

The NIC Fund

Performance Commentary



www.novainvestmentclub.com

Carlos Alves

carlosalves@novainvestmentclub.com

Dinis Rodrigues

dinisrodrigues@novainvestmentclub.com

Diogo Nunes

diogonunes@novainvestmentclub.com

Filipe Gonçalves

filipegoncalves@novainvestmentclub.com

Henrique Queiroz

henriquequeiroz@novainvestmentclub.com

Miguel Mendes

miguelmendes@novainvestmentclub.com

Rui Coelho

ruicoelho@novainvestmentclub.com

Market Review

This month's stock market performance was rather disappointing, as we previously indicated it could occur. After weeks of sovereign debt crisis related numbness, fear regarding peripheral countries, particularly Spain, have reemerged, with yields worryingly rising in both Spanish and Italy bond auctions. As a result, the Milan stock exchange declined over 8,5% while the Spanish IBEX tumbled 12,35%. This has contaminated the bulk of European stock exchanges, with the Eurostoxx sliding around 5%.

Regarding the US stock market, even though it put an end to the excellent first quarter performance it had sustained by recording a 0,8% loss, it has been able to remain significantly immune to the sovereign debt crisis. As the earnings season presented better than expected corporate results (74% have beaten expectations), the economy is still sending mixed signals, with the slowest expansion pace since November 2009. On the major Asian stock market, the Nikkei, demonstrated another decline of 5,5%, confirming the standstill the Japanese economy and its inflation has gotten into.

In April the Fixed Income markets were marked by the dominant feeling of fear and uncertainty regarding the evolution of Europe, especially in what concerns the deepening of the Spanish economic situation, with the S&P cutting its credit rating by two levels to BBB+, and the possible conflicts that might arise as result of the French elections. This led to a very positive performance of both US Treasury Bonds and Municipal Bonds, which saw a significant decrease in their yields, as investors seek to refuge themselves from a possible Europe meltdown. In the case of Municipal Bonds this appreciation was so significant that yields reached their lowest value since the 1960's, thus placing themselves below their 200-year average.

Putin's presidency will be inaugurated on May 7. Russia's budget is strongly dependent on oil and gas, accounting for about 50 percent of the country's revenue. The cyclical nature in the Russian economy, which is driven by energy and commodities, and the political questions marks, leads to the idea that there are a lot of opportunities for reforms. Nevertheless, the Russian population is a little cautious about the future reforms and is awaiting to see if Putin's promises will be delivered. Despite the inexpensive prices of Russian energy companies compared with its emerging markets peers, the political uncertainty and the decline in oil prices witnessed last three months goes against a favorable recovery in the short-run.

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Despite austerity measures in Europe and a slowdown in China, South Korea's economy expanded at the fastest pace in a year, by growing 2.8 percent from a year earlier. Government's aggressive fiscal spending and sizable investment by semiconductor chip makers boosted the country. Furthermore, Samsung Electronics Co. posted a record operating profit in the first quarter, driven by sales from phones and TVs.

Regarding the Brazilian market, Banco BTG Pactual SA is raising as much as 3.66 billion Reais in the biggest initial public offering for an investment bank in two years. Brazil's government, along with the country's central bank, has been trying to counter a global economic slowdown. Despite a decrease of more than 4% of the Bovespa Index, economic activity in Brazil might recover during the year because of the government's proactive policy and falling interest rates by 75 basis points to 9.75 per cent. Despite the interest rate cuts, inflation should fall back to 5.5 percent in 2012 after ending at 6.5 percent in 2011. The key barrier to Brazil's economic strength continues, however, to be infrastructure.

Regarding foreign exchange, the month begun with a 1% rise of the Euro comprising the greatest increase since March. Influenced by the eased concerns towards the European debt crisis and smoothen sentiments towards Spanish uncertainty, the Euro regained value as the Spanish 10-year bond yield dropped to a value below 6%. However, the GBP constituted the best performer during the first half of the month raising 1.7% against the dollar – the largest gain since the beginning of the year. The remaining of the month was marked by Bank of Japan's expansion of government bond purchases by 10 trillion yen with the objective of setting the inflation rate at 1%. The yen weakened by the end of the month and the Nikkei rose following the central bank's decision.

