

Market Commentar

March was a stormy ride for the Zagreb Stock Exchange index CROBEX due to difficult financial situation of the largest Croatian private company and employer Agrokor. Their uncertainty was caused by heavy borrowing that reflected in huge corporate debt. Due to company's size and usual investors' interest in their stocks, the whole market suffered a downturn with **CROBEX plummeting 9,8%**. CROBEX10 is down roughly 10%, while CROBEXplus plunged 8%. Government has announced measures regarding the Agrokor complications which brought hope to investors. Standstill agreement will likely be signed which will open the doors for further meetings between the company and creditors, as well as preparation for creating a bill for systemically important companies to Croatian economy. Rating agency Standard & Poor's said that it has affirmed its "BB" long-term and "B" short-term foreign and local currency sovereign credit ratings on Croatia, with a stable outlook. Expected Croatian economic growth in 2017 will grow to slightly over 3%, said S&P. That said, export growth in Croatia should remain strong as the positive momentum in the tourism industry will hopefully be sustained due to constantly increasing capacity. Good news is that **unemployment dropped to rate below 13%**, which is 3,3% less than in 2016.

Our Fund slipped 3% less than the benchmark ending the month with **monthly performance (MoM) of -7%**. Almost all of our holdings ended the month in red, while Dalekovod d.d. and Valamar Riviera d.d. saw positive outcome. Viadukt d.d. **VDKT-R-A whose price plummeted from 423,89 HRK to 164,00 HRK** per share was the stock with worst month in our Fund. The main reason for this performance is uncertainty caused by problems while building the bridge between the land and Čiovo island which should have been finished by the end of 2016. Because Hrvatske ceste might consider the breach of contract with Viadukt d.d. Zagreb Stock Exchange has put VDKT-R-A in the observation segment due to the bank account blockade.

Valamar Riviera d.d. RIVP-R-A was one of the few stocks in CROBEX index that achieved growth in March 1,54%, despite the Agrokor crisis. The Management Board suggested a dividend of 0,8 HRK per share, which will be decided at the shareholders meeting in May. This led to a temporary fall in the price of the share because investors were expecting it to be higher, based on the 224,65% increase in net earnings in 2016, considering 2015. The company also stated that it has formally incorporated Puntizela d.o.o., a tourist resort which it bought back in 2007, to increase the efficiency of operative management. There have already been news from traveling agencies like FTI and TUI that Croatia is currently among most desired travel destinations, due to its image as a safe location, coupled with statements of Croatian minister of tourism about a 15% increase of nights spent in the first months of the year, considering 2016.

Zagrebačka Banka d.d. ZABA-R-A, the biggest holding in our portfolio saw a negative correction of the share price of nearly 7% where price slipped from 64,50 HRK to 60,00 HRK per share. The Agrokor crisis had an impact on ZABA as well. ZABA-R-A published the financial statement for Q4/2016 in which **Zagrebačka Banka d.d. recorded 1,7 bn HRK of net income**. Company highlights that main reasons for stable financial results lie in positive trends in the macroeconomic environment which increased demand for new loans to individuals and companies. Management suggested dividends of 5,30 HRK per share which will be decided next month.

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	192,12
Inception Date	14. travanj 2014.
Fund Domicile	Zagreb, Croatia
Reference Benchmark	CROBEX Index

