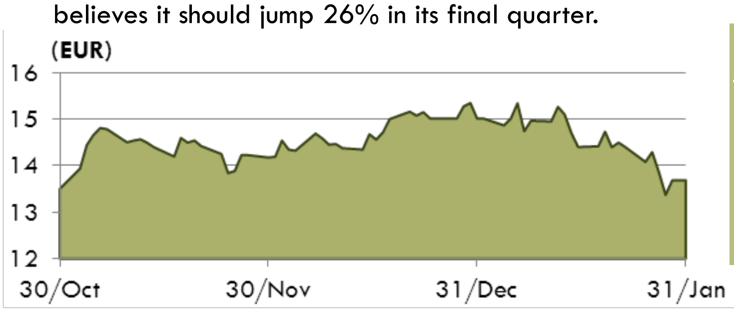
- BP's profit and margin are highly sensitive to commodity prices and have mirrored the declining trend in oil prices in the past year. In response, BP has cut costs, restructured and introduced efficiencies to support margin. These moves have resulted in an increase of USD 3.4 bn in cost savings in 2015, compared with the previous year, this cost savings are projected by BP to reach USD 7.0 bn by 2017.
- BP has highlighted its commitment to a long-term growth plan given the recent volatility in oil prices, identifying three distinctive segments of deep-water, integrated gas and large oil field projects.



Price (USD):	31.70
Target Price (USD):	36.40
Up/downside:	14.8%
Performance 3M:	-7.8%
P/E Ratio:	N.A.
ROC/WACC:	-0.7x

Ryanair Plc.
(Ticker: RYA ID Equity)
Industry: Passenger Transportation

- Ryanair Holdings Plc doubled fiscal third quarter earnings as passenger numbers surged. Additionally the company announced that it will return EUR 800 mm to investors via a share-buyback program, a strong evidence of Ryanair's recovery after two profit warnings in 2013.
- Profit after tax increased to EUR 103 mm in the last 3 months of 2015 from EUR 49 mm a year earlier, aided by a 25% increase in passenger numbers to 20 million.
- While the earnings figure was short of the EUR 118 mm anticipated by analysts, Ryanair believes it should jump 26% in its final quarter.



Price (EUR):	13.69
Target Price (EUR):	17.00
Up/downside:	24.2%
Performance 3M:	1.4%
P/E Ratio:	11.5x
ROC/WACC:	1.4x

Source: Bloomberg (as of 31.01.2016)

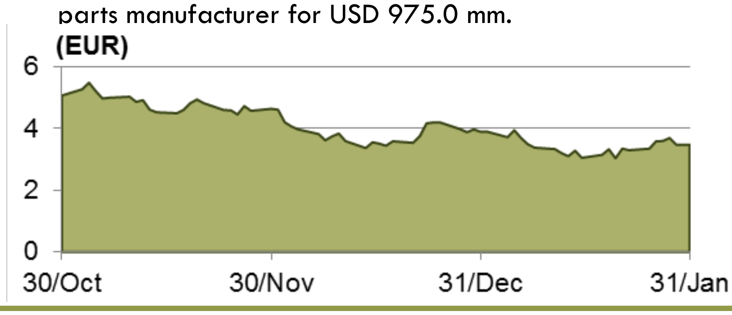
2. Followed Companies

Analyst: Nick Roberts

ArcelorMittal SA

(Ticker: MT NA Equity)
Industry: Materials

- ArcelorMittal, the world's largest steelmaker posted an alarming USD 7.9 bn annual loss fueled by falling commodity prices and global economic slowdown primarily in China. The stock's 3-month performance of -31.4% reflects the company's struggles.
- Fourth quarter losses were reported in its steelmaking business in several of its major markets including Europe, North America and Brazil. Investments in mining have also yielded poor results due to falling iron ore and coal prices coupled with decreasing demand in China.
- ArcelorMittal plans to raise USD 3.0 bn by issuing new equity to help its finances in addition to enacting cost cutting measures and selling its 35.0% stake in Gestamp, a Spanish auto parts manufacturer for USD 975.0 mm.

