

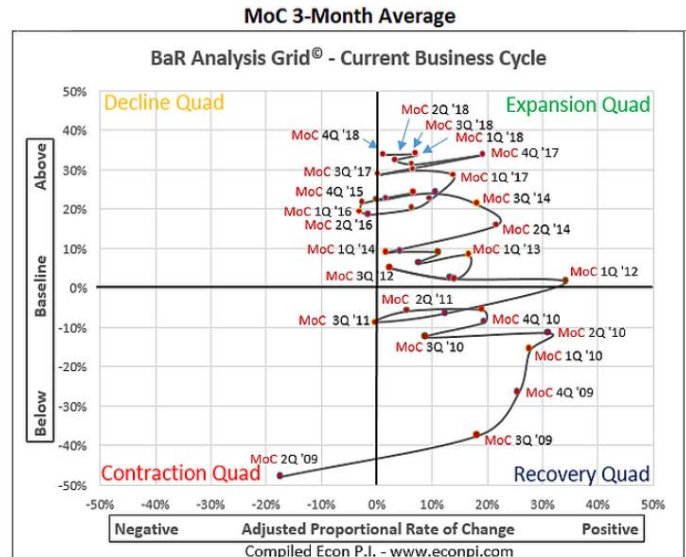
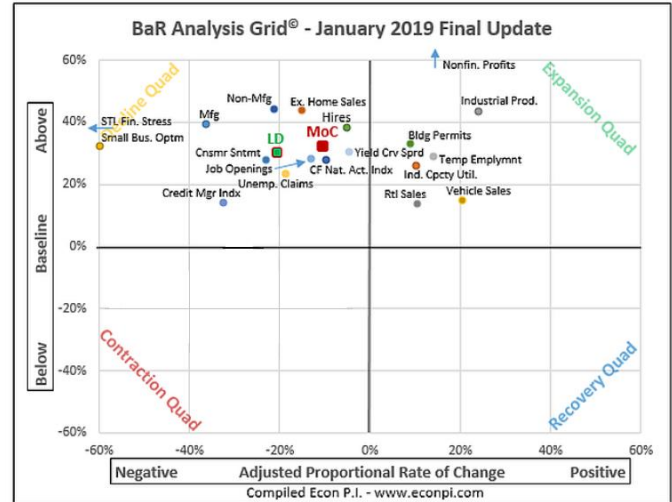
Market Macroanalysis

After big market downturn and December ISM manufacturing survey had its largest monthly decline since 2008, the outlook for January wasn't promising. Despite all that January has seen reversal in investor sentiment and stock rally. DJIA has gained 7.2%, S&P 500 gained 7.87% and NASDAQ had a biggest climb of 9.74%.

There are several reasons for this recovery. Fed has signaled that it will be more patient with further rate changes and confirming any changes will be based on economic momentum. US-China trade situation, which hampered stocks in December, became more optimistic with announced restart of trade talks in February. Also January has seen strong job report with 312,000 non-farm jobs added and wage growth of 3.3% y-o-y.

All sectors closed out the month in green. Best performing sector was Industrials with 12.06% growth following Energy with 11.08%, and Financials with 10.13%.

Looking at the BaR Grid Analysis, some indicators shifted from the expansion quad to the decline quad, most notably consumer sentiment (Cnsmr Sntmt), total nonfarm hires on 100 workers (Hires), total nonfarm job openings on 100 workers (Job Openings) and unemployment claims (Unemp. Claims). MoC 3-Month Average shows average of all this indicators and it signals the general health of the economy. As can be seen, the general economy is nearing the decline phase of the business cycle. C-score shows that possibility of a recession in the next 9 months is 20%, the same as the last month, while the Leading Superindex shows that possibility of recession in the next 3-4 months is 7.44%, up from 1.69% in the last month. Aggregate dividend yield for S&P 500 index is 1.99%, the same as last month and well below the 4.28% history average. That, along with Shiller PE ratio of 29.75 (28.53 last month) compared to history average of 15.70, point to a high market valuation.



