NIC

— Nova Investment Club —

Newsletter

April 2017

Dear readers of the NIC Newsletter,

This month we come to you with a completely redesigned and restructured newsletter, which will be sent out to you every month, just like before. The reason behind this change is linked to the necessity we identified to revamp Nova Investment Club.

We invite you to take a look at it and delve deeper into the topics that interest you the most.

We all hope you enjoy it and thank you for subscribing!

This Month:

In our new Macro Overview section, Analysts from both divisions will cover broad macro themes while review major economics news from the past month. In our Deeper Dive section, Andrew Borts evaluates the status of the "Trump Trade", while Tomás Lameira discusses expectations for Eurozone recovery and reflation.

Our Investment Banking Division will guide you through upcoming M&A deals as well as reviewing past deals such as Snap Inc.´s recent IPO. Additionally, they will provide updates on Netflix and Bayer AG who were featured in previous newsletters.

Our Financial Markets Division will present the new NIC Fund, an active relative return fund investing across four different asset classes: Equities, Fixed Income, Commodities and Currencies. In addition, the analysts will provide commentary on each of the four major asset classes through analysis of the past month´s major market moves.

Finally, Sebastião Fernandes examines the state of the automobile industry and the rapid developments in the market for self-driving vehicles.

NIC
Nova Investment Club

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April 4th, 2017

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Market Moves

	-1W	-3M	YTD
S&P 500	0.80%	-0.04%	5.53%
DJI	0.32%	-0.72%	4.56%
NASDAQ	1.42%	1.48%	9.82%
MSCI World	0.21%	0.98%	6.03%
MSCI EM	-1.16%	2.02%	10.91%
Rusell 2000	2.31%	-0.06%	2.12%
Euro Stoxx 600	1.65%	5.46%	6.39%
FTSE 100	-0.19%	0.82%	2.52%
NIKKEI 225	-1.46%	-0.72%	-0.70%
HANG SENG	-0.50%	2.09%	10.16%
US 10Y Yield	-0.02%	0.20%	-2.03%
EU 10Y Yield	-18.61%	57.69%	57.69%
GER 10Y Yield	-18.61%	57.69%	57.69%
JPY 10Y Yield	13.85%	32.14%	60.87%
UK 10Y Yield	-4.77%	-1.04%	-8.07%
PT 10Y Yield	-3.73%	2.61%	5.69%
JPY/USD	-0.03%	1.25%	5.05%
EUR/USD	-1.11%	0.96%	1.53%
GBP/USD	0.48%	1.24%	1.56%
Brent Crude	5.24%	-3.83%	-5.91%
Gold	-0.12%	-0.55%	8.27%

**Source: Bloomberg*

In Focus

April

World Stock Markets rally. Since Donald Trump became the 45th President of the United States, the S&P500 has rallied. But is this really attributable to the actions of the Trump administration? This can be doubted in light of the fact that the US and world economies had already strengthened before Trump's inauguration. Moreover, facing an inflation rate of 2.00%, an expected yield of around 4.00% on 10-year US government bonds and a real economic growth of 2.00%, the valuation of the S&P 500 seems to be fair and not overrated.

European Economy awaits a bright Future. Despite the looming execution of the Brexit referendum, experts expect the European economy to grow by 1.30%, or even more if one trusts the current sentiment indicators. In France, the 10-year government bond yield dropped below the level of 1.00% again, a strong indicator of the public perception that Marine Le Pen is not going to win the upcoming election. Apart from that, the ECB is expected to raise the base rate in 2019 for the first time which would not only make the banking sector profit from good economic conditions within the EU but also from higher interest margins.

Great Britain at the brink of Brexit. A weak Pound Sterling led to an increase in inflation during the last weeks, which is not expected to level off soon given the start of Brexit negotiations in April introducing additional uncertainty. For the banking industry, this means that a local shift of operations needs to be carried out in the near future since trading financial products with other EU members will no longer be possible from the UK once it is excluded from the European Union.

Housing bubble in China? The rise of Chinese house prices seems to be unstoppable: last year, they increased by 26.00%. In 2016, the housing boom led Chinese fortunes to grow by 3.2 bn Euro which introduced a sort of cyclical reaction. The more money consumers have on their hands, the more they spend which subsequently raises tax income of authorities. Authorities then reinvest these funds in even more infrastructure projects, new housing construction being amongst them. Whether or not we face a bubble is hard to say since China is not a free-market economy and will engage in regulatory actions to prevent a crash – as long as it is able to.

Elections in Europe. Political Risk in Europe has subsided somewhat following a victory for incumbent Prime Minister Mark Rutte's centre-right party in the Dutch election and a positive outcome for centrist candidate Emmanuel Macron in the first French presidential debate. Anti-EU candidate Geert Wilders is expected to secure 20 seats in parliament, second to VVD's projected 33. This suggests the European Central Bank is likely to keep policy on hold in the near term.

Upward pressure on US short rates persists. President Trump's joint address to Congress on the 28th of February reminded markets of his big spending promises, including tax reform and a 1 tr US Dollar infrastructure program. This helped bring long-term US Treasury (UST) rates back toward the highs for the year. Still, uncertainties over the size and timing of these promises, as well as other foreign political risks, have essentially kept long-dated UST yields range-bound since last November's US elections.

Pedro Tomé – Victoria Engels
Financial Markets Division

Deeper Dive

Where does the "Trump Trade" go from here?

Andrew Borts
Financial Markets Division

If first quarter returns are any indication on the health of trading strategies designed to benefit from lower corporate tax rates, the "Trump Trade" is over.

"The failure to pass a healthcare bill calls into question those optimistic assumptions about the capacity of Trump and the Republican-led Congress's ability to pass complex, impactful legislation"

Mark Doms, Senior Economist at Nomura

Despite widespread expectations that a Trump victory in the 2016 US presidential election would lead to a down-turn in the stock market, with high-profile business people such as Mark Cuban suggesting "In the event Donald wins, there is no doubt in my mind the market tanks.", in the period since the election markets both in the US and world-wide have broken records and seen a continuation of an 8-year bull-market since the financial recession. Infrastructure and Financial Services stocks surged post-election on expectations of lower regulations, large-scale federal infrastructure spending, and a corporate tax overhaul. On a broader level, US Indices surged to historic levels, with the DJIA breaking the psychological barrier of 20,000 for the first time and reaching a high of 21,169. But as we move into the second quarter of 2017, what is that state of the "Trump Trade" and is there still room for this bull market to run?

If first quarter returns are any indication on the health of trading strategies designed to benefit from lower corporate tax rates, the "Trump Trade" is over. Goldman Sachs' basket of High Tax Rate companies, which were expected to reap the greatest benefits from future tax overhaul is currently trading at pre-election levels as trepidation has grown regarding the ability of the Trump administration to successfully engineer any meaningful policy changes in the wake of their failure to pass comprehensive health-care reform. Similarly, the industrials sector moved lower through the month of March as investors saw little progress on large-scale federal stimulus spending as the administration spent much of the month working, unsuccessfully, on health-care and immigration bans. With the S&P 500 trading at a Cyclically Adjusted Price Earnings ratio of 29.02, a level seen only in 1929 during the great depression, 2000 during the technology bubble, and 2007 during the mortgage crisis, it is natural for investors to question whether or not the fundamentals support the valuations. Much of the rally has been credited to expectations of a tax overhaul, deregulation, and fiscal stimulus, and while none of these have yet come to fruition as of yet, overall price levels have remained relatively stable. Even after the longest losing streak for the DJIA in more than 6 years, broad-market valuation remains far-higher than pre-election levels and consumer sentiment peaked at its highest level in over 16 years. Analysts are pricing in large first-quarter earnings growth, in some cases double digits, and given that the tail-wind provided by policy expectations has lost much of its steam, the realization of this earnings growth will be paramount to the continuation of the bull-market.

As the year progresses, and as the administration's self-imposed deadline of the August congressional recess to make 'Very Significant' tax reform a reality, we will get a clearer picture of what is buoying equities prices at current levels. Going forward, I would expect that barring any indication that tax overhaul is in jeopardy, equity prices will continue to withstand other political headwinds. Markets have largely priced in the expected remaining Federal Reserve rate-hikes for 2017 and thus far, seem comfortable with current valuations as they expect earnings growth and tax cuts. Investors should pay close attention to the administration's legislative agenda as well as first quarter earnings reports; barring significant negative shocks in these two areas, and despite rising price volatility, equities may still have some room to run.

Andrew Borts
Financial Markets Division

Regional View

Europe's recovery and reflation expectations

Tomás Lameira
Financial Markets Division

Although political risks are clear, the European economic recovery is taking root and being reinforced by global reflation. The Eurozone's improving economy can gain more momentum in a reflationary world, absent a negative political or external shock.

The European Central Bank's unconventional policies appear to have finally lifted inflation expectations. This should help boost further gains in employment and, eventually, wages.

Market pricing of future inflation on a five to ten year horizon, which the ECB has typically focused on, has rebounded back near 2.00%

Europe's sluggish recovery after the global financial and sovereign debt crises led a lot of investors to dismiss the region's growth prospects. The potential for more populist surprises in the region's elections this year doesn't help, nor does the anti-European Union sentiment behind some parties. Yet absent a political or external shock, the Eurozone's improving economic dynamics have longer to play out in a reflationary world.

Since mid-2016, growth has steadily strengthened and is now receiving a boost from an unexpected global trade rebound. This rebound is mostly supported by momentum in France and Germany as well as Spain. Also, stronger economic indicators in Italy combined with the efforts to clean up the banking sector are driving growth in the country that was once seen as a potential danger to Eurozone economic health. The Eurozone's composite PMI has accelerated over the past few months to a six-year high. Global reflation is spurring a broad rebound in global trade and exports, which is key for the Eurozone's economic growth (exports represented 47.00% of GDP in 2016).

Right now, the market appears very downbeat on Europe's growth prospects and may not be reflecting this better economic outlook. The Eurozone's improving economy can gain more momentum in a reflationary world, absent a negative political or external shock.

The market is pricing in GDP growth of just 1.00% in the Eurozone's big four economies in the year ahead.