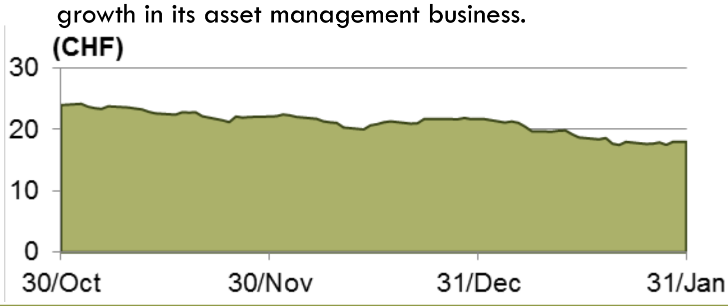


Price (EUR):	↑	3.48
Target Price (EUR):		3.85
Up/downside:		10.7%
Performance 3M:		-31.4%
P/E Ratio:		n/a
ROC/WACC:		-2.5x

Credit Suisse Group AG

(Ticker: CSGN VX Equity)
Industry: Financials

- Credit Suisse Group, the Switzerland–based financial services company with USD 888.2 bn assets under management posted its largest quarterly loss since the height of the 2008 financial crisis. A reported net loss of USD 5.8 bn. CEO Tidjane Thiam has reportedly requested the board of directors to substantially cut his bonus following this news.
- Credit Suisse's share price fell 11% following the quarterly results announcement and news of cost-cutting measures at the bank. This contributed to a disappointing 3-month performance of -25%.
- The bank is planning to reduce the size of its investment banking division and prioritize growth in its asset management business.

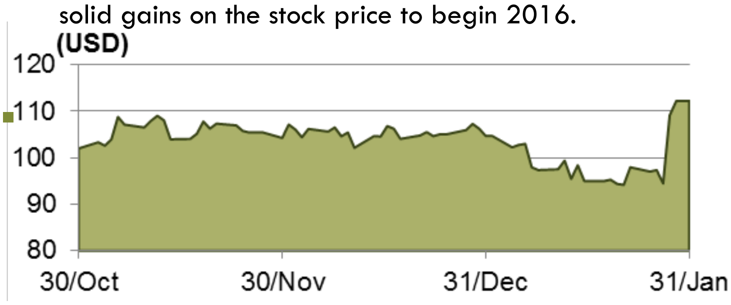


Price (CHF):	↑	18.00
Target Price (CHF):		20.00
Up/downside:		11.1%
Performance 3M:		-25.0%
P/E Ratio:		n/a
ROC/WACC:		0.7x

Facebook Inc.

(Ticker: FB US Equity)
Industry: Media

- Facebook, the owner of the widely used instant messaging service Whatsapp, has decided to change its business model by eliminating the USD 1.0 annual service fee. Whatsapp has around 1.0 bn users worldwide. So far no specifics have been revealed on how Facebook plans to adjust the revenue model for Whatsapp. It has only commented that the lack of easy payment options for the service fee was the primary reason for its dismissal. Hopes are optimistic, since the now free app will attract even more users.
- Facebook reported fourth quarter results that exceeded revenue and earnings estimates propelled by its mobile advertising and growing user base of its mobile apps. This lead to solid gains on the stock price to begin 2016.



Price (USD):	↑	112.21
Target Price (USD):		135.00
Up/downside:		20.3%
Performance 3M:		10.0%
P/E Ratio:		77.8x
ROC/WACC:		0.8x

Source: Bloomberg (as of 31.01.2016)

2. Followed Companies

Analyst: Márcia Gomes

Syngenta AG
(Ticker: SYNN VX Equity)
Industry: Agribusiness, Chemicals

- ChemChina offered USD 43.8 bn to buy Syngenta, which represents China's biggest overseas takeover and the most costly agriculture transaction ever. The Chinese company chairman, Michel Demare, announced that they would eventually sell a minority stake via an IPO and guaranteed that Syngenta will remain headquartered in Switzerland.
- After the news on the deal, Syngenta shares rose to approximately CHF 412.00, below the agreed CHF 480.00, reflecting the market concerns about regulatory hurdles.
- Syngenta reported full-year earnings that met analysts' estimates. EBITDA fell 5% to USD 2.8 bn and sales were USD 13.4 bn in 2015, decreasing 11% due to US dollar strength. EPS on a fully diluted basis also decreased 8% in the last year.

Price (CHF):	375.90
Target Price (CHF):	449.50
Up/downside:	19.58%
Performance 3M:	12.95%
P/E Ratio:	27.60x
ROC/WACC:	1.67x

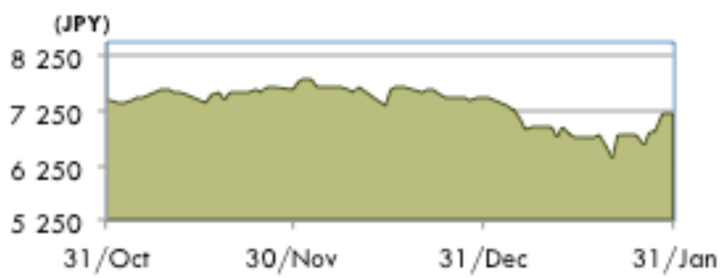
LVMH
(Ticker: MC FP Equity)
Industry: Apparel & Textile Products

- Shares in Moet Hennessy Louis Vuitton (LVMH) jumped on Wednesday 3rd of February after the group reported stronger than expected results. In the end of the day, shares were priced at EUR 151.75, with an increase of 4.5%.
- Comparing with the previous year, revenues were 16.0% higher, with a value of EUR 35.7 bn in 2015, operating profit increased to EUR 6.6 bn, which represents an increase of 16.0% and free cash flow jumped 30% to EUR 3.68 bn.
- LVMH reported that sales in China were flat in 2015 but that situation was compensated with robust sales in other regions. Sales grew 10.0% in Europe, 12% in Japan and 8.0% in the U.S. last year. In France, sales had mostly recovered after the terrorist attacks on November.

