Newsletter

February 2017

Foreword

It is a pleasure to introduce to you the February edition of the Nova Investment Club Newsletter.

Our Investment Banking team will guide you through the latest economic developments, giving you an in-depth insight on Novo Nordisk and McDonald's.

Our Financial Market division will present you the cumulative returns of their portfolios.

Finally, Tomás Costa will close February's newsletter with an article on the bank regulation.

nic Nova Investment Club

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Investment Banking Report

February

February 2017

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Companies
- Apple Inc.
- Easy Jet Plc.
- Syngenta AG
- Netflix Inc.
- Facebook Inc.
- Starbucks Corp.
- Talk Talk Telecom Plc.
- Deutsche Boerse AG
- Volkswagen AG

This month's detailed company reviews:
- Novo Nordisk
- McDonald's

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1. Macro Overview

Analyst: Gonçalo Aguiar

Last month was marked by one main event: on January 20th 2017, Donald Trump took office as President of the United States of America. On his first days in the role, he has already taken actions that will reshape the world, both politically and economically. Some of those actions include initiating the process to roll back from President Obama's Affordable Care Act, announcing he has meetings with Canadian and Mexican leaders to start renegotiating the NAFTA, issuing executive orders to withdraw from the Trans Pacific Partnership Trade Deal and approving the construction of both the Keystone XL and Dakota Access oil pipelines, two projects which were very much criticized for environmental reasons. Also, President Donald Trump announced plans to initiate the building of a wall on the Mexican border, keeping one of his big campaign promises and thus hurting the Mexican Peso.

The market seems to be regaining some of the post-election sentiment, as it looks like President Trump's promises of pro-growth policies are actually going forward. The S&P 500 futures reached an intraday record on Wednesday, 25th of January. Also, of the 79 S&P 500 companies which had posted earnings by that day, 70 had beaten analysts estimates.

On the other side of the Atlantic Ocean, the British Supreme Court made life more difficult for Theresa May and her Cabinet, as it ruled that an act of Parliament authorizing her to trigger article 50 would be necessary. Following the ruling, Downing Street is hoping to have Parliament approval by March 2017. The British Pound has climbed to a 6 week high on the 25th of January, trading at USD 1.2598. Still on Brexit, private equity giants Blackstone and Carlyle are moving bases to Luxembourg, in order to secure "passporting" rights to the European Union market.

Europe's future is getting even more uncertain. In Germany, Angela Merkel just saw her life getting more complicated, as she will now have to face a new and popular rival on her run for a fourth term as German Chancellor: Martin Schulz, the former European Parliament President. In the Southeast tip of the continent, Greek Prime Minister, Alexis Tsipras, responds to creditors saying the Greek people will not have to suffer more austerity.

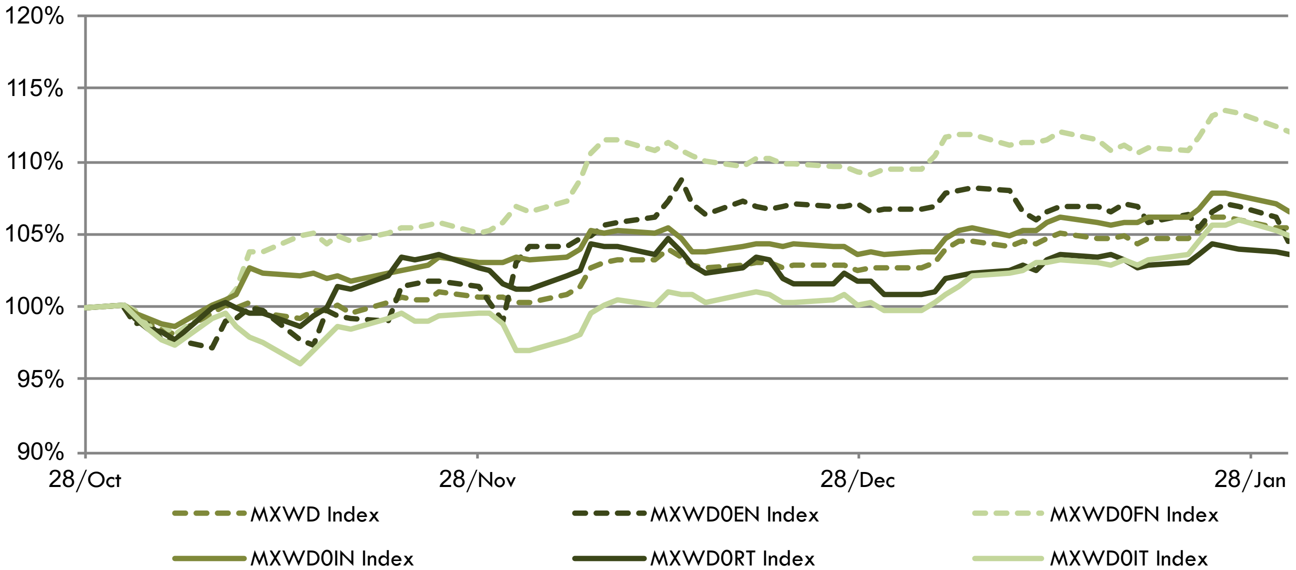
Countries' Economic Data

Analyst: Sofia Oliveira

Country	January Inflation (%)		Exchange Rate		Unemployment Rate (%)		10 Year Yield	
	MoM	YoY	USD	Monthly Change (%)			Current (%)	Montlhy Change (bp)
United States	0.30	2.10	1.0000	-	4.70	Q4	1.82	-63
Eurozone	-0.80	1.80	1.0816	3.45	9.67	Q4	0.15	-4
Portugal	0.00	0.88	1.0816	3.45	10.50	Q3	2.93	-78
Japan	-0.20	0.30	0.0089	4.57	3.07	Q4	-0.09	-13
United Kingdom	0.50	1.60	1.2641	2.96	4.87	Q3	1.45	21
Russia	0.40	5.40	0.0168	2.94	5.37	Q4	4.32	2
China	0.20	2.10	0.1463	1.77	4.02	Q3	3.37	32
Brazil	0.30	6.29	0.3208	4.70	11.90	Q4	10.92	16

- The table above shows that the greenback had a positive performance against its competitors. However, at the end of January it suffered the biggest fall of the year, indicating that the US dollar might be returning from a two-decade old "strong dollar" policy, for reasons including the US President's protectionist policies and the fact that the "US dollar is too expensive to compete with China". The pound has improved its performance since December, after PM Theresa May announced her plan for a clean separation between the United Kingdom and the European Union.
- In the Bond market, although there are reasons for concern in Emerging Economies, the investors willing to take risk will find the EM Bonds very attractive. As the table shows, these bonds offer the best yields within the analysed countries. The robust commodity prices and the reforms applied in some of these countries are the main drivers of this effect. US 10 year Treasuries follow the opposite tendency, as the dollar falls and investors turn their strategies to safer fixed income choices.
- The Euro-area inflation surged to 1.8% in January, approaching the ECB's target of just under 2%.

Sectors' Overview



- During the month of January, all the sector indexes have been good performers, reflected by their upward trend. The Industrials Index (MXWD0IN) continues to increase after the US elections in November, in which the President Donald Trump focused part of his rhetoric on infrastructure projects, and is now ensuring he keeps his promise.
- The World Energy Index (MXWD0EN) seems to be slowing down, driven mainly by the the US President's plans to boost oil production in the US, having already signed orders to prompt investment in oil pipelines. In fact, Bloomberg predicts that U.S. may export more oil in 2017 than four OPEC nations produce. The Financials Index (MXWD0FN) continues to outperform as investors continue to believe that Donald Trump can follow his promise regarding financial deregulation.