Investors are nervous and skeptical regarding the Eurozone, with some of the consequences of events, such as Brexit and Italy's banking and political crisis, yet to be completely seen.

Furthermore, the rise of populism, which is increasing political risks in Europe, could in an extreme scenario carry historic consequences, regarding the fate of the single currency zone and even the European Union. This year, two major elections will take place, one in Germany and another in France, which will define the future of the Eurozone.

Yet, the market may be overpricing those risks, putting a negative pressure on Europe's economic outlook.

Other concerns are related to new record imbalances in the ECB's payments system between national central banks. Those imbalances reflect the role of national central banks in settling the ECB's liquidity provisions and asset purchases. This indicates that financial fragmentation is still a problem to be solved in the Eurozone.

Although political risks are clear, the European economic recovery is taking root and being reinforced by global reflation. Currently, European equities look attractive, given their cheaper valuations relative to their US peers, as well as the benefits of positive earnings revisions. Regarding Eurozone government bonds and credit, investors should be cautious, given the potential for German yields to spring back from safe-haven declines with spill over effects on credit spreads

Tomás Lameira
Financial Markets Division

Macro Overview

Economic Calendar

Economic and Political Events

US Manufacturing PMI Index

On April 3rd, the manufacturing purchasing manager's index (PMI), an important economic indicator, was published. It is based on new orders, inventory levels, production and supplier deliveries.

ZEW (Current Conditions) index

On April 11th, ZEW publishes its current conditions survey, which includes experts' expectations for economic growth in the next 6 months. Experts include analysts from banks, insurance companies and large enterprises.

US GDP growth

The Bureau of Economic Analysis announces the latest GDP of the US economy on April 28th. The latest nominal annualized GDP growth QoQ was at 2.1% against 2.0% expected from the economic survey.

Central Bank decisions

FOMC minutes

On April 5th, the Federal Open Market Committee issues the minutes of the meeting 3 weeks ago. Essentially, analysts parse each word looking for clues to policy and hence, the minutes bear the potential for a market mover.

ECB Press Conference

On April 27th, the ECB will hold a monetary policy meeting in Frankfurt, followed by a press conference. Decisions regarding the European central bank's base rate for deposits and refinancing will be decided upon.

BoJ Policy Statement report

On April 27th, the Bank of Japan will publish the next Policy statement report indicating an explanation for recent economic and financial topics. The report includes interesting hints concerning the QQE program and its potential end.

Inflation and Deflation

UK Consumer Price Index

On April 11th, the National office for national statistics in the UK will publish the CPI report with potential influence on the BoE decisions. The last annual UK CPI was 2.3% for February 2017.

US Consumer Price Index

On April 14th, the US CPI will be published, which is the main economic indicator for inflation. If this indicator goes up, interest rate expectations also go up and thus, central bank decisions (i.e. interest hikes) can be induced.

Flash HICP YoY

On April 19,th the ECB will publish the Harmonized Index of Consumer Prices, in which "harmonized" means that all EU countries use the same methodology. Besides the price stability purpose, the HICP is used to determine if a country is ready to join the EURO area.

Labour Market

ADP employment survey

On April 5th, the Automated Data Processing employment survey will be published with a great amount of detailed employment situation insights. It is not unusual to see surprises on employment Friday.

US Employment Situation

The ultimate market mover is the employment report from the USA, published on April 7th. Investors lay great importance on it and are helped determining in which economic sectors they intend to invest. Also wage trends and implications for inflation can be derived from this economic indicator.

Portugal Unemployment Rate

On May 10th, Portuguese jobless rate will be announced for the first quarter in 2017. It comes from levels of 10.5% in the last quarter of 2016. The forecast is 10.9% for the first quarter of 2017.

Robert Schröder
Investment Banking Division

Investment Banking

M&A

Overall Activity

Global

Following the strongest January on record for global M&A activity, February and March entailed a significant decline. Political instability was stressed as the main concern in investor's minds. As markets try to assess the implication of a Trump administration and the rise of populism across the western world, total deal value fell 43.40% Y-o-Y, to USD 135.9 bn. Nonetheless, not all news are bad. In fact, cross-border M&A remains a strong trend driven by the Energy and Mining & Utilities sector, which generated 68 deals, totaling USD 29.5 bn. In addition, Morgan Stanley topped the month's financial advisor ranking, with USD 58.8 bn over 17 deals.

This month, we invite you to take a look at our analyst's report on the period's top deals. Over the next pages you will find at your disposal a compelling analysis of Intel Corp's USD 15,000 m acquisition of Mobileye, Conoco Philipps's bid for Cenovos Energy, and the creation of India's biggest telecommunications through the merger between IDEA Cellular and Vodafone India.

Selected Regions

North America

During February M&A activity in North America declined 18.70% YoY. In total, 320 deals were completed valued at USD 80.5 bn. Surprisingly, the slowdown was particularly driven by a decline in Private Equity buyouts, a traditionally strong area for this region. On the bright side, ONEOK's USD 17.1 bn purchase of the shares it did not own in ONEOK Partners ranked first on the monthly deal board.

EMEA

Also in decline, February M&A activity in Europe counted 358 deals at a total valuation of USD 34.8 bn, a 62.00% fall YoY. Driven by Blackstone's USD 4.3 bn acquisition of Aon's benefits outsourcing division, Business Services ranked first in among all sectors. Additionally, the Dutch elections result improved the region's outlook on M&A by reassuring investors against the spread of populism in the EU.

Asia

In contrast with the rest of Asia, which registered a 59.40% decline YoY, Japan is off to a strong start to 2017. In fact, during February, deal value increased to USD 5bn driven by a surge in the Leisure sector. On the other hand, Chinese outbound M&A is showing strain brought by Beijing's restrictive capital controls. Nonetheless, China maintains its leading position in the region's M&A activity.

M&A

Deals of the Month

Announnced Date	Target	Buyer	Target region	Target business	Value (USD m)	Premium (%)
10 Feb 17	Mead Johnson (MJN)	Reckitt Benckiser Group Plc	US	Nutrition Care	17,900-00	29.00%
29 Mar 17	Mobileye	Intel	ISR	Automobile technology (autonomous driving)	15,300.00	34.00%
29 Mar 17	ConocoPhillips	Cenovus Energy	US	Energy Production	13,300.00	-
10 Mar 17	Idea Cellular Ltd	Vodafone Group India PLC	IN	Telecommunications	12,400.00	-
23 Mar 17	DUET Group	CK William Australia Bidco Pty Ltd	AU	Natural Gas distribution	5,625.00	9.00%
10 Mar 17	Aberdeen Asset Management Plc	Standard Life Plc	UK	Asset Management	4,750.00	0.04%
24 Feb 17	DigitalGlobe, Inc.	MacDonald, Dettwiler and Associates Ltd	US	Space imagery and geospatial content	3,600.00	18.00%
14 Feb 17	Fortress Investment Group LLC	SoftBank	US	Investment Management	3,300.00	29.00%
14 Mar 17	AirMethods Corporation	American Securities LLC	US	Medical Services	2,500.00	20.40%
6 Feb 17	Delek Group	Ithaca Energy	ISR	Business supply of fuel	1,240.00	12.00%

Bernardo Sousa Machado & Sofia Oliveira
Investment Banking Division

M&A: Top Deals

Intel to acquire Mobileye

This month Intel Corp announced the acquisition of Mobileye NV, the Jerusalem-based company and market leader in the automotive systems' industry. The deal comprised a total value of USD 15bn, the second-largest deal in Intel's history.

Buyer vs Seller

This acquistion came primarly from Intel's need to diversify its product portfolio. After missing the rise of the smartphones' industry, leaded by companies such as Qualcomm and Taiwan Semicondutor, the american semicondutor decided now to enter in Silicon Valley's race into autonomous driving. Mobileye is one of Israel's most promissing tech companies, being a pioneer in the development of computer-vision systems for automobile manufacturers across the globe.

Industry Overview

This deal follows a series of other relevant acquisitions in the semicondutor indutry, such as the 2016 Qualcomm's acquistion of NXP and Samsung's purchase of Harman, a global leader in connected car technology. In 2015, the chip-industry reached its record consolidation level, a trend that has persisted during the last months. This reflects the impressive fast forwing market for assisted-driving systems.

Peers	Currency	Market Cap (CUR m)
Gentherm Inc	USD	1,435.88
Chengdu Tianxing Instrument An	CNY	9,170.28
Visteon Corp	USD	3,213.85
Delphi Automotive PLC	USD	21,674.94
Hella KGaA Hueck & Co	EUR	4,597.67

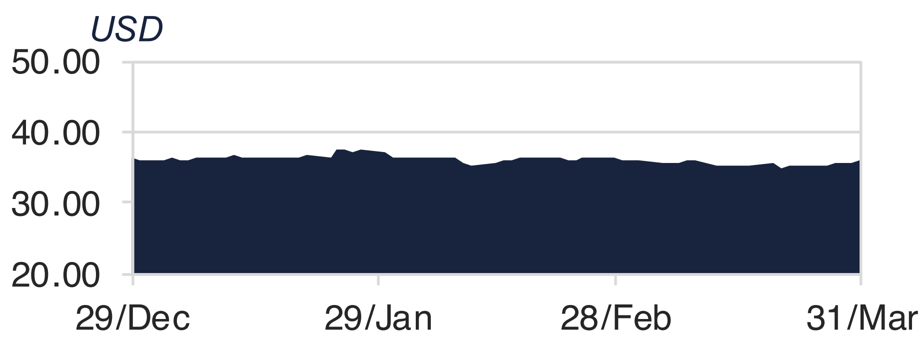
Deal Rationale

Facing a steady decline in its core business of personal computers, Intel has been forced to look into other markets and seek growth opportunities. Following this strategy, at Intel's investor day, CEO Brian Krzanich made clear that Intel is a "data company", rather than a chip manufacturer. In fact, during the last years, the company has been developing a set of important asset acquisitisions in data centres and artificial inteligence. With this acquisition, both companies wish to be positionted as a one-stop shop company for the growing needs of car manufacturers and autonomous driving solutions.