Price (USD):	148.20
Target Price (USD):	180.00
Up/downside:	21.46%
Performance 3M:	-12.62%
P/E Ratio:	20.03x
ROC/WACC:	0.99x

Toyota
(Ticker: 7203 JP Equity)
Industry: Automotive

- Toyota had its first fall in quarterly operating profits since early 2014. This was mainly due to the heavy investment they have been making in new technologies such as fuel cell vehicles and artificial intelligence. Moreover, Japanese automakers are under pressure from Prime Minister Shinzo Abe to raise workers' salaries.
- Operating profit decreased 5.30% from a year earlier to USD 6.2 bn. However, quarterly revenue increased 2.40%.
- Last year Toyota was the only company to sell more than 10 million vehicles. They expect sales this year to remain flat at 10.11 millions vehicles due to the slowdown in emerging markets.



Price (CHF):	7,200.00
Target Price (CHF):	8,750.00
Up/downside:	21.53%
Performance 3M:	-3.60%
P/E Ratio:	8.24x
ROC/WACC:	1.08x

Source: Bloomberg (as of 31.01.16)

3. Detailed Review – Exxon Mobil

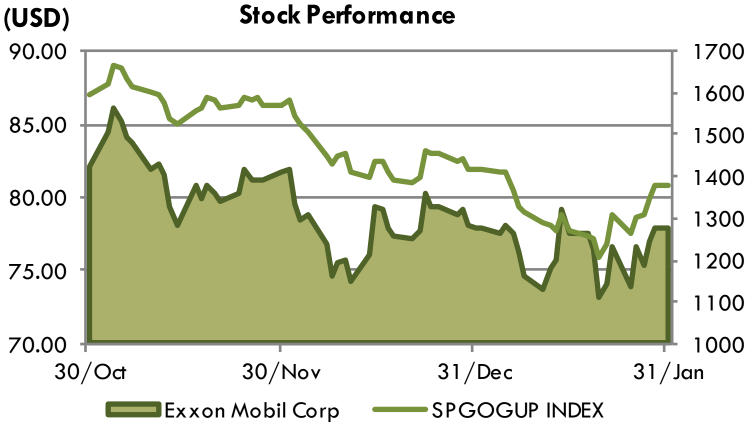
Analysts: Jin Maruhashi & Tomás Gaivão Ribeiro

Company Overview

- Exxon Mobil (XOM) is vastly known as the largest oil and gas company publicly traded in the NYSE. It has a wide-spanning presence worldwide with 30 refineries set in 17 countries and over 130,000 barrels manufactured each day.

Corporate News

- For several years Exxon Mobil was revered as being one of only three US companies with Standard and Poor's highest credit rating. With the continued downward spiral of oil prices, Exxon faces the tangible threat of having its credit rating downgraded from a perfect AAA rating. It has boasted this status since 1930 and has derived immeasurable upsides from it. According to Jeffrey Woodbury, Exxon's VP of Investor Relations, "Whether it be access to financial markets or access to resources, there is a benefit that we get from it, and we see it as being important.".
- Some of Exxon's competitors like Chevron and Royal Dutch Shell had their credit ratings cut down to AA- and A+ respectively. Total SA and BP Plc are on S&P's scope for potential downgrading as well.



ExxonMobil Corp (USD)	
Current Price (31/01/2016)	77.85
52-week high % change	-16.69%
Median Target Price	80.23
Market Capitalisation (mm)	335 450
Return on Common Equity	11.35%
Dividend Yield	3.58%
Beta (vs. SPGOGUP INDEX)	1.0x
Total Debt/Equity	16.08%

