Newsletter

November 2016

Foreword

It is a pleasure to introduce you the November edition of the Nova Investment Club Newsletter, where we welcome the 2016/2017 class.
Our Investment Banking team will guide you through the latest economic developments, our followed companies and present an in depth overview of Church & Dwight and Starbucks.
Our Financial Market division will present you their fresh trading ideas so you can follow their returns in the next editions.
Finally, Filipe Carballo de Almeida, will close November's newsletter with an article on the recent closed deal between Ab InBev and SAB Miller.

nic Nova Investment Club

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Investment Banking Report

November

November 2016

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Companies

- Tesla Motors
- Apple
- Amazon
- General Electric
- SolarCity
- ExxonMobil
- Reynolds American
- Twitter
- Alphabet

This month's detailed company reviews:

- Church & Dwight
- Starbucks

1. Macro Overview

Analyst: Sofia Oliveira

October was shaped by rising concerns over the political outcomes of major economies. After a long period leading the US elections, Hillary Clinton has lost her advantage of 12.00% to her rival, followed by the FBI's decision to re-open the investigation to her secret emails. The Mexican Peso, a proxy to the US elections, fell by as much as 1.8%, the most in almost four months to 19.2088 US dollars, after the new polls showing Trump in front by 1.00%.

In related topics, there is 71.50% probability that the Fed interest rate hike will take place in December. Although the released indicators were positive, as the consumer price index (CPI) rising by 1% and the unemployment rate at 4.9%, the outcome of the US elections might change the scenario.

In Europe, ECB's president, Mario Draghi, announced that the QE bond purchasing program of EUR 80.0 bn per month was to be maintained until March 2017 and beyond if necessary. The inflation target established by the ECB is (close to) 2.00%, 400.00% higher than the 0.5% inflation rate observed in October. Even though the companies are showing positive growth, the main worry is centred on the economic growth of the economies.

Theresa May has been enforcing the probability on Britain following a hard Brexit. Since the 23rd of June, the sterling has dropped by approximately 20.00% against the dollar, becoming in October the world's worst performing currency and it is still expected to drop to 1.1500 against the dollar after Theresa May triggers article 50 of Treaty of Lisbon.

October dealmaking volumes hit USD 500.0 bn after General Electric and Baker Hughes merge oil and gas units, on October 31. The most valuable M&A deal of the year is the AT&T acquisition of Time Warner valued at USD 85.4 bn, announced on October 22. However, the transactions might still be block by the DoJ.

The trade agreement with Canada (CETA) was signed after 7 years of negotiations. The deal removes 99.00% tariffs and an increase in trade expected to worth USD 12.0 bn a year. On the oil industry, the OPEC members seem to be struggling on the details of the agreement to cut oil production discussed in September. After the meeting on the 29th of October, a barrel of West Texas Intermediate for December delivery was trading near a one-month low at USD 46.66 and if the deal fails to emerge, analysts predict a slide to the low USD 40s.

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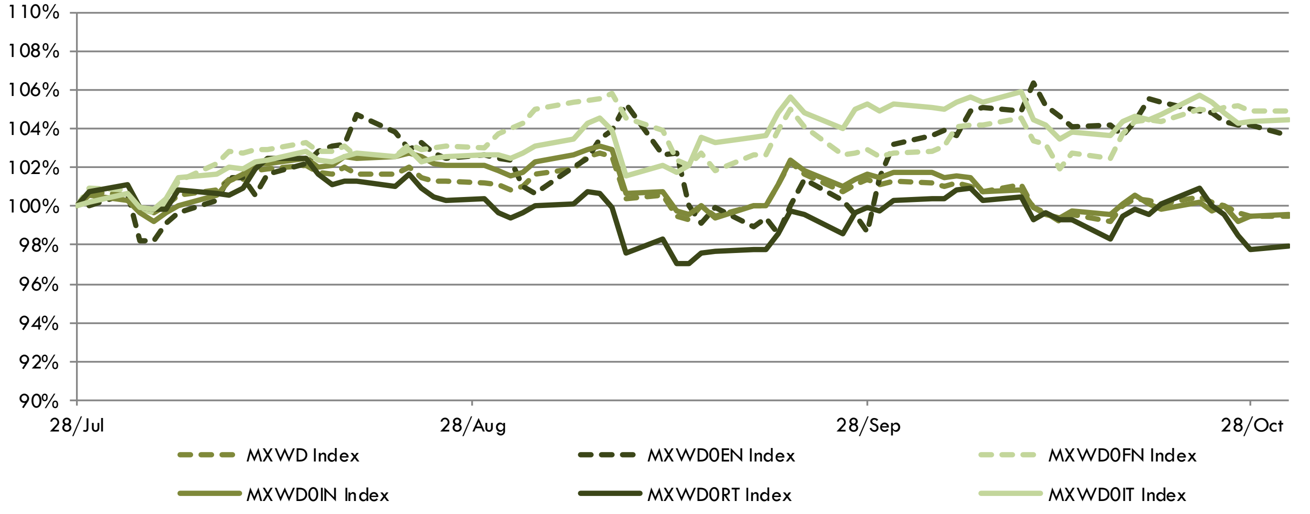
Countries' Economic Data

Analyst: Christian Reis

Country	October Inflation (%)		Exchange Rate		Unemployment Rate (%)		10 Year Yield	
	MoM	YoY	USD	Monthly Change (%)			Current (%)	Montlhy Change (bp)
United States	0.30	1.50	1.0000	-	4.93	Q3	1.82	23
Eurozone	0.30	0.50	1.1059	-1.57	10.10	Q2	0.18	30
Portugal	0.70	0.63	1.1059	-1.57	10.80	Q2	3.36	3
United Kingdom	0.20	1.00	1.2248	-5.58	4.93	Q2	1.28	54
Japan	0.20	-0.50	0.0096	-2.52	3.03	Q3	-0.05	4
Russia	0.20	6.40	0.0158	-0.57	5.23	Q3	4.02	23
China	0.70	1.90	0.1479	-1.41	4.05	Q2	2.73	-1
Brazil	0.08	8.48	0.3086	0.62	11.73	Q3	11.40	-19

- In the Eurozone the inflation reached the highest value in more than two years with 0.5 percent. Still, there is the consensus that the ECB is likely to extend its loose monetary policy.
- The USD continues strong against nearly all other currencies reaching its highest level since February.
- The US private sector added fewer jobs than forecasted last month (147,000 according to payroll processor ADP vs. 165,000 expected by Wall Street). The unemployment rate in Germany has come to a record low in October registering 4.2%.
- Most interest rates increased during October, but Brazil's central bank has cut interest rates for the first time in four years as the country struggles to emerge from its deep recession so far. Now, the cut was possible because of an easing price pressure and a greater confidence in Brazil's new market-friendly government.

Sectors' Overview



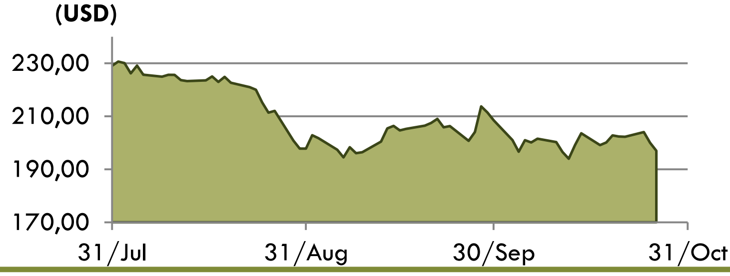
- Overall, the selected indexes faced a slightly negative trend during the last month (on average 1% down). Especially the Retail index (MXWD0RT) plunged during the end of October resulting in the steepest overall decline of the indexes shown above (~2.5% down). The decline of the MSCI World index (MXWD) was mainly driven by uncertainties related to the upcoming US election, increasing bond yields in the US and the Eurozone, and disappointing earnings from notable companies.
- Only the Financials index (MXWD0FN) increased during October due to better than expected quartely results by some key players. For example the stock prices of JP Morgan Chase, Bank of America, Wells Fargo and Citigroup all increased by more than 3% during October.