Source: Bloomberg (as of 31.01.201)

2. Followed Companies

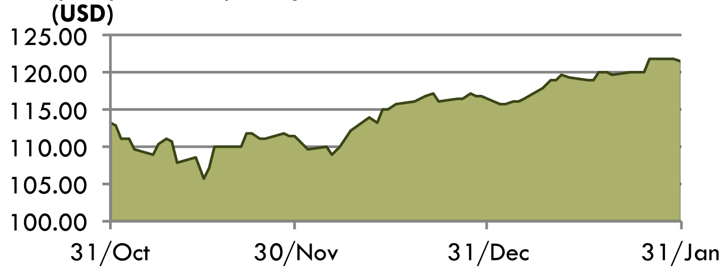
Analyst: Filipe Carballo de Almeida

Apple Inc.

(Ticker: AAPL Equity)

Industry: Technology Hardware & Equipment

- Apple Inc. saw its stock price rise by 7.4% during the last 3-months, a performance that can be explained by the surprising reported results from the last quarter of 2016. Both in revenue and earnings, the iPhone maker's financial results beat most of analyst expectations.
- The tech company sold 78.3 m iPhones in the quarter ending in December, an achievement that was mainly driven by the popularity of the iPhone 7 Plus. According to Tim Cook, Apple's CEO, the company "Sold more Iphones than ever before" and set all-time revenues records on other services, such as the Apple Store and ITunes.
- The good performance of the company's stock was also motivated by the increasing prospects of opening retail stores in India in 2017, the world's fastest smartphone market.



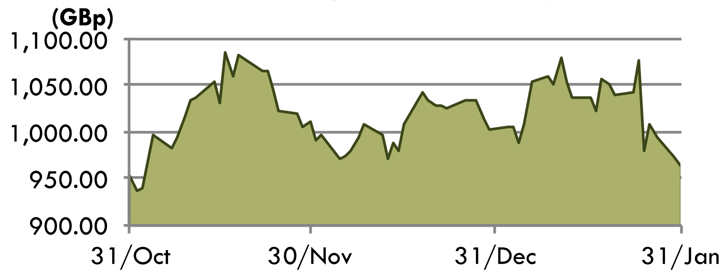
Price (USD):	121.35
Target Price (USD):	140.00
Up/downside:	15.37%
Performance 3M:	7.43%
P/E Ratio:	15.4x
ROC/WACC:	2.0x

EasyJet Plc.

(Ticker: EZJ LN Equity)

Industry: Transportation

- Shares of the low-cost company increased by 1.39% during the last 3-months, a total increase that has been shaped by high levels of uncertainty on the aftermath of the Brexit.
- The company's high exposure to the British and French market was a key challenge during 2016, since these European capitals were perceived by many tourists as relatively "less safe", especially after the 2015 Bataclan massacre in the French capital.
- According to the company, total customer numbers increased to a total of 74.4 million in 2016, a rise that is still behind the performance of its main rival, Ryanair Holdings Plc.
- While December marked an improvement in the company's performance, most analysts consider its sustainability to be uncertain, given the high level of the market's competition.



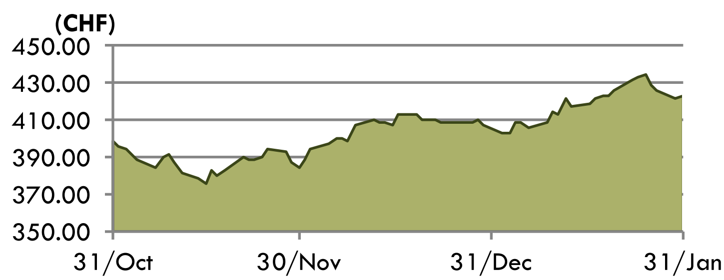
Price (GBp):	950.00
Target Price (GBp):	1,000.00
Up/downside:	5.26%
Performance 3M:	1.39%
P/E Ratio:	8.7x
ROC/WACC:	3.9x

Syngenta AG

(Ticker: SYNN VX Equity)

Industry: Materials

- Syngenta AG, the agrochemical company, saw its share price rise as much as 6% during the last 3-months, an increase that valued the company by more than 40 billion Swiss francs, in market capitalization terms.
- The Swiss based company is under a takeover process from the government-owed China National Chemical Corp, a deal that, if completed, would be the largest ever foreign acquisition by a Chinese company. According to Bloomberg, Chem China delivered, in January, the necessary documentation to the U.S. regulator - the Federal Trade Commission – and announced that it considers the U.S. anti-trust process to be "on track".



Price (CHF):	420.00
Target Price (CHF):	450.00
Up/downside:	7.14%
Performance 3M:	6.17%
P/E Ratio:	33.2x
ROC/WACC:	2.2x

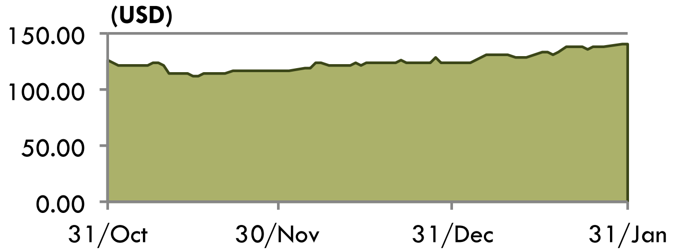
Source: Bloomberg (as of 31.01.2017)

2. Followed Companies

Analyst: Diogo Góis

Netflix Inc.
(Ticker: NFLX US Equity)
Industry: Services

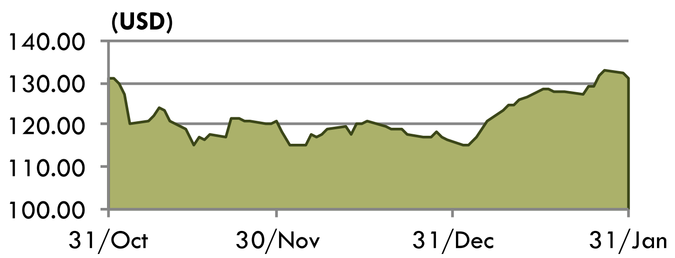
- Netflix, the streaming service that offers customers a diverse gallery of TV shows, movies, documentaries and more, reached a record number of subscribers of 19 million across the globe.
- In the last 3 months, the company enjoyed a steady climb of 12.69% in the stock price, especially in the last month, due to the increased number of customers and to the earnings per share, that were above expectations, reaching a number of 15 cents per share.
- The company is now on track to meet the new demand by investing further more. It aims to spend USD 6bn on original content in order to make more than 1000 hours of programming.



Price (USD):	140.71
Target Price (USD):	159.50
Up/downside:	13.35%
Performance 3M:	12.69%
P/E Ratio:	333.3x
ROC/WACC:	0.4x

Facebook Inc.
(Ticker: FB US Equity)
Industry: Social Media

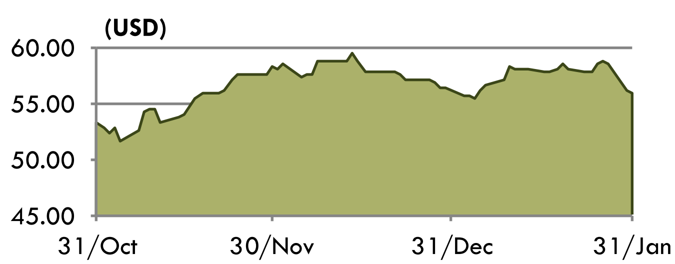
- Facebook, the online social media service created by Mark Zuckerberg, showed some slight variations in its stock prices over the last 3 months. Although in the last month Facebook enjoyed big increases in the stock price, the average performance of the 3 months was negative (-0.51%).
- This low performance is partially explained by the fake news the company has been criticized for in the last months. There has also been some suspicions that the firm was enrolled in the election of the now US President Donald Trump.
- The Facebook founder has now challenged President Donald Trump, due to the executive order of vetting immigrants and refugees.



Price (USD):	130.32
Target Price (USD):	154.50
Up/downside:	18.55%
Performance 3M:	-0.51%
P/E Ratio:	50.9x
ROC/WACC:	1.3x

Starbucks Corp.
(Ticker: SBUX US Equity)
Industry: Consumer Services

- Starbucks, the well-known coffeehouse chain, had a positive performance in the stock price in the last 3 months (4.53%), with some up and downs along the way.
- In the last few days we saw a significant decrease in the share price. This is explained by the fact that same store growth in the last quarter wasn't as great as expected. Furthermore, and more importantly, Starbucks stepped back on its revenue target. This news certainly didn't make its investors more relaxed.
- Starbucks also stepped up against President Trump. It recently said that it would hire 10,000 refugees, as an answer to the President's executive order against the Muslims.