Comparable Analysis

Company Name	Country	Currency	Mcap (mm)	Enterprise Value (mm)	P/E	EV/EBITDA	EV/Sales	P/B
Exxon Mobil Corp	US	USD	335 450	371 582	20.6x	9.7x	1.3x	2.0x
Chevron Corp	US	USD	156 717	180 380	24.5x	8.0x	1.3x	1.0x
BP PLC	GB	GBP	63 216	118 572	n/a	18.4x	0.6x	0.9x
Royal Dutch Shell PLC	NL	EUR	126 267	168 931	71.3x	7.4x	0.7x	0.9x
TOTAL SA	FR	EUR	93 669	133 563	104.0x	9.5x	0.9x	1.1x
Eni SpA	IT	EUR	43 901	64 463	n/a	5.8x	0.8x	0.7x
75th Percentile					79.5x	9.7x	1.2x	1.1x
Median					**47.9x**	**8.7x**	**0.8x**	**1.0x**
25th Percentile					23.5x	7.5x	0.7x	0.9x

- When valuing Exxon Mobil through its comparable companies, one of the first issues to keep in mind is that its size is far greater than any other publicly listed company . Exxon Mobil's Enterprise Value is approximately two times the size of its closest comparables Chevron, BP and Royal Dutch.
- Exxon's P/E ratio is 20.6x, which is significantly below the industry median (47.9x). This represents how much investors are willing to pay for a dollar of Exxon, a well established and longstanding company. Additionally, Net Income/Diluted EPS flows only to equity holders and Exxon has a relatively low level of Net Debt when compared to its peers (9.72% vs. 27.35%). This may be creating meaningful accounting discrepancies.
- The opposite happens when analysing the EV/EBITDA, EV/Sales and P/B. Exxon is trading above all of its current peers' medians: 9.7x vs. 8.7x, 1.3x vs. 0.8x and 2.0x vs. 1.0x. One of the most used multiples in the oil & gas industry is the EV/EBITDA, which does not take into account the capital structure of each company.

 Source: Bloomberg (as of 31.01.2016)

3. Detailed Review – Alphabet Inc.

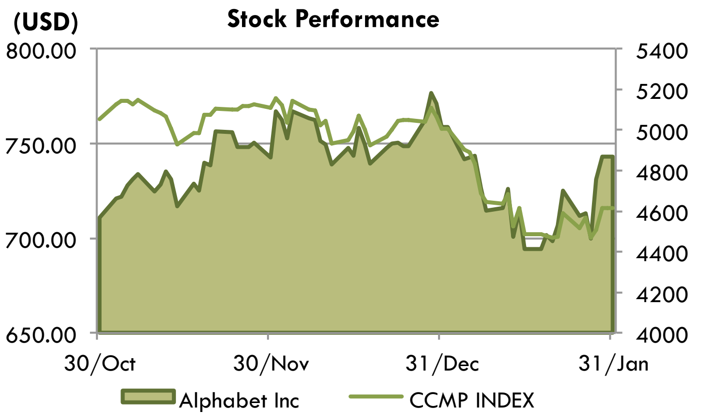
Analysts: Stefan Melzer & João Raimundo

Company Overview

- Alphabet Inc. is an American multinational conglomerate founded in 2015 as the parent company of Google and other companies owned by Google.

Corporate News

- Last August, Google created its own subsidiary called "Alphabet" to give more transparency to investors on the diversified number of investments made by the firm. This move allowed Alphabet to become the world's most valuable company with an all-time market capitalisation value of USD 547.1bn, eclipsing Apple's market cap of about USD 535.0 bn. The iPhone producer had held first rank since 2010.
- During the first two weeks of February, the stock price declined by roughly 12.50% after rumours regarding the tax payments by Google on its UK profits began. Google assures that they paid 20.00% tax, while cited reports guarantee they only paid 3.00%.



Alphabet Inc (USD)	
Current Price (31/01/2016)	742.95
52-week high % change	-5.9%
Median Target Price	926.14
Market Capitalisation (mn)	483,042
Return on Common Equity	14.1%
Dividend Yield	n/a
Beta (vs. CCMP INDEX)	1.3x
Total Debt/Equity	4.3%

Comparable Analysis

Company Name	Country	Currency	Mcap (m)	Enterprise Value	P/E	EV/EBITDA	EV/Sales	P/B
Alphabet Inc	US	USD	483 042	410 554	30.2x	18.9x	6.2x	4.0x
Yahoo! Inc	US	USD	26 036	20 472	143.9x	n/a	5.2x	0.9x
Baidu Inc	CN	USD	51 039	306 310	28.0x	20.2x	4.4x	6.0x
Microsoft Corp	US	USD	395 782	337 571	20.8x	17.1x	4.3x	5.2x
Apple Inc	US	USD	529 785	377 009	10.2x	5.4x	1.9x	4.1x
Facebook Inc	US	USD	293 082	274 762	80.4x	34.2x	15.6x	6.6x
75th Percentile					67.9x	20.2x	5.9x	5.8x
Median					**29.1x**	**18.9x**	**4.8x**	**4.6x**
25th Percentile					22.6x	17.1x	4.4x	4.0x