Market reaction

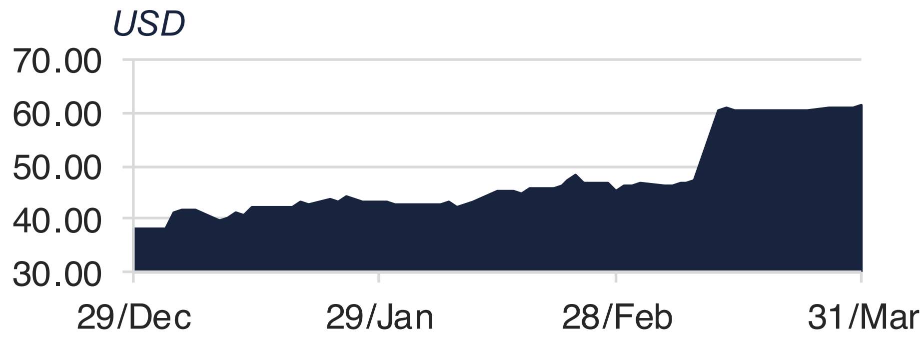
Intel Corp

After the announcement, Intel's shares were down by around 2%, a contrasting trend of the stock performance, that rose 11% over the last 12 months.



Mobileye NV

The share price of Mobileye went up by almost 20% on the aftermath of the deal announcement, reflecting the 34% premium paid by the American chipmaker



Future Challenges

Although there is an obvious hype around autonomous cars, some analysts are pointing out the premature conditions of this market, where the most optimistic projections estimate the first driverless cars to be on the roads by only the early 2020's. This means that these investments will only bring significant returns to shareholders in the medium-term horizont. Additionally, it can be expected significant legal and regulatory obstacles when bringing self-driving cars to our roads.

Filipe Carballo de Almeida
Investment Banking Division

M&A: Top Deals

Vodafone India unit to merge with Idea Cellular

Vodafone Group, from the UK, and Idea Cellular, from India, have agreed to merge their operations in India and create the mobile company leader in that country, reaching 395 million subscribers. The new company will be worth USD 23.2 bn.

Buyer vs Seller

Vodafone group is a British telecommunications company, with a global footprint by owning and operating in 26 countries and having partner networks in 50 additional countries. Idea Cellular is based in Mumbai, operating only in India. Morgan Stanley and Robey Warshaw are reported to be in the lead front to advise Vodafone. Idea Cellular still has no financial advisor, and it seems they will rely on their house team to advise on the deal.

Industry Overview

The mobile-phone market in India is considered to be the world's second largest in that area, mainly due to the high number of subscribers. The main leader, before the merger, was Bharti Airtel, who also agreed to acquire Telenor ASA last month, with a combined market share of almost 30%. RCOM and Aircel also have a joint market share of 15%. The Vodafone and Idea merger will reach a total market share of 35%.

Peers	Currency	Market Cap (CUR m)
Bharti Airtel Ltd	INR	1,399,289.87
Telenor ASA	NOK	214,558.35
Reliance Communications Ltd	INR	95,327.92
Mahanagar Telephone Nigam Ltd	INR	15,120.00
Tata Teleservices Maharashtra	INR	13,977.73

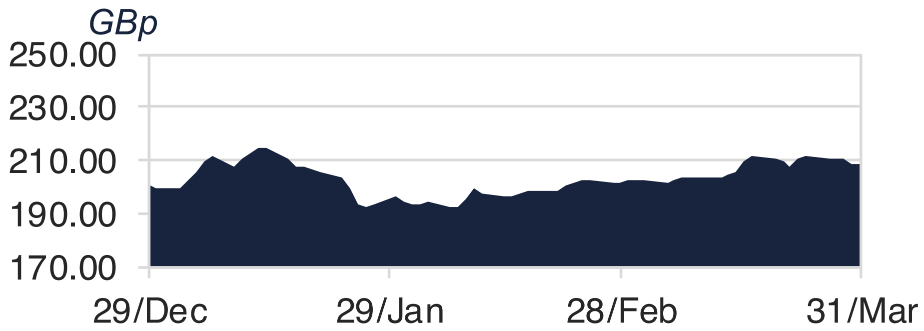
Deal Rationale

Vodafone unit in India will be valued at USD 12.4 bn while Idea Cellular will be valued at USD 10.8 bn. The merge is expected to be finished in 2018, with Vodafone owning 45% of the new company, while Aditya Birla Group (Idea's parent company) will own 26%. However, Aditya Birla has the option to acquire more shares from Vodafone in order to equalize their stakes if desired. The deal will help save a projected USD 2.1 bn a year on operating costs and capital expenditures. Moreover, the deal will enable the new company in having a better footprint around India, helping both companies in battling against Reliance Jio Infocomm, which introduced free voice calls.

Market reaction

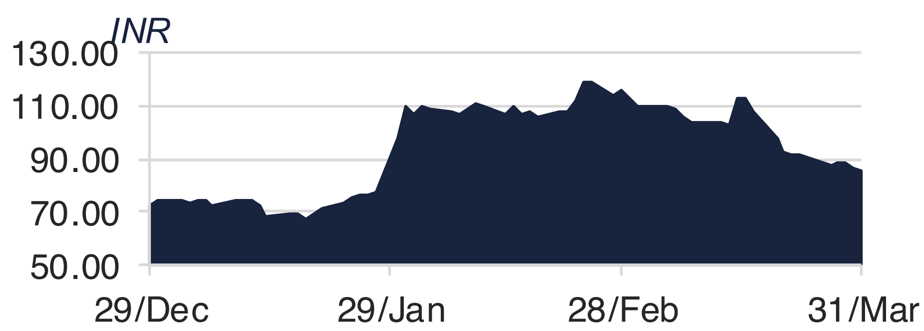
Vodafone

It closed the day at GBp 210.5 at March 20, a fall back from 211.40 GBp three days before. At March 30, the stock closed at 208.80, with investors not convinced.



Idea Cellular

Similarly to Vodafone, on the announcement date, Idea's shares plunged to INR 97.70. At the end of the month, the share price was 87.05, suggesting the same worries Vodafone's investors had.



Future Challenges

In terms of future challenges, it is worth noting that the new company will have to sell some excess spectrum of their new footprint to the government, in order to meet regulatory requirements. Furthermore, there will exist a strong competition between the mobile companies in India, as Jio is forcing price cuts and therefore lower margins as the company introduced free voice calls as mentioned before.

Diogo Góis
Investment Banking Division

M&A: Top Deals

Cenovus Energy Inc. To acquire Conoco Philips sands assets

ConocoPhillips sells its oil sands assets to Cenovus Energy Inc. The Canadian company bid for for the American company's sands assets was USD 13.3 bn.

Buyer vs Seller

ConocoPhillips Co. is an American multinational energy corporations based in Houston in the United States. It is the world's largest independent exploration and production company. Cenovus Energy Inc. is an integrated oil company headquartered in Calgary, Canada. Besides the oil sands production, the company also has conventional oil and natural gas operations across Alberta and Saskatchewan. Cenovus Energy Inc. has a CAD 10.5 bn bridge loan with Royal Bank of Canada and JPMorgan Chase & Co.

Industry Overview

The deal follows Royal Dutch Shell's decision to sell most of its oil sands assets to Canadian Natural Resources for USD 7.25 bn. This is in line with Marathon Oil's move in selling its Canadian subsidiary, which owns 20% of the Athabasca Oil Sands Project, for USD 2.50 bn to Shell and Canadian Natural Resources. These involve international companies selling operations in the oil sands to Canadian companies, which are specialists in that industry.

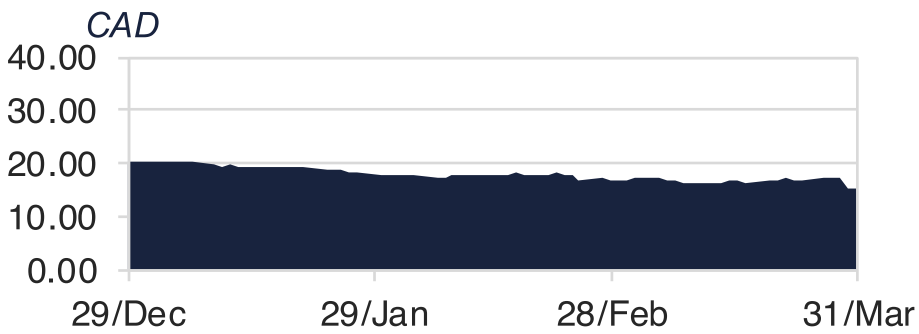
Peers	Currency	Market Cap (CUR m)
Noble Energy Inc	USD	14,954.45
Apache Corp	USD	19,547.22
Hess Corp	USD	15,259.58
Anadarko Petroleum Corp	USD	34,639.51
Murphy Oil Corp	USD	4,933.06

Deal Rationale

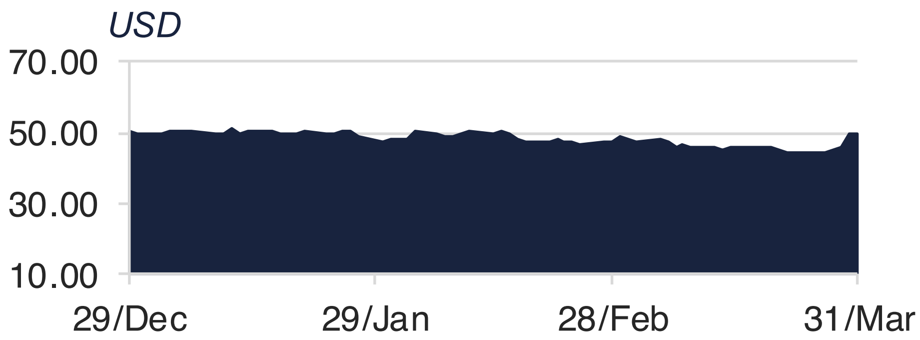
Conoco will receive USD 10.60 bn in cash and 208m Cenovus shares, valued at USD 2.70 bn on March 28. If the oil prices go high enough, there is also a small extra payment triggered, so that Conoco will be paid an extra USD 6 bn for every CD 1 of the benchmark Western Canada Select oil price above CD 52 per barrel, every quarter for five years. This cash will be used to pay down gross debt from USD 27 bn to USD 20 bn at the end of 2017, as well as for a USD 3 bn share repurchase. In addition to that, Conoco cuts its dividends and the company will be able to generate strong cash flows and improve returns.