Price (USD):	55.22
Target Price (USD):	65.00
Up/downside:	17.71%
Performance 3M:	4.53%
P/E Ratio:	27.6x
ROC/WACC:	5.8x

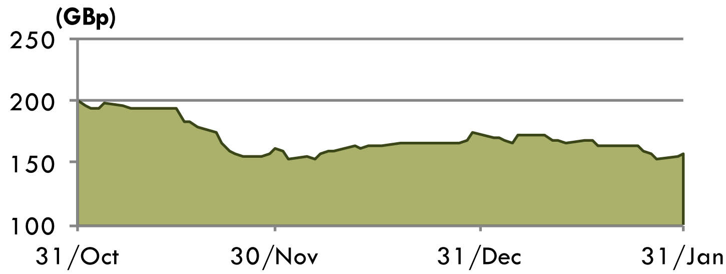
Source: Bloomberg (as of 31.01.2017)

2. Followed Companies

Analyst: Lourenço Alves Pereira

Talk Talk Telecom Plc.
(Ticker: Talk LN Equity)
Industry: Telecoms

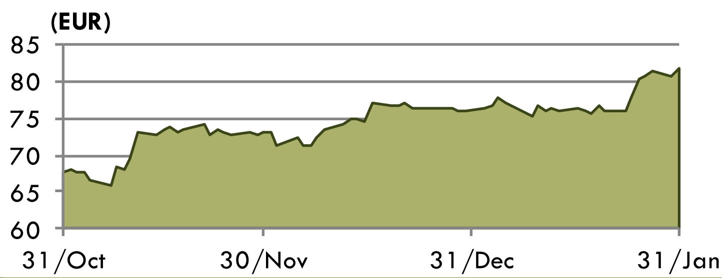
- Sir Charles Dunstone, the Talk Talk founder, has assumed the role of Executive Chariman. The former Marketing Director of Carphone Warehouse, Tristia Harrison, has been promoted to replace Dido Harding as Chief Executive.
- In the past, Talk Talk saw its shares dropping from GBP 400, in 2015, to around GBP 150, currently, as it faced a shrinking customer base. However, a loyalty program is now in place. By promising not to increase prices in long-term contracts and by cutting prices, Sir Charles is hoping to recover its market share amongst the broadband industry. Described as a "judo throw", the move attributed to Harrison, might definitively reposition the company.



Price (GBp):	156.50
Target Price (GBp):	190.00
Up/downside:	21.45%
Performance 3M:	-20.54%
P/E Ratio:	53.42x
ROC/WACC:	0.90x

Deutsche Boerse AG
(Ticker:DB1 GR Equity)
Industry: Financials

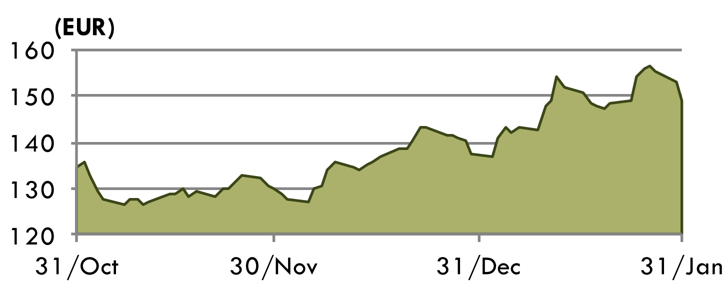
- Deutsche Boerse and London Stock Exchange (LSE) officially began talking about a potential merger in January 2016. The EUR 24 bn deal would create Europe's largest exchange group. Naturally, the share price has been rising significantly ever since. Only in the last 3 months, Deusthe Boerse had a positive performance of about 22%.
- However, Carsten Kengeter, the company CEO, is now being investigated by German authorities over a purchase of shares that happened on December 15, 2015, one month before negotiations began. What was allegedly part of the company's remuneration plan, continues to be investigated and might determine whether or not the deal will go forward.



Price (EUR):	82.61
Target Price (EUR):	82.60
Up/downside:	-0.01%
Performance 3M:	21.60%
P/E Ratio:	23.50x
ROC/WACC:	2.00x

Volkswagen AG
(Ticker: VOW GR Equity)
Industry: Automobile

- During the last 3 months, Volkswagen had a positive performance, with its shares rising almost 10%. In the future, recent news suggests that this trend might continue.
- After the big scandal Volkswagen was involved in, regarding diesel emissions, the company has finally agreed to pay up to USD 1.2 bn to Americans who had bought vehicles with the denominated test-cheating software. These numbers make the scandal's total cost looking like it will reach USD 24.3 bn, in North America.
- Nevertheless, these good pieces of news for the German automaker, as what was probably the biggest crisis for Volkswagen has finally come to an end.



Price (EUR):	147.99
Target Price (EUR):	154.50
Up/downside:	4.40%
Performance 3M:	8.93%
P/E Ratio:	232.98x
ROC/WACC:	-0.23x

Source: Bloomberg (as of 31.01.2017)

3. Detailed Review – Novo Nordisk

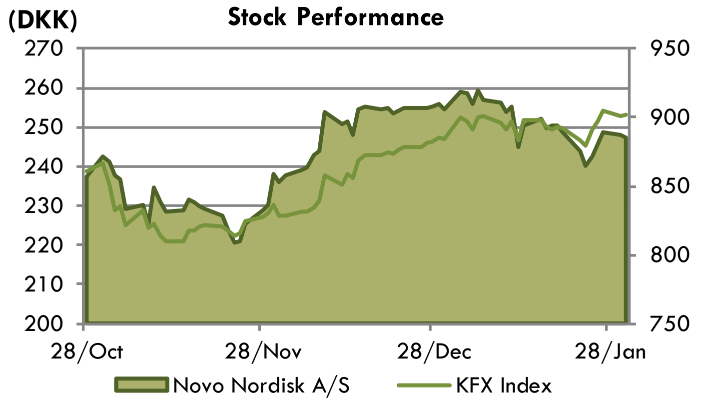
Analyst: Christian Reis

Company Overview

- Novo Nordisk is a Danish multinational pharmaceutical company headquartered in Bagsværd, Denmark, with production facilities in eight countries, and affiliates or offices in 75 countries. The company focuses on five product areas: diabetes care, haemophilia, growth hormone therapy, obesity hormone replacement therapy.

Corporate News

- There is currently a lawsuit filed which claims that besides Novo Nordisk, Sanofi and Eli Lilly have conspired to increase the price of their insulin products in a lockstep to a level many patients find unaffordable.
- Novo Nordisk will go ahead with its plan to invest GBP 115.0 m in the University of Oxford-based research center focused on therapies to treat type 2 diabetes.
- The European Commission approved the Fiasp, a fast-acting prandial insulin that is supposed to mimic more closely the physiological insulin response around meals. Market launch will be during H12017.



