

The NIC Fund

Performance Commentary



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Market Review

The stock market in June has finally put an end to the rather disappointing previous months, with all major indexes posting significant gains.

June started with below expected non-farm payroll figures in the US, as well as bleak manufacturing data in the UK and fears of a Chinese economy slowdown. Yet, the resolution of the political stalemate in Greece with the formation of a pro-austerity majority government, amid a clarification of the Spanish banks' financial position and the guarantee of a credit line for their recapitalization put an end to the most pressing issues weighing on the investors' confidence.

By the end of the month, a well succeeded European Union summit, where the European leaders agreed to take several decisions that were deemed at best unlikely in the recent past, has sent investors into a euphoric rally. Among the biggest gainers were the Spanish and Italian stock markets, up 17,2% and 13,5% respectively. Albeit more modestly, both the Cac 40 (9,2%) and the Dax 30 (6,1%) benefited, as well as the FTSE 100 (6,3%), which resisted the banking sector Libor-related tumble as well as the glooming news regarding the UK Government deficit.

Moscow's Micex Index dropped 9,6 percent this quarter as Russia delays state asset sales. Russia approved a plan on June 7 to reduce state shares this year in Sberbank, the country's largest lender, Sovcomflot, a tanker operator, and Apatit, a fertilizer maker. The government's comments on privatizations remains however ambiguous, showing commitment in principle in one hand, but reluctance to cede control in the other hand, by delaying the placements as the market conditions are unfavorable. Indeed, in April, the government postponed a roadshow of the Sberbank stock offering as the bank's shares dropped below the official's target price. In addition, Russia's president ordered Rosneftgaz, holding company through which the government controls 75,2% of Rosneft and 10% of Gazprom, to purchase shares of other state-owned energy companies and to hold the stakes temporarily in order to sell them later at higher price.

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Regarding the Brazilian market, Louis Dreyfus Commodities is about to raise up to \$550m through the IPO of its Brazilian sugar unit, Biosev. Biosev's listing would rank as the second-biggest IPO this year in Brazil among the three companies that have gone public so far in 2012. The number of IPO is therefore dramatically decreasing when compared with previous years, with 11 IPOs last year and more than 60 in 2007. Despite the economic slowdown, Brazilian president Dilma Rousseff retained her place among the most popular democratically elected leaders in the world with a personal approval rating of 77% percent, according to a poll by the Confederation of National Industry. Thus, Brazil has been able to stabilize its economy despite the financial turmoil all over the world, accomplishing record low unemployment, a 14 percent increase in the minimum wage this year, and a sharp reduction by the central bank in Selic interest rates.

South Korea plans to boost public spending by more than \$7bn this year. Indeed, government spending on public works projects has allowed the country to sustain its growth as Asia's fourth-economy. Despite the headwinds from Europe's debt crisis, China's economic slowdown and South Korea's vulnerability to external risks, the country has performed relatively well, thanks to the strong performance of its heavyweights industry, such as Samsung Electronics and Hyundai Motors.

In the currency markets, the European Central Bank is maintaining its focus on providing additional liquidity through further easing of monetary policy. This together with the positive news on the European Summit made the investors more willing to hold Euros, thus making the currency appreciate against the US dollar by close to 2,5% during the month of June, going from a quote of 1,2367 to 1,2667. Nevertheless, this might be only a temporary movement as most recent data shows a record high level of short euro positions attained in the futures markets. In Switzerland the SNB continues with its efforts to reduce the Swiss franc strength against the inflows movements coming from the peripheral Euroarea peripheral countries.

The ECB policy culminated at the end of the period with the reduction of interest rates to historical lows – 0.75% - and the cut of interest on its deposit facility to zero. The decision happened simultaneously with the 31 basis point cut on the benchmark lending rate by the People's Bank of China and the increase of £50bn on the level of quantitative easing by the Bank of England. On another highlight, the Chinese has begun experiments on the intensification of the Renminbi as a convertible currency that, according to analysts, will one day try to challenge the US Dollar's pre-eminence in the global markets. The creation of a special zone to experiment with currency convertibility will enable Hong Kong Banks to lend renminbi directly to companies in the new economic zone.

In what concerns the fixed income markets, interest rates in United States, in Germany and the United Kingdom continued their descendent path, as investors discount an increased probability of further quantitative easing measures in these countries, in response to the slowdown of the main economic indicators. This was also a good month for investment grade corporate bonds in Europe, as the positive European political news allowed the spread to contract. On the other hand, the US High Yield Corporate bonds weakened further this month as result of the divulgation of negative economic data in the US and slowing growth perspectives in China.

The commodities markets were greatly affected by prospects of slowing growth in China and weakness of recent economic data in the US, with almost every index suffering a significant drop from their May levels. According to the World Bank commodity indexes, the Energy sector was the one which was most significantly affected, with a drop from a monthly average of 185,7 point to 163,5 , followed by the Raw materials sector, with a drop from 172,4 points to 160,6. The few sectors which were able to resist this tendency were the Grains, with an increase from 227,9 to 228,8 , and the Precious Metals, with an increase from 283,3 to 284,9.