Market reaction

Cenovus Energy Inc.
The share price fell more than 10% after announcing that the company will buy Canadian oil assets from Conoco Phillips for USD 13.30 bn.



Conoco Philips
The deal received initially favorable reactions from the market, so that Conoco shares rose 5.80% in after-hours trading in New York.



Future Challenges

The industry has long been hampered by a significant lack of adequate transport options to provide the market with the crude. Therefore, Canadian Natural, Cenovus and MEG Energy Corp. have announced respective plans for expansion projects, which will add a total of 110,000 barrels a day of capacity. This could help to ease the bottleneck, which previously has kept Canadian oil prices below global benchmarks.

Nicholas Sebastian Mayer
Investment Banking Division

What happened to

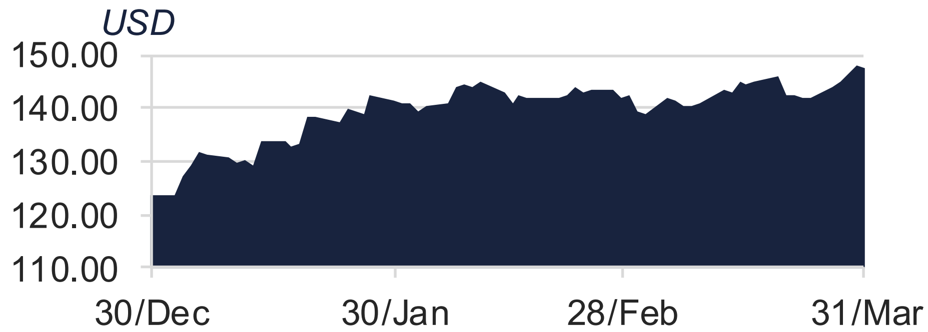
Netflix

Netflix, Inc. is an American entertainment company founded on August 29, 1997, in Scotts Valley, California, by Reed Hastings and Marc Randolph. Starting by providing DVD rentals only, Netflix is now the world's leading Streaming provider with 89.0 m paying members.

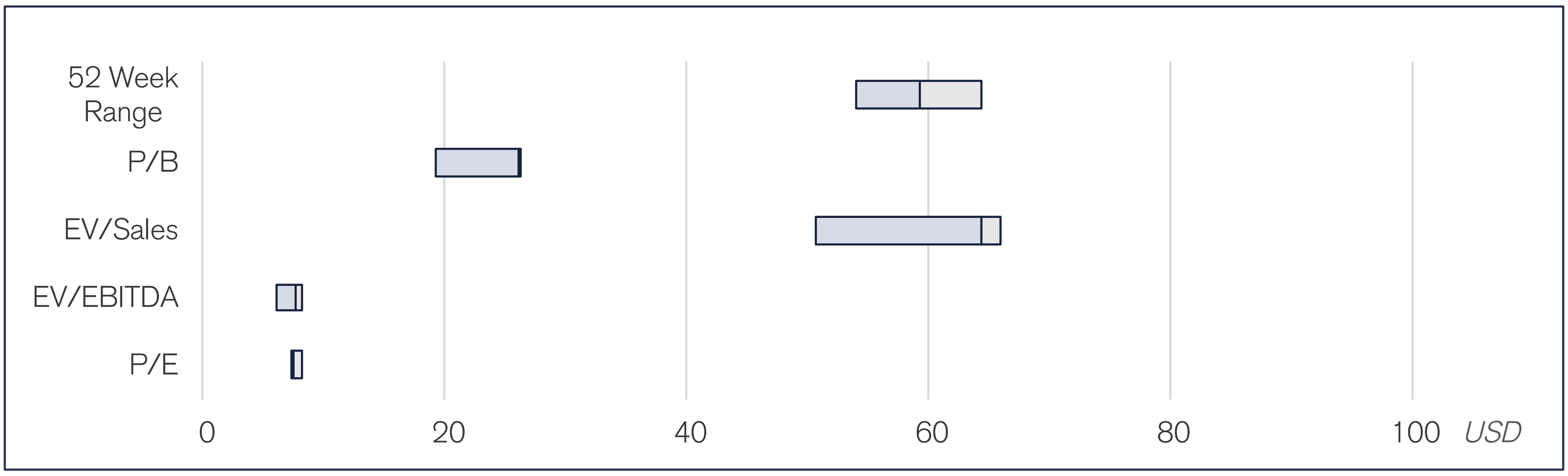
Corporate News

Netflix' shares are up 18.00% year-to-date and have jumped 49.00% during the last 52 weeks. The target price is set to USD 160.0. Since the additional sell of common stock in June 2012 Netflix outperformed the overall market strongly. But from 2014 to 2016 the Operating Margin as well as the ROIC decreased tremendously (ROIC down from 33.00% in 2014 to 7.00% in 2016). This is due to the strong expansion into more than 130 countries over the last years, resulting in high ramp up costs for especially marketing and content acquisition. Associated with the expansion not only the Revenues grew significantly from 2014 to 2016, but also the Cost of Sales. Those numbers come along also with the increase in content costs and limitations in the video on demand market. On the Revenue side it might be difficult to generate additional income without increasing Sales due to an upcoming stronger competition that makes it hard to increase content prices.

Price (31 Mar 17, USD)	147.81
Targe Price (USD)	160.00
3M Performance	19.39%
Market Cap (USD m)	63,619.14
Enterprise Value (USD m)	65,249.67
**Target Price is for 12 months*	



Valuation Analysis



Before considering the graph above, it is important to highlight that Netflix has no direct listed competitors. The closest competitors would be Hulu Plus which is mostly set up to digitally distribute TV shows from NBC Universal, and Amazon Hub that is included in the listing of Amazon. In spite of this, the football field shows a clear overvaluation of Netflix, allocating a price somewhere around USD 60.00. As a result Netflix' price development is fired by the growth story, which is yet to be realised.

Netflix itself operates in the subscription video on demand market (SVOD), expected to penetrate up to 9% of the population in 2021. In Netflix' domestic market the overall video on demand market is already decreasing, while the subscription video on the demand market is expected to grow. So there is still growth potential, especially when considering China as a new potential market, if Netflix will be able to enter it, and if the at the moment quite low demand for SVOD there will increase.

Peers	Currency	Market Cap (Cur m)
CBS Corp	USD	28,442.96
Walt Disney Co/The	USD	179,297.74
Time Warner Inc	USD	75,660.20
Discovery Communications Inc	USD	16,820.47
Twenty-First Century Fox Inc	USD	59,461.44

Christian Reis
Investment Banking Division

What happened to

Bayer AG

Bayer is a German multinational chemical, pharmaceutical and life sciences company headquartered in Leverkusen. In 2016 the Bayer Group reached a revenue of over USD 47 bn in 78 countries worldwide. The company's main businesses include human and veterinary pharmaceuticals, consumer healthcare products, as well as agricultural chemicals and biotechnology products.

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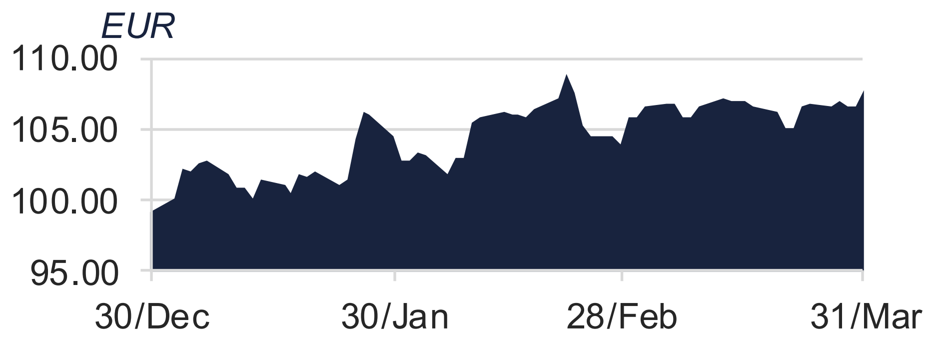
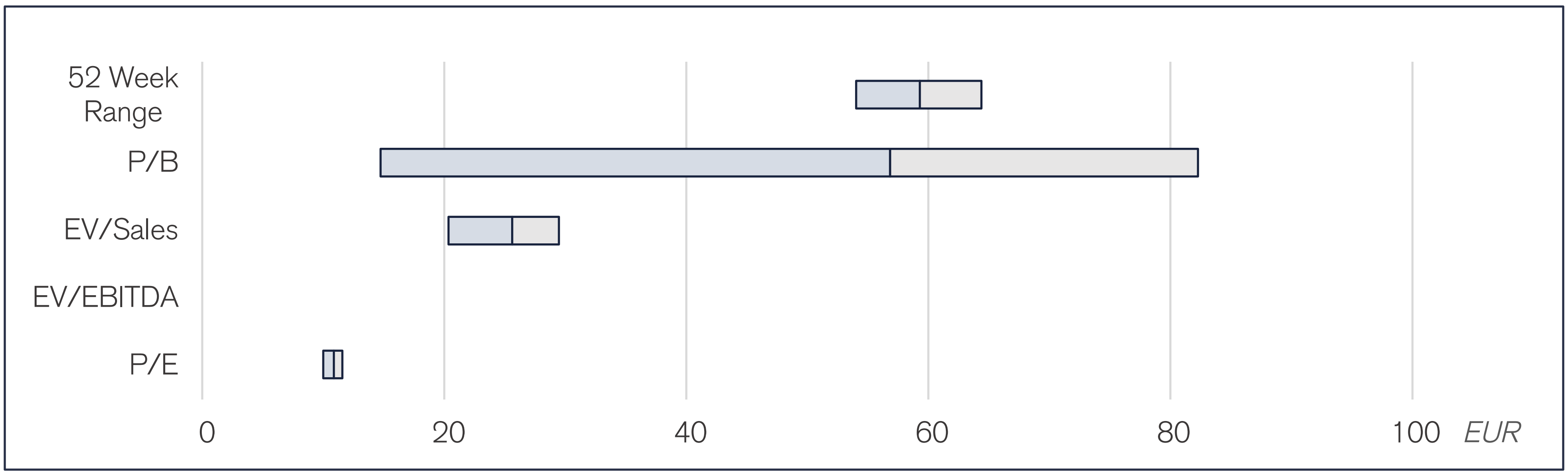
Corporate News

After four attempts Bayer agreed to buy Monsanto Co. for USD 66 bn in September 2016. When the deal will be finished at the end of 2017, the combined companies will create the world's biggest supplier of seed and pesticides. After initially critical reactions to the deal, Bayer's shareholders have started to appreciate the acquisition. In addition, Bayer showed a good performance in 2016 with revenue growth of 3,2%. When looking at Bayer's stock development in this year, the stock price has increased by 8.76%. The German performance index Dax-30, which contains 30 German major companies, has only grown around 5.60% during that period. Analysts are expecting that Bayer will profit from its strong positioning in the agriculture market it will reach with the Monsanto acquisition. Currently the stock is trading at around USD 107.81 with a target price set at USD 115, which implicates that shareholders anticipate further value creation from the Monsanto deal.