2. Followed Companies

Analyst: Gonçalo Aguiar

Tesla Motors Inc
(Ticker: TSLA US Equity)
Industry: Automotive

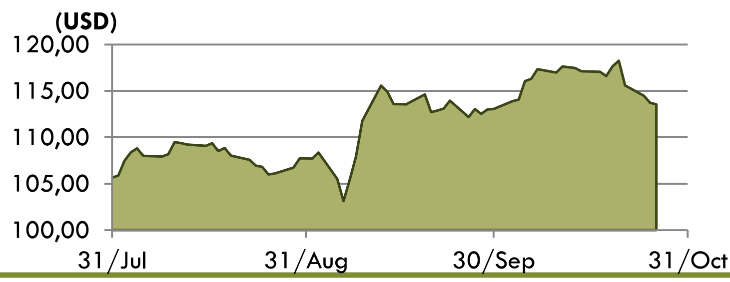
- It was a big quarter for the California based automaker, as it released the first net profit in its history. Shares gained almost 5.00% after the market closed, but did not make more than 1.00% when the session opened the next day.
- Despite the surprise earnings, which beat analysts' estimates, investors are still sceptical regarding the company's capacity to generate free cash flow. Also, some think Tesla will not be able to keep posting positive earnings after they run out of Electric Vehicle Tax Credits.
- It was also a big quarter regarding product updates. Tesla Model S and Model X now come with full self-driving hardware. Moreover, the car maker introduced its Powerwall 2, just when we are about to see if the Tesla-Solar City merger is finally happening or not.



Price (USD):	196.96
Target Price (USD):	223.00
Up/downside:	13.22%
Performance 3M:	-14.37%
P/E Ratio:	n/a
ROC/WACC:	-0.5x

Apple Inc
(Ticker: AAPL US Equity)
Industry: Hardware

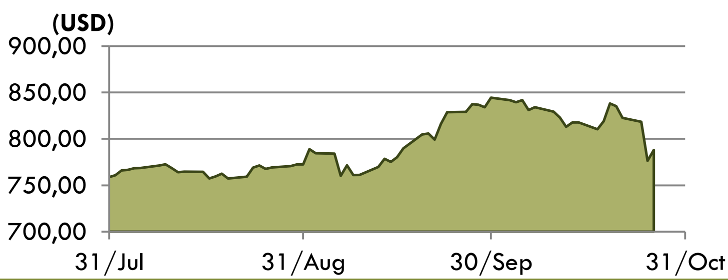
- This quarter saw Apple delivering poor results. The tech giant had a decrease in revenues YoY, which did not happen since 2001. Analysts believe the company is still struggling to meet the excess demand caused by ex-Samsung customers who are now turning to the Silicon Valley based company.
- On the other hand, Apple had a revenue increase of 24.00% from its Services business, which is now its second most important source of revenues after the iPhone, totalling USD 6.3 bn.
- Apple's stock was trading at USD 118.3 before the earnings were released on the 25th of October, and closed the following session at USD 115.6.



Price (USD):	113.55
Target Price (USD):	134.00
Up/downside:	18.01%
Performance 3M:	17.28%
P/E Ratio:	13.8x
ROC/WACC:	2.1x

Amazon.com Inc
(Ticker: AMZN US Equity)
Industry: Retail - Discretionary

- The Seattle based company had a difficult quarter, posting a profit widely below analysts' forecasts. Amazon's shares were trading at -5.00% afterhours on the 27th of October. This represents a breaking in the momentum the company was living, as shares were up more than 30.00% from the past 12 months.
- Amazon Web Services, which is the company's cloud business, showed solid sustained growth over the quarter, with revenues mounting to USD 3.2 bn.
- The company also showed to be investing more in video content production, which is a part of its strategy to broaden revenue sources, thus entering in direct competition with Netflix.



Price (USD):	788.00
Target Price (USD):	940.00
Up/downside:	19.29%
Performance 3M:	6.54%
P/E Ratio:	180.1x
ROC/WACC:	0.7x

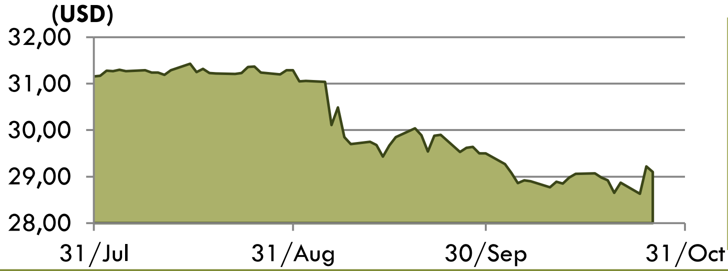
Source: Bloomberg (as of 31.10.2016)

2. Followed Companies

Analyst: Tomás Costa

General Electric
(Ticker: GE US Equity)
Industry: Industrials

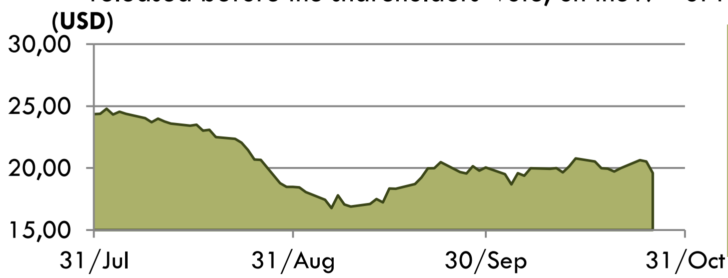
- General Electric shares fell around 10.00% since July, due to investor's concerns of its oil and gas equipment division and their reluctance about the conglomerate's future business structure.
- On the 31st of October, the company announced the merger between its oilfield services unit with Baker Hughes, whose investors will receive USD 7.4bn in cash and 62.50% of the new company, with GE taking the rest. The merger is expected to provide annual cost savings of USD 1.2bn and synergy revenues of USD 400m per year by 2020.
- The deal suggests that if some units can be separated, more organizational changes might occur, increasing the focus on the next movements of the industrial goods producer.



Price (USD):	29.10
Target Price (USD):	33.50
Up/downside:	15.12%
Performance 3M:	-8.03%
P/E Ratio:	31.4x
ROC/WACC:	0.4x

SolarCity
(Ticker: SCTY US Equity)
Industry: Industrials

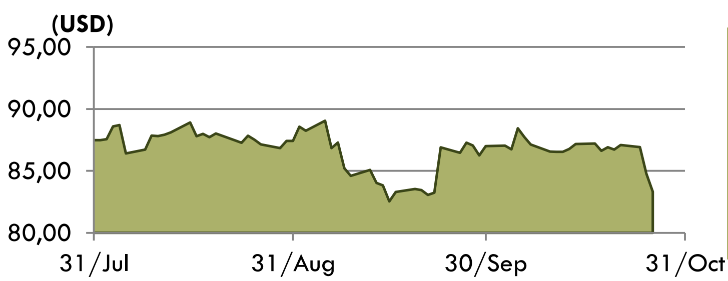
- Since the beginning of the year, SolarCity's shares have fallen around 60.00% as the company reported negative cash-flows of USD 1bn.
- Shares of the solar powered systems maker have been declining even more after the perceived delay in the merger with Tesla Motors and due to the skepticism around its success, and are now at the price of USD 19.6 after a slight recover.
- On the 28th of October, Tesla Motors CEO announced Solar Roof, the new jointly produced solution for residential solar energy generation, unveiled the vision and ambition for both companies future, adding more curiosity around the merger. More financial details will be released before the shareholders' vote, on the17th of November.



