

Market Commentary

As it was predicted, the Fed increased the benchmark interest rates for the first time after six months, by 0.25 pp to 1.25%-1.50%. The European Central Bank decided not to change their interest rates. For the fifth time in 2017, Croatian National Bank conducted a foreign currency auction, buying EUR 345.5 million and pumping HRK 2.6 billion into the economy. The domestic bond market recorded higher than usual trade volumes, due to investors rearranging their portfolios and positions at the end of the year. Oil prices in December were at the year high due to US oil stockpiles being at a record low since 2015, and the significantly colder weather that has increased the demand, as well as the unrest in Iran, OPEC's third largest crude producer. In Croatia, regarding the case of Agrokor, personal assets of 15 suspects have been blocked by the County Court, covering barely one fifth of the HRK 1.6 billion of damage. A new creditor settlement plan suggests creation of a new holding company which would contain the perspective assets and registered debt of Agrokor, and the rest would be liquidated in the bankruptcy proceedings. US stock market indices, primarily S&P 500, DJI and Nasdaq, reached new record highs during December, and are expected to rise further due to the new US tax reform. Our Fund saw a 1.7% fall this month. Meanwhile, the Croatian stock exchange index Crobex decreased by 1.00%.

As the leading investor in the Croatian tourism, Valamar Riviera has so far invested more than HRK 4 bn. They are continuing their investment activities and plan to invest HRK 705 mil. in total in 2018. The investment budget is HRK 2 bn. until the end of 2020. In 2017, they have spent HRK 960 mil. investing, which was the biggest investment in Croatian tourism. This created 1000 new job positions and the investment in the following year will create 600

more of them. On the 27th of December they have submitted a binding offer to the Restructuring and Sale Center for acquiring Hotel Makarska d.d. stocks, which makes 55.5% of the company's share capital. Their submitted binding offer also included business plan, further developments and investments in Hotel Makarska d.d. Valamar Riviera intends to continue its investments in the destination development, to create even more job positions and also aims to raise quality in tourism sector.

Đuro Đaković's stock ended 2017 with a decline in price (-3.54%), and it looks like there is no light at the end of the tunnel for Croatian manufacturer. In December a General Assembly was held, and the company decided to issue new shares in order to raise capital which is more than needed. This is the third time in 3 years the company is being docapitalized due to the accumulated losses. Also, during the Assembly, new members of the Supervisory Board were elected, and they will be acting as board members for a period of 6 months. The same Supervisory Board chose the new Management Board, and appointed the new CEO: mr. Bogdanović, who was previously a member of the board. Although, the company for the first time in newer history achieved more than half of the revenue from export, which means that a decision to reduce addiction to Croatian market paid off, it is yet for the management to solve other problems to gain long term growth and profitability.

Portfolio performance vs benchmark (indexed, since inception)



## Investment approach

The Fund seeks to achieve positive long term returns by managing a portfolio of diversified equity investments that are believed to be undervalued at the time of purchase, or are expected to hold significant growth potential in the future. FK\_HR1 is a long-only equity fund, meaning it will be permanently exposed to any number and type of stocks.

## Fund Characteristics

Fund name	FK_HR1 UCITS fund
Fund Company	Financijski Klub
Fund type	Equity
Currency	HRK
Starting Share Price	100
Share Price	169,72
Inception Date	14. travanj 2014.
Fund Domicile	Zagreb, Croatia
Reference Benchmark	CROBEX Index

