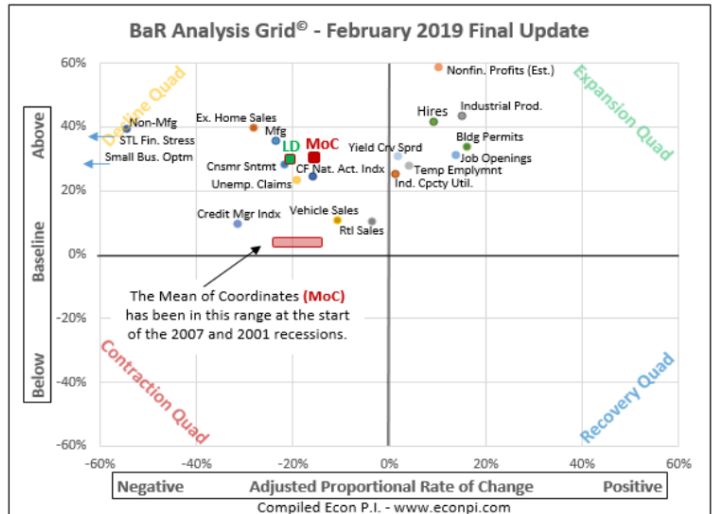


Market Macroanalysis

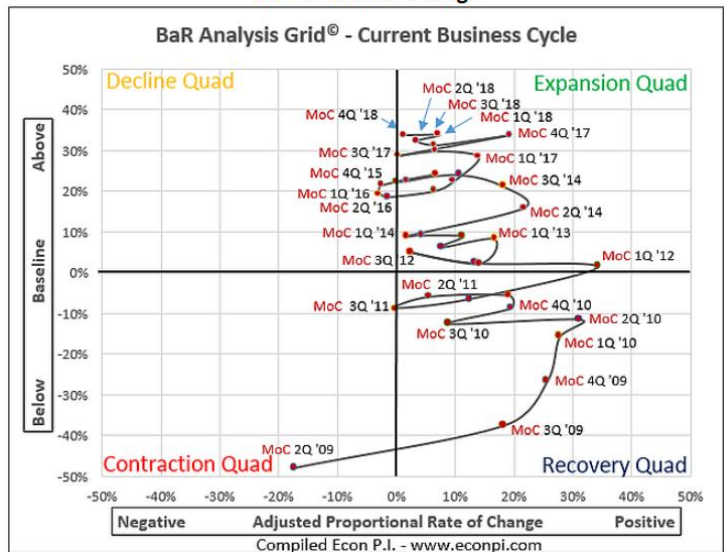
The Bureau of Labor Statistics reported that the U.S. economy had picked up 20,000 jobs in February, sharply down from the 304,000 jobs added in the previous month. The unemployment rate also fell to 3.8% from 4%. Analysts were expecting employment growth to slow but many didn't anticipate the extent of the drop, with some blaming the government shutdown for distorting the data. Fourth quarter GDP of 2.6% was in line with expectations. In February, DJIA and S&P 500 were up around 3%, US Dollar index was up 0.84%, while gold was lower 0.50%.

Most important events that occurred in February were: Trump State of the Union speech in which he focused on immigration and said the administration is seeking fair trade, cheaper prescription drug prices and an improvement in the nation's infrastructure. On February 15<sup>th</sup>, Trump declared national emergency in order to obtain funding for his wall. Trade talks, which had significant effect on markets during February, came closer to its end as Donald Trump said on February, 24th that he would delay an increase in tariffs on Chinese goods, citing "substantial progress" in trade talks with China.

Looking at the BaR Grid Analysis, 58% of economic indicators are in the Decline Quad, although some important indicators shifted to the Expansion Quad from the month ago, that being total nonfarm hires on 100 workers (Hires), total nonfarm job openings on 100 workers (Job Openings) and yield curve spread. MoC 3-Month Average shows average of all these 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 7.80%, up from 7.44% in the last month. Aggregate dividend yield for S&P 500 index is 1.92%, the same as last month and well below the 4.28% history average. That, along with Shiller PE ratio of 30.63 (29.75 last month) compared to history average of 15.70, point to a high market valuation.