Price (USD):	19.60
Target Price (USD):	25.00
Up/downside:	27.55%
Performance 3M:	-28.73%
P/E Ratio:	n/a
ROC/WACC:	-2.1x

ExxonMobil
(Ticker: XOM US Equity)
Industry: Oil, Gas and Coal

- The third quarter have been of modest growth for ExxonMobil, with earnings of USD 2.7bn, increasing by USD 950m compared to the previous quarter, but still decreasing USD 1.6bn compared with the same period of 2015.
- US market improved in the period, in contrast to the weaker growth of China and the stagnation of Europe and Japan markets. The crude oil prices are still largely flat, which drives downwards the margins and the revenues prospects.
- The company also reported a cut in its proved reserves of 19.00%, in a total "de-book" of 4.6bn barrels of oil, in case we still observe low oil prices by the end o the year.



Price (USD):	83.32
Target Price (USD):	91.00
Up/downside:	9.22%
Performance 3M:	-9.63%
P/E Ratio:	39.0x
ROC/WACC:	0.2x

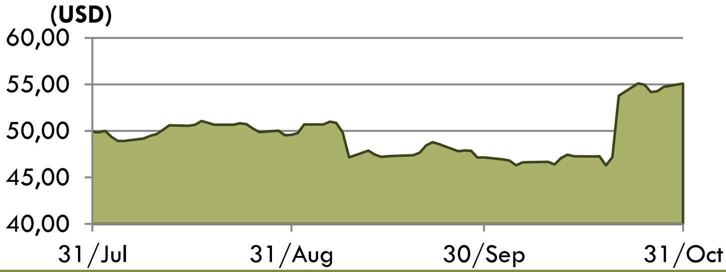
Source: Bloomberg (as of 02.11.2016)

2. Followed Companies

Analyst: Bernardo Machado

Reynolds American
(Ticker: RAI US Equity)
Industry: Tobacco

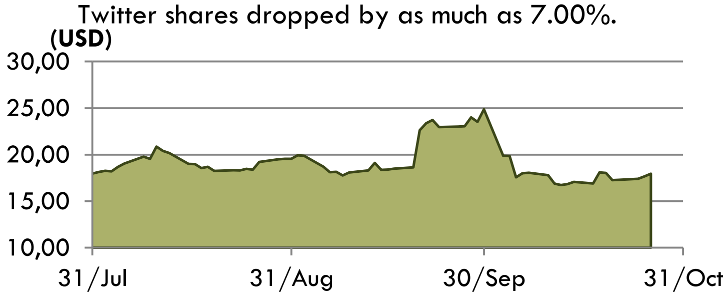
- Reynolds American shares soared nearly 15.00% following a USD 47.0bn acquisition offer by British American Tobacco. The proposed offer would consist off USD 20bn in cash and the remaining in stock. British American Tobacco's bid, valued Reynolds American shares at USD 56.5 bn, offering a 20.00% premium on the previous day closing price
- In case it goes through, the merger is expected to create the world's biggest listed tobacco company, bringing together leading brands such as Newport, Kent and Pall Mall cigarettes, and generate 45.00% of its operating revenues in the US.
- The company is expected to gain market share, having already 42.00% of the 18-30-year-old segment in the US. Significantly higher then its 35.00% overall market share.



Price (USD):	55.08
Target Price (USD):	54.50
Up/downside:	-1.05%
Performance 3M:	5.30%
P/E Ratio:	18.1x
ROC/WACC:	6.6x

Twitter Inc.
(Ticker: TWTR US Equity)
Industry: Internet/Online

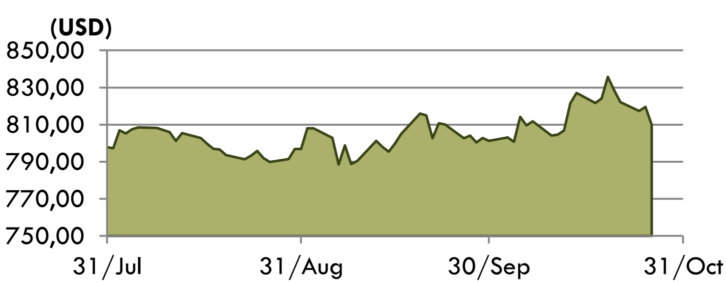
- Beating analyst expectations, Twitter announced a solid third quarter performance. Revenues reached USD 616m, representing a 8.00% YoY increase. In addition, the number of monthly active users (a closely watched KPI) grew 3.00% YoY up to 4m.
- Despite a positive performance, Twitter also announced plans to lay off 9.00% of its workforce, in an effort to improve efficiency and decrease costs. The 300-worker slim down will target specifically the company's sales team.
- One of investor's main concerns regarding Twitter remains the platform's growth capabilities. In fact, following Salesforce announcement that it would not bid for the social media website, Twitter shares dropped by as much as 7.00%.



Price (USD):	17.95
Target Price (USD):	17.00
Up/downside:	-5.29%
Performance 3M:	-3.75%
P/E Ratio:	n/a
ROC/WACC:	-0.4x

Alphabet Inc.
(Ticker: GOOGL US Equity)
Industry: Internet/Online

- Alphabet topped Wall Street's financial targets in the third quarter. The company announced a 21.00% YoY increase in Net Revenues reaching USD 18.3bn. In addition, adjusted EPS climbed to USD 9.06, ahead of analyst expectations of USD 8.64.
- Despite strong results in the third quarter Alphabet's share price barely moved, rising 1.00% in after hours trading on the day of the release.
- Following its positive results Alphabet announced its biggest stock buyback up to date at USD 7bn. The stock purchases will take place both on the open market and through privately negotiated transactions.



Price (USD):	809.90
Target Price (USD):	970.00
Up/downside:	19.77%
Performance 3M:	6.91%
P/E Ratio:	28.1x
ROC/WACC:	1.3x

Source: Bloomberg (as of 03.11.2016)

3. Detailed Review – Church & Dwight

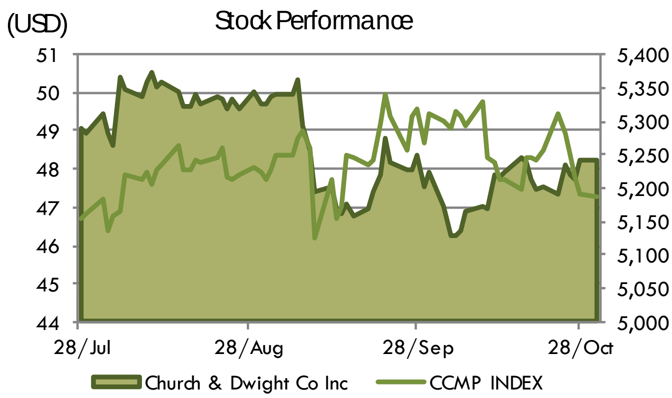
Analyst: Robert Schroeder

Company Overview

- Church & Dwight develops, manufactures and markets a range of household, personal care and specialty products. The company sells its range of brands via various distribution platforms such as supermarkets and drug stores and is known in particular as the market leading manufacturer of baking soda.

Corporate News

- Church & Dwight just released its quarterly earnings (Q316) on Thursday, November 3rd. The earnings per share of USD 0.47 were in line with the analysts consensus.
- The Q416 earnings estimate was set to USD 0.42 when analysts expected USD 0.44. The full-year reported and organic sales growth is expected to be at the lower end of the company's 3% - 4% range.
- The drop in share price (USD 44.5) on the day of earnings release may be a good opportunity to buy the dip.