Novo Nordisk (DKK)	
Current Price (31/01/Tuesday)	247.40
52-week high % change	-36.77%
Median Target Price	278.18
Market Capitalisation (mm)	636,225
Return on Common Equity	88.79%
Dividend Yield	2.40%
Beta (vs. KFX Index)	1.4x
Total Debt/Equity	2.28%

Comparable Analysis

Company Name	Country	Currency	Mcap (mm)	Enterprise Value (mm)	P/E	EV/EBITDA	EV/Sales	P/B
Novo Nordisk A/S	DK	USD	93,228	89,740	16.9x	13.3x	6.2x	15.4x
AstraZeneca PLC	GB	USD	69,499	85,023	27.7x	16.4x	4.1x	5.2x
Sanofi	FR	USD	105,222	107,721	24.3x	12.1x	3.3x	1.8x
GlaxoSmithKline PLC	GB	USD	96,533	94,722	251.6x	30.9x	3.7x	541.3x
Roche Holding AG	CH	USD	207,578	221,638	21.1x	10.9x	4.2x	8.5x
Novartis AG	CH	USD	192,173	207,045	25.9x	13.0x	3.9x	2.3x
75th Percentile	-	-	-	-	27.3x	15.7x	4.2x	13.7x
Median	-	-	-	-	**25.1x**	**13.2x**	**4.0x**	**6.8x**
25th Percentile	-	-	-	-	21.9x	12.3x	3.7x	3.0x

- On the 2nd of February Novo Nordisk released the numbers for the fourth quarter: net sales increased by 4.00% compared to the full year of 2015 to a level of DKK 111.7 bn. Net profit was up by 9.00% YoY.
- The outlook for 2017 is still not very favourable with revenue prediction between -1.00% and +4.00%, and operating profit between -2.00% and +3.00%. Mainly because there is still a lot of price pressure expected on the US market (as already happened in 2015 by patient representative groups and competitors).
- Novo Nordisk is still one of the most profitable pharmaceutical companies, also illustrated by the relatively low Price to Earnings ratio and a high Enterprise Value to Sales ratio compared to their peers.
- Still, the insulin market is expected to grow a lot in the future: the number of diabetics is estimated to grow from 300.0 m to about 440.0 m by 2030.
- All in all, in my opinion, the reaction to the 2016 results was too strong since the stock is trading even lower than at the end of 2014 while revenues are up 25.7% compared to 2014.

Source: Bloomberg (as of 31.01.2017)

3. Detailed Review – McDonald's

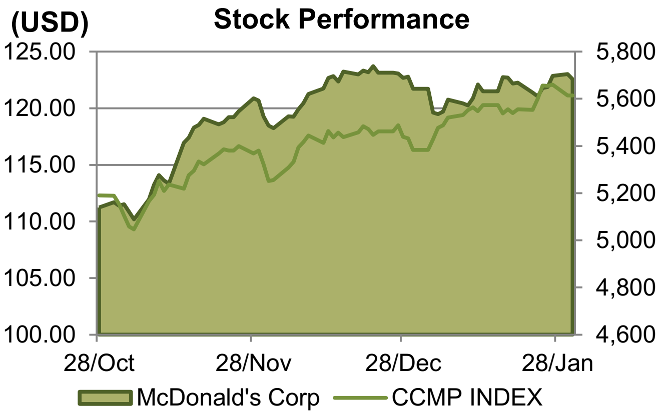
Analyst: Nicholas Mayer

Company Overview

- McDonald's is an American hamburger and fast food restaurant chain, headquartered in Oak Brook – Illinois in the United States. The company primarily sells a variety of burgers, chicken products, breakfast items, soft drinks, as well as milkshakes and coffee.

Corporate News

- The American franchise company recently signed a franchise agreement with Terra Firma chairman Guy Hands. The strategic partnership will see Guy Hands acquire ownership from McDonald's of the business in Denmark, Norway, Finland and Sweden, and the transaction will involve 435 restaurants.
- McDonald's declares a USD 0.94 per share quarterly dividend, which is payable March 15, and is in line with previous dividends.



McDonald's Corp (USD)	
Current Price (31/01/2017)	122.57
52-week high % change	-7.12%
Median Target Price	129.79
Market Capitalisation (mm)	101,787
Return on Common Equity	45.43%
Dividend Yield	2.94%
Beta (vs. CCMP INDEX)	0.7x
Total Debt/Equity	340.33%

Comparable Analysis

Company Name	Country	Currency	Mcap (m)	Enterprise Value (m)	P/E	EV/EBITDA	EV/Sales	P/B
McDonald's Corp	US	USD	101,787	125,528	21.4x	13.0x	4.8x	n/a
Starbucks Corp	US	USD	80,478	81,494	27.9x	15.5x	3.8x	13.9x
Yum! Brands Inc	US	USD	24,050	30,398	18.1x	14.1x	3.2x	n/a
Burger King Worldwide Inc	US	USD	#N/A N/A	#N/A N/A	n/a	25.4x	11.9x	n/a
Domino's Pizza Inc	US	USD	8,392	10,592	42.7x	19.3x	3.9x	n/a
Wendy's Co/The	US	USD	3,478	5,685	23.6x	10.4x	3.1x	5.2x
75th Percentile	-	-	-	-	27.9x	18.4x	4.6x	11.7x
Median	-	-	-	-	**23.6x**	**14.8x**	**3.8x**	**9.5x**
25th Percentile	-	-	-	-	21.4x	13.3x	3.3x	7.3x

- In order to make a proper analysis of McDonald's key performance indicators, a set of peers was chosen. Especially, Starbucks Corp. and Yum!Brands deserve greater attention, since both are McDonald's main competitors.
- As the table indicates, McDonald's has the highest market capitalization and enterprise value. Its P/E ratio of 21.4x is lower than the median of the peer group (23.6x), suggesting that the company might be undervalued, supporting the recent moves of institutional investors decreasing their stake in the company.
- In comparison to its main competitors, McDonald's has the second-lowest EV/EDBITDA ratio (13.0x), which is lower than the median among their peers (23.6x). This could indicate that the company is relatively underpriced. In addition to that, McDonald's also has the second-highest EV/Sales ratio (4.8x), which is higher than the median of the peer group (3.8x). This indicates that investors perceive that the company's future sales prospects are more attractive than the ones of its main competitors mentioned above.

Source: Bloomberg (as of 31.01.2017)

4. Mergers and Acquisitions

Analysts: Bernardo Sousa Machado, Robert Schroeder

- According to Bloomberg, Global M&A deal volume slid to USD 3.6tn in 2016, which is a decrease of 10.3% in comparison to 2015. The financial industry accounted for 19.6%, the largest portion of global deals.
- The sector experiencing the biggest growth was Materials with USD 321bn corresponding to a 51.3% increase from 2015. This hike was mainly induced by the largest transaction in the EMEA market, the Monsanto acquisition by Bayer with a total volume of some USD 66bn.
- Deal volume for targets in the US dropped by 11.6% to USD 1.8tn. The consumer non-cyclical industry was the most sought-after in the Americas with USD 348.9bn in deals, accounting for 18.8% of the region's volume. Market uncertainty in Europe contributed to a low volume of USD 815bn in the EMEA market, less than half of 2007's peak. The most attractive sector in the EMEA region was Financials with a share of 22.2%. Asia-Pacific dropped to USD 912bn corresponding to a 12.5% decline versus 2015. As in EMEA, the financial sector had the biggest share with 26% of total deal volume.
- The global chairman of M&A at JP Morgan Chase Kurt Simon said in an interview in the Financial Times that the company has an extremely positive outlook for the M&A business for 2017 due to the abundance of capital available at historically low borrowing rates coupled with investor pressure on corporates to find growth opportunities.