- Alphabet Inc. holds the world´s largest search engine provider, Google, mainly due to its diversified investments. With regard to the comparable analysis, a set of companies that are active as internet information providers as well as software, data processing and smart home devices providers were selected. Apart from its next largest competitors, Yahoo and Baidu in China, Alphabet also competes directly with Microsoft, Apple and Facebook.
- When comparing the current P/E ratio of Alphabet Inc. to the median ratio, the holding is traded slightly above the median and appears to be correctly valued in relation to the Industry. Regarding the EV/EBITDA and EV/Sales multiples, the former value matches the industry's median while with 6.2x sales the latter multiple steps out of line as it is above the 75th percentile. Overall, the numbers suggest that Alphabet Inc. is pursuing correction from its last 52-week high in December and its beginning of February peak, now fairly priced.

Source: Bloomberg (as of 31.01.2016)

4. Mergers and Acquisitions

Analyst: Gonçalo Cabral

- Overall January was a negative month for M&A activity worldwide, contradicting estimates from analysts earlier this year the number of deals registered in January decreased.
- The value of mergers and acquisitions (M&A) targeting companies based in the Middle East and North Africa (MENA) declined 77% to USD 1,194 million in January. Volume also dropped over the month, albeit at the slower rate of 33%, from 61 to 41. This poor performance can be pinned to the lack of very high value transactions during the month.
- Both the volume and value of mergers and acquisitions (M&A) targeting Iberian companies dropped in January. In all there were 176 deals announced during the month with a combined worth of EUR 3,079 million. In terms of volume this represents a 22% decline compared to December, while value dropped by 51% over the same timeframe.
- The volume and value of mergers and acquisition (M&A) targeting businesses in Central and Eastern Europe (CEE) both decreased in January. There were 428 deals valued at EUR 2,401 million announced during the month, down from 847 deals worth EUR 17,114 million in December.
- Albeit of this, executives are planning more deals in 2016, according to a survey published by accountants of EY at the end of last year, with almost 60% expected to carry out acquisitions in the next 12 months, up from 40% a year earlier.

5. Selected deals of January

Announced	Target		Buyer		TV	TV/EBITDA	Announced
Date	Company	Country	Company	Country	(m)		Premium
04/01/16	Priory Group Ltd	GB	Acadia Healthcare Inc	US	$ 2 045,00	14x	-
11/01/16	Baxalta	US	Shire	UK	$ 32 000,00	60x	37.5%
15/01/16	General Electric	US	Qingdao Haier Co., Ltd	CHN	$ 5 400,00	10x	-
24/01/16	Johnson Controls Inc.	US	Tyco International plc	IE	$ 3 900,00	1.5x	13%
25/01/16	Icopal A/S	DK	GAF	US	$ 1 080,00	-	-

- Priory Group, the British healthcare specialist famous for treating celebrities, has been sold to an American owner. Acadia will pay GBP 1.28 bn in cash and issue 5.36 mm shares — worth about GBP 230 mm — to Priory's owners, the private equity group Advent International.
- Shire, a pharmaceutical company, has agreed a USD 32 bn takeover of Baxalta in a sign that the two-year-old boom in pharmaceuticals mergers and acquisitions will continue in 2016. UK-listed Shire said that its cash and stock deal would value Baxalta at USD 45.57 a share, representing a 37.5% premium.
- Qingdao Haier will pay USD 5.4 bn for the company in cash. The deal would be ranked as the largest Chinese overseas acquisition in the consumer products sector, according to Dealogic.
- Johnson Controls has agreed to acquire Tyco International in an industrial megadeal that will allow the manufacturer to slash its tax bill by relocating its corporate domicile from the US to Ireland. Tyco shareholders will own 44% of the combined group, while Johnson Controls investors will hold the remainder and receive USD 3.9 bn in cash.
- GAF, the largest roofing manufacturer in North America, has agreed to acquire its Danish peer Icopal for about EUR 1.0 bn (USD 1.1 billion). GAF, which was formerly known as Building Materials Corporation of America, will buy Icopal from the Bahrain-based investment firm Investcorp Ltd.

Source: Financial Times; Bloomberg

The NIC Fund

Student-run Virtual Fund - February

February 2016

Nova Investment Club

www.novainvestmentclub.com

1. Fixed Income, FX and Commodities

Dodging Peril

Due to the prevailing unrest in global markets there has been large capital flights to safe havens such as gold holdings. In fact, the respective ounce has reached its maximum price since the beginning of 2009. In order to take advantage of a possible momentum effect and the growing expectations on FED negative rates materialising, I will take a long position on gold futures.

In the same line of thought, adding up the poor performance of many risky assets, including equities and commodities, US debt demand has been increasing significantly. In fact, the 10-year T-Note yield nose-dived to the same levels of 2012´s September. In order to take advantage of the continuing turbulence in the financial world, I will also take an exposure on the US 10-year Note.