Risk Indicator	This Week	Last Week	Last Month	Last Quarter	Interpretation
Valuation					
Ten-year note yield	2.76%	2.79%	2.72%	3.08%	
S&P 500	2,665	2,671	2486	2659	
S&P Forward Earnings	171	172	170	174	
S&P Earnings yield	6.42%	6.45%	6.82%	6.53%	
Equity Risk Premium	3.66%	3.66%	4.11%	3.45%	Very High
Economy					
C-Score	400	394	372	331	9 MoRecession Prob about 20%
Leading SuperIndex*	7.44%	3.46%	1.69%	0.75%	3-4 MoRecession Prob
BCIp	56.3	56.3	46.9	90.1	No recession indicated
SLFSI	-0.907	-0.841	-0.639	-1.125	Extremely Low Risk
Anticipated Inflation					
	1.80%	1.79%	1.74%	2.05%	
VIX					
	18.89%	18.06%	29.96%	24.22%	

Source: Jeff Miller

Commentary on Our Holdings

Lockheed Martin started January with a price of \$264.73 and recorded a 9.43% increase at the end of it. It secured a couple of new deals in January: \$78M Navy Deal for Production of UWS – undersea warfare system; \$542.2-million contract for delivering ancillary mission equipment (AME) and its associated spares of F-35 Lightning II jets; \$52.7-million modification contract for providing engineering, development and sustainment services to support the Air Force Multi-Mission Satellite Operation Center. Other than the new contracts the stock has moves in the footsteps of its peer group in January.

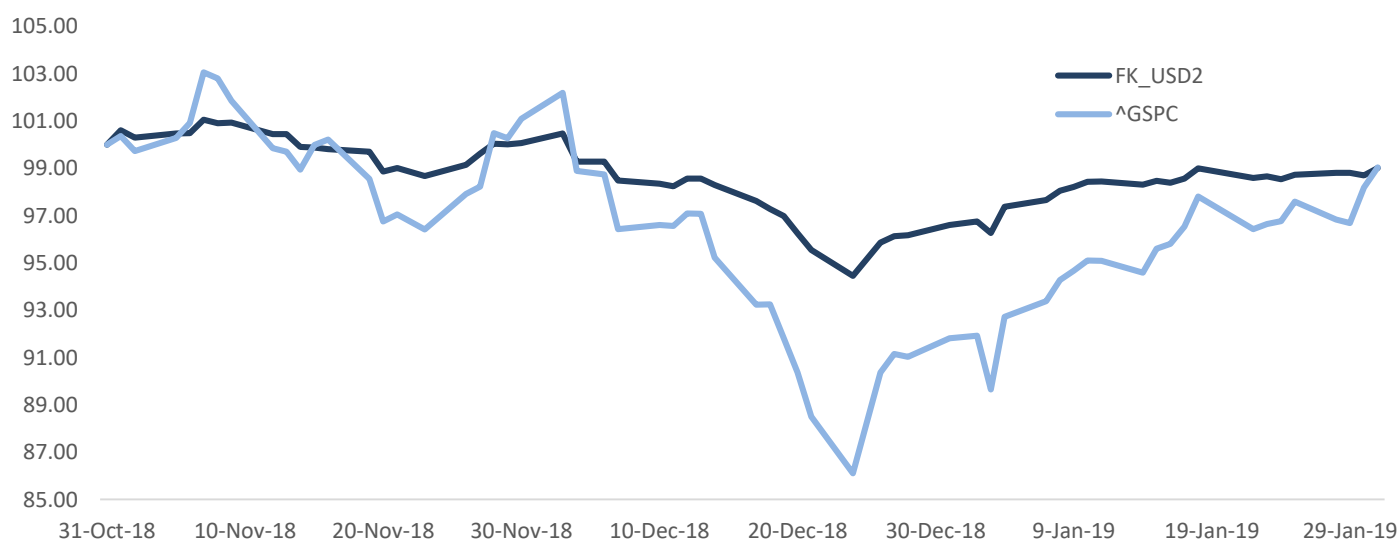
Alibaba's stock price increased by almost 23% during January. It reported fiscal third quarter revenue of 117.28 billion yuan (\$17.5 billion), compared with 83.03 billion yuan in the same period a year before. Analysts polled by FactSet expected the company to post 119.03 billion yuan. Sales were boosted by an annual national shopping promotion, called Singles' Day, on November 11th, a rough equivalent to Black Friday and Cyber Monday combined. Vendors sold a record 213.5 billion yuan, or \$30.8 billion, worth of goods on its platforms that day, 27% more than in 2017. Its quarterly net income increased 37% to 33.05 billion yuan, above the 21.430 billion yuan that analysts had expected. A year earlier, it posted 24.073 billion yuan.

