The NIC Fund
Performance Commentary

March 2012

Nova Investment Club

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Market Review

This month's European markets remained flat, mainly due to last weeks' considerable downturn after 2012's first performance data had indicated Europe could be in for the best first quarter performance since 2006 (+7.7%). However, in the aftermath news of services and manufacturing output drops of March, as well as the revival of fears of a Spanish bailout that followed the mild bond issue and rising yields, the upward trend came to a halt. This lead to a more modest European stock market first quarter rally of around 5%.

As for the US stock market, even though the early year's equity rally kept on (+12% on S&P500 and over 8% on Dow Jones), making this quarter the best since 1998, fears are gathering as several threats hang over the markets. End of the month's underperforming job market data, with fewer than expected jobs created, has shown that economic recovery is still not translating in job market expansion. Additionally, with Fed signaling no intension of extending the quantitative easing program and as ECB's Long Term Refinancing Operation (LTRO) effect wears off, this years' spectacular rally might come to an end.

Due to investors' belief that the main economic concerns associated with a "double-dip" recession in the US and an European sovereign debt crisis have decreased, we have witnessed a significant decline in the VIX volatility index in the month of March. As result, the fixed-income market has been displaying a rally from safer assets into riskier ones, as investors search for more significant returns in emerging market bonds, high-yield corporate bonds and Municipal Bonds. Contributing to this is also the fact that investors now regard US Treasuries more as a "safe-heaven" than as a possibility for good investment returns, since rates are now at such a low level that they don't leave much space for capital gains due to yield decreases. Finally it is important to notice that, regarding this risk rally, the trend since the beginning of the year has been for Equities to outperform high-yield Bonds, thus suggesting convertible Bond ETF's to be presently a better investment strategy than plain vanilla Bonds.

Regarding emerging markets, China doubled the amount foreigners can invest in stock, bonds and bank deposits as the government plans to let the market play a greater role. In addition, China pledged this year to free up control of the Yuan and liberalize interest rates, thus improving the flexibility of the Yuan exchange rate. These changes came after a shift of China's growth model to domestic consumption from exports.

During the month, Brazil's economy does not pick up speed due to the relative cheaper money available in advanced economies, which leads to a strong Real and makes Brazilian's exports uncompetitive. The largest Latin American country needs therefore structural changes, more investment, infrastructure building and less taxing. To deal with these problems, President Dilma is putting some efforts to reduce Brazil's interest rates, promoting investment through airport privatizations and introducing pension reforms. Switching to Brazilian financial markets, Camargo Corrêa bids for full control of Cimpor offering a 10% premium, and Banco Pactual seeks to raise up to $2.24 Billion in Brazil I.P.O.

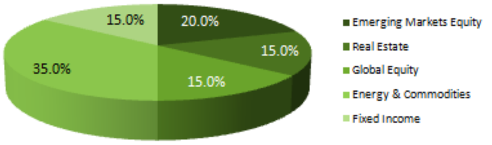
The currency market remains focused on the uncertainty associated with the Euro. Even though the range of liquidity facilities seem to be improving in the current year – unused LTRO *cash, more flexible policy from the* European Financial Stability Facility, continued ECB's bond purchases under SMP and perspective of a potentially recapitalized IMF – Spain funding problems remain as a significant stress factor towards the Euro. In the present, the situation still seems stable for which major Euro variances are not expected. Other source of markets concern resides in the possibility of a Chinese sudden dive. Analysts project a full-year 2012 GDP growth of 8.4% with policy likely to become more simulative but there is still some lack of confidence towards the speculation China will take steps to boost its economy. In another Asian market, after the accentuated decrease of the JPY in terms of USD, the BoJ has assumed a more neutral behavior, fact that can originate a shift backed by reduced expectations for easing.

The sudden downturn in China has also hit it's once upon a time booming Real Estate market heavily. The Exchanged Traded Fund IFAS, which tracks the performance of a bundle combining the most important Asian Real Estate equities, has plummeted from its yearly $30.10 high in the end of last February to only little above $28 in mid-April. Another important indicator, the China Real Estate Index System, is also showing evidences that housing prices have started to fall at a nationwide basis. Some desperate Real Estate developers have taken close to desperate measures by offering brand new BMW's to whoever decides to acquire a new property at this stage. The consequences of a slowdown in construction at the region will obviously impact the prices of several major commodities such as iron ore.