The Real Estate Investment in China made through the iShares FTSE EPRA/NAREIT Dev Asia Idx (IFAS) Exchanged Traded Fund has experienced a lot of volatility during the past month, but turned out to finish the period almost unaltered. Real Estate construction in China, which accounted for around 13% of the country's economic growth over the past years, is confirming signs of being slowing down. Sales transactions in Beijing, Shanghai, and Shenzhen are 30% below the levels at which they were at December last year, and investment in property construction is also growing slower. The latter aspect is about to get even worst as property developers are currently standing up with two years worth of supply on their records with between 10 million to 65 million unoccupied apartments. For the holding period, this position is losing more than 3% of its value. Nevertheless, several economists have reasoned that the current Chinese reduced speed might be offset if authorities repeat its past actions in loosening the country's monetary policies. In any case, if the region's Real Estate conditions continue to deteriorate without any evidence of supporting this last argument it will be imperative to start looking around for other opportunities in this asset class.

In commodities, Natural gas has rebound 16% from the historic minimum of \$1.90 that it reached in the middle of the month. It happened due to producers starting to cut supplies as a consequence of the extremely steep price decreases observed recently. Some experts even suggest that this commodity has bottomed because suppliers will closely control their outputs in order to not allow these low prices again. In a month where most commodity prices remained stable it is important to highlight new concerns about the Glencore Xstrata merger; the merger that was considered as almost complete has been suffering delays amidst conflicts between Xstrata shareholders that could lead to a forfeit of the deal. Sugar prices have declined due to a higher than expected amount to be delivered relating to the futures expiring in May; this was caused by an increase in the output from Brazil, the world's largest producer.



Performance Monitor

Benchmark

April was a month that evidenced mixed feelings throughout markets around the world, starting with the negative outcome of the US job market report about the creation of 120,000 jobs in late March, a lower value than the one expected by analysts.

Statistics about Chinese GDP revealed that it had grown only 8,1% in the first quarter, a value that fell short of market expectations of a figure between 8,3% and 8,5%, the slowest quarterly growth in 11 quarters.

In the middle of the month, the 10 year Spanish government bond yields edged above 6%, reflecting fears of a further deterioration of the situation in Europe and the health of its fourth largest economy. As a consequence, the auction of Spanish debt saw the borrowing cost for the country increasing. Spain sold €2,54 billion in two and ten year bonds, at an average yield of 5.7% on the 10 year bonds, up from 5.3% in the previous auction in the beginning of the month, and 3.5% on the two year notes. Although the borrowing costs increased in this auction, the demand from investors more than doubled the amount sold. This showed that investor's appetite for Spanish debt hasn't been much affected, sending a positive sign into the stock market, which rallied that day.

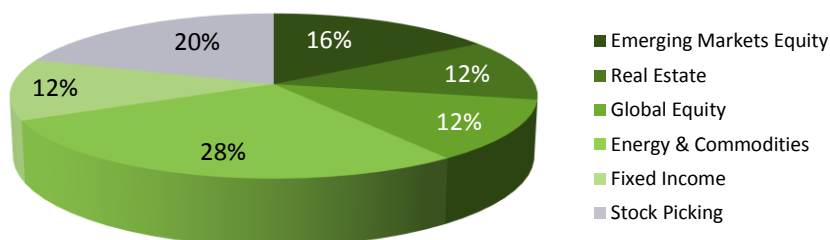
The end of the month brought more uncertainty, with the victory of François Holland in the French presidential primary elections, against the actual president Nicolas Sarkozy. This victory reflected fears about a win from Mr. Holland in the second round of the elections, which could jeopardize the cooperation with Germany to solve the European debt crisis. It was echoed in the markets through an increase in French borrowing costs, and a decrease in the CAC40 Index.

The German debt auction which fell short of demand due to the extremely low yields and news about the UK falling back into recession in the first quarter of 2012 weighed down in the overall sentiment. Still, the month closed with good news from Japan, with BoJ announcing that it will expand its asset purchase program.

Overall the S&P 500 performed negatively during month but with some positive inputs, which allowed to restrain the S&P500 losses to 0.75% during the month of April.

Overall Portfolio

After having experienced a month of negative returns during March, the Nova Investment Club Fund returned to green light zone in April by climbing 3.92%. The outstanding annualized reward-to-risk relationship of 47%-13% and the steady Sharp metric of 3.59 achieved during the past month have reinforced our confidence in the accuracy of the investments chosen. Contributing to this recovery were the outperformers First Trust Materials AlphaDEX and last month's underdog iShares FTSE EPRA/NAREIT Asia Index Fund. Moreover, some of the recently added stock picks turned out to perform very well during the month. The best performers on this segment of the Fund were Volkswagen Ag and Corning, Inc.