Church & Dwight Co Inc (USD)	
Current Price (31/10/2016)	48.26
52-week high % change	-10.10%
Median Target Price	47.47
Market Capitalisation (m)	11,854
Return on Common Equity	21.95%
Dividend Yield	1.53%
Beta (vs. CCMP INDEX)	0.6x
Total Debt/Equity	51.90%

Comparable Analysis

Company Name	Country	Currency	Mcap (m)	Enterprise Value (m)	P/E	EV/EBITDA	EV/Sales	P/B
Church & Dwight Co Inc	US	USD	11,854	12,552	26.4x	15.9x	3.8x	5.6x
Procter & Gamble Co/The	US	USD	234,042	252,814	23.6x	15.7x	4.0x	4.1x
Colgate-Palmolive Co	US	USD	63,632	69,030	25.6x	22.4x	4.6x	n/a
Clorox Co/The	US	USD	14,839	16,838	23.2x	14.8x	3.1x	51.3x
Edgewell Personal Care Co	US	USD	4,439	5,622	23.9x	n/a	2.7x	2.4x
Kimberly-Clark Corp	US	USD	41,360	48,440	19.2x	13.7x	2.9x	138.4x
75th Percentile	-	-	-	-	25.2x	15.9x	3.9x	51.3x
Median	-	-	-	-	**23.8x**	**15.7x**	**3.4x**	**5.6x**
25th Percentile	-	-	-	-	23.3x	14.8x	2.9x	4.1x

- For the purpose of this analysis, a set of five US traded stocks from the CPS sector were chosen. Among them the largest peer Procter & Gamble. Besides the big peers, we also included a comparatively small competitor Edgewell Personal Care, because in terms of market cap, it is a rather small company of a similar size as our followed company.
- Taking into consideration that Church & Dwight outperformed both the biggest competitors Procter & Gamble, Colgate-Palmolive and the S&P500 index over the past 10 years, the comparably high valuation multiples such as the P/E being 9% above the peer group value are reasonable, if the company is able to continue this sector outperformance.
- Church & Dwight's potential outperformance lies in the projected international expansion. As stated in the 2015's annual report, the company only generated 18% of its net sales in its international segment while the peers in the industry have more than 50% of sales generated outside the US. For that reason, even though all valuation multiples seem high, they may be justified by the ongoing above industry growth of Church & Dwight.

Source: Bloomberg (as of 01.11.2016)

3. Detailed Review - Starbucks

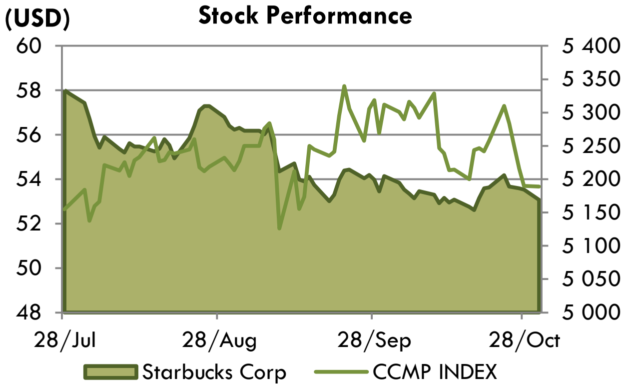
Analyst: Nicholas Mayer

Company Overview

- Starbucks (SBUX) is an American coffeehouse chain headquartered in Seattle, Washington, and is operating in more than 23,000 locations around the globe. Starbucks' product portfolio consists of more than 30 blends and single-origin coffees, as well as handcrafted beverages, fresh food and merchandise.

Corporate News

- Texan Capital Management decreased its stake in Starbucks Corp. by 0.8% during the second quarter. The fund owned 34,381 shares of Starbucks and its holdings in Starbucks Corp. were worth USD 1,964,000 at the end of the most recent reporting period.
- Starbucks Corp. will increase its global tea business to USD 3 bn over the next five years and will start selling its new line of tea drinks, called Teavana, across the Asia Pacific region.



Starbucks Corp (USD)	
Current Price (31/10/2016)	53.07
52-week high % change	-16.02%
Median Target Price	64.84
Market Capitalisation (m)	79 915
Return on Common Equity	48.16%
Dividend Yield	1.47%
Beta (vs. CCMP INDEX)	0.9x
Total Debt/Equity	61.15%

Comparable Analysis

Company Name	Country	Currency	Mcap (m)	Enterprise Value (m)	P/E	EV/EBITDA	EV/Sales	P/B
Starbucks Corp	US	USD	80,106	81,451	28.7x	15.5x	3.8x	13.6x
McDonald's Corp	US	USD	94,762	118,502	20.1x	13.0x	4.8x	n/a
Dunkin' Brands Group Inc	US	USD	4,419	6,588	27.0x	17.5x	8.3x	n/a
Yum! Brands Inc	US	USD	22,754	29,102	17.1x	14.1x	3.2x	n/a
Aramark	US	USD	9,095	14,342	31.1x	11.1x	0.9x	4.3x
Chipotle Mexican Grill Inc	US	USD	10,958	10,599	126.3x	47.6x	3.1x	7.6x
75th Percentile	-	-	-	-	30.5x	17.0x	4.5x	10.6x
Median	-	-	-	-	**27.8x**	**14.8x**	**3.5x**	**7.6x**
25th Percentile	-	-	-	-	21.9x	13.3x	3.1x	6.0x

- In order to make a proper analysis of Starbucks' key performance indicators, a set of peers was chosen. Especially McDonald's Corp. and Dunkin' Brands Group Inc. deserve greater attention, since both are Starbucks' main competitors in the coffee business.
- As the table indicates, Starbucks has both, the second-highest market capitalization and enterprise value after McDonald's Corp. McDonald's Corp. mainly tackles the fast-food business and its coffee business is relatively small. Starbucks' P/E ratio as of 27.7x is slightly higher than the median of the peer group (27.0x), suggesting that the company might be overvalued, supporting the recent moves of institutional investors decreasing their stakes in the company.
- In comparison to its main competitors, such as McDonald's Corp (4.8x) and Dunkin' Brands Group Inc (8.3x), Starbucks' EV/Sales ratio as of 3.8x is relatively small. This could indicate that investors perceive that the company's future sales prospects are not as attractive as the ones of its main competitors mentioned above.

Source: Bloomberg (as of 01.11.2016)

4. Mergers and Acquisitions

Analysts: Diogo Góis & Lourenço Alves Pereira

- According to Dealogic, October capped one of the most active months for global M&A, reaching a total combined value of USD 503 bn and a total of 2199 deals.
- Only seven different months in M&A history have surpassed the USD 500 bn line. Similar values were reached back in November 1999 during the dotcom bubble, April, May and July 2007, just before 2008's crisis and July and October 2015, on record year for M&A deals. It is important to note that the present month combined deal value was still the lowest of the other seven occasions. However, October 2016 represented the one with the least number of deals occurred when comparing against the other 6 months, which clearly highlights the magnitude of the deals announced this last month.
- The FT argues that October's M&A momentum might have been caused partly by the growing enthusiasm of Hillary's leading pool. However, the FBI's decision to continue the search for Mrs. Clinton's use of private emails could change this trend, as the presidential race has become more tied again.
- Another reason behind the increase in M&A activity is the current market environment. Some companies are having problems in growing revenues and to surpass this situation are considering to acquire another companies to help generating higher profits. Also, the market is benefiting from low borrowing interest rates, which motivates companies to leverage themselves and make more deals.