The Chinese situation have also impacted commodities negatively during March, especially industrial materials' prices (for example industrial metals). Energy and agricultural commodities were also affected, but not so heavily. Agricultural commodities like corn and wheat experienced extremely high volatility given expectations of record high plantations and troublesome weather reports. Gold prices declined given the lower inflationary pressures. Succinctly, almost every commodity dropped during March.



Performance Monitor



Overall Portfolio

The fund experienced a slowdown during this month registering a negative return of -1.43%. The biggest fall was registered in the Asian ETF (iShares FTSE EPRA/NAREIT Asia Index Fund) following the uncertainty trend towards the rapid growth of China and its sustainability. Implemented at the end of the month, the stock picking was showing a positive trend in the two days prior to the release of this report, however there was not enough time to evaluate its performance in full for the current month.

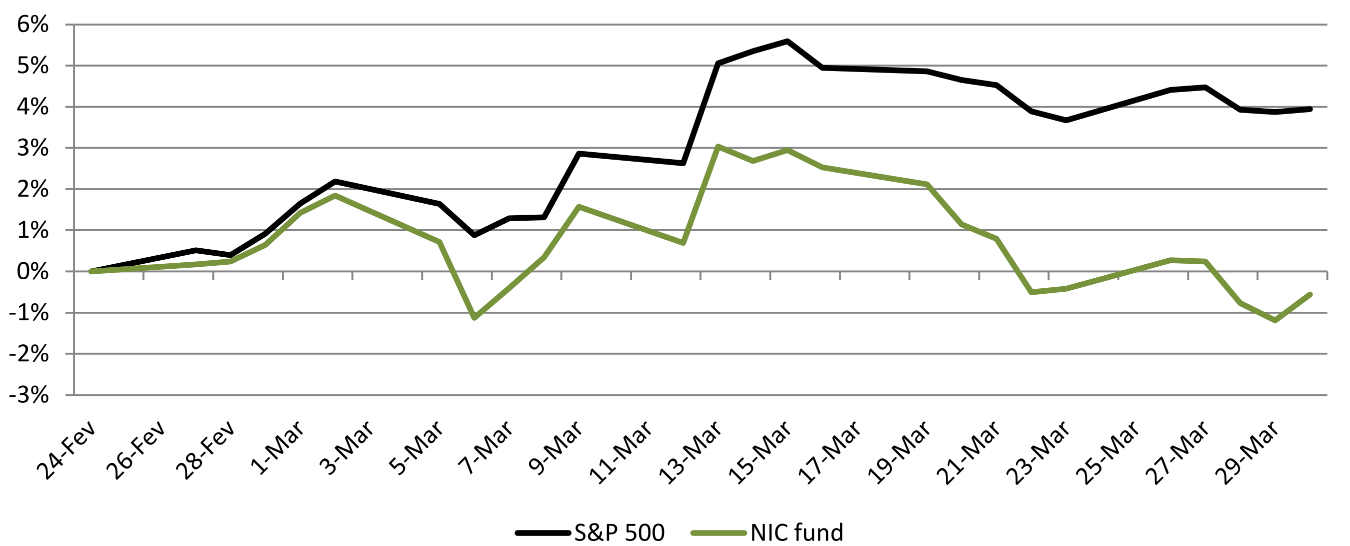
Benchmarks

Our benchmark, the S&P 500 yielded a market return of 3.09% in March, a performance significantly above the -1.43% registered by the fund.

Key Drivers of Performance

Ticker	Description	Performance
SSO US	ProShares Ultra S&P500 ETF	6.26%
FXZ US	First Trust Materials AlphaDEX Fund	1.76%
CWB US	SPDR Barclays Capital Convertible Securities ETF	0.30%
MAREMIS AU	Macquarie Emerging Markets Infrastructure Securities Fund	-0.30%
PZD US	PowerShares Cleantech Portfolio	-0.50%
EWD US	iShares MSCI Sweden Index Fund	-1.37%
EEM US	iShares MSCI Emerging Markets Index	-3.17%
PXI US	PowerShares Dynamic Energy Sector Portfolio	-3.50%
IDEE LN	iShares MSCI Eastern Europe 10/40	-4.00%
IFAS US	iShares FTSE EPRA/NAREIT Asia Index Fund	-5.50%

Performance in March	Fund	S&P
Return	-1.43%	2.95%
Return (annualized)	-17.20%	35.40%
Volatility (annualized)	15.64%	11.67%
Sharpe Ratio	-1.10	3.03
% Positive days	45%	50%



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