5. Selected Deals

Announced Date	Target		Buyer		TV (m)		TV/EBITDA	Announced Premium
	Company	Country	Company	Country				
17-01-2017	Reynolds	US	British American Tobacco	UK	$	49,400	16.9x	26.00%
26-01-2017	Actelion Ltd	CH	Johnson & Johnson	US	$	30,173	37.0x	23.00%
10-01-2017	Luxottica Group SpA	IT	Essilor International SA	FR	$	14,983	-	-
09-01-2017	VCA Inc.	US	MMI Holdings Inc.	US	$	9,100	19.0x	31.00%
17-01-2017	Bass Assets; BOPCO LP	US	Exxon Mobil Corporation	US	$	6,620	-	-

- Following a previous unsolicited USD 47 bn offer to acquire the remaining 57.8% stake in Reynolds American, British American Tobacco secured the deal by upping its bid to USD 49.4 bn. The proposed value would consist of USD 24.4 bn in cash and the remaining in stock. British American Tobacco's bid, valued Reynolds American at USD 85 bn, offering a 26.00% premium. The acquisition will create the world's largest listed tobacco company by sales.
- On January 26, Europe's largest biotech company, Swiss firm Actelion, agreed to sell its research and development business to Johnson & Johnson. Gaining access to Actelion's rare disease pipeline will cost the US-based healthcare giant USD 280 per share.
- In early January, Essilor and Delfin announced the creation of the first integrated global player in the eyewear industry. The new company named EssilorLuxottica is the result of Essilor's USD 14.9 bn bid to acquire a 62% stake in Italian fashion eyewear manufacturer Luxottica Group from Delfin. If approved by the shareholders and regulators, the deal will then be followed by a public takeover.
- Offering a 31% premium in a USD 93 cash per share bid, Mars Inc. is set to acquire the veterinary medicine company VCA Inc. The deal, assuming total debt at USD 1.4 bn, would amount to a total USD 9.1 bn and will be accomplished through Mars's holding vehicle, MMI Holdings Inc. Nonetheless the transaction is still subject to approval from regulators.
- On January 17, Exxon Mobil announced the acquisition of Bass' family oil and gas assets in the Permian Basin. Amounting to a USD 6.6 bn offer, the transaction is also set to include Texas-based oil and gas producer BOPCO. The deal structure will comprise an upfront share payment of USD 5 bn, as well as an additional USD 1.02 bn based on future drilling and completion activity.

Source: Financial Times; Bloomberg; BVD

The NIC Fund

Student-run Virtual Fund - February

1. Fixed Income, FX and Commodities

Distortion quasi-free market

2017 is set to be a another year full of surprises. Europe's geopolitical risk is going to be at stake with the rise of populism movements across several elections throughout the year. The U.S. market promptly reacted to Mr. President Trump's promises without even questioning his ability to fulfil such resolutions. Maybe the prime goals will be met at any cost, but stabilizing the dollar valuation, meeting inflation expectations and starting a protectionist economy might just be too optimistic.

But hey, Emerging Markets are still alive! China is on the path for a continuous sustainable growth, despite its corporate debt of 169% GDP. Japan is ready to benefit from a cheaper currency and may move to positive growth area. India's reform by Prime Minister Modi is garnering results and growing at 7% a year. Such outlook puts it on the 1st place of EM top performers. Latin American government spreads tightened to levels below pre U.S. elections because investors are still on the hunt for yield, and as I've mentioned earlier in this review, "the rate hike's impact on forex markets has started to decrease, given the increasing flexibility of central banks to tailor their policy responses".

Finally, distortion is dead. At least that's what central banks want us to believe. The Federal Reserve is moving towards a rate normalization course of action and the ECB is slowly tapering its asset buying programme despite a dovish Mario Draghi during the Davos World Economic Forum. Investors were keen to see such an attitude from central banks since they're tired from this market distortion caused by yield seeking "unaware" market players. I say unaware not because they don't know what they're buying, but because a big part of the High Yield market was, and still is (overly) overpriced! Risk is expensive nowadays.

My portfolio was a bit overinvested in risky markets such as EM, HY and oil proxies. I'm down 32 basis points since inception mainly because some of the spread tightening in Emerging Markets and the pick up on the century bond from Petrobras in response to the latest oil market developments.

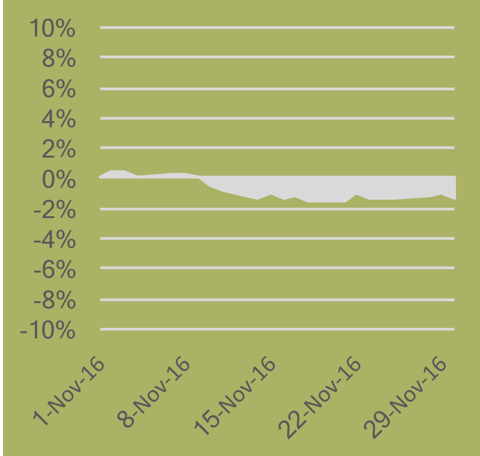
I believe there are market adjustments to be made, but the overall Fixed Income market doesn't look appealing from an investor point of view.

Table of Contents

Analyst: Sebastião Fernandes
sebastiao.fernandes@novainvestmentclub.com

Position Summary:
Long 20% GSDIX
Long 15% GSMTX
Long 20% NUSTBIU
Long 20% DB 0 11/21/19
Long 10% PETBRA 6.85 06/05/15
Long 10% MONTE 4.2 03/01/17

Asset Class: Fixed Income
Region: Global



Wrap up

The overall performance of my portfolio over the last 3 months was -1.40%. Contributing positively to the portfolio was the pair trade done in November, Short 10 Year US Treasury and Long 10 Year German Government Bond, which performed quite well due to expectations of an reflation pickup in the US, with a tighter labour market. In December I decided to maintain the short position in US Treasuries, but I reversed my position in German Bonds since I believed US reflation and its profit-wages dynamic has the potential to broaden and go global.

The fact that Donald trump won the American elections was favourable to my expectations, since his plans of large infrastructure spending, tax and regulatory easing combined with a disruptive trading policy (more protectionist) would push US wages even higher, in a moment the US Economy is already at or near full-employment. In 2016, the US Economy created on average 180 thousand jobs per month and the average hourly earnings jumped to a 2.9% annual rate, the fastest since 2009, while core inflation stood at 2.1%. Moreover, recent economic date relating to January, reported the creation of 227 thousand jobs vs 175 thousand expected, and an Unemployment rate of 4.8%.

Nevertheless, uncertainty regarding the agenda and timing of Trump policies, combined with political risks in Europe, such as elections in France and Germany, the still unseen consequences and side-effects of Brexit and the world record level of debt, which amplifies the impact of any interest rate increases, in a world with tightly integrated financial markets, limited how high yields could go. So, the two short positions held from December onwards, didn't prove to be profitable, with the 10 Year US Treasury loosing 0.24% and the 10 Year German Gov Bond loosing 1.73%, correcting part of the movement seen in November.

This correction was also seen in the BOND ETF from Pimco, in which I had a solid long position, returning around 2% since December, therefore ending the entire period with an approximately neutral performance.

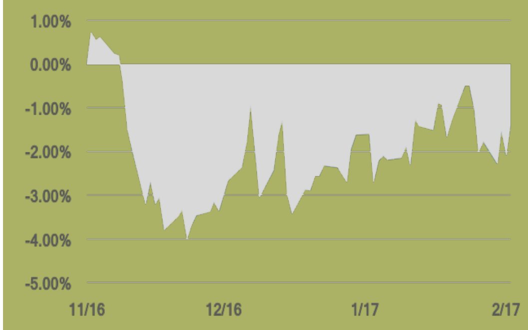
In Europe, although the ECB expanded the Asset purchasing programme until December 2017, it reduced the buying amount from €80B to €60B per month, starting in April 2017. This may be a signal of how far the ECB's QE can run and how high the ECB's balance sheet can grow beyond 2017, before it runs into hard technical and political constraints. The latter, combined with sluggish pace of implementation of structural reforms, still tepid core inflation and political risks maybe some of the reasons behind the negative performance of the 8 Year Portuguese Gov Bond and the 10 Year Spanish Gov Bond, both losing around 4%. In spite of that, the 10 Year Italian Bond yielded a positive return of 0.47%.

I still believe the both main trends identified will continue, more specifically the reflation pick-up and the convergence of the European Bond Market. Unfortunately, at this time I have to close the portfolio.

Analyst: Tomás Lameira
tomas.lameira@novainvestmentclub.com

Position Summary:
Short 30.00% 10Y German Gov
Short 30.00% 10Y Treasury
Long 30% 10Y Spanish Gov
Long 30.00% 8Y Portuguese Gov
Long 30.00% 10Y Italian Gov
Long 70.00% BOND ETF

Asset Class: Fixed Income
Region: US and Europe



Adapting to Trump policies

The overall performance of the portfolio in the two months of December and November was 2.55%, bringing up the return since inception to 1.13% (from a negative 1.42%).

The main driver of this performance was the good performance of TIPS US, Brazilian and Russian Government Bonds.

