

Macro-look on the Market

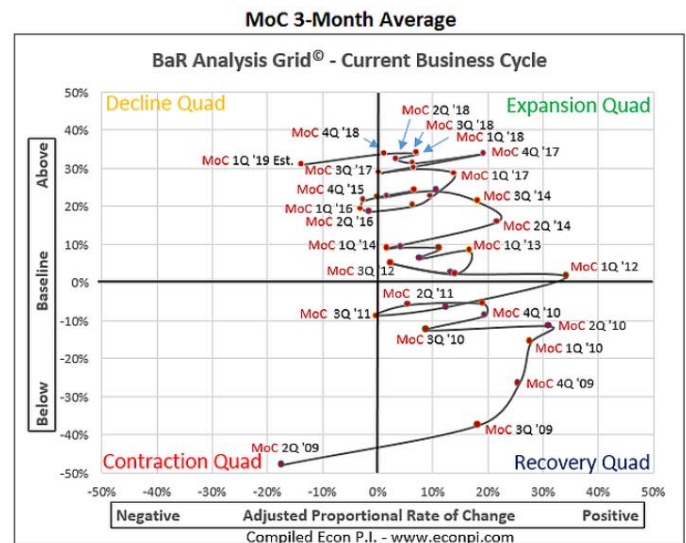
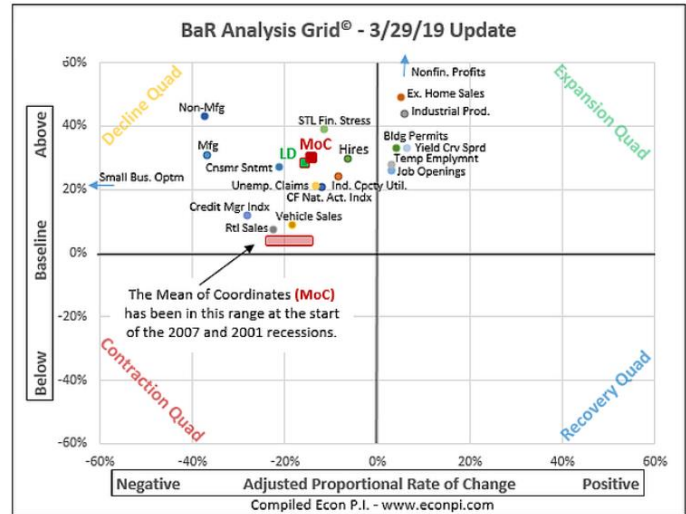
Economic conditions now seem more favorable than they did at the beginning of the year and suggest that some of the first-quarter slowdown is fading. As the US Bureau of Labor Statistics reports, job creation posted a solid rebound in March with unemployment rate holding steady at 3.8%. 196,000 new jobs were added in March, but wage gains fell off the recent strong pace, increasing just 0.14% for the month and 3.2% year over year, below expectations of the 3.4% pace from last month. This unemployment rate exceeded the Dow Jones estimate and came after a dismal February that had economists wondering whether the decade-old economic expansion was coming to an end. The report also showed wages are rising but not at a rate which would spur inflation.

Last month, The Fed had eliminated its forecast for rate increases this year, and now expects no change in rates for 2019. The measures of Chicago Fed show that the financial conditions are at the easiest in 25 years, indicating little need for the central bank to provide more accommodation. Treasury yields decreased immediately after the report of weaker wage gains, but then rebounded as traders focused on the growth aspects of the job gains. Stocks traded higher, and the dollar was flatish after fluctuating. Emerging-market currencies reported gains as investors are clearly more comfortable in holding the riskier assets after the employment report.

Trump added to the positive sentiment by saying that the U.S. and China were “rounding the turn” in lengthy talks and predicted that “something monumental” for both countries could be announced in a matter of weeks.

First-quarter growth was tracking at about 2% and economists expect growth just above 2.5% in the second quarter.

Looking at the BaR Grid Analysis, 10 out of 17 economic indicators are in the Decline Quad, the most important being total nonfarm hires per 100 workers, unemployment claims, consumer sentiment and small business optimism. The most important indicators in expansion quadrant are total nonfarm job openings per 100 workers, industrial production and yield curve spread which returned from decline quadrant. MoC 3-Month Average shows average of all these indicators and it signals the general health of the economy. As can be seen on the second picture, the general economy passed from expansion to decline in the first quarter of the year. C-score from the table shows that possibility of a recession in the next 9 months is 27 basis points, up 7 basis points from last month, while the Leading Superindex shows that possibility of recession in the next 3-4 months is 5.91 basis points, down from 7.80 basis points last month. Aggregate dividend yield for S&P 500 index is 1.90 basis points, down from 1.92 last month and well below the 4.28 history average. That, along with Shiller PE ratio of 30.49 (30.63 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	2.44%	2.59%	2.65%	2.78%	
S&P 500	2,801	2,822	2,793	2,417	
S&P Forward Earnings	167	168	169	171	
S&P Earnings yield	5.98%	5.95%	6.04%	7.06%	
Equity Risk Premium	3.54%	3.36%	3.39%	4.27%	Very High
Economy					
C-Score	345	380	381	364	9 MoRecession Prob about 27%
Leading SuperIndex*	5.91%	8.14%	6.27%	1.69%	3-4 MoRecession Prob
BCIp	81.9	80.3	100.0	66.5	No recession indicated
SLFSI	-1.256	-1.216	-1.126	-0.780	Extremely Low Risk
Anticipated Inflation					
	1.96%	1.94%	1.91%	1.80%	