The price of AT&T's share rose 5.33% in January. On January 30th 4Q results were published. The company generated record free cash flow of \$7,9 bn in the fourth quarter with the dividend payout as a percent of free cash flow 46%. Adjusted fourth quarter EPS was \$0.86, up 10% for the quarter. For the 2018 free cash flow was record \$22,4 bn. The strong free cash flow comes with near record capital investment. The company plans to reduce debt in 2019 with the expected strong free cash flow in 2019 and they are finding ways to monetize asset portfolio to pay some debt. AT&T expects to realize \$1 billion in revenue-related synergies, including its advertising operations, by yearend 2021. Consolidated revenues are \$170,8 bn for the year 2018, and for the 4Q they are \$48 bn. Operating income showed solid growth. Adjusted consolidated operating margins expanded up for 50 bps, and for the full year adj. operating income margins grew by 220 bps.

In January, McDonald's share price increased a little below 1%. Big news occurred on 15th of January when the restaurant chain lost its rights to the trademark "Big Mac" as the EU Intellectual Property Office ruled in favor of fast-food chain Supermac's out of Ireland. That decision means that from now on every restaurant in EU can use the name „Big Mac“ for its products. On January 30, McDonald's posted its fourth-quarter earnings. Its revenues fell 3.3% YoY from \$5.34 billion in the fourth quarter of 2017. The strategic refranchising of company-owned restaurants caused revenues to fall. The adjusted EPS of \$1.97 outperformed analysts' expectation of \$1.89. MCD expects earnings per share in 2019 to be pressured by higher labor and restaurant remodeling costs and the impact of a stronger dollar.

Disney's stock rose a little under 2% in January. The company experienced the highest volatility during the 3rd and 4th of January and during the 15th. The high volatility sessions on the 3rd and 4th of the month first drove the price down and then back up again. The reason behind the drop-in share price on the 3rd of January was the disappointing box office results of the film Mary Poppins Returns which was financed from the Disney studio. Mary Poppins Returns fell short in comparison to its major competitors Aquaman and Bumblebee which preformed significantly better during the New Year's Day. The increase in price that followed the next day was fueled by expectations that the Brazil antitrust regulatory agency will approve The Walt Disney Company takeover of Twenty-First Century Fox without pressing for any kind of property sales. The second high-volatility session on 15th of the month was sparked up by rumors that the Walt Disney is focused on a full sale of the 22 regional sports networks that it must divest in order to complete its \$71B deal for assets of Fox.

Portfolio performance vs benchmark (indexed, since inception)



Investment approach

The Fund seeks to achieve positive long-term returns by managing a portfolio of diversified investments that are believed to be undervalued at the time of purchase, are expected to hold significant growth potential in the future or have a negative or small correlation with the stock market, making them a mean of diversification.

Fund Characteristics

Fund name	FK_USD2 UCITS fund
Fund Company	Financijski Klub
Fund type	Mixed
Currency	USD
Starting Share Price	100
Share Price	99.01
Inception Date	November 1, 2018
Fund Domicile	Zagreb, Croatia
Reference Benchmark	^GSPC