Price (31 Mar 17, EUR)	**107.81**
Targe Price (EUR)	115.00
3M Performance	8.76%
Market Cap (EUR m)	89,154.90
Enterprise Value (EUR m)	102,201.90
**Target Price is for 12 months*	



Valuation Analysis



Compared to its peers the Bayer stock performs at an surpassing level when considering all multiples. The valuation of the Price-to-Book ratio indicates a broader price range, even though still lower than the current price of USD 107.81. This higher valuation may relate to the high expectations shareholders attribute to the whole pharmaceutical industry. Bayer's current share price reflects an appropriate trade-off between chances and risks that result from the Monsanto deal.

A higher target margin and expected annual growth rates of 4% in the agriculture business shall enforce Bayer's overall sales. Apart from that, the pharmaceutical and consumer health business are robust pillars that aim at growth rates of 4-6% in the next year. But finally a successful integration of Monsanto is the crucial factor for Bayer's future stock performance and will indicate whether past stock performance has been reasonable.

Peers	**Currency**	**Market Cap** (Cur m)
Novartis AG	CHF	195,325.99
Roche Holding AG	CHF	220,475.54
GlaxoSmithKline PLC	GBp	81,596.36
Sanofi	EUR	109,360.21
Novo Nordisk A/S	DKK	610,725.00

Patrick Pecher
Investment Banking Division

NIC's view on

Snap Inc. IPO: Investment opportunity or market madness?

Gonçalo Aguiar
Investment Banking Division

On the second of March 2017 Snap Inc, the parent company of the disappearing image and video messaging platform Snapchat, went public on NASDAQ. The IPO underwriters placed the stock at USD 17 per share, but as the market closed that day it was trading at USD 24.48, gaining 44% and valuing its equity at more than USD 28 billion. The question we should ask is, why is this happening when we now know the company cannot turn a profit and is not even sure if it will do so in the future?

Snap Inc. was founded back in 2011, then as Picaboo - the company would eventually change its name to Snapchat and then to Snap Inc. The original idea behind it was to allow people to send photos to each other that would disappear in a matter of seconds. This meant they could share images they would not be comfortable with if they were to remain permanently on the other person's smartphone. The company later incorporated video in 2012, and then snap stories, which would be shared with all of one's friends for a period of 24 hours. The innovation continued at an incredible pace, with snaps being able to carry geofilters and augmented reality features starting in 2014 and 2015, respectively. The game changer came in October 2014, when Snapchat made itself available as an advertising platform. This would become its main source of revenue, allowing practitioners to develop new, creative ways to advertise. Snap now has more than 160 million users, who show incredible levels of engagement.

In its IPO prospectus, Snap presents itself as a camera company. However, we have trouble understanding this, as the large majority of its revenues come from mobile advertising. The advertising market is trending and forecasted to grow considerably in the next years. Within this market, digital advertising is growing as a percentage of total advertising and mobile advertising is growing as a portion of digital. This all seems to be good news for Snap. What some people might have not yet understood is that the Snapchat platform is very attractive for the younger generations, but not so much for the older ones. This means they could never get as many users as some of its rivals like Facebook or Google, who can appeal to the whole generational span. What they appear to be able to achieve is high levels of engagement among its daily active users. This is, on our view, where its success is going to depend on: gradually increasing its user base, while maintaining high engagement levels amongst both current and new users.

Making a dent on the mobile advertising market is not going to be easy. After failing to acquire Snap in 2013 for USD 3 billion, Facebook is decided to try to eliminate its rival as a serious contender for its leadership position. It has been copycatting Snap's best features to Instagram, Messenger and WhatsApp, in an attempt to make Snap's user base switch to their platforms.

The problem we see with Snap's IPO is the valuation it managed to achieve. Even after one month trading in the market, Snap is still well above the USD 20 price tag, which yields a market cap above USD 20 billion. We just cannot see this number as being reasonable. Snap has been showing impressive revenue growth, but it never turned a profit. This should be considered as normal, given the young stage of the company. The problem lies with the fact that the company does not know when it will be able to actually turn revenues into income and, more important, cash flow. USD 20 billion might just be too much for such an outstanding level of uncertainty.

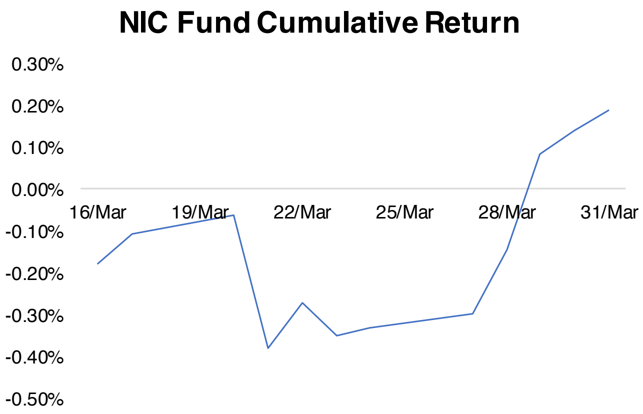
Date	Recent News
29 Mar 17	Snap snags NBC ad deal worth up to $75 million for the Winter Olympics, report says. *Source: cnbc.com*
28 Mar 17	Snap drops after Facebook launches more copycat features. *Source: cnbc.com*
29 Mar 17	Why Snap may be more like Twitter than Facebook. *Source: finance.yahoo.com*
27 Mar 17	Banks that sold Snap IPO say it's a Buy. *Source: bloomberg.com/view*
28 Mar 17	Snap shares rebound after Analysts issue buy ratings. *Source: ft.com*

Gonçalo Aguiar
Investment Banking Division

NIC Fund

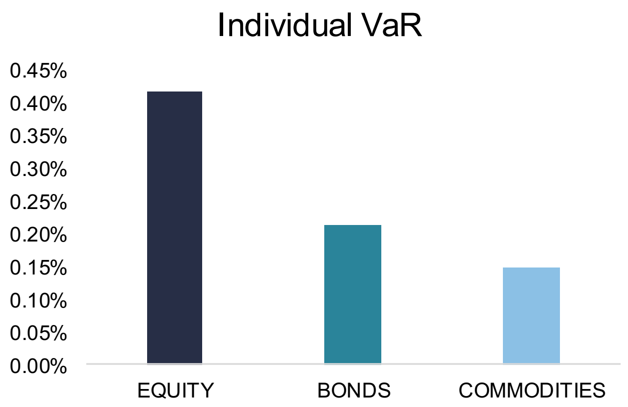
NIC Fund

Portfolio Overview



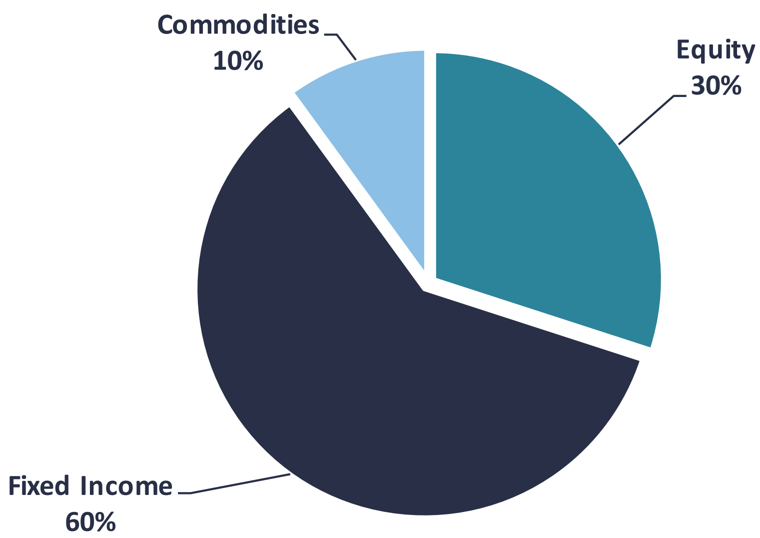
Portfolio Statistics	
Cumulative Return	0.19%
Annualized Return	3.93%
Daily St. Dev	0.15%
Period St. Dev	0.51%
Annualized St. Dev	2.34%
Info Sharpe	1.68
Skew (Daily)	-1.101
Kurtosis (Daily)	1.499

Benchmark	
iShares 3-7 Year Treasury Bonds	60%
SPDR S&P 500 ETF Trust	30%
Powershares DB Commodity Index	10%



Portfolio Snapshot

The NIC Fund is an active relative return portfolio managed by NIC's Financial Markets Division, which invests in four asset classes: Equity, Fixed Income, Commodities and Currencies. The goal is to achieve a competitive risk-adjusted return with a medium/low risk profile. The portfolio invests in regular cash securities but also in ETFs. Both long and short positions can be taken. Its inception date was March 15th, 2017 and it will be rebalanced on a 15-day basis.