Regarding my long position in TIPS US, it generated a return of 0.63%. Given the fact that I had a short position (in the same proportion) on US Government Bonds that returned -0.03%, I made a return of 0.60% on the spread between these two securities, which is the same as having a long position on inflation, which proved to be a good investment given the inflation expectations generated by President Trump.

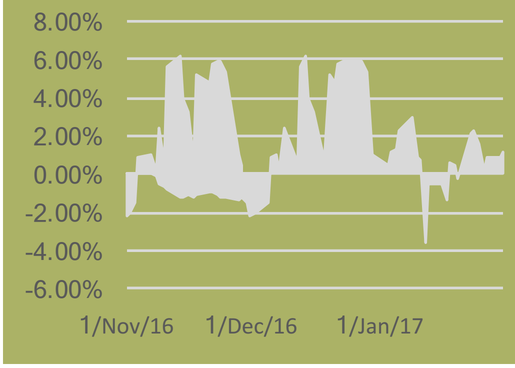
On the other side of the Atlantic, Russian Government bonds yielded a 6.81% return as an oil price increase fed its exports. Russian economy (and its capacity to pay its debt) depends heavily on oil price, since exports represent 30.00% of its GDP and oil represents 55.00% of it exports. As the OPEC deal to cut supply with non-members, such as Russia, gained some confidence over investors, yields of Government Bonds of this countries started to decrease.

Brazilian Bonds returned a strong 12.27% over this period. The recent economic reforms and President Michel Temer's intention to lift Brazil´s retirement age to 65 from an average of 54, are an attempt to regain market confidence despite the scandals and weak economic performance the country is experiencing. The market has reacted in accordance and yields have decreased.

Analyst: Pedro Tomé
pedro.tome@novainvestmentclub.com

Position Summary:
Long 85% USGG6M
Long 40% TIP US
Long 15% VSB CN
Long 10% DWSRUBD
Long 10% DWSBRZB
Short 40% BSV US
Short 20% 3199 HK

Asset Class: Fixed Income
Region: US, Canada, China, Russia and Brazil



Uncertainty, the worst enemy

The performance of my portfolio suffered the last two month, in particular during January. My portfolio lost the profit generated in November 2016 and its overall performance the last 3 months was -2.87%.

All the currencies in my portfolio performed as if they were riding a carrousel during December and January. The reason behind this is the current uncertainty in the financial markets due to the new president of the US but also because of the current Europe's political situation.

My long position USD/EUR and short position JPY/USD had a positive performance until the end of December of around 2%. Then the markets started to get nervous due to the incertitude in Trump's exact plans and this ended depreciating the USD the last month producing a backwardation of my performance in the USD/EUR and JPY/USD positions of -1.46% and -1.29% respectively.

My long position of GBP/EUR is the perfect example that the markets like certainty. Before Theresa May's speech about the plan to activate Brexit the GBP was suffering in the markets. Once the Brexit's route was announced, the GBP/EUR appreciated but I still had a lost of -1.58%.

The MXN was the currency with the higher volatility because of its strong correlation with the US. It had a positive rebound after the elections in December but then it depreciate strongly again to historical minimum against the USD. The possibility of the renegotiation the TLCAN, the new US-Mexico wall, Trump's migration and fiscal policies, are all the main reasons why the peso has been suffering.

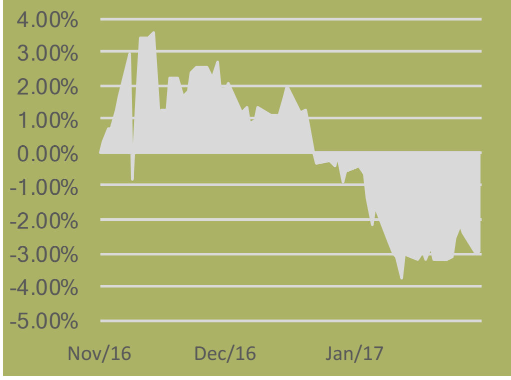
The exception of my portfolio was the long position EUR/BRL. The Brazilian economy starts to recover and it gives the certitude of a stronger Brazil. The consequence was an appreciation of 8.13% the last two months which generate a strong lost in my portfolio.

Uncertainty could be your worst enemy or best friend, it depends your investment strategy and time horizon. The importance of diversification is crucial in times of uncertainty and it is one of the reasons why we decided to create a total allocation fund covering multiple asset classes. The risk management will be crucial to have a return which corresponds to our level of risk and desired performance.

Analyst: Luis Zarate
luis.zarate@novainvestmentclub.com

Position Summary:
Long 30.00% USD/EUR
Long 30.00% GBP/EUR
Short 20.00% JPY/USD
Long 40.00% EUR/BRL
Long 20.00% MXN/USD

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



Not good enough

Over the course of the last two months, my portfolio yielded a return of 0.96%, which is still not enough to make up for my losses in November. Overall, my portfolio lost 4.55% over the past three months, mainly due to the high exposure I had to the U.S. Presidential Elections.

The best performing currency in my portfolio was the cross of the USD against the TRY, yielding a return of 7.41% over the last two months. This was mainly due to the uncertainty surrounding the oil market, as well as inability of the Turkish Central Bank to respond with effective monetary policy.

The Mexican peso lost 0.27% against the dollar over the past two months. In December the currency performed fairly well, but in January it fell considerably. Trump's executive order to start building a wall along the Mexican border, as well of threats of taxes on Mexican exports, damaged the currency.

December was a good month for the USD/JPY cross, as it went up 2.48%, but January erased the earnings for the period and the dollar ended up losing 1.15% against the yen. The market's expectations of US inflation have started outpacing nominal yields and, as such, the greenback has been damaged. Moreover, the uncertainty regarding Trump's administration swings towards the view of a weaker dollar have damaged the USD.

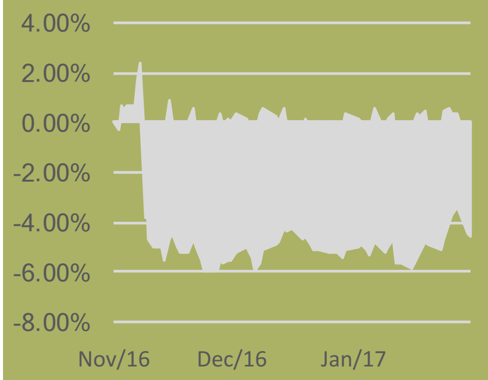
The value of the renminbi against the dollar did not change much from early December to the end of January, as the USD lost 0.02% against the CNY. This was mainly due to the increased efforts by China's regulators to stop the capital outflows

Lastly, the GBP/USD cross yielded a return of -0.10%. The sterling saw two very volatile months, mainly due to Brexit. There was a rally in January, in which the pound increased 3% in a single day as a consequence of Theresa May's constructive speech on Brexit. Nonetheless, the currency was weakened by economic indicators such as the slowdown in the pace of borrowing, as well as the Supreme Court Ruling on Brexit.

Analyst: João Rato
joao.rato@novainvestmentclub.com

Position Summary:
Long 10.00% MXN/USD
Long 40.00% USD/JPY
Long 35.00% GBP/USD
Short 20.00% TRY/USD
Long 35.00% USD/CNY

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



Closing Point in Commodities

For the last two months the portfolio had a cumulative return of 3.87%. However, the overall cumulative return of the last three months reached a negative level of -4.87% due to the high volatility of Natural Gas that in November caused a significant loss to the portfolio after surprising changes in weather expectations occurred.

Analysing these investments, the best performance was from Zinc, which had a cumulative return of 13.8%. This happened due to the decline of supply principally caused by the closure of large mines in Australia, Canada and Ireland. In addition to this, there was an increase of China's demand for this metal due to its boost in infrastructure spending and a rise in the expectation of a construction boom in America.

The worst performance was Platinum, with a negative return of 8.65% during November. The increase in oversupply of this mineral caused a significant decrease of its price during that month.