5. Selected Deals

Announced Date	Target		Buyer		TV (m)	TV/EBITDA	Announced Premium
	Company	Country	Company	Country			
21-10-2016	Reynolds America	US	British American Tobacco	UK	$ 88 982.5	10.6x	20.00%
22-10-2016	Time Warner	US	AT&T	US	$ 88 764.6	11.1x	35.00%
27-10-2016	NXP	NL	Qualcomm	US	$ 42 115.6	25.1x	11.50%
31-10-2016	Baker Hughes	US	General Electric	US	$ 22 865.0	-	-
31-10-2016	TeamHealth	US	BlackStone	US	$ 5 542.7	14.1x	18.00%

- The media and telecoms sector looks set to be reshaped by AT&T's USD 85 bn bid for Time Warner. However, there are growing concerns the deal might distort the industry as it would make it one of the most vertically integrated in the world, which have given rise to doubts on whether or not the acquisition will take place. Owing to this, the deal will probably be the first test of the next US President's antitrust policy.
- Qualcomm, the world's largest mobile chip company is offering USD 47 bn for NXP, the world's largest chipmaker. The buyer's shares have plunging as the smartphone market slows down – approximately 90% of its revenues. Although this exposure is expected to decrease to 68% (according to UBS), the smartphone market is showing signs of maturity, incentivizing Qualcomm to follow a new strategy. The timing of this bid indicates the company is doing so, as it is clearly looking for the automotive sector as an alternative to the smartphone era, with NXP being the world's leading provider of chips for this market.
- British American Tobacco is proposing USD 47 bn to acquire the remaining stake of 58% that it still does not own in Reynolds America, the producer of Camel cigarettes. BAT already owns 42% of the company, a deal that happened 12 years ago. The motivations behind this deal are clear, as this would make BAT the largest listed tobacco company in the world by sales. Moreover, while Reynolds has agreed it is open to a deal it is still discussing the offer in matter.
- Jeff Immelt, CEO of General Electric, said "the time to do these things are right now… when there is a level of uncertainty, not when things are known", referring to the impact of the US elections on GE's USD 25 bn merger of its Oil & Gas units with Baker Hughes, aiming to expand its exposure to this industry, which GE forecasts to have long-term growth.
- Finally, the healthcare industry is also seeing some movement as the Private Equity group, Blackstone, said it is looking to acquire TeamHealth, the American provider of physician services, for USD 6.1 bn, including debt.

Source: Financial Times; Bloomberg; The Wall Street Journal

The NIC Fund

Student-run Virtual Fund - February

November 2016

Nova Investment Club

www.novainvestmentclub.com

1. Fixed Income, FX and Commodities

US and Spanish Economies gaining new steam

The US economy as been showing signs of recovery and the FED will most probably do a rate hike until the end of the year to assure its main objectives of price stability, controlling for inflation around 2% p.a., and economic growth.
Since the US will be leading the Economic Recovery and the Europe will most likely lag behind, a pair trade that maybe profitable, is long 10 year German Government Bond and short 10 year US Treasury.

On the other hand, the Spanish economy has been also on the spotlight, for good reasons. Spain suffered a harsh recession in the wake of the 2008 housing bust that triggered both a banking crisis and a huge spike in unemployment. The unemployment rate now stands at 18.91%, the lowest since the fourth quarter of 2009, showing strong signs of recovery, with GPD growth in 2015 of 3.20% YoY and is expected to be 2.60% YoY in 2016. To add up, the banking system is more consolidated and political instability lived in the country, since December 2015, is now over with prime minister Mariano Rajoy elected for a second term. Therefore, it might be profitable to be long on the 10 year Spanish Government Bond.

Looking at the Portuguese yields, one can see they are still quite high when compared to other European countries, mainly in the longer tenors. This means that the Portuguese Yield Curve is comparatively very steep: 3 month rates are currently below zero while 10 year yields are at 3.27% and 20 year yields are at 4.05% (the German benchmark curve is bellow zero up till the 10th year).

This steepness is probably reflecting the fact that most of the demand for Portuguese bonds is coming from the ECB (who buys mostly short and medium tenors), while private investors are still not as enthusiastic as they are with bonds from other European countries. This also means that investing in Portuguese bonds nowadays has an additional attractive: besides the high yield as the curve is very steep bonds have a big roll-down. In this sense the most attractive tenors to invest are the ones where the yield curve peaks. Therefore, I took a long position on the 8 years PGB.

In order to have a more stable, consistent and diversified income, I also included the Pimco Bond ETF, an actively managed exchange-traded fund which objective is to provide maximum total return , which invests in a diversified portfolio of fixed income instruments of varying maturities.

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Analyst: Tomás Lameira
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Trade Summary:
Long 30.00% DBR 0 26
Short 30.00% T 1 ½ 26
Long 15.00% SPGB 1.3 26
Long 15.00% PGB 5.65 24
Long 70.00% BOND US

Asset Class: Fixed Income
Region: USA and Europe

Monetary policy in North America and leveraged China

The US economy has been showing positive signals for future inflation and FED rate hikes. In September, non-farm payrolls reached 156,000 new jobs (well above the 100,00 indicated by Yellen as the threshold needed to keep up with population growth) and the country is attaining full-employment. Furthermore, already three members of the Federal Open Market Committee (FOMC) opposed the decision to hold hikes in September, which suggests some intentions for change. In addition we can expect more government spending regardless of which candidate wins the US Presidential Election this month. Driven by these reasons, I expect a FED hike in December and for that, I will go short on the US Government Debt. Simultaneity, I will go long on TIPS, as a way to protect the portfolio from inflation, since I believe the new President and employment pressure on wages will lead to even higher inflation.

Still in North America, I will go long on Canadian Government bonds, in a attempt to capture gains from a potential monetary easing, which I believe necessary for the economy to recover from the oil and mining price shock, that hardly hit the country´s exports. With recent downgrades in economic outlook and to achieve its inflation target of 2.00%, the Bank of Canada might be forced to intervene.

Turning my attention Asia, I will go short on the Chinese Government Bond mainly because of the risks associated with the vast accumulations of debt, at twice the rate of nominal growth, and the significant drop in productivity. Total credit has grown 16.00% this year and Debt accounts now for 250.00% of GDP (from 150.00% in 2008), which I expect to drive the risk of the bond up.

Analyst: Pedro Tomé
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Trade Summary:
Long 65.00% VSB CN
Long 50.00% TIP US
Short 10.00% BSV US
Short 5.00% 3199 HK

Asset Class: Fixed Income
Region: US, Canada, China

Getting away from the corner turn

Considering the current market conditions where the Fed hike is priced in with a probability of around two thirds, I will try to deviate my exposure to this event as this portfolio seeks to guarantee stable growth throughout its year of existence.

To build up the core of a global portfolio I've focused on a Municipal Bonds fund, which provides a low volatility income stream. It also represents a buying opportunity, as there's been an increasing supply to get ahead of US Presidential Election and a potential Fed rate hike in December. Moreover, these recent negative fluctuations are likely to disappear once such events take place.

Some economists believe we're getting to the end of the current business cycle, and given that we have seen a positive year for Emerging Markets, two important conclusions are worth drawing: their economies already reflect an environment of tighter Fed policy; the rate hike's impact on forex markets has started to decrease, given the increasing flexibility of central banks to tailor their policy responses. I am betting on stable growth for Emerging Markets during the next year through a long position in an Emerging Market Debt fund. In order to garner more exposure to this outlook, I am long on the Petrobras Century Bond. Such allocation shows my optimism for a recovery in the oil market, the Brazilian economy and Mr. Pedro Parente's management skills and commitment to revive Petrobras from its latest scandal.