MoC 3-Month Average



Risk Indicator	This Week	Last Week	Last Month	Last Quarter	Interpretation
<b>Valuation</b>					
Ten-year note yield	2.66%	2.63%	2.79%	3.07%	
S&P 500	2,776	2,708	2,671	2736	
S&P Forward Earnings	169	169	172	172	
S&P Earnings yield	6.08%	6.25%	6.45%	6.29%	
Equity Risk Premium	3.42%	3.61%	3.66%	3.23%	Very High
<b>Economy</b>					
C-Score	396	406	394	363	9 MoRecession Prob about 20%
Leading SuperIndex*	7.80%	7.80%	3.46%	0.97%	3-4 MoRecession Prob
BCIp	93.6	94.5	56.3	83.7	No recession indicated
SLFSI	-1.073	-0.991	-0.841	-0.998	Extremely Low Risk
<b>Anticipated Inflation</b>					
	1.85%	1.84%	1.79%	2.00%	
<b>VIX</b>					
	16.22%	16.37%	18.06%	19.98%	

Source: Jeff Miller

## Commentary on Our Holdings

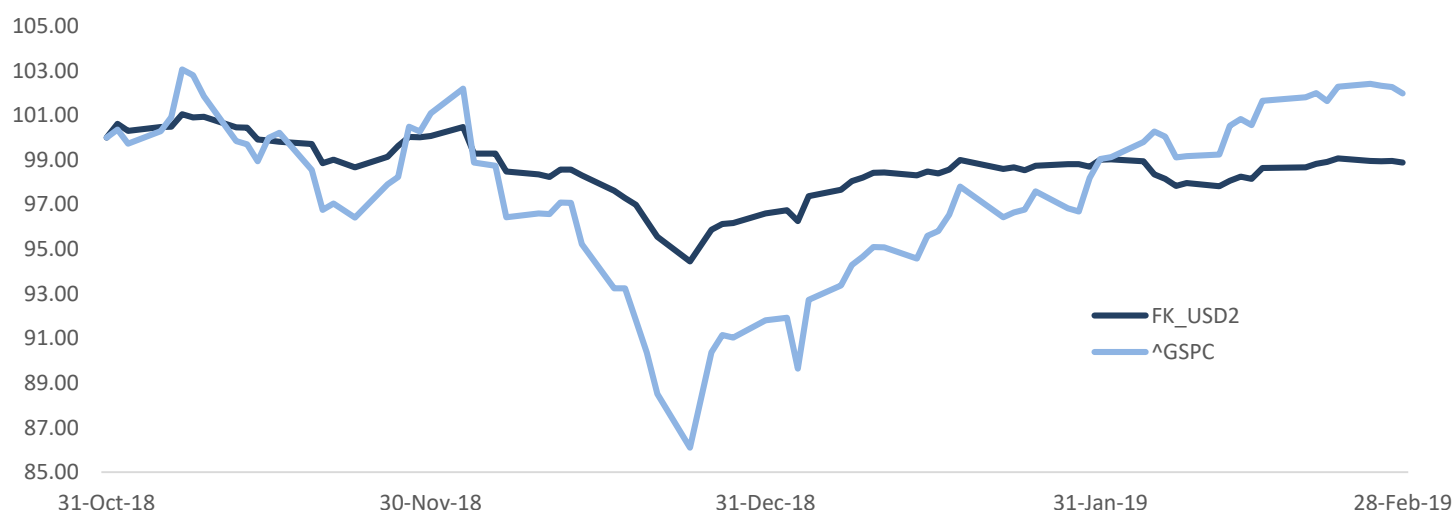
The price of Archer-Daniels-Midland Company share fell by 5.32% in February. The company reported fourth quarter earnings per share of \$0.55, compared to \$1.39 in the same period of 2017. The segment operating profit was \$786 million, compared to \$733 million in the fourth quarter of 2017. Profits in the segments of origination, carbohydrate solutions and nutrition fell, whereas oilseeds and other operations showed growth in profits. Board of Directors has also declared a cash dividend of 35.0 cents per share on the company's common stock, a 4.5% increase from last quarter's dividend of 33.5 cents per share. This will be ADM's 349th consecutive quarterly payment in a record of 87 years of uninterrupted dividends. The company has successfully completed its €1.544 billion acquisition of Neovia, creating a global leader in value-added products and solutions for both production and companion animals. This is their largest acquisition since they added WILD Flavors in 2014. ADM continues to transform its portfolio, significantly expanding its human and animal nutrition capabilities. Now, with the addition of Neovia, ADM Animal Nutrition is global, offering premixes, complete feed, ingredients, pet care solutions, aquaculture, additives and amino acids to customers.