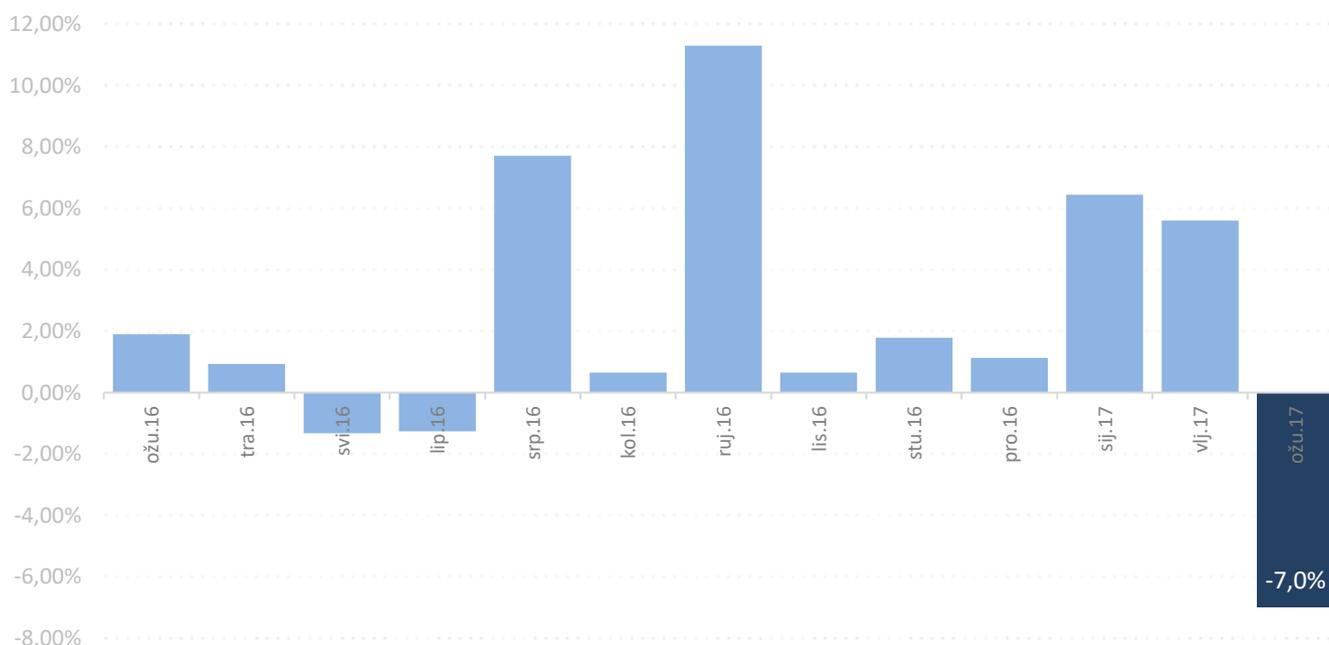
Return since inception

Price return (net of dividends)	92,12%
Total return (with dividends)	111,71%

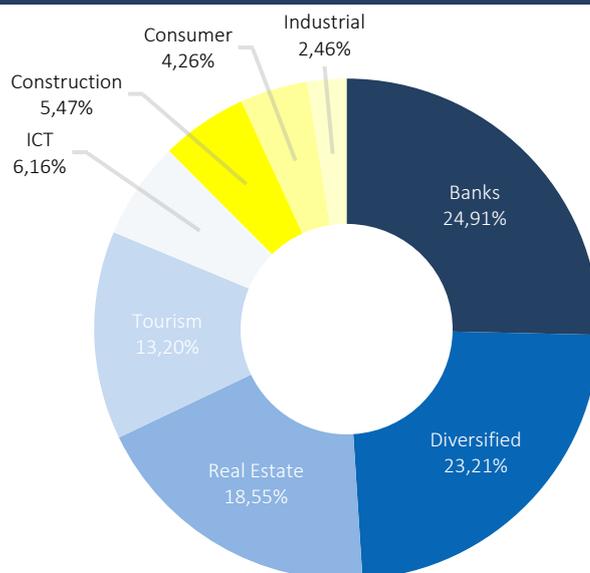
Top 10 Holdings

Ticker	Company Name	%	Country
ZABA-R-A	Zagrebačka banka d.d.	24,91%	CRO
ADRS-R-A	Adris Grupa d.d.	23,21%	CRO
ATLN-R-A	Excelsa nekretnine d.d.	18,55%	CRO
MAIS-R-A	Maistra d.d.	7,33%	CRO
RIVP-R-A	Valamar riviera d.d.	5,87%	CRO
VIRO-R-A	Viro tvornica šećera d.d.	4,26%	CRO
ERNT-R-A	Ericsson Nikola Tesla d.d.	3,87%	CRO
DLKV-R-A	Dalekovod d.d.	3,76%	CRO
DDJH-R-A	Đuro Đaković Holding d.d.	2,46%	CRO
VDKT-R-A	Viadukt d.d.	1,70%	CRO

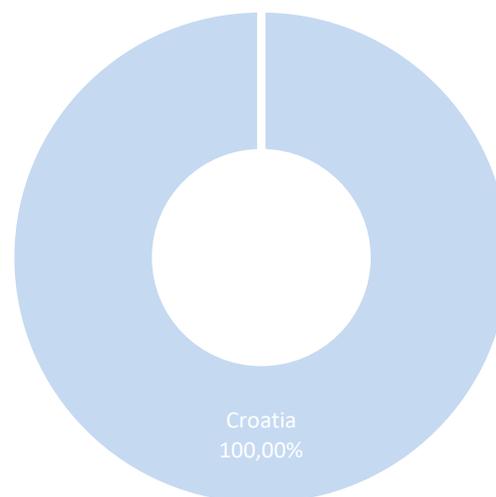
Monthly Performance (MoM)



Sector Allocation



Geographic Allocation



FILIP VRLEC

Head of Portfolio Management
filip.vrlec@finance.hr

JURAJ OREHOVEC

Senior Analyst
juraj.orehovec@finance.hr

DOMINIK VUGIĆ-SAKAL

Analyst
dominik.vugic-sakal@finance.hr

MARKO JELČIĆ

Analyst
marko.jelcic@finance.hr

KARLO JURIĆ

Junior Analyst
karlo.juric@finance.hr

LJUDEVIT STANTIĆ

Junior Analyst
ljudevit.stantic@finance.hr

DOMINIK VUKUŠIĆ

Junior Analyst
dominik.vukusic@finance.hr

JURICA ŠKEVIN

Junior Analyst
jurica.skevin@finance.hr

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.

www.finance.hr

Financijski klub • info@finance.hr

Trg J.F. Kennedyja 6 • 10000 Zagreb • Croatia



All performance and holdings data as of 31-Mar-17.

This document is the property of the student association Financijski klub, and is intended for educational purposes only. The association and its members do not bare any responsibility for the publishing of this document. The Fund's main purpose is to realistically simulate the management of assets with the aim of gaining practical knowledge and promoting investing culture. As such, it is a virtual fund with no real assets. Financijski klub doesn't own, or has ever owned, any stocks or other investments. However, all market data used to track portfolio performance replicates actual prices and quotations, which provides the closest possible environment to an actual market.