To lower the overall duration of the portfolio I added Deutsche Bank's floaters given my belief that the security is currently mispriced, its zero duration nature and the latest LIBOR developments.

Finally, in order to garner further diversification I am long on a fund mainly composed of mortgage-backed securities. This choice reflects healthy real estate market fundamentals as well as the shrinking supply of this kind of security in the market.

Analyst: Sebastião Fernandes
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Trade Summary:
Long 30.00% GSDIX
Long 20.00% GSMTX
Long 20.00% NUSTBIU
Long 20.00% DB 0 11/21/19
Long 10.00% PETBRA 6.85 06/05/15

Asset Class: Fixed Income
Region: Global

US Elections and Fed's decision impact to the currency market

Tomorrow the result of American elections will be a determinant in the tendency of the markets. In the last Bloomberg poll Clinton had a three-point advantage over Trump in a head-to-head contest, even after the renewed scrutiny of her e-mail, since almost half of the voters said this wouldn't impact their vote. On the other hand, the last Fed meeting this November left interest rates steady. However, it just confirmed the high probability of an increase of the interest rates as the American economy wins momentum and inflation goes up. In the last Reuters poll, Economists gave a 70% chance of the Fed raising rates to 0.50-0.75. If Clinton wins, and the current economic variables continue exhibiting the same behavior, I expect that the Fed will raise interest rates in its mid-December meeting.

My first trading idea is to have a Long Position on the MXN/USD because in the case of a Clinton's victory, this will represent a positive result for Mexico because the Trump threat will be gone. I expect the high volatility will continue but just after the results an important rally will take place since MXN/USD has been the thermometer of the US Presidential Elections. Moreover, this currency has been very punished since September 2016, despite Mexico having good fundamentals. Regarding the Fed's decision, the USD might appreciate against MXN as the market starts to fully price the decision. Nonetheless, Mexican analysts in the last Reuters poll are also expecting a raise in December to the interest rates up to 5.0% with a 70% chance, in order to reduce the pressures in the MXN.

My second position is betting on an appreciation of the USD against the RUB. In the case of a Clinton win, the Trump's plans to further ties between the American and Russian economies will disappear. In addition, Russia is greatly dependent on the price of oil. Despite its price having increased the last weeks, I expect the market will continue to be oversupplied and the different actors won't find a solution to stop the production and, as such, I don't expect prices to increase in the short them. Also, Clinton's environmental policies, especially the combat to climate change, will add pressure on oil. These factors will negatively affect the RUB against the USD.

The third trading idea I will bet on this month will be shorting EUR/USD, due to the strong position the USD will have in the international markets after the elections and the Fed's monetary decision. Also, the EUR will be suffering this month due to the Italy's referendum and the Deutsche Bank delicate situation, which bring uncertainty to the future of the Eurozone.

Finally, in order to have diversification in my positions from the U.S. elections, I will have a short position GBP/USD because of the current situation regarding Brexit. The last decision of the High Court but also the markets expecting a "Hard Brexit", will affect the UK's position against the USD due to the uncertainty if the UK will have access to the Eurozone single market. This currency has already been very punished, but I expect to still decrease in the following months.

Analyst: Luis Zarate
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Trade Summary:
Long 50.00% MXN/USD
Long 35.00% USD/RUB
Short 15.00% EUR/USD
Long 30.00% GBP/USD

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

Steering Through the US President Election driven Volatility

Analyst: João Rato
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Trade Summary:
Long 30.00% BRL/USD
Long 40.00% MXN/USD
Long 40.00% EUR/SEK
Short 10.00% USD/JPY

Asset Class: Currencies
Region: Europe, Latin America and Asia

This year the Brazilian Real made an impressive comeback against the dollar, gaining almost 27% against the USD. The upward trend of the currency is supported by increasing commodity prices, as well as the expectations of reform put on the new president, Michel Temer, who is committed to reform the country and wash out corruption. Moreover, the Brazilian Central Bank lowered rates by 25 basis points, providing an important stimulus for the economy as it tries to recover from the worst recession the country has seen since 1901. Also, the good performance of commodities has been fuelling exports growth, an important sector to the Brazilian Economy. Due to the reasons above stated, I have decided to long the Brazilian Real against the USD.

The Mexican economy rebounded in the third quarter, growing 1.9% in comparison to the same quarter in the previous year, recovering from the 0.2% shrinkage in the second quarter. Less accommodative monetary policy, aligned with a significant increase in private spending, are expected to keep supporting growth. Furthermore, should Clinton win the US Presidential Elections, as polls suggest, the Mexican Peso would benefit from a significant appreciation. Therefore, I have chosen to open a long position in the Mexican Peso against the USD.

The dovish position adopted by the Swedish National bank hints at a further rate cute in December in order to meet the inflation target. The Riksbank Governor Stefan Ingves recently reinforced that rates wouldn't be increased until 2018. Also, the government bond purchase program is expected to be expanded, which is anticipated to have soaked up about 40% of the government bond market by the end of the year. Due to these factors, the Swedish Krona is expected to depreciate even further against the Euro. As such, I decided to open a long position on the Euro against the Swedish Krona.

The markets continue nervous owing to the uncertainty brought by the US Presidential Election. The possibility of Trump winning has seemed more remote in a recent past, and should he come out victorious, demand for safe havens will expand due to increased volatility in the US markets. Nonetheless, a Trump victory would potentially lead to a profound change in the Fed's monetary policy, causing USD valuation in the long run. As such, I have opted to open a short position on the USD against the Japanese Yen to hedge for a scenario in which Trump is triumphant, since it would damage several of my positions significantly, in particular the long on the Mexican Peso.

Set-up for commodities trading

Analyst: Inês Montalvão Cunha
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Trade Summary:
Long 30.00% ZINC
Long 25.00% PPLT
Long 25.00% DGAZ
Long 20.00% WEAT

Asset Class: Commodities
Region: U.S.; Europe

Having a close look on the commodities market, I see as a good investment the metal, the agricultural and the energy sector. We do not talk about Zinc as much as we talk about Gold, but Zinc is one of the most popular metal in use and is in deficit. It is essential for many industries and is used in almost everything, from steel to sunscreen. The gap between demand and supply has been growing for the past years and this will not change since demand keeps on rising and supply has not been keeping up. My view is that the price will keep on the rise so I would invest in the ETFS Zinc, traded in London, that has achieved a 1 year return of 41.29%.

The other metal where I see room for profit is Platinum. It is mostly used in autocatalysis and in jewellery. The European demand for catalyst is been constant and expected to increase and the forecast for jewellery demand is expected to rise as well, due to an increase in the Japanese interest on Chinese jewellery. Moreover, the Japanese demand for fuel cells is also increasing and it requires Platinum. So since there has not been any recent big discovery or investment that would boost global production, I predict a wider gap between demand and supply that will definitely move the price up on the following year. So I would definitely invest in the ETF Securities Physical Platinum Shares (PPLT) which actually holds Platinum bars in safe vaults in Europe.

For the energy sector, I see the latest decline in price of Natural Gas as an opportunity on this sector. There has been an increasing oversupply, despite the price decline, mainly due to more efficient ways of exctracting natural gas. Also, prices depend a lot on the weather and if we expect a warm winter is likely that prices will decline even more so I would go short on Natural Gas by investing in the ETN that provides inverse exposure to three times the daily performance of the S&P GSCI Natural Gas Index Excess Return called VelocityShares 3x Inverse Natural Gas ETN.