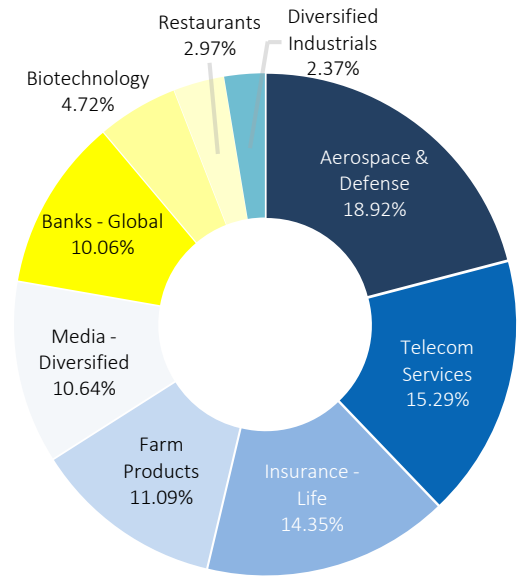
Return since inception

Price return (net of dividends)	-0.99%
Total return (with dividends)	8.43%

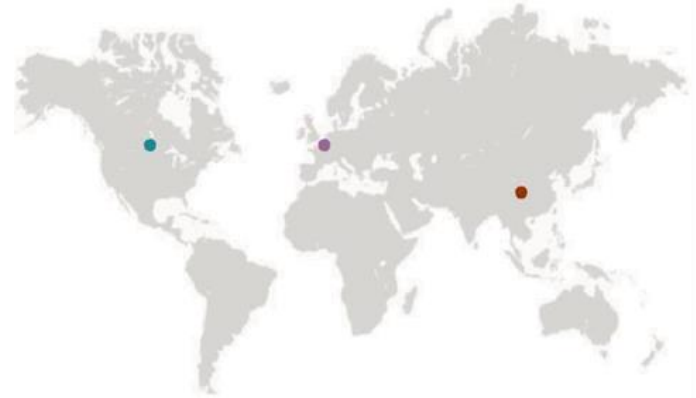
Top 10 Holdings

Ticker	Company Name	%	Country
LQD	iShares Invmt Grade Corp Bd ETF	18.92%	USA
VB	Vanguard Small-Cap ETF	14.35%	USA
DIS	The Walt Disney Company	11.50%	USA
ADM	The Archer Daniels Midland Company	11.09%	USA
GLD	SPDR Gold Shares	10.64%	USA
BABA	Alibaba Group Holding Limited	10.06%	CN
JPM	JPMorgan Chase & Co.	4.72%	USA
T	AT&T Inc.	3.80%	USA
MCD	McDonald's Corporation	2.97%	USA
PRU	Prudential Financial Inc.	2.37%	USA

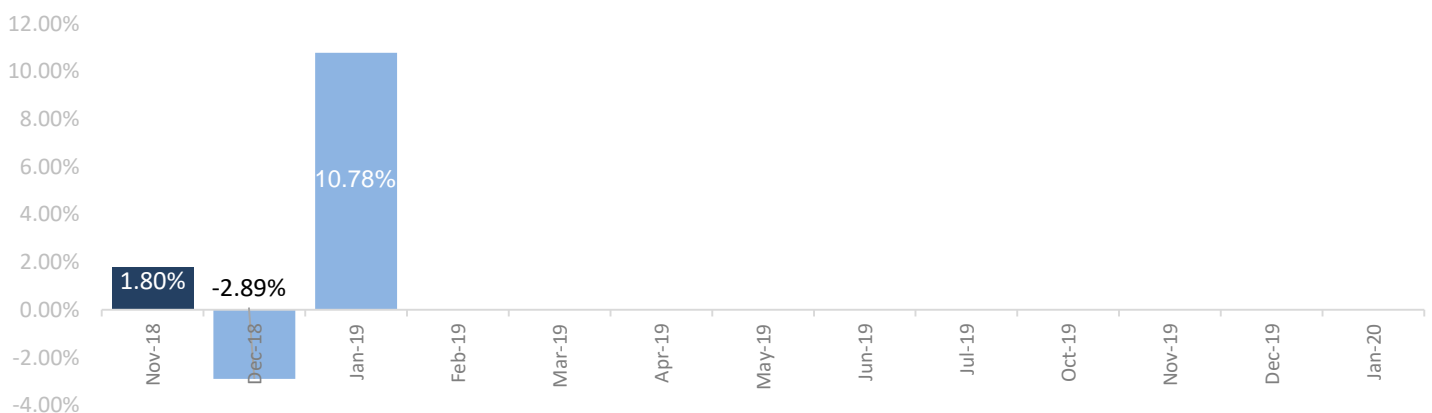
Sector Allocation



Geographic Allocation



Monthly Performance (MoM)



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 December-18.

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