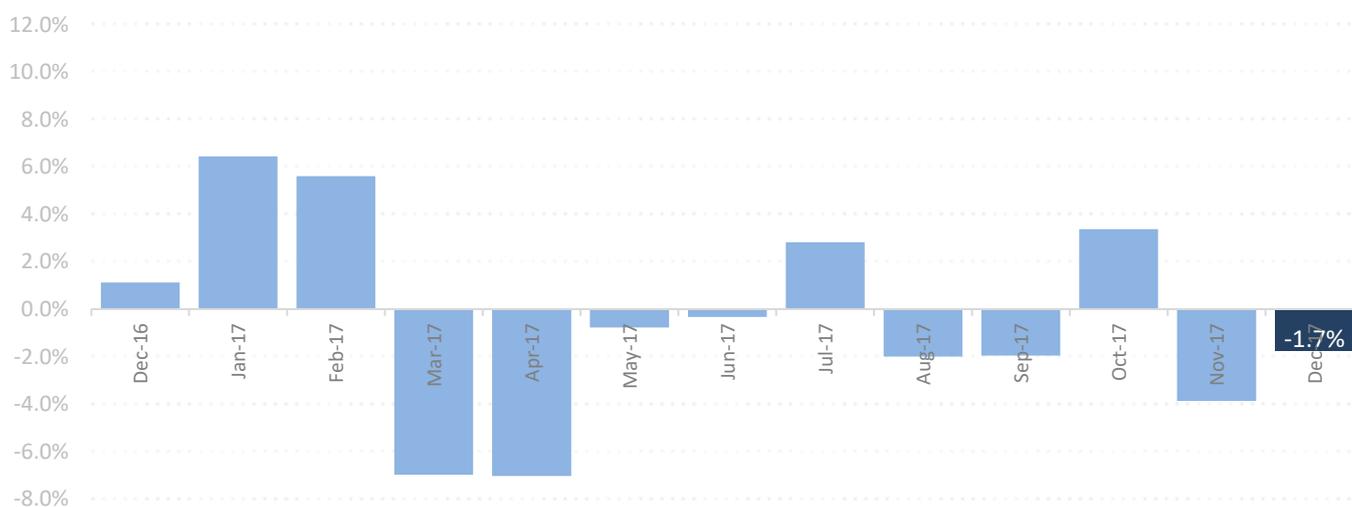
## Return since inception

Price return (net of dividends)	69,72%
Total return (with dividends)	95,53%

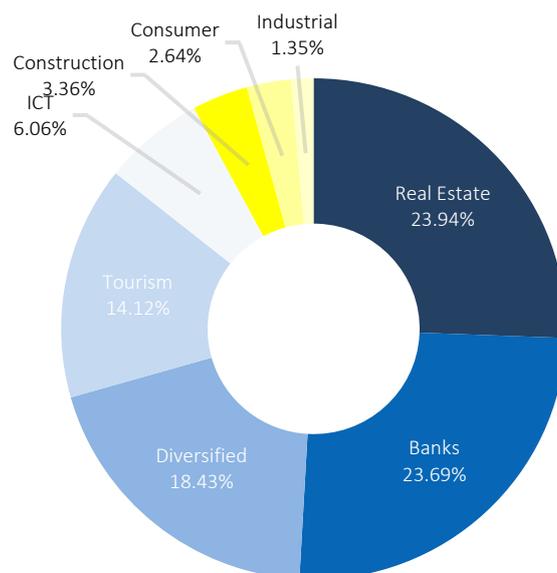
## Top 10 Holdings

Ticker	Company Name	%	Country
ATLN-R-A	Excelsa nekretnine d.d.	23,94%	CRO
ZABA-R-A	Zagrebačka banka d.d.	23,69%	CRO
ADRS-R-A	Adris Grupa d.d.	18,43%	CRO
MAIS-R-A	Maistra d.d.	8,10%	CRO
RIVP-R-A	Valamar riviera d.d.	6,01%	CRO
ERNT-R-A	Ericsson Nikola Tesla d.d.	3,69%	CRO
DLKV-R-A	Dalekovod d.d.	3,31%	CRO
VIRO-R-A	Viro tvornica šećera d.d.	2,64%	CRO
HT-R-A	Hrvatski Telekom d.d.	2,37%	CRO
DDJH-R-A	Đuro Đaković Holding d.d.	1,35%	CRO

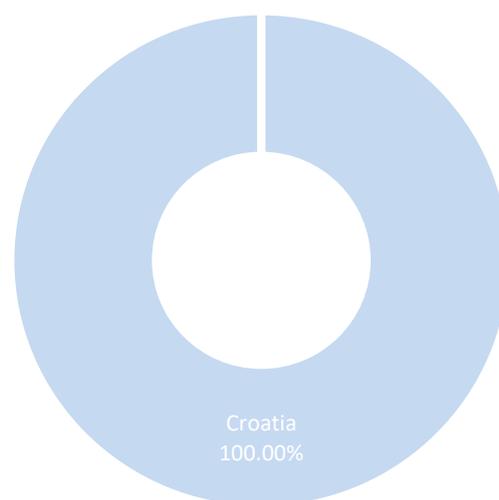
## Monthly Performance (MoM)



## Sector Allocation



## Geographic Allocation



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Financijski klub (the Financial Club) is a specialized student association which aims to provide its members with additional financial education. That being our core business, we organize different projects, lectures, workshops and numerous other social events. The Club has been active since 2005, and is situated at the Faculty of Economics and Business of the University of Zagreb.

With our ongoing activities we have established a significant role within the finance oriented academic population. Through the years, our work has been recognized with numerous Dean's and Rector's Awards, and our members with internships and jobs at leading companies. Our most recent highlight has been the award for outstanding contribution to financial markets education, awarded by the Zagreb Stock Exchange in 2013.

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### All performance and holdings data as of 31 Dec-17.

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