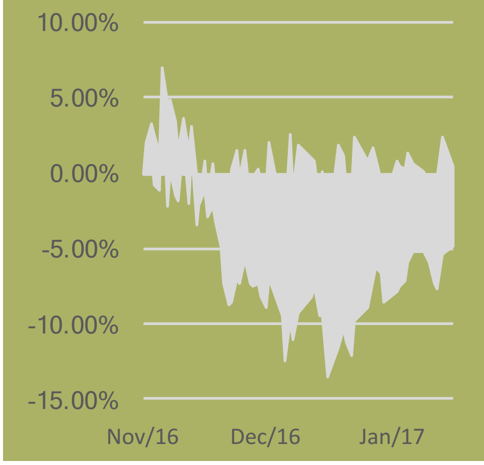
Going short on the VelocityShares 3x Inverse Natural Gas ETN, which has an inverse exposure to Natural Gas prices, after the unexpected changes regarding the weather, presented a cumulative return of 12.35%. The forecast of lower temperatures, growing demand, and decline of shale gas production were the main reasons for the rise of natural gas prices.

Silver had a cumulative return of 5.09% to the portfolio caused by the unpredictability of the U.S President Donald Trump that boosted the demand for precious metals.

Analyst: Inês Montalvão Cunha
ines.cunha@novainvestmentclub.com

Position Summary:
Long 60% ZINC
Long 20% SLV
Short 10% DGAZ
Long 30% OIL

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



Summary of the last quarter's performance

Over the course of the last three months, I have been trading a commodities portfolio consisting of the following securities: SPDR Gold Shares (GDL), United States Oil Fund (USO), iPath Bloomberg Coffee Subindex Total Return ETN (JO) and the Stowe Global Coal Index (COAL). During this time period, I yielded a total cumulative return of 5.87%.

The Main driver for the positive development of the portfolio has been the significant position in oil. With a cumulative return of 8.26% the United States Oil Fund showed the best performance of the four commodities chosen. After a weak start in November with partly negative daily returns, oil proved to be a valuable investment from the beginning of December onwards especially in light of the OPEC agreement on oil production freezes

.

Apart from oil, gold and coal were also profitable with positive cumulative returns of 4.20% and 5.43%, respectively. Gold revealed a quite steady upward trend, probably due to increased investor demand as a save-heaven investment in times of political instability. Coal was more volatile in its value development with negative cumulative returns by the end of December. Nevertheless, the amount of value increases outweighed negative performances. For the future, coal is expected to remain a profitable investment mainly due to the fact that natural oil, which constitutes a substitute to coal in energy production, will remain at a high price level. Therefore, volumes of coal extraction will most certainly rise with companies expanding their mines and power plants.

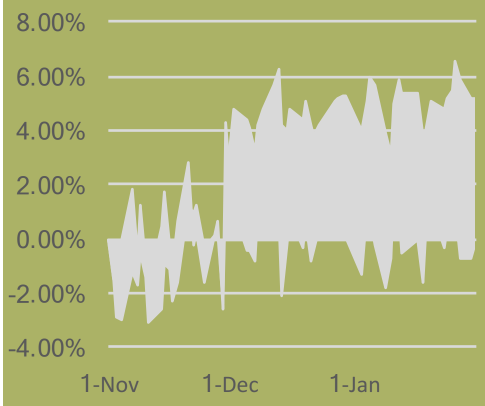
The worst performing security in my portfolio was the iPath Bloomberg Coffee ETN with a cumulative return of -11.88% for the three month holding period. Despite being recommended by several analysts by the beginning of November, coffee has fallen short of expectations. However, market opinions on the security are still optimistic in light of shrinking supply of coffee beans in combination with remaining high levels of coffee demand by consumers.

When projecting our porfolio's performance on an annual horizon, we derive an annualized return of 23.99% at an annualized volatility of 20.98%.

Analyst: Victoria Engels
victoria.engels@novainvestmentclub.com

Position Summary:
Long 55% USO
Long 20% GDL
Long 5% JO
Long 20% COAL

Asset Class: Commodities
Region: U.S.



2. Equities

A Tale of Two Fortunes

In the months since the U.S. Presidential election and throughout the transfer of power, we have seen significant changes in the business and investing climate both in the U.S. and throughout the world economy. The new administration has made it a frequent practice to individually target companies based on their trade and tax agenda.

Overall, my portfolio has performed quite well during this period with a cumulative holding period return of 8.16% or 35.96% on an annualized basis. Additionally, my portfolio had annualized volatility of 19.31% Performance was driven largely by consistent increases in U.S. equities valuations as companies expected increased earnings, lower taxes, and a potentially favorable regulatory environment.

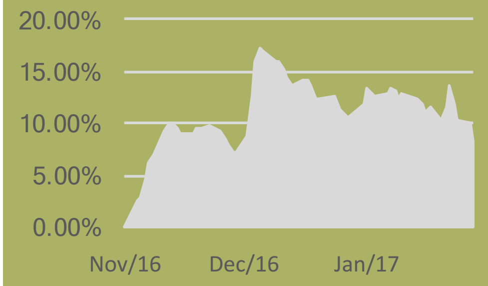
The top performer during the period was AECOM, as they prepared to capitalize on increased federal and state-level infrastructure spending. During the three month holding period the stock rose 37.18% Two other selections I would like to highlight are Credit Suisse and UBS who returned 21.79% and 19.25% respectively, capitalizing on a rising, albeit slowly, interest rate environment coupled with expectations for revenue growth particularly in trading activities.

On the opposite end of the spectrum, one of the most surprising stocks to follow has been Under Armour. After poor performance in 2016, there were expectations that the stock may have been able to rebound. To the contrary, the firm missed earnings and sales expectations and announced the their CFO has resigned, resulting in a 25% one-day sell off. Many of the challenges the firm faces are structural as some of their primary retailers have left the market with Sports Authority going bankrupt and Finish Line closing hundreds of stores last year alone. It will be interesting to see how the firm changes strategy in 2017 in order to combat these structural difficulties.

Analyst: Andrew Borts
andrew.borts@novainvestmentclub.com

Position Summary:
Long 7.50% AAPL
Long 7.50% CHUY
Long 7.50% F
Long 10.00% FRAN
Long 10.00% FSLR
Long 7.50% IBM
Long 10.00% LANC
Long 5.00% TERP
Long 10.00% UA
Long 5.00% UBS
Long 5.00% AMZN
Long 5.00% CS
Long 10.00% ACM

Asset Class: Equities
Region: US, Europe



Summing Up

After two months without any trading activity, I will now close my positions in this fund since a new one will be created in the near future.

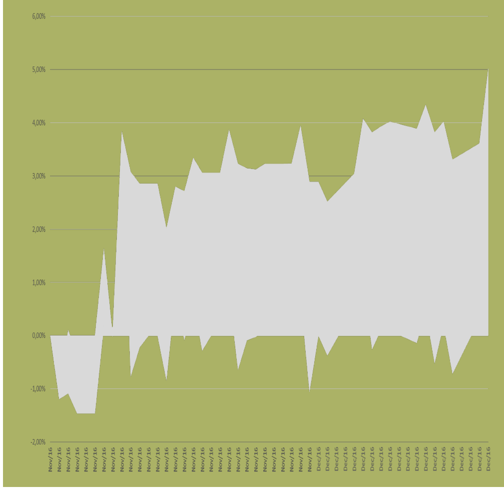
Bearing this in mind, I will now analyze the performance of my previous investments. Between November and January, my portfolio registered a cumulative return of 6.23%. Overall, the best performer was Stamps.Co, with a gain of 14.78%, whereas the worst one was Celgene Corp., which faced a loss of 2.31%. However, until December, the portfolio's positive performance was mainly due to Celgene's Corp. outstanding results as its value increased by more than 13%. Such was not surprising since Hillary Clinton's defeat in US elections put away the threat of a more stringent regulatory framework in the pharmaceutical industry. On the other hand, from December until January, this healthcare company continued to lose value. One of the reasons that might explain this negative path is the fact that revenues in the last quarter of 2016 were announced to be below consensus' expectations, standing at USD 2.98bn instead of the expected USD 3.02bn. On the other hand, EPS were in line with analysts' estimates of USD 1.61 per share. Despite the disappointing 2016 outlook and although the CEO change announcement also had a negative impact on the stock, most of the analysts still believe Celgene has a promising future.

