

## Market Commentary

March saw a rise in the Croatian market index, and a slightly lower rise of 1.9% of our Fund, as most of our holdings published yearly reports for FY2015. Most results were in level with our expectations, if not beating them. One of these was **Valamar Riviera** which achieved outstanding results; last year the Group **doubled their net profit** from FY2014, which now equals to HRK 105.3m. With the acquisition of Hotels Baška they closed their investment cycle worth HRK 358m, and are planning new investments for this year, like the Family Life Bellevue Resort 4\* in Rabac worth HRK 196.69m which will be implemented for the 2017 season. The Supervisory Board also approved the establishment of strategic business cooperation with several companies and proposed a dividend payment to shareholders of HRK 0.60 per share. Combined, that information increased the already enlarged demand for their **shares driving the stock price to its historic peak of HRK 24.86**. Achieving excellent results in Croatia, Valamar is also considering expanding to Italy and Austria. All that considered, the stock price ended March with an increase of over 6%, and makes us a very satisfied shareholder with great expectations for the future.

The **sugar manufacturer Viro** had a strong start in March, jumping by 7.69% after the publication of its financial statements for Q4/2015. Revenue of the group grew by 10% compared to the previous year, to HRK 1.2b, while expenditures fell by 9.5% to HRK 1.19b. After having extremely negative trends for the last two years, this report indicates a potential trend reversal supported by rising commodity prices in March (including most importantly the price of sugar). The **correlation between the prices of Viro stock and sugar is strongly positive**, which makes us assume that positive share price movement might be on the horizon. To add to this, in 2017 the EU quotas for production and export are being abolished, which should allow for **production and sales growth**. This should especially be

evident in the SEE region (Italy, Hungary, Serbia, BiH, Macedonia) where sugar demand is higher than current production levels. Despite all these positive factors, the Croatian market doesn't seem to share our optimistic outlook, as Viro finished the month with a 9.62% loss in stock price. We see this as a potential future arbitrage opportunity if the correlation between Viro and sugar prices was to weaken and diverge further. The only worrying factor keeping us from increasing our position is **very high illiquidity** of the Viro stock, with the bid-ask spread fluctuating at high levels (often above 10%).

March has been highly lucrative for one of our **new acquisitions from February, Ericsson Nikola Tesla**, during which it signed several cooperation agreements. The Board proposed a regular dividend pay-out of HRK 20 per share, as well as a HRK 80 per share payment of an extraordinary dividend, which sparked share price growth. Ever since our initial purchase (Feb. 9th 2016), the stock price has been on a fast paced rise, and has gone up a whole 16.72% until the end of March, confirming our correct market timing. Our initial hypothesis was based on an **increasing price disparity** between the stock of Ericsson Nikola Tesla, and that of the global Ericsson group. **Telefonaktionbolaget LM Ericsson** owns a majority stake of 49.07% ENT stock and is also the largest contributor of ENT revenue (60% of FY2015 net sales). As that percentage grew over the years, it led to generally lower gross margins, but it also significantly lowered business risks, and eventually made ENT a more integral part of the global Ericsson group. Given that, we saw no reason for the high divergence in the price movements of the group and that of the Croatian subsidiary, which had become evident during last year. Having monitored ENT for a while, we believe the company has a **solid business model with strong long-term financials**, and consider it a great fit in our portfolio. Finally, the purchase also doubled our previous exposure to the Croatian ICT sector, which is line with growth expectations for that part of the economy.

## 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	148,45
Inception Date	Monday, April 14, 2014
Fund Domicile	Zagreb, Croatia
Reference Benchmark	CROBEX Index