Regarding currencies, I will go long on the Yen versus the dollar due to the recent BoJ´s announcement on strengthening its QE by even implementing negative rates on specific deposits. Also, supporting the strength of the dollar, there is the improvement of US data with the unemployment and participation rates beating expectations, however jobs growth fell short of what was anticipated.

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Analyst: Luís Miguel Aguiar
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Trade Summary:
Long 40% GCJ6
Long 40% 912828P46
Long 20% JPY/USD

Asset Class: Currencies
Region: Asia and Latin America

Finding Safety

China does not seem to be recovering from the increasing volatility of the last month. The PBoC is still reducing its reserves to support the increasing outflows. I envision a further depreciation of the Renminbi and, therefore, I will keep my long position of 40.00% on the USD/CNY. The situation in Turkey is still tense in terms of its foreign policy. Thus, I will end my previous short position on the Turkish Lyre. In terms of commodities, I will go long 80.00% on gold and 40.00% in T-Bills in order to secure my portfolio.

The outlook in Portugal is quite concerning in terms of fiscal policy. The CDS for sovereign debt has been increasing quite substantially, and therefore I will short 30.00% of the Portuguese bonds with 5 years' maturity. Finally, I will short the 20.00% Government Bonds for Venezuela and 10.00% for Brazil due to the increasing risks of debt default in these two countries.

Analyst: António Damásio
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Trade Summary:
Short20% PTOTEM0E0027
Long 60% GCJ6
Short 20% EJ2730491
Long 10% EI2240923
Long 40% USD/CNY
Long 30% 912828N63

Asset Class: Currencies
Region: Asia and Latin America

Shorting the Eastern Currencies

Analyst: João Ramos
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Trade Summary:
Long 20% USD/EUR
Long 15% USD/RUB
Long 10% USD/CAD
Long 30% USD/JPY
Long 25% USD/CNY

Asset Class: Currencies, Bond
Region: Europe, US and Latin America

First of all, the last month has yielded a negative return. The two positions that performed really well were the Long USD/COP and the Short on the Wheat Futures Contract (decreased their value a bit in the last month). I have decided to close these two positions as I do not see any room for profit anymore. It is true that, in early February, The Russian ruble (RUB) has recovered a bit from the prolonged period of weakness against the US Dollar, after Janet Yellen reaffirmed her plan to increase rates gradually (that now are looking increasingly unlikely). With the second rate rise highly improbable my portfolios suffered serious losses as the EUR, BRL and CAD appreciated against the US Dollar.

I will focus this month`s trading ideas on the fact that EM along with some Asian countries might continue to be challenged against the US Dollar because of the risk of more devaluation in China (very real possibility) and falling commodity prices. Due to the major capital outflows from China and the increase of the effort from the Chinese government to support its currency (the FX reserves are decreasing very fast) a devaluation should be taking place in the next months so I will decide for the medium-term to go Long USD/CNY 25.00%.

In addition, after the temporary recovery of the RUB and once it is highly correlated with commodity prices (especially the oil price) and since they are falling, I am opening a long position on the USD/RUB of 15.00%. I will open a new position: Long 30.00% USD/JPY. I believe that the recovery of the yen that took place last month made the currency appreciate too much (15 month high) against the US Dollar. The surprising cut in interest rates (into negative territory) of the Bank of Japan is not enough. With the USD/JPY at 113, the BoJ might be willing to weaken the currency, as a means not to harm the exporting sector. In fact, the behavior of Japanese policymakers shows that they do not want a stronger Yen.

A 10.00% long position on the USD/CAD will be taken as the CAD is liable to further weakening in 2016, as low oil prices and sluggish domestic growth will count against the CAD. The weight has been reduced as the relation between these two currencies remains somewhat volatile.

Finally, I will open again a long position on USD/EUR of 20.00%, as inflation is nowhere near 2.00% (now at 0.40%), target laid out by the ECB, which entails that Draghi must act quickly, rather than leaving it until it is too late. In fact, the Euro is just back to where it started despite all the efforts of the quantitative easing. The Euro as it stands now is just too high, making exports uncompetitive.

2. Equities

New Beginning

During the last month, my portfolio lost 0.69%. Due to latest heavy losses with no signs of further improvements, I am closing all positions and proceeding to new choices. Since the beginning of the year, China's situation has exponentially increased volatility in financial markets across the globe. Besides this factor, general U.S. elections have also had their say in bringing more frenetic to the country's financial markets. For those reasons, I'm investing a third of my fund in ProShares VIX Short-term Futures, an ETF that tracks the volatility of S&P500. In anticipation for good results of Ryanair Holdings, I am investing a third of my fund in this asset. When comparing to its industry peers one may see it is trading cheap (14xEarnings Vs. a 16 multiple of the industry) and as oil prices remain low, this bet looks to yield a good return. Amid concerns over "regular" equity markets, investors have fled to commodities, such as gold, in order to benefit from the upside which this asset may bring to their investments. Thus, in order to hedge against my order bets, I will invest the other third of my fund in the SPDR Gold Shares Equity, a fund that tracks the performance of the gold bullion.