Lockheed Martin stock (LMT) recorded another month of price increase. The stock price was \$290.58 on February 1, and on February 28 it was \$309.41, an increase of 6.48%. The 4Q results were published on January 29. Company recorded strong growth in 2018 and it is well positioned for 2019. It achieved year over year growth in all business areas. Company presented significant growth in earnings per share. US navy awarded Lockheed \$184 million to continue providing the US Navy with electronic Warfare Systems. On February 13th, Lockheed announced the opening of its 255,000 square foot Research & Development II facility in Orlando, Fla. The Pentagon reported that Lockheed has been awarded an \$831 million US defense contract for Terminal High Altitude Area Defense development and support services. The federal government has sued Lockheed Martin for alleged false claims and kickbacks on a multibillion-dollar contract to clean up a nuclear site. Lockheed denies the allegation and said it would defend the matter vigorously.

The Walt Disney Company (DIS) opened the month at \$111.30 and finished it with a slight gain (1.4%) at \$112.84. February was a low volatile month for Disney. It is putting the finishing touches on its much-anticipated "Star Wars" attraction in Anaheim, California. The lands called "Galaxy's Edge" are set to open later this year. This is the largest single-themed land expansion in Disney parks history. February was a month of 91<sup>st</sup> Academy Awards and Disney won four Oscars. Fox, which is soon to be owned by Disney, took home seven. In addition to "Black Panther," "Bohemian Rhapsody" and "The Favourite" (Fox's movies) combined brought in more than \$2.3 billion at the global box office. Disney wants to get even more control over Hulu: The company is in active discussions with AT&T to acquire the 10% stake that WarnerMedia owns in the streaming joint venture, Variety has learned. If Disney ends up controlling 70% of Hulu, it will stay focused on adult-oriented, general entertainment fare while the forthcoming Disney+ subscription product will be in the family-friendly wheelhouse, Disney CEO Bob Iger has told Wall Street analysts. For Hulu, having one controlling owner could help it accelerate growth amid heavy competition in the streaming market.

Alibaba's stock jumped 9.5% in February. On January 30th it announced December quarter 2018 results. Revenue for the quarter was RMB 117,278 million (US \$17,057 million), an increase of 41% compared to RMB 83,028 million in the same quarter of 2017. The increase was mainly driven by the robust revenue growth of China commerce retail business, the consolidation of Ele.me, as well as strong revenue growth of Alibaba Cloud. Speaking of Alibaba Cloud, on 25th of February it launched seven new solutions, and two new features for the international markets at the Mobile World Congress. The launches range from serverless computing, data analytics, global networking, high performance storage, and enterprise database. Also, two days later Alibaba Cloud announced the Tech for Change initiative. The Initiative calls for inspiring ideas and joint efforts from enterprises, start-ups and young entrepreneurs, to tackle global social and humanitarian challenges in areas such as education, economic development and the environment through technologies.

## 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	98.88
Inception Date	November 1, 2018
Fund Domicile	Zagreb, Croatia
Reference Benchmark	^GSPC