Return Metrics

The performance of the NIC Fund will be relative to the return on the selected benchmark. It is composed of an allocation of 60% in the iShares 3-7 Year Treasury Bond ETF, that seeks to track the results of an index composed of US Treasury bonds with remaining maturities between three and seven years. It allocates 30% in the SPDR S&P 500 ETF Trust, that tracks the performance of the S&P 500 Index and the remaining 10% are invested in the Powershares DB Commodity ETF, which aims to reflect the performance of the DBIQ Optimum Yield Diversified Commodity Index.

The NIC fund, which is currently invested on the bechmark allocation, returned 0.19% to the investors since its inception. Fixed Income and Commodities contributed positively during this period – 0.30% and 0.17%, respectively. The negative momentum of Equities impacted the fund negatively by 0.28%.

Risk Metrics

The risk of our portfolio will have a VaR with a daily maximum threshold of 2.5%. We use an Exponential Moving Weighted Average (EWMA) to calculate the volatility of the previous 100 days giving a higher weight to the most recent observations.

Since inception, we have had a low total VaR of -0.58% which takes into consideration the advantages of diversification. Also, the non-diversifed VaR ,which does not consider diversifying benefits, was low in the level of -0.78%. We can clearly see the lower risk due to diversification. Finally, Commodities had the highest VaR but, due to the lower weight allocation, a low impact.

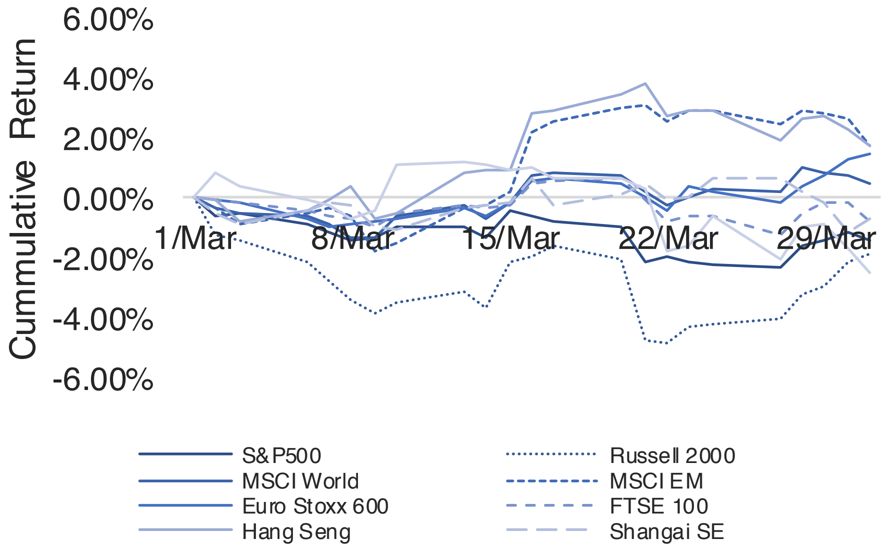
Manuel Baptista Gonçalves
Financial Markets Division

NIC Fund

Equities

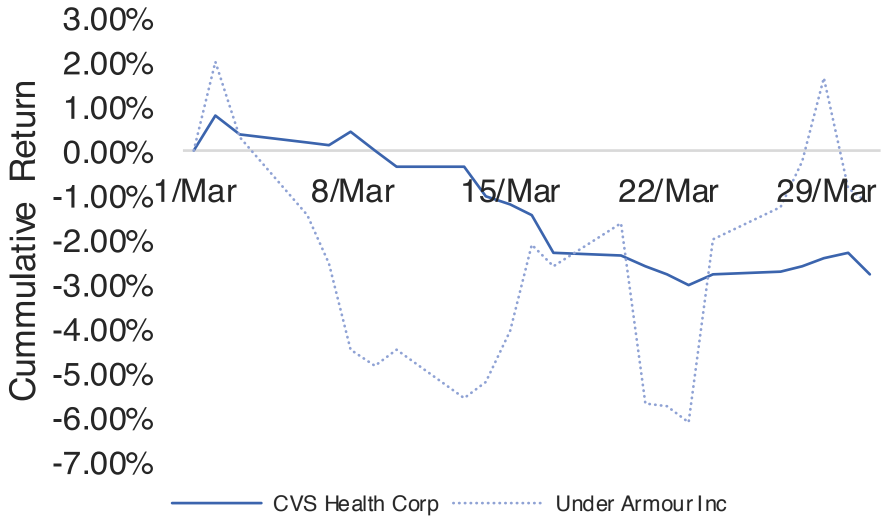
World Equities

There was a sharp decline in US stocks with a 1.38% monthly decline in the S&P 500, alongside modest declines in the European and Japanese stock markets. In March, US stocks had their worst week since the Presidential elections. The major event that caused this significant impact on the Equities market was the unsuccessful attempt of President Trump and House Republicans to pass his health care bill. This failure had a ripple effect since many analysts saw this as a test of the President's ability to pass tax reform and infrastructure spending. It's important to underline that expectations that Greece's President would be able to enact his promises of fiscal stimulus and reach a new agreement with creditors meant Greek stocks actually were able to have meaningful gains despite the decline in world stocks. These expectations and the strong possibility that the Greek banking sector results will improve were the cause of this outlier win by the Greek Stocks.



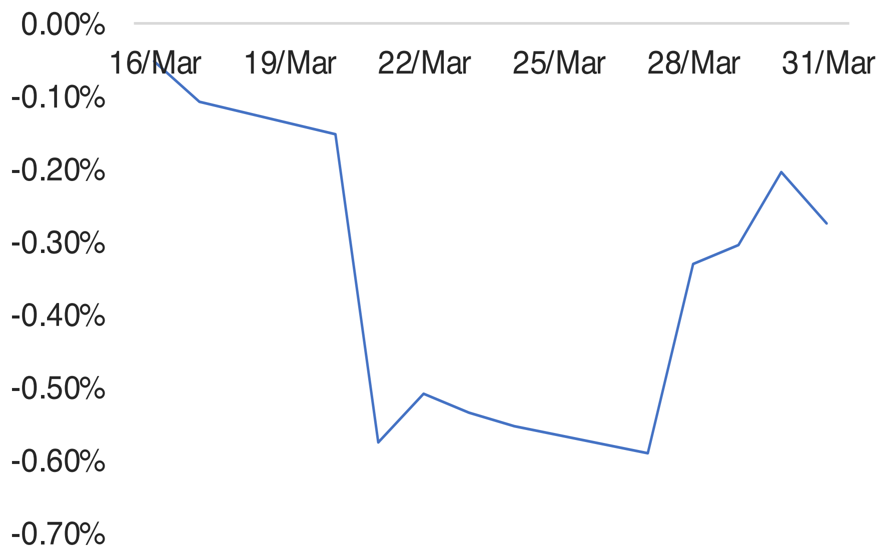
In depth

As Britain triggered the Brexit process on March 29th, we can expect great impacts in the long term, but for April there won't be significant impacts on the Equities Market. The impacts will depend on the prospect of the negotiations which will in-turn depend on the German Elections in September. The fact that the margin debt is at a record high is a sign of the boost in investors' confidence and a reflection of their bullishness. Margin debt peaks are usually associated with future major stock declines, however, my expectation is that we will not see this in the coming months since markets are not overconfident which is usually what leads to their vulnerability. Nonetheless, I believe in April there will be investment opportunities in the health care sector, namely CVS Health Corp. The health care sector is undervalued when compared with past performance, not only due to drug pricing pressures but also due to the uncertainty about the reforms for US heath care so it's important to pick a health care stock winner. Due to the rising demand in health care products and services, the CVS Health Corp can be expected to be a winner mainly due to their strong commitment and competitive advantages particularly in the American prescription drug market. One of the companies that can most benefit from the rise of interest rates is Under Armour, expected to increase sales by 25.00%. After becoming one of the biggest players in the US, they have been investing in spreading their brand globally and I expect that they will see significant return on this investment in the coming months.



Our performance

Our Benchmark: The SPY ETF had a negative monthly return of 0.28% in March. This ETF that follows the performance of the S&P 500 index had a negative return mainly due to the uncertainty about Trump's ability to keep his promises regarding tax cuts and infrastructure spending.



