

## Market Commentary

After a tumultuous start of the year, February brought on a **reversal of trends** in most of our largest holdings. This is in line with the rest of European and global markets, which reached a bottom in mid-February, only to recover by the end of the month. The Croatian market started this recovery even sooner, having reached its lowest point during January. However during February, the benchmark CROBEX index stayed mostly at the same level from the start of the month, with only slight fluctuations. In the meantime, our fund managed to achieve a **return of almost 4% MoM, beating the market** by a large margin.

The most important contributor was our largest holding, **the Adris Group, with common stock growing by over 10%**. We assume the reason for this positive trend is found in favourable expectations for the Croatian tourism sector, positive export numbers and a potential expansion in the insurance business with available funds gained from the TDR sale. In addition, there have been recent changes to the board which have resulted in a presumably positive effect on the stock price. At the end of the month, Q4 results were published, and Adris reported a loss of roughly HRK 800m. This is mostly due to the income tax payments of HRK 587m. Operating income also dropped, which was to be expected after the sale of the Group's tobacco business. All sectors of the Adris Group business operated positively, except Maistra - due to the seasonality of the tourism business. However, on a yearly basis, **Maistra recorded 20.7% stronger sales** in 2015 on a higher occupancy rate as well as higher ADR. EBITDA increased by 4.9% YoY, while the EBITDA margin was 3.5pp lower on a yearly basis. Net profits also grew by 12.1% YoY.

Another holding that saw a complete trend reversal was Vidakut, whose shares recorded a growth of 18.13%. The stock price increased significantly on 17<sup>th</sup> Feb, with news that Viadukt was awarded with **building the Sava river bridge, worth €26m**.

Following the publication of Q4 results, the share price jumped by 7.06% in one day. Viadukt operated with a net profit of HRK 3.2m in 2015, but this is still 36% less profit compared to the previous year. Revenue fell by 9.1%, which is the consequence of an overall reduction in total investment in the Republic of Croatia, from which Viadukt achieves 99% of its total revenue. However, the growth in share price after the announcement of financial results might have been due to the optimistic expectations for the rest of the year. The construction industry expects a **slight recovery and increased investment** from contracting authorities.

A third position that we want to emphasize is Đuro Đaković Holding (ĐĐ). After having an amazing January, on the 15<sup>th</sup> and 19<sup>th</sup> of February it was announced that Đuro Đaković signed contracts with the **Rijeka oil refinery and French investors worth 4.5m and 81m HRK** respectively. Markets reacted and in this period the stock price hit its **one-year high**. Late in 2014 ĐĐ begun a restructuring process, focusing on getting rid of non-profitable operations and reducing workforce. Such measures are one of the main drivers that led to strong improvements in all key lines for the financial year 2015. ĐĐ Holding managed to increase its top line by 3.7%, whereas exports went up 10.5% YoY and accounted for 31% of revenues. Sales from the Transport segment increased by 41% (mostly from exports). The positive effects of restructuring measures are also visible in the 5% decrease of operating costs, mainly driven by reduction in labour costs. Such results led to an **increase of 61% in EBITDA**, although it still remained negative and stood at HRK -25.8m. In their 2016 guidance, the ĐĐ group expects a positive bottom line, as the **restructuring process shows its full impact**.

During February we bought minor positions in two companies we didn't own before: **ERNT-R-A** and **DLKV-R-A**. They were financed by cash obtained from dividend payments of last year. A further description of the reasoning will be given in next month's update.

## 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 an equity fund, meaning it will be permanently exposed to any 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	145,51
Inception Date	Monday, April 14, 2014
Fund Domicile	Zagreb, Croatia
Reference Benchmark	CROBEX Index

## Return since inception

Price return (net of dividends)	45,51%
Total return (with dividends)	57,30%

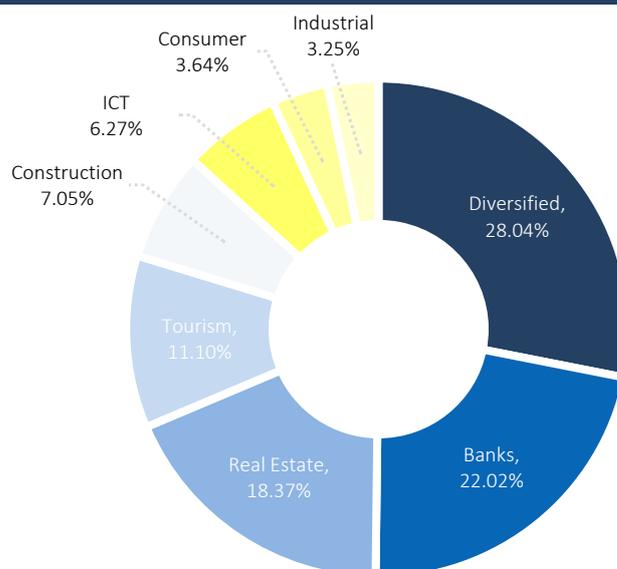
## Top 10 Holdings

Ticker	Company Name	%	Country
ADRS-R-A	Adris Grupa d.d.	28,04%	CRO
ZABA-R-A	Zagrebačka banka d.d.	22,02%	CRO
ATLN-R-A	Excelsa nekretnine d.d.	18,37%	CRO
RIVP-R-A	Valamar riviera d.d.	5,74%	CRO
MAIS-R-A	Maistra d.d.	5,36%	CRO
VDKT-R-A	Viadukt d.d.	4,46%	CRO
ERNT-R-A	Ericsson Nikola Tesla d.d.	3,76%	CRO
VIRO-R-A	Viro tvornica šećera d.d.	3,64%	CRO
DDJH-R-A	Đuro Đaković Holding d.d.	3,25%	CRO
DLKV-R-A	Dalekovod d.d.	2,59%	CRO

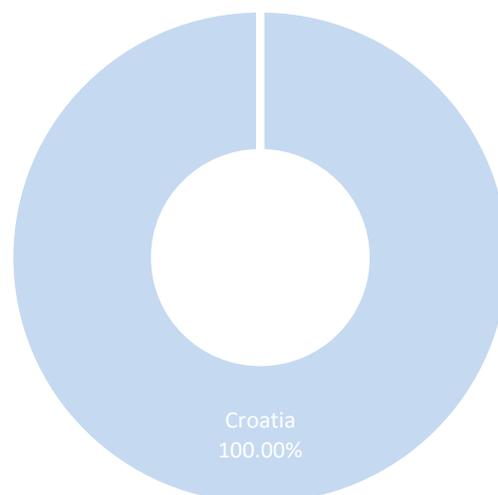
## Monthly Performance (MoM)



## 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 29-February-16.

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