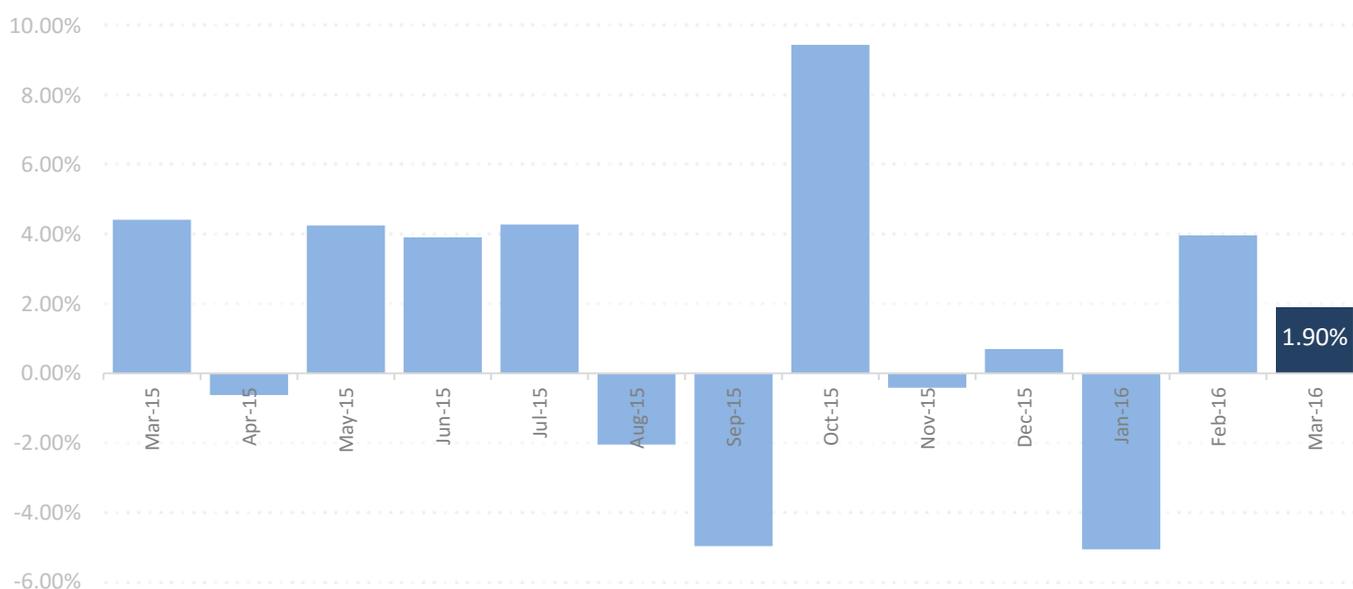
## Return since inception

Price return (net of dividends)	48,45%
Total return (with dividends)	60,24%

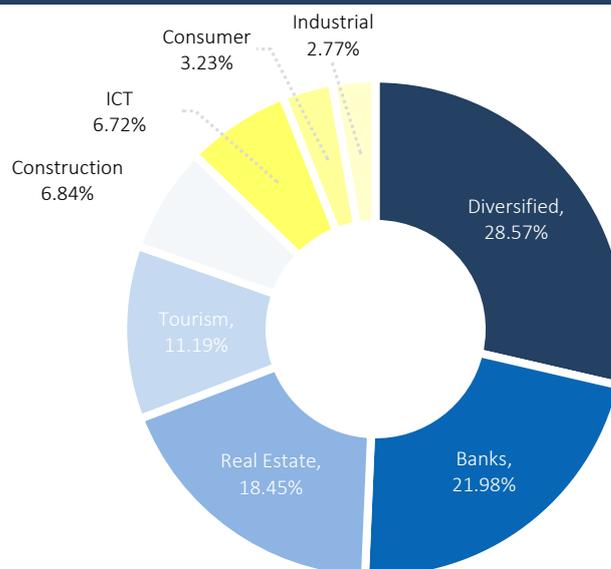
## Top 10 Holdings

Ticker	Company Name	%	Country
ADRS-R-A	Adris Grupa d.d.	28,57%	CRO
ZABA-R-A	Zagrebačka banka d.d.	21,98%	CRO
ATLN-R-A	Excelsa nekretnine d.d.	18,45%	CRO
RIVP-R-A	Valamar riviera d.d.	5,60%	CRO
MAIS-R-A	Maistra d.d.	5,59%	CRO
VDKT-R-A	Viadukt d.d.	4,53%	CRO
ERNT-R-A	Ericsson Nikola Tesla d.d.	4,18%	CRO
VIRO-R-A	Viro tvornica šećera d.d.	3,23%	CRO
DDJH-R-A	Đuro Đaković Holding d.d.	2,77%	CRO
DLKV-R-A	Dalekovod d.d.	2,31%	CRO

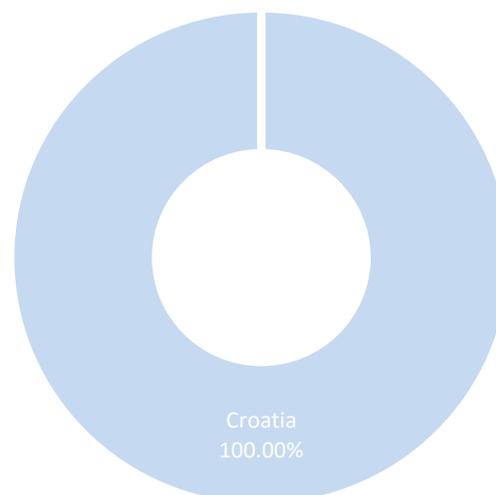
## Monthly Performance (MoM)



## Sector Allocation



## Geographic Allocation



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## About Financijski klub

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-March-16.

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