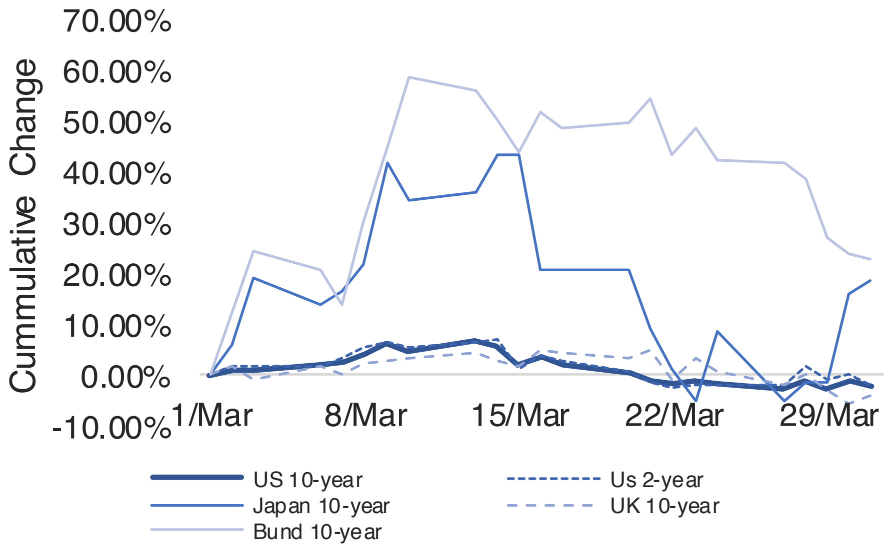
Inês Cunha
Financial Markets Division

NIC Fund

Fixed Income

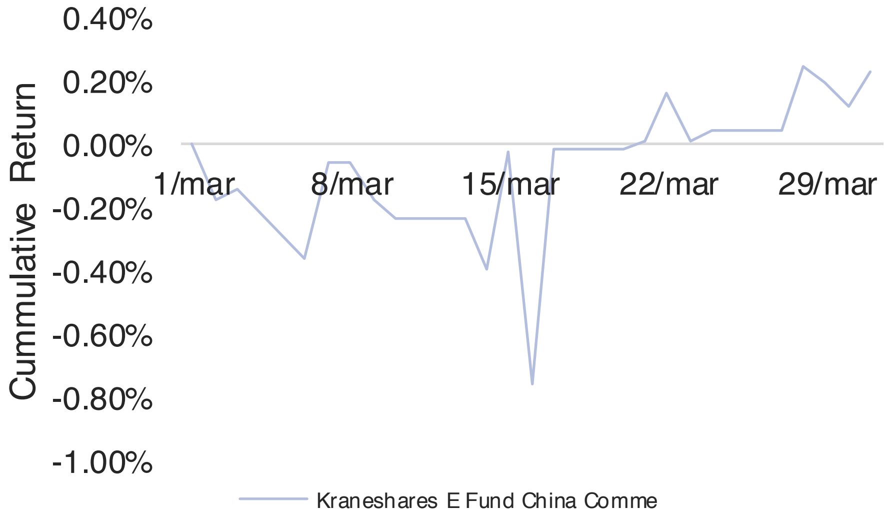
World Yields

I will start this section by looking at the evolution and cumulative change of some of the major sovereign bond yields, including US 2-year and 10-year bonds, 10-year Bund, UK 10-year and Japan 10-year bonds. During March, despite the declining trend since the middle of the month, the biggest winners were the 10-year Bund and 10-year Japanese bond, with a cumulative change of 23.58% and 15.83% in their yields, respectively. By contrast, the US short and long term bonds as well as the UK 10-year bond registered a negative performance over the month, with the UK being the top loser due to a negative cumulative change of almost 5.98%. Last month, amid increasing confidence that the US economy is poised for more robust growth, the Fed hiked rates once again by a quarter point, moving the overnight rate to a target range of 0.75% to 1.00%. Moreover, some of its members have repeatedly expressed hawkish views, supporting more interest rate hikes before the end of the year. In spite of the official Brexit start as Theresa May triggered Article 50 of the Treaty of Lisbon, the 10-year Bund and UK bond registered a drop in yields, implying an increase in prices. On the other hand, the Bank of Japan decided to keep its monetary policy on hold, keeping its key rates at current levels as well as the pace of asset purchases. With it 2.00% inflation target far away, the BoJ reiterated the economy is recovering, making clear the goal of increasing divergence relative to US monetary policy.



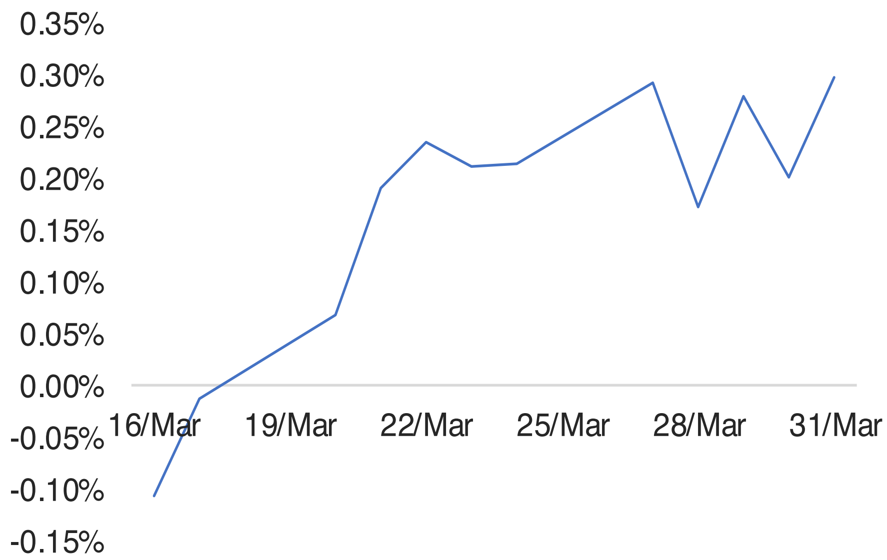
In depth

The Fixed Income market is expected to be affected by concerns regarding Trump's ability to enact his policy changes, namely the tax overhaul. Additionally, the fixed income market in the Eurozone will be affected by the course of Brexit negotiations and by the result of French elections taking place on the April 23rd, which Emmanuel Macron is expected to win. However, Marine le Pen still poses a risk as investors have already been surprised before due to unforeseen winners. I would also suggest keeping an eye on Chinese bond performance. In fact, Wall Street is getting more serious about investing in Chinese bonds as the scenario of major bond indexes including Chinese debt has become increasingly likely. This would imply the funds tracking those indexes to buy more Chinese securities, boosting demand. The Chinese government has also announced it will loosen restrictions on overseas investment. Considering investors' demand for yield, the KraneShares E Fund China Commercial Paper ETF (KCNY) is likely to perform well in the near future. This fund with an average maturity lower than six month seeks to deliver a diversified basket of investment-grade commercial paper denominated in on-shore renminbi.



Our performance

Notice that IEI ETF, tracking 3-7 year US Treasury Bonds, our benchmark fund for fixed income, performed quite well during March, earning a cumulative return of 0.30%.



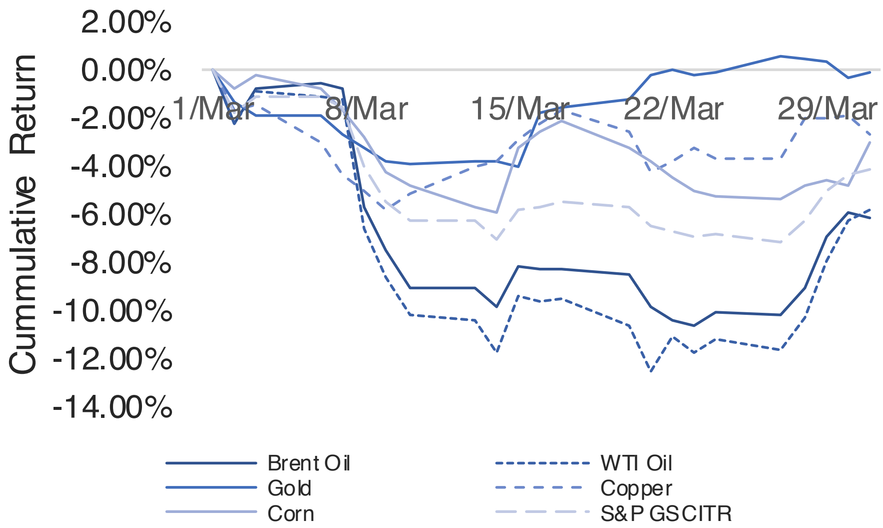
Carlota Fidalgo Graça
Financial Markets Division

NIC Fund

Commodities

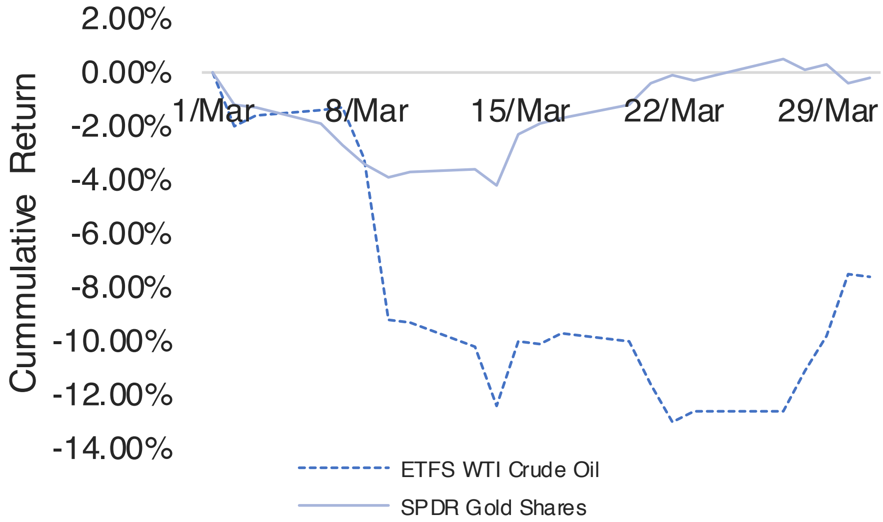
World Commodities

In the beginning of March, the expectations were high inflation and economic growth due to the new leadership in Washington. As a consequence, investors looked to hard-asset related investments, like commodities, to hedge the negative effects of rising prices. This situation created a higher demand which was pushing prices up: S&P GSCI Index, which tracks 25 different commodities futures, went up by 12% from November 2016 until the end of February. However, it was during this month that the commodities market have been bearish the first time since the U.S. Elections. The S&P GSCI Index had a negative cumulative return of -4.15% at the end of March. In particularly, the commodities market was affected by the oil prices which were the biggest losers. The Brent and West Texas Intermediate (WTI) Crude Oil had a negative monthly return of -6.21% and -5.84% respectively. The WTI Crude Oil even broke through the key psychological level of $50 a barrel after a ninth straight rise in U.S. crude stockpiles on the 9th of March.