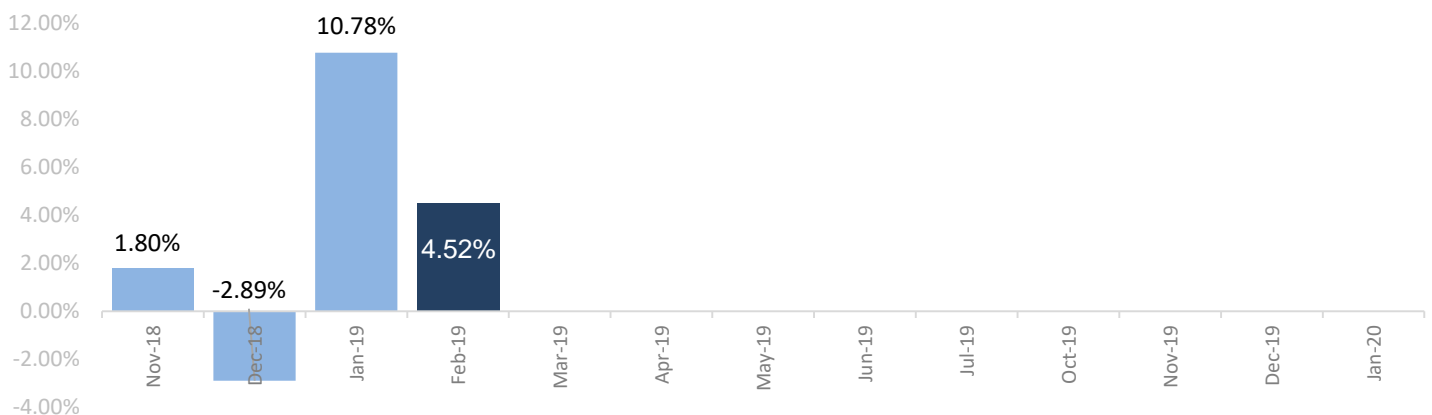
## Return since inception

Price return (net of dividends)	-1.12%
Total return (with dividends)	13.34%

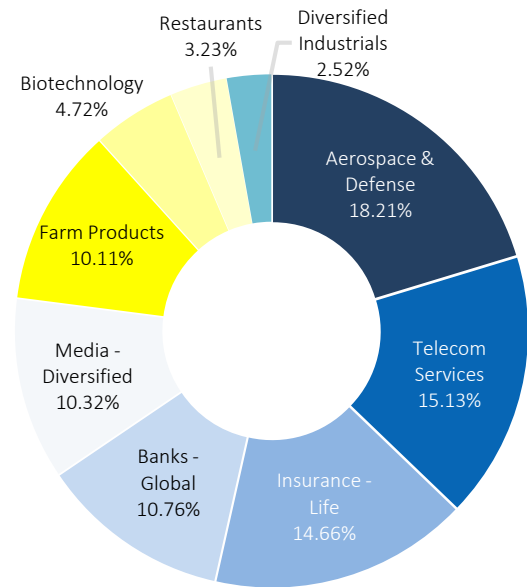
## Top 10 Holdings

Ticker	Company Name	%	Country
LQD	iShares Invmt Grade Corp Bd ETF	18.21%	USA
VB	Vanguard Small-Cap ETF	14.66%	USA
DIS	The Walt Disney Company	11.32%	USA
BABA	Alibaba Group Holding Limited	10.76%	CN
GLD	SPDR Gold Shares	10.32%	USA
ADM	The Archer Daniels Midland Company	10.11%	USA
JPM	JPMorgan Chase & Co.	4.72%	USA
T	AT&T Inc.	3.81%	USA
MCD	McDonald's Corporation	3.23%	USA
PRU	Prudential Financial Inc.	2.52%	USA

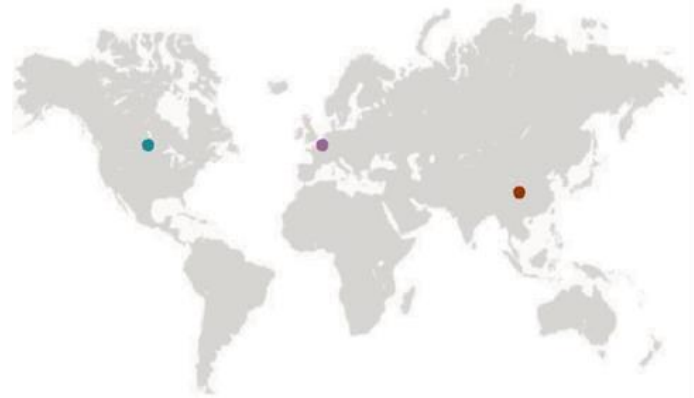
## Monthly Performance (MoM)



## Sector Allocation



## Geographic Allocation



## About Financijski klub

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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.

### FK Portfolio Management

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#### All performance and holdings data as of 31 December-18.

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