Performance Monitor

Benchmark

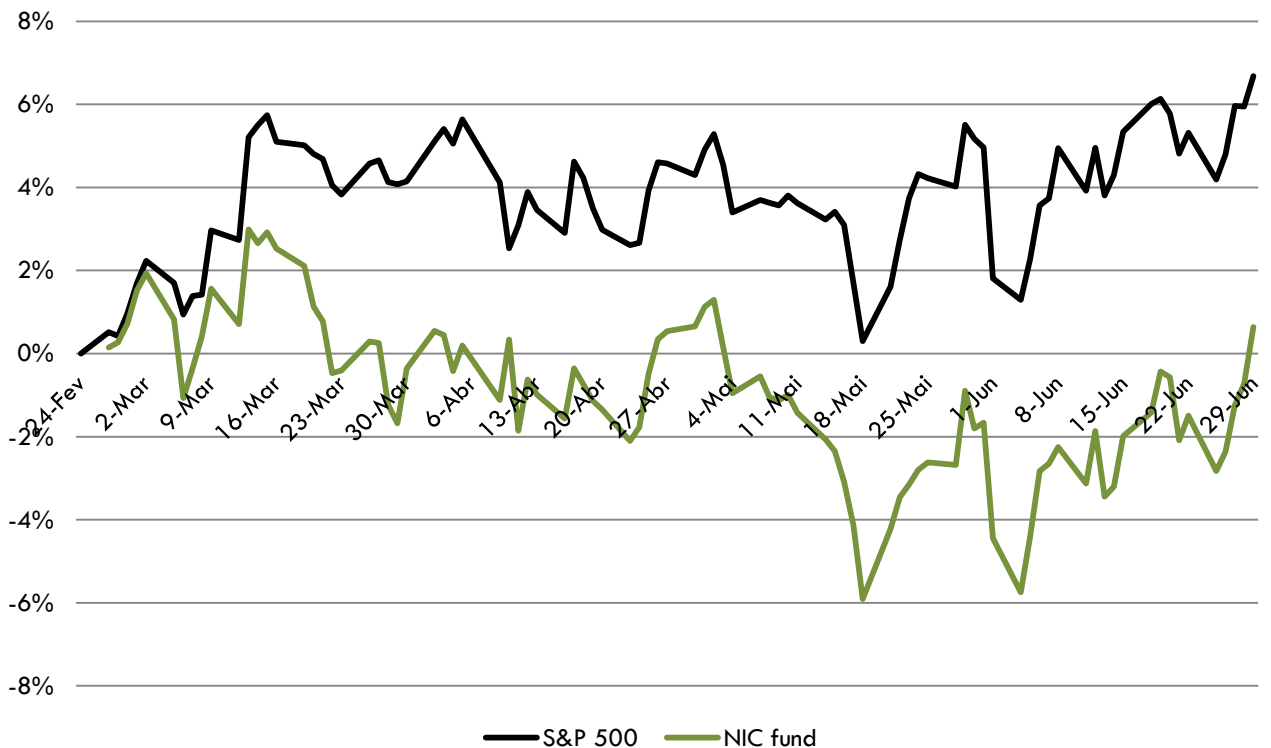
June was definitely a positive month for our benchmark, with the S&P 500 climbing 3,96% to 1362,16 points on the June 29 closing.

This performance was mainly driven by the better sentiment towards the situation in Europe, with Greece political parties finally reaching an agreement to form a coalition government after the results of the elections giving the victory to the New Democracy party, a pro bailout political force, which in coalition with the Pan Hellenic Socialist Movement and the Democratic Left splinter group formed a new majority government committed to keep the country in the Euro and to push ahead with the terms of the €174bn bailout package.

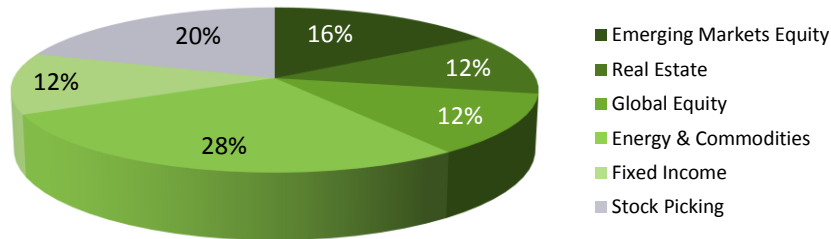
The very last 2 trading days of the month also contributed largely to the positive performance of the index in this period, with positive news coming out of the European summit about further measures towards a closer baking union in Europe and with steps being taken to lower the soaring debt costs for troubled European countries.

Overall Portfolio

Performance during June	Fund	S&P
Return	2,30%	1,72%
Return (annualized)	27,65%	20,63%
Volatility (annualized)	19,56%	17,75%
Sharpe Ratio	1,41	1,16
% Positive days	67%	62%



Key Drivers of Performance



ETF's

Security	Description	Position	Performance
TUR US	iShares MSCI Turkey Index Fund	Long	14,45%
EWD US	iShares MSCI Sweden Index Fund	Long	8,45%
IDX US	Market Vectors Indonesia Index ETF	Long	8,12%
IFAS US	iShares FTSE EPRA/NAREIT Asia Index Fund	Long	7,63%
SSO US	ProShares Ultra S&P500 ETF	Long	7,01%
EEM US	iShares MSCI Emerging Markets Index	Long	4,97%
EWY US	iShares MSCI South Korea Index Fund	Long	4,08%
PXI US	PowerShares Dynamic Energy Sector Portfolio	Long	3,58%
PZD US	PowerShares Cleantech Portfolio	Long	2,10%
CWB US	SPDR Barclays Capital Convertible Securities ETF	Long	2,04%
FXZ US	First Trust Materials AlphaDEX Fund	Long	1,94%

STOCK PICKING

Security	Description	Position	Performance
ZON PL	Zon Multimedia Servicos de Telecomunicações	Long	10,69%
GE US	General Electric Co	Long	9,64%
DNR US	Denbury Resources Inc	Long	-0,07%
VLKAY US	Volkswagen AG	Long	-0,20%
GLW US	Corning Inc	Long	-0,46%
BIMAS TI	BIM Birllesik Magazalar AS	Long	-1,33%
WLP US	WellPoint Inc	Long	-5,06%

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