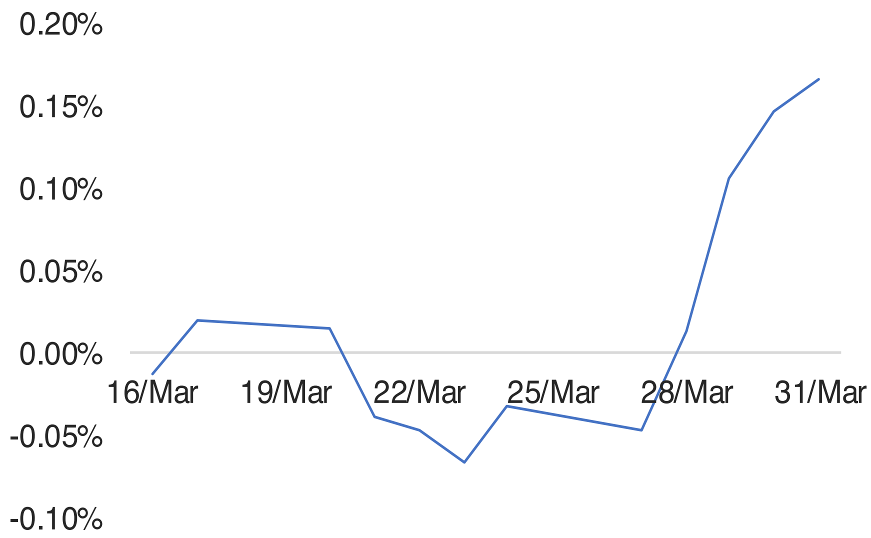
In depth

For the next month, I'm confident that the worst scenario has already finished for the commodities since the drop in prices in 2014. On one hand, I believe that oil prices will recover the highest level of 2017 if the OPEC extend its deal to curb output and ease a global glut. I will have special attention to the six-month deal between OPEC and Non-OPEC producers to reduce the supply which finishes in June but might be extended. That is why I selected to follow the ETFS WTI Crude Oil. On the other hand, after the recent problems Trump is facing to apply his policies, the investors have been looking for a safe heaven in metals. I have a special mention to Gold which was the best performer of the month. If Trump continues to encounter problems to apply his policies in the Congress, we can expect gold's prices will continue to soar. I believe investing in SPDR Gold Shares is a good opportunity.



Our performance

Since the inception of the NIC Fund, the PowerShares DB Commodity Index, our benchmark fund for commodities, have performed quite well during March, showing an upward trend since the end of the month. Our benchmark includes 10 different future commodities including energy, metals and agriculture commodities but also US Treasury Collateral.

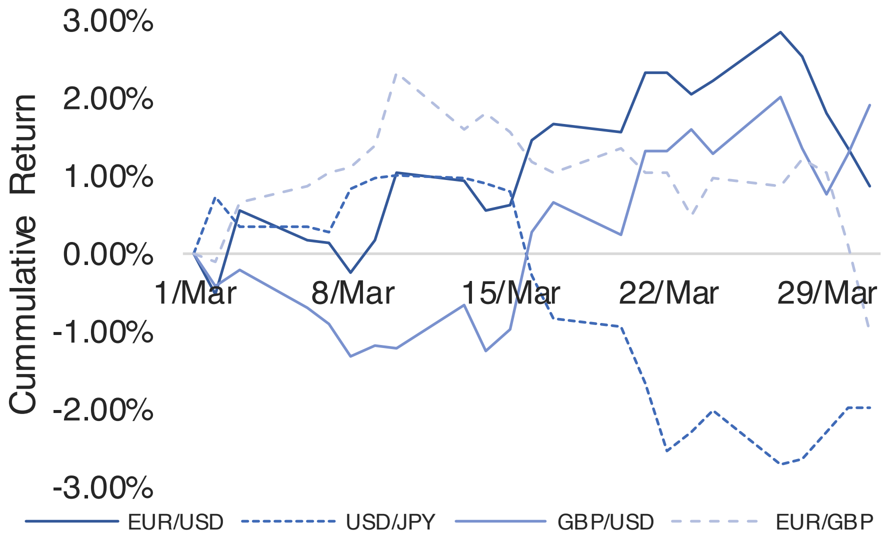


Luis Zarate
Financial Markets Division

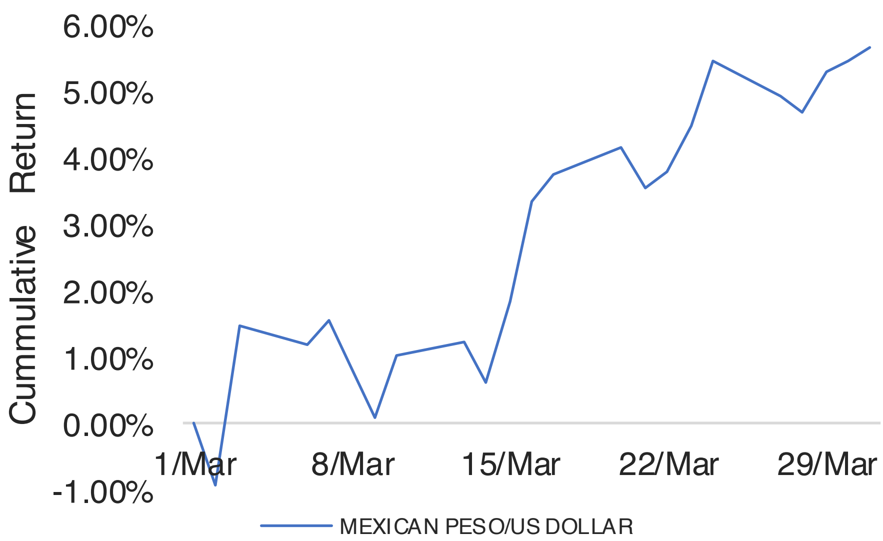
NIC Fund

Currencies

World Currencies
The FOREX market in March was very agitated for the world's major currencies, and was especially rough on the Dollar. The USD/JPY cross was the worse performer of the basket depicted in the graph to the left, yielding a monthly return of -1.99%. This was followed by the Euro, which won 0.87% against the greenback, while the Pound won 1.99% against the USD as well. As it is possible to see, the Dollar is heading back to where it was before Donald Trump's election for several reasons, the most recent of which being the President's failure in passing the new healthcare legislation. This first major drawback of Mr. Trump's reform plan has now challenged the government's ability to reform the tax system in the US and increase infrastructure spending. The future of the currency remains muddled, but if the Trump administration fails in its next test, tax reform, the Dollar is expected to take a hit. Lastly, the Euro decreased 1.03% against the British Pound. The divorce process between the UK and the EU is still stirring up the markets as quite often there are new episodes in the saga, the latest of which being the threat of a Scottish referendum. However, it is better to wait an see what happens to the Sterling, for its bumpy ride is most likely not over.



In depth
The Mexican Peso seems to be returning from the dead. This month, the cumulative return of the currency was in the order of 5.66%. After the historic plunge that followed the US Elections, the currency has been appreciating mainly due to optimism in the country's economy and a successful hedging plan undertaken by the Mexican Central Bank. Since Mr. Trump took over the oval office, his stance toward Mexico and NAFTA has been softening. The new commerce secretary, Wilbur Ross, adopted a more conciliatory approach in a recent interview which sent the peso soaring. Moreover, confidence, which was severely impacted after the election, has been rallying in the past two months mainly due to reduced fears that the NAFTA agreement will be trashed. Inflation is also picking up, indicating that businesses are optimistic about the future and are thus feel comfortable charging higher prices to consumers. However, despite the economy's solid fundamentals the currency is still very exposed to Mr. Trump's erratic outbursts and to potential populist victories in Europe. All in all the question is: will the Peso keep it up?



Our performance
We currently hold no currency related assets in our portfolio.

João Rato
Financial Markets Division

Extras

Hot Topic

Transportation Industry Disruption

Sebastião Fernandes
Financial Markets Division

The automotive industry is undergoing a huge transformation and by 2030 analysts predict that the dynamics of the mobility market as we know it will be completely different. Consumer preferences are changing from a possession perspective towards a utility one. These consumer choices are shaping the market, which is responding quickly, especially with technological innovations such as electrification, shared mobility, and self-driving vehicles.

As the phenomena of urbanization continues to grow, efficient systems need to replace current ones to increase demand sustainable. The cost of car ownership per mile is one of the metrics that is taking high relevance in evaluating the speed at which the mobility market is changing. Owning a car is becoming less attractive as the ability to move from A to B is coming in more efficient ways. New business models from taxi and ride-sharing industries are already cheaper in places like New York. As society is becoming more acquainted with these new transportation solutions, evidence that new systems are taking place over the traditional car market is increasing significantly in major metropolitan areas. The ride-sharing industry alone is expected to reach a market value of USD 6.5 bn in 2020.

The automotive industry is also adapting to these growing trends by addressing the high cost of batteries for electric cars, through the integration of high-end software, and by improving the security of self-driving features. Although automakers are adopting hybrid solutions at the moment, electric vehicles are an inevitable future. Have a look at Audi's vision. After 18 years being the major team in the 24 Hours of Le Mans, the world's oldest endurance race, moved its racing structure to Formula E, a class of auto racing that uses electric-powered cars.

This strategic move represents a step towards the future as much of the technology used in road cars comes from developments made in racing teams. Governmental policies are also putting pressure on automakers as they have started to implement resolutions to improve air quality. Paris, Mexico City, Madrid, and Athens will ban the use of all diesel-powered cars by 2025. Adding to this, there are several incentives to buy an electric car such as subsidies from the government and zero cost recharging in some cities. The impacts of this transformation on car sales are going to be reflected by slower growth, 2.00% vs. 3.60%, by 2030. Private consumers are expected to reduce their share in this market due to the introduction of new mobility services, which should be offset by an increase in sales of shared vehicles. Also, it is expected to exist a spill-over of this technology revolution into other industries, namely cargo transportation. Otto, a self-driving trucking company that Uber bought in July for USD 650 m, together with Uber's freight division made the first delivery of a shipment on a Volvo truck without any driver input.

Elon Musk, Tesla and Space X's CEO, is the person with the greatest footprint on this revolution. His contribution to the mobility industry started with Tesla and the manufacturing of fully electric vehicles and continued by developing more efficient batteries, disseminating solar energy and exploring alternatives such as interplanetary spaceships on a quest to colonize Mars, and Hyperloop. The latter is a proposed mode of passenger and freight transportation that would propel a pod like vehicle at more than airline speed. Mr. Musk open-sourced this concept so that people with more time and interest in the technology would be available to develop it. Without a doubt, the automotive industry is evolving and as citizens and investors, we should pay close attention to this transformation as it has the potential to clean our air, reduce traffic and ultimately, improve the overall quality of life.

Sebastião Fernandes
Financial Markets Division

Thank you!

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

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)
Patrick Pecher (patrick.pecher@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)

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Email us at:
nic@novainvestmentclub.com

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Design by: Carmo Cunha e Sá