Analyst: Francisco Franco Nunes
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Trade Summary:
Long 33% VIXY US Equity
Long 33% RYA ID Equity
Long 33% GLD ES Equity

Asset Class: Equities
Region: USA and Europe

Profiting From the High Volatility

The overall performance of my portfolio, during the month of January, was quite disappointing, with a total return of around -4.00%, leaving the return, since the inception, to 0.50%. In particular, the worst performer is my position on Amazon (AMZN US Equity) which was affected by a negative return of -6.63%. Moreover, my position over the EuroStoxx 50 (SX5EEX GY Equity) gave a negative return of -1.52%. Anyway, Wal-Mart (WMT US Equity) and Ryanair (RYA ID Equity) provided a combined return of 2.50%, which were able to cut the losses. As far as the main reasons behind the performance of my portfolio, I think they are due to the high level of uncertainty and volatility which are affecting both the European and the American stock markets. Hence, I have decided to rebalance my portfolio in order to invest in industries which proved to be more profitable during these high-volatility environments: health-care and consumer staples. The first company I introduce is Intuitive Surgical Inc. (ISRG US Equity), which manufactures and markets surgical systems. Even though the company presents a P/E ratio of 34, which might seem high, it is below the peer average of 126, making the company look cheap. Moreover, the next year PEG ratio of 1.8, makes me believe that Intuitive Surgical has high growth opportunities. The second company is Medtronic, PLC, (MDT US Equity) which develops therapeutic and diagnostic medical products. This company presents a P/E ratio below the one of its comparable and all the profit margins above the average. Again, I think this company has high growth opportunities in the next months. The last company is Constellation Brands, Inc. (STZ US Equity) which produces and markets alcoholic beverages across North America, Europe and Australia. I buy this company because it is now trading really close to its 52-week minimum price and the next earning announcement is scheduled for the first days of April, with the company always "surprising" the market with earnings above the expectations. Thus, I think now is the best time to buy the stock and, eventually, to profit from the future earnings release. Finally, since the bad performance of my portfolio is largely due the high volatility in the market, I have decided to go long in a future over the volatility of the EuroStoxx 50 index (FVSG6 Index), in order to profit from the current environment.

Analyst: Roberto Tedesco
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m

Trade Summary:
Long 10% ISRG US Equity
Long 10% WMT US Equity
Long 15% EW US Equity
Long 10% SX5EEX GY
Long 5%   RYA ID Equity
Long 15% STZ US Equity
Long 20% FVSG6 Index
Long 15% MDT US Equity

Asset Class: Equities
Region: Europe and US

Hopes for Stability

Analyst: Ana Lambiza Pardal
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Trade Summary:
Long 30% AIR FP Equity
Long 30% CARZ US Equity
Long 30% NFLX US Equity
Long 30% XLE US Equity
Short 20% PPP PL Equity

Asset Class: Equities
Region: US, Europe and Asia

The severe volatility being felt in the equity markets since the beginning of the year has dragged my portfolio performance to -12.95%.

After contributing with a loss of 4.46%, and although the Asian downturn may still continue on having a negative influence on the firm's deliveries (about 31.92% of the revenues come from this region), there are still strong reasons to believe AIRBUS is a security worth keeping since the famous A380 is progressing towards break-even. I will therefore maintain my long 30.00% position in this company.

After the recent warning from the EU regarding the need for further budget cuts, the Portuguese PSI 20 is likely to continue on reacting nervously to such news. This vulnerability both in the financial and the political environment supports my 20.00% short position in ComStage ETF PSI 20 (PPP:PL).