By contrast, Stamps.Co performed really well during the whole period. In fact, there was not any major event explaining this performance besides what I had already mentioned in the previous newsletter, namely the positive effect Trump's Presidency is likely to have on some small caps. On top of that, Stamps provides Internet-based services for mailing and shipping letters, packages or parcels. This firm has proved to be quite cost effective and has explored several revenue growth opportunities. In addition, its business model is considered to be "Amazon-proof", since it does not compete directly with Amazon like a single product category competitor.

Analyst: Carlota Fidalgo Graça
carlota.graca@novainvestmentclub.com

Position Summary:
Long 15.00% STMP US Equity
Long 30.00% PNR US Equity
Long 20.00% T US Equity
Long 35.00% CELG US Equity

Asset Class: Equities
Region: US



A Retrospective Analysis

Now that a new phase is coming, it is time to reflect on the performance of my holdings and the methodological procedure used to choose them.

I am cashing out all my positions due to an ongoing restructuring of the NIC fund. The NAV of my portfolio is 115.73 as of January 31 2017, which translates into a holding period return of 15.73% since its inception.

Putting it into perspective, this means an annualized return of 69.3% with an annualized volatility of 23.47% and a 2.95 sharpe ratio.

There is no ideal benchmark for my portfolio due to its geographic diversity, however it significantly outperformed any broad global equity index considered.

The top winner was Acadia Pharmaceuticals (50.53%), as investors continue to pile on its tremendous potential in a market where there are no drugs approved and, more recently, on takeover chatter. Despite a selloff on healthcare stocks after Donald Trump's intentions to get prices down, Acadia Pharmaceuticals has been showing great resilience to shine in an underperforming sector.

Ambarella was the top loser of my portfolio (-12.6%) mostly due to concerns related to the dependence on a limited number of customers for a great portion of their revenue, namely GoPro Inc. However, in my opinion, this company is poised for long-term success. It has strong technological advantages and huge potential of commercial applications, such as drones, IP security cameras and automotive cameras. In addition, it has solid fundamentals, high margins and no debt.

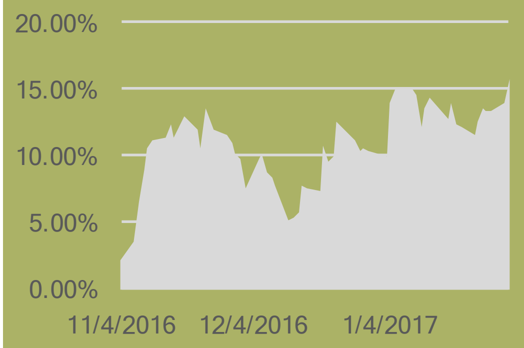
3. Ending Note

We are pleased to announce that the Nova Investment Club Financial Markets Division will be investing in a virtual total allocation fund covering multiple asset classes. We are currently undergoing the process of creating this fund and look forward to sharing our research and results with you. The creation of this new fund is the reason for the closing of each of the current funds.

Analyst: Manuel Gonçalves
manuel.goncalves@novainvestmentclub.com

Position Summary:
Long 25% SYT
Long 25% AMBA
Long 20% SNSR (ETF)
Long 10% LYXIB (ETF)
Long 30% ACAD
Short 10% CEMEXCPO

Asset Class: Equities
Region: Global



February Article

Is Basel III Enough?

In the years after the financial crisis, a new paradigm about risk arose, with a more preventive and forward looking way. Regulators seemed to agree that a new framework should be built for the banking industry to avoid more extreme situations as the one of 2008. Following Basel I and II, Basel III has been being designed as the most recent document providing the policies with which the whole industry should comply.

The new version of the European Regulatory Policy brings new requirements into the table and we can underline the most important ones: the new leverage ratio (requiring more and better capital in terms of quality); the new concept of Total Loss Absorbing Capacity, to force banks to have into account their relevance to the financial system; and the focus in the prevention and early intervention. It is still impossible to know if these recent measures will have a significant impact in avoiding new financial distressed periods, or if they are only hurting the industry profitability. However, when discussing the prevention of failures, some argue that although important, regulation is not the only driver that should be addressed and that the key to success might also be in the institutions' culture and organizational behavior.

In 2014, the London School of Economics (LSE) did a research on the cost of conduct failures in banking industry, from 2010 to 2014 - after the financial crisis. The study considers as conduct cost any cost borne by a bank related to regulatory proceedings, litigations or financial losses imposed by regulators or courts - for more about it, please read the provided link. The aim was to measure the value lost by investors due to the banks' misconduct. The researchers found that that value was, in total, roughly GBP 205 bn or USD 241 bn – a value which is higher than the annual economic output of Ireland - a very significant number considering the difficulties of the sector in the past few years. The most overwhelmed institution lost nearly GBP 64 bn. In the Portuguese case, the state-owned bank Caixa Geral de Depósitos and the failed bank Banco Espírito Santo, were the worst performers, with total losses around GBP 246 m (almost EUR 289 m). The study further states that even with the previously ruling Basel II, too much resources were still wasted in fines and other compliance processes - which suggests that the regulation might not be the only problem. Can the bonuses' culture induce workers in taking higher individual risk? And can this consequently mean more risk for firms? If so, a better regulation must be combined with deep cultural changes. Firms must develop internal initiatives that enhance confidence in the decision process and employee commitment, acknowledging the importance they have for the financial system. The success of this kind of measures could mean the avoidance of the financial losses previously mentioned, a sign that institutions are adapting to the future and authorities' requirements, while delivering a bold message of strength to the market and its consumers. This would allow firms to deliver the values investors are waiting for - impossible under the current interest and regulatory framework – and as so, it must be viewed as a huge opportunity of cost cutting and efficiency improvement within the industry.

Actually, banks are already embedding this organizational transition towards a more ethical, transparent and committed way of doing business, diminishing the operational risk and dodging actions that might incur in fines or losses. The on-going strategies will benefit not only the financial sector and its investors, but the economy as a whole.

The next years will show if the ECB's prescription will result and it will be interesting to witness how will it work. Can the key to success really be the change of institutions' cultures and organizational behavior?

Author
Tomás Costa
Tomas.costa@
novainvestmentclub.com

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Report on the misconduct risk in the banking sector, European Systemic Risk Board
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Our team:

Investment Banking Division
Bernardo Machado (bernardo.machado@novainvestmentclub.com)
Christian Reis (christian.reis@novainvestmentclub.com)
Diogo Góis (diogo.gois@novainvestmentclub.com)
Filipe Carballo de Almeida (filipe.almeida@novainvestmentclub.com)
Gonçalo Aguiar (goncalo.aguiar@novainvestmentclub.com)
Lourenço Alves Pereira (lourenco.pereira@novainvestmentclub.com)
Nicholas Mayer (nicholas.mayer@novainvestmentclub.com)
Robert Schroeder (robert.schroeder@novainvestmentclub.com)
Sofia Oliveira (sofia.oliveira@novainvestmentclub.com)
Tomás Costa (tomas.costa@novainvestmentclub.com)

Financial Markets Division
Andrew Borts (andrew.borts@novainvestmentclub.com)
Carlota Fidalgo Graça (carlota.graça@novainvestmentclub.com)
Inês Cunha (ines.cunha@novainvestmentclub.com)
João Rato (joao.rato@novainvestmentclub.com)
Luis Zarate (luis.zarate@novainvestmentclub.com)
Manuel Gonçalves (manuel.goncalves@novainvestmentclub.com)
Pedro Tomé (pedro.tome@novainvestmentclub.com)
Sebastião Fernandes (sebastiao.fernandes@novainvestmentclub.com)
Tomás Lameira (tomas.lameira@novainvestmentclub.com)
Victoria Engels (victoria.engels@novainvestmentclub.com)

Email us also at:
nic@novainvestmentclub.com

nic Nova Investment Club