Key Drivers of Performance

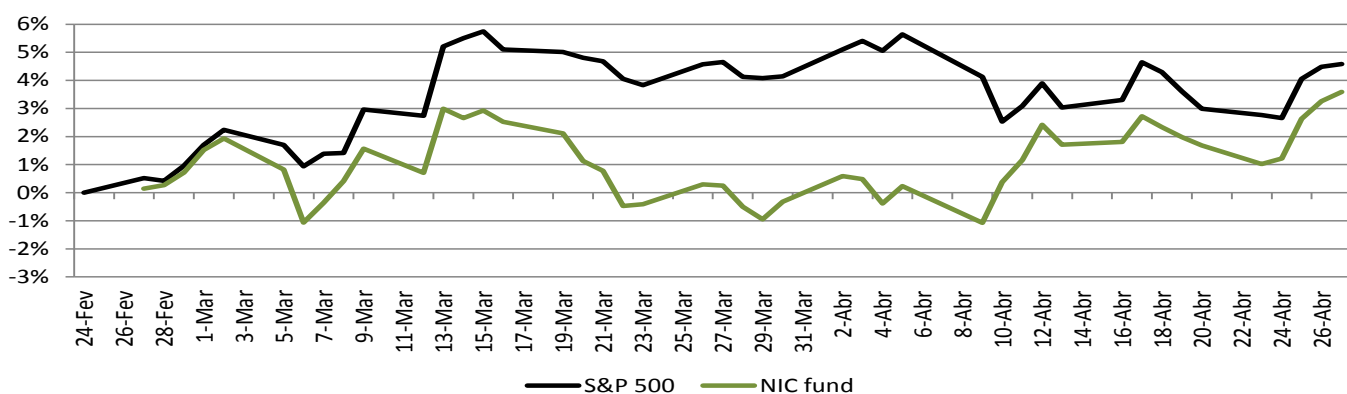
ETF's			
Security	Description	Position	Performance
IFAS US	iShares FTSE EPRA/NAREIT Asia Index Fund	Long	2.07%
FXZ US	First Trust Materials AlphaDEX Fund	Long	1.34%
MAREMIS AU	Macquarie Emerging Markets Infrastructure Secu...	Long	0.00%
IDX US	Market Vectors Indonesia Index ETF	Long	-0.34%
EWY US	iShares MSCI South Korea Index Fund	Long	-0.51%
SSO US	ProShares Ultra S&P500 ETF	Long	-0.66%
PXI US	PowerShares Dynamic Energy Sector Portfolio	Long	-1.06%
TUR US	iShares MSCI Turkey Index Fund	Long	-1.06%
EEM US	iShares MSCI Emerging Markets Index	Long	-1.51%
CWB US	SPDR Barclays Capital Convertible Securities ETF	Long	-1.79%
EWD US	iShares MSCI Sweden Index Fund	Long	-2.48%
PZD US	PowerShares Cleantech Portfolio	Long	-3.61%

STOCK PICKING

Security	Description	Position	Performance
STD US	Banco Santander SA	Short	-12.76%
SAB SM	Banco de Sabadell SA	Short	-11.95%
GS US	Goldman Sachs Group Inc	Short	-8.18%
VLKAY US	Volkswagen AG	Long	7.05%
BIMAS TI	BIM Birlesik Magazalar AS	Long	6.83%
GLW US	Corning Inc	Long	2.59%
DNR US	Denbury Resources Inc	Long	2.55%
GE US	General Electric Co	Long	-1.46%
ZON PL	Zon Multimedia Servicos de Telecomunicações	Long	-2.38%
WLP US	WellPoint Inc	Long	-7.23%
POP SM	Banco Popular Espanol SA	Long	-9.22%
BBVA US	Banco Bilbao Vizcaya Argentaria SA	Long	-12.78%

Performance until April 27th

	Fund	S&P
Return	3.92%	0.42%
Return (annualized)	47.00%	5.03%
Volatility (annualized)	13.10%	13.21%
Sharpe Ratio	3.59	0.38
% Positive days	50%	45%



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Our **Nova Investment Club** team:

António Gil Nogueira | Bernardo Betley | Carlos Alves
 Daniel Vieira | David Bianchi de Aguiar | Dinis Rodrigues
 Diogo Nogueira Leite | Diogo Nunes | Filipa Gomes
 Filipa Pedreira | Filipe Gonçalves | Francisco Martins
 Francisco Lopes | Guilherme L. da Costa | Guilherme R. Pereira
 Henrique Queiroz | João Bragança | João Jerónimo
 José Maria Cordovil | Madalena Felício | Marta Cachola
 Miguel Mendes | Pedro Calisto | Ricardo Teixeira
 Rui Coelho | Stefanie Schlattmann | Teresa Cortez
 Tiago Almeida

nic@novainvestmentclub.com

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