In the Agricultural sector, investing in Wheat is what I see as a good investment in the long run and I would take advantage of the actual decline in prices. I believe the oversupply will be reduced so I would go long in Wheat. The best option would be to invest in the Teucrium Wheat Fund (WEAT) because it has multiple wheat futures contracts and a unique roll methodology that helps the fund mitigate the negative impact of contango.

Getting started with Commodities

Analyst: Victoria Engels
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Trade Summary:
Long 20.00% USO
Long 25.00% GDL
Long 35.00% JO
Long 20.00% CSHW320KLM

Asset Class: Commodities
Region: US, Asia

At this initial stage of portfolio construction, I want to critically shed light on three main subcategories of commodities as the asset class I am in charge of. Namely, there are the energy, metals and agricultural sector. For energy, I am considering an investment in crude oil. The price of crude oil is notoriously difficult to project since it is subject to a complex network of influences and decision-makers. Most recently, the OPEC, probably the most powerful consortium to drive oil prices, has agreed upon a long negotiated production freeze. They want to cut global extraction of oil by 200,000 barrels to 700,000 barrels a day. Even though there are still some points of negotiation pending between the member states, experts already anticipate oil prices to rise in the near future. Consequently, I would include oil exchange-traded funds in my portfolio with the prospect of a near-term rise in price. More precisely, I am choosing the United States Oil Fund (USO) which tracks the near-month futures contracts on WTI crude oil. Although the year-to-date performance does not seem to be promising (-3.45%), the fund should turn more profitable due to the most recent development described above.

Turning to the next subcategory, metals, I have chosen to invest in the SPDR Gold Shares (GDL), an ETF managed by State Street Global Advisors which seeks to reflect the performance of the price of gold bullion, less the expenses of the Trust's operations. Its current YTD return accounts for 20.19%. However, I would suggest to carefully observe this position with respect to the possible occurrence of a hike in interest rates. Especially after the US Presidential Elections which are to be carried out within the next couple of days, the FED could finally announce the long-awaited rise in the base rate which will most certainly have a reverse effect on the price of gold.

Last but not least, I want to suggest two investments in raw materials belonging to the agricultural sub-class. The first is coffee beans, on which several hedge funds have recently increased their bets on a price rally to the highest level since 2008. The reason is that consumption is growing steadily mainly due to the generation of millennials who consider coffee to be a lifestyle product. They start drinking the black gold at younger years of age nowadays (17.1 years in the past in contrast to 14.7 years in the present) and consume more than a couple of years ago. Contradictory to this trend, global supply currently faces severe cuts because of ongoing droughts in Brazil, the world's largest supplier of beans. The iPath Bloomberg Coffee Subindex Total Return ETN (JO) is linked to the performance of an index comprised of coffee futures and with a YTD return of 23.43% seems an attractive investment option to me.

Secondly, I would invest in cashew nuts. As inconspicuous as this raw material might seem, it might as well be the "insider tip" at the moment. Demand has jumped by 53% since 2008, mainly because of people's rising awareness of healthy nutrition and the increasing appreciation of quality ingredients in food. Contradictory, supply has decreased because Vietnam, main producer of cashews, faces unusual climate patterns. This year's harvest fell by 11% which made prices jump by one third.

2. Equities

Cautious Optimism amid Political Uncertainty

In the waning days of the U.S. Presidential Election, the market has traded lower on the increased probability for an election surprise. Despite this, betting markets and political analysts still believe there is a significant possibility for a Democratic victory. This result along with with a predicted December rate hike, and continuously improving economic measures present several significant investment opportunities.

The most recent economic data has suggested continued tightening of the labor market with the traditional Unemployment rate hovering around 5.00% and U6 unemployment rate (accounting for marginally attached and discouraged workers as well as those working part-time for purely economic reasons) holding steady at 9.7% Additionally, third quarter GDP grew at a 2.9% clip, the strongest quarterly reading in two years making the case for a December rate hike significantly stronger.

In recognition of the improving economic and labor readings out of the U.S. I have chosen to significantly overweight Consumer Discretionary stocks, 40.80% vs 12.53% for the S&P 500 index. In this sector I have selected Amazon, Chuy's, Ford, Francesca's, and Under Armour. I believe that as the economy continues to improve and the labor market continues to tighten, we will see stronger wage growth which will contribute to consumer confidence and spending. The one firm here which may be adversely impacted by a rate hike and is also exposed to significant political risk is Ford however, I still believe there is significant upside for the company as they continue their innovation and recovery since the financial crisis.
Amazon has beaten expectations over the last year and returned 25.60% over the last 52 weeks, before recently trading lower on news of a potential partial acquisition of Souq.com.

In addition to Consumer Discretionary I have chosen to place significant weights in Information Technology and Industrials, 23.79% and 7.58% respectively. I believe that both of these sectors will fair well in the event of increased CAPEX and Government spending which I expect to occur once the political uncertainty of the U.S. Presidential Election subsides. In the Industrials space I selected AECOM, an innovative company which provides infrastructure and industrial services as well as information technology and logistics services to corporate and government clients.

The expected December rate hike would serve as a welcomed relief to Financials and while U.S. banks have enjoyed record pricing as of late, European banks have been largely left out of this up-trend. I believe that UBS and Credit Suisse have opportunities to increase revenue based on increased interest rates, and news of potential delays and decreases of projected regulatory fines will have positive impacts on these firms profitability. Additionally, each firm offers attractive dividend yields with UBS yielding 6.24% and Credit Suisse yielding 5.18%

Analyst: Andrew Borts
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Trade Summary:
Long 7.50% AAPL Equity
Long 7.50% CHUY Equity
Long 7.50% F Equity
Long 10.00% FRAN Equity
Long 10.00% FSLR Equity
Long 7.50% IBM Equity
Long 10.00% LANC Equity
Long 5.00% TERP Equity
Long 10.00% UA Equity
Long 5.00% UBS Equity
Long 5.00% AMZN Equity
Long 5.00% CS Equity
Long 10.00% ACM Equity

Asset Class: Equities
Region: US, Europe

Chasing Value

Analyst: Carlota Fidalgo Graça
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Trade Summary:
Long 20.00% TKPYY Equity
Long 25.00% HEN3 DE Equity
Long 20.00% T US Equity
Long 35.00% CELG US Equity

Asset Class: Equities
Region: Europe, Asia and US

Japan's largest pharmaceutical, Takeda, is working on boosting its presence in the US, the world's biggest healthcare market. As such, it is in negotiations with Valeant Pharmaceuticals to acquire Salix Pharmaceuticals for about USD 10.0 bn. The acquisition of the gastrointestinal treatment specialist company comes in a time Takeda is looking for potential US drug companies to buy and when the Japanese group is under pressure to find targets since its US patent on its top-selling cancer drug Velcade is expiring next year, as well as some other important patents after 2020. This deal is likely to improve Takeda's performance in the market as it is a sign the company is managing to find solutions to overcome the loss of some patents. Therefore, I suggest investing 20% of the portfolio in this stock.

Following this, I also want to take a 25% long position in Henkel. Hans Van Bylen, the new Henkel's CEO, aims pursuing a strategy focused on growth, particularly in exploiting growth opportunities that may arise from digitalisation. Last month, Henkel managed to sell bonds with a negative yield of -0.05%, which seems a positive market sign. Hence, there are reasons to believe this is a safe investment likely to yield some profit to investors.