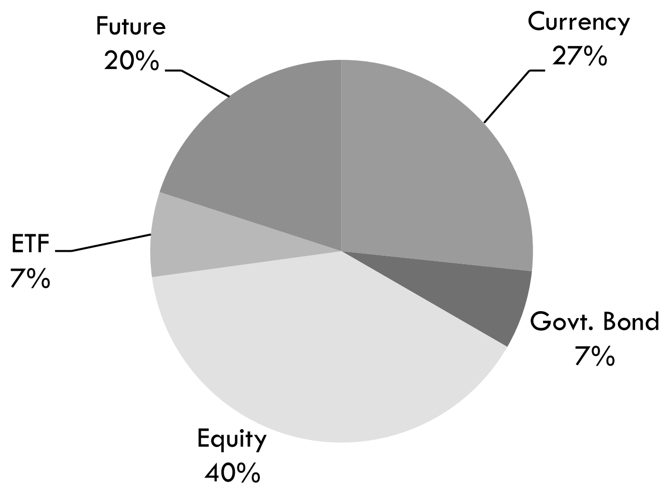
As oil prices start to show signs of recovery, the energy sector is now facing potential gains. This fact is the fundamental reason behind the closing of my short position in Hyundai Heavy Industries and the decision invest 30.00% on a long position in an ETF that tracks the energy sector's major players (XLE:US).

Despite the poor performance of CARZ ETF, the solid trend in job growth revealed by the US Non-Farm Payroll's Data offers worthy reasons to trust on the future recovery of this index, leaving me to continue with my 30.00% long position.

Although Netflix had a disappointing behaviour since the beginning of the year, the continued increase in market share and significant boost in revenues in the last quarter indicate signs of future upturn and, thus, I will keep my 30.00% long position.

3. NIC's Fund Composition

At the beginning of February, the composition of the NIC's fund is as follow:



February Article

What to expect from the Chinese Turmoil?

Over the past 50 years there has been a global recession once every eight years, on average, and the next one could be arriving soon. In August 2015 the Chinese stock market crashed (which wiped out all of its yearly gains of 60% until then) and the renminbi devalued 2% against the US dollar. From then onwards, it is expected that the next global recession will likely be "made in China". This is even more worrisome if we take into account that, since the global recession of 2008-09, China has emerged as the largest contributor to global growth (nearly 30%), replacing, the previous leader, the U.S (accounting with 17%). Therefore, the key to global growth rests in Beijing's hands.

The impressive double-digit record (around 10% a year) of China's growth from 1992 until 2014, mostly relied on the massive increasing debt as it converged with the advanced economies. For all these 22 years but three, China always stayed above the GDP target that the government imposed every year, often by a big margin. However, China inevitably could not keep on growing at this pace forever, as it would be unreasonable to do so with a debt-to-GDP of 250% 2015 Q3. The reasons for this recent downturn fit within the long history of business cycles: rising excess capacity in a growing number of industries, excessive leverage in the private sector and irrational reasoning, at times, in asset markets.

China announced to the world, on January 19th of 2016, that its GDP had only grown by 6.9% (inflation included), which was actually the lowest rate in 25 years. The Chinese economy continues transiting toward a growth driven by services and consumption rather than manufacturing and investment. However, these new drivers have not yet demonstrated their value in relation to the old ones .

Earlier in January, China released their latest currency devaluation, which forced the PBoC (People`s Bank of China) to tighten even more the capital controls. This serves the purpose of slowing down the major capital outflows the market has been witnessing (estimated to be USD 110 bn in January). This situation has led Beijing to support its currency stability at the expense of its "rainy day fund"- its USD 3 tn foreign reserves (the largest worldwide), which dropped to its lowest level in almost four years. The overwhelming USD 90 bn that the PBoC spent, prevented the currency from falling too fast in January, which accounted to more than a quarter of what it spent in the whole year of 2014.

There are two opposing views to what might happen in the following months concerning the value of the Chinese currency. Some might argue that the PBoC will have to let the renminbi to devalue against the US dollar, which is coherent to the introduction of the renminbi into the IMF`s basket of reserve currencies by late 2015. For instance, Kyle Bass, who greatly benefited and predicted the 2008 financial crisis, stated that one of the best investment ideas for 2016 was to short the Chinese currency, as he anticipates a yearly renminbi devaluation of 10-15%. Others will argue that the resilience in consumer spending and the solid property market is expected to offset the sharp decline that has been occurring in heavy manufacturing in 2015. Therefore, this view predicts that the renminbi shall not suffer a significant devaluation in the short-term.

Additionally, after the major currency devaluation last August, there have been an increasing number of heavy bets on the renminbi depreciation through the CHN (the offshore version of the currency). These risky investment strategies turned out to be wise, as the exchange rate depreciated from 6.40 to 6.70, from August to February. However, the CNH bears have appeared to pull back, with the offshore exchange rate at 6.60, which coincides with the official exchange rate (Onshore RMB per USD) . Following this line of thought, the "bears" betting now on the sharp renminbi devaluation are likely to end up frustrated.

The end of the stalemate around the renminbi is approaching soon. China's policymakers do not seem to be ready to give up the fight and the currency bears should beware. In my opinion, rather than tightening up capital controls that sow panic in the general public, China should implement macroeconomic policies that support growth, as well as an expansionary fiscal policy, in order to build confidence among investors regarding the uncertain renminbi.

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