Additionally, there are two more stocks I would recommend buying. One of them is AT&T, which has followed a much more aggressive strategy than its main competitor, Verizon Communications, by pushing harder on content creation. While investors are still looking forward to know what will be the company's long-term moves, AT&T has a dividend yield of 5.12% that is better supported by cash flow, with a free cash flow yield (past 12 months) of 7.19%. As part of this strategy, AT&T has agreed to acquire Time Warner, a content creator through HBO, CNN and Warner Brothers. The deal amounting to USD 85.4 bn is expected to be concluded by the end of 2017. Even though some regulatory hurdles have come up and there is some risk coming from US elections, the merger is not likely to be blocked as AT&T is not taking a competitor out of the marketplace. Therefore, and given an implied upside potential of 15%, I decided to take a 20% long position on this company.

Last but not the least, Celgene Corp. also deserves my bet. Healthcare companies have been under great pressure and it is the only sector that is down this year. Such may seem unattractive but it means there are plenty of opportunities to search for good returns. In fact, one of the main reasons to believe that healthcare companies will perform well in the coming years has to do with the aging of populations in developed countries, with this path also starting to be followed also by some emerging markets. Over the past 12 months, Celgene has recorded a net income margin of 22.22% as well as a growth of sales per share around 24%, leading to a 12-month upside potential of 40% based on consensus target prices. Bearing this in mind, I have decided to allocate 35% of my portfolio to Celgene Corp.

Approaching the equity market ahead of the US Presidential Election

As the Brexit showed us all, voting polls and betting houses lack reliability and predictive power. Still, and relying on Bloomberg study, I will go short on CEMEX SAB, the largest cement and concrete producer in the Americas and one of the biggest beneficiaries of Donald Trump's plan to build a wall on the Mexican border – its market value has doubled YTD. Furthermore, under a Trump win scenario, the project would still have to face Congress scrutiny. Since this is a Peso-denominated stock, I have allocated a conservative share of the portfolio in order to control for a possible exchange rate loss. I am hedging this position by short selling the S&P 500 (SPY).

Hillary Clinton's campaign has not been inviting for biotech stocks at all, given her effort to fight price hikes. However, she has repeatedly stated that mental health (Alzheimer's disease) is a great focus of her administration and she plans to promote treatment. Expectations are currently very low for Acadia Pharmaceuticals Inc. and the market is pricing in a worst-case scenario for its recently launched Nuplazid drug. Also, by sharing common goals, Acadia could get some important funding and marketing from the Clinton Administration. I am long ACAD as this looks a very interesting entry point.

Back in February, the Swiss pesticide and seed company Syngenta AG agreed a USD 43bn offer by ChemChina, in the most ambitious foreign takeover attempt by a Chinese company to date. In August the deal was approved by the US Committee on Foreign Investment but European Union antitrust has recently delayed the decision, opting for an in-depth review. I find Syngenta (SYT) to be a good long pick, as it combines a reduced downside risk with an attractive spread of approximately 15%. In fact, due to big sector consolidation and little overlapping between the acquirer and the target, I forecast that the deal will go through by the end of the year.

By investing in the SNSR ETF - which tracks down the performance of the Global Internet of Things (IoT) Thematic Index - my fund aims to potentially benefit from the broader adoption and high growth potential of the IoT. It offers exposure to companies that develop semiconductors and sensors, integrated products and applications serving smart grids, smart homes, connected cars and the industrial internet. This theme is transforming how humans interact with tech-enabled devices and how devices interact with each other. Research by Mckinsey Global Institute estimates this to be a USD 50Bn industry by 2020 and an overall impact of USD 6.2Tn in the global economy by 2025.

I am also long AMBARELLA. The company supplies chips for GoPro cameras and its stock price has been recently dragged down as a result of poor performance by the action camera maker. This represents a good 'shovel play' on the fast growing drone industry.

Analyst: Manuel Gonçalves
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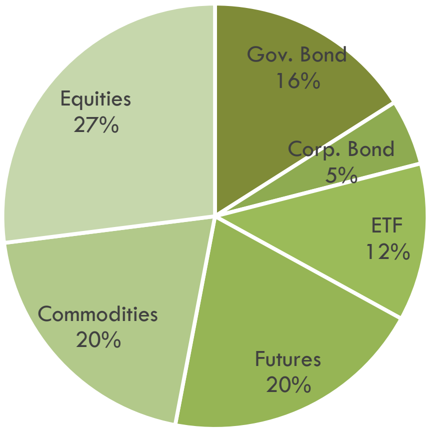
Trade Summary:
Long 25.00% SYT Equity
Long 35.00% AMBA Equity
Long 20.00% SNSR (ETF)
Long 20.00% LYXIB (ETF)
Long 25.00% ACAD Equity
Short 10.00% SPY (ETF)
Short 15.00% CX Equity

Asset Class: Equities
Region: Global

3. NIC's Fund Composition

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



November Article

Oktoberfest: celebrating the merger between AB InBev and SAB Miller

October was a special month for Anheuser-Bush InBev (AB InBev) and SAB Miller (SAB). After a 13-month process, AB InBev finally announced the completion of its merger with the second world's largest brewer and main competitor, SAB Miller. This "Megabrew" merger surpassed the USD 100 bn barrier, making it the third largest acquisition ever in corporate history, according to the Financial Times. From Asia to America, it is clear that this deal will reshape the global beer industry.

Even though AB InBev's purchase is sizeable, it is also a natural consequence of the company's rapid path to global expansion. Over the last two decades, AB InBev developed a growth strategy based in acquisitions, rather than organic growth. The company, as we know it today, is therefore the result of a continuous process of multiple acquisitions, that brought into the same group well-known brands such as Stella Artois, Budweiser, Corona or Leffe. The process started in 2004, when Interbrew and Ambev announced a merger, forming a new company called InBev. Four years later, in 2008, this very same company engaged in another takeover, acquiring the Belgium brewer, Anheuser-Bush. Now, after the completion of this deal, the "new" AB InBev is expected to have about 30% of the global market share.

This deal had an important strategic rationale. After a long series of acquisitions, AB InBev was battling against a slow-growth market in the United States and Europe. This merger was, by turn, partially motivated by the need of AB InBev to expand geographically, as the American and European consumers, especially millennials, are shifting their consumption from well-known brands towards craft beers, wines and spirits. With a strong presence in Africa, SAB Miller was perceived by AB InBev as an opportunity to expand its brand's portfolio and entering into developing economies, where the prospects of the beer industry seem more favourable. According to Bloomberg, it is expected that only in the African market, 65 million people are due to reach the legal drinking age by 2023.

However, this deal also brought significant anti-trust challenges in almost every corner of the globe. By creating a global beer company, AB InBev faced endless negotiations with a wide range of regulatory authorities, in more than 16 jurisdictions. Staring in South-Africa, the Budweiser maker was only able to get an approval from the Competition Tribunal, by promising to keep a certain amount of jobs and through the creation of a fund to support the local beer-making industry. In Europe, the company agreed to sell some of its brands, such as Peroni and Grolsh, in order to ease the European Commission's concerns.

Now, after the completion, what is left for AB InBev? Carlos Brito, CEO of the company, stated that "As a truly global brewer, we will be able to achieve more together than each of us separately".

I believe AB InBev will face two important challenges. The first one concerns a potential cultural clash. Considering AB InBev's integration model, we can expect Carlos Brito to implement a strong "cut costs strategy" on the acquired firm, that is known to have a less strict policy concerning expenses and administrative perks. Given this, this "hard culture" imposed by the Brazilian CEO, may lead to a tough an competitive environment among the SAB staff.

The second point is related with AB InBev's future growth. With approximately 30% of the global beer market share, it is difficult to see how the company plans to implement organic and sustainable growth strategies. Will Carlos Brito maintain AB InBev's reputation of being an "integration machine"? This week, Fortune magazine announced that the company is interested in buying Karbach Brewing, one of the fastest-growing craft brands in the United States.

Does this mean that are more deals to come? Let's wait and see.

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