Source: Jeff Miller

Commentary of our holdings

Shares of The Walt Disney company had lost 2.89% over the past month. DIS started March quite strong, at \$114.33, following Captain Marvel release which has exceeded expectations - after just three weekends, the film has produced \$912 million at the ticket counters worldwide. On March 15th Disney shares started moving fast downwards with fairly heavy after-hours volume, as the company announces preliminary results of the consideration election by stockholders of Twenty-First Century Fox. On March 20th entertainment company closed on its \$71.3 billion acquisition of assets of Twenty-First Century Fox. As a result, the new Disney now officially has 60% of Hulu and takes on Fox's film and TV studio along with the FX Networks and National Geographic. It also adds Star India, a giant in Indian television. Descending movement continues and on 20th shares were trading at \$107.79 which is also the lowest point of the month. It was also announced that Disney's ESPN+ streaming service is now the exclusive provider of Ultimate Fighting Championship (UFC) pay-per-view (PPV) events that average around 500,000 viewers per event, with the big events drawing in 1 million-2 million-plus viewers. Therefore, this was also a big deal for Disney, who is planning to launch its key Disney+ streaming offering. However, its streaming service is facing tougher competition, not only from dominant players such as Netflix and Amazon, but also some upcoming entrants. Most relevant for this month is Apple who launched its much-anticipated video streaming service on March 25th However, on that same day Disney's stock prices had a rebound and the increase in the price continues and DIS finished March with the price of \$113.03.

McDonald's started March with a price of \$185.05 and rose to \$189.90 at the end of March, having a 2.62% yield. The fast food giant acquired Dynamic Yield (March 26th), an artificial intelligence company based in New York and Tel Aviv, for \$300 million. The company's artificial intelligence insights will let the fast food giant data determine which of its items are most popular with consumers, and allow it to offer a more "personal, customized" experience, it said. The burger-pushing franchise says it will use the technology to provide an "even more personalized customer experience" to drive-thru customers based on data points like "time of day, weather,

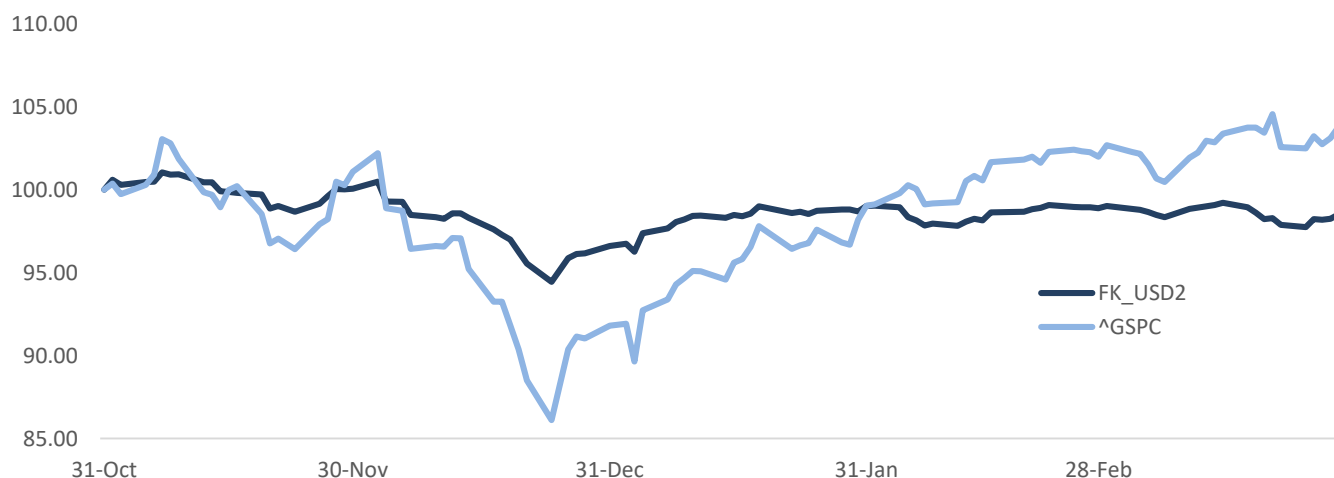
current restaurant traffic and trending menu items." This symbolizes Mcdonald's biggest acquisition in 20 years.

The Alibaba Group Holding Limited stock finished the month of March with the price of \$182.45, which is \$1.43 lower than at the beginning of the month (-0.78% relative). Market capitalization at the end of the month amounted to \$472.5 billion. The stock experienced highest volatility at the beginning of the month, on the sessions on 4th and 7th-8th of the month. On 4th of March it was announced that Alibaba has formed strategic collaboration with Office Depot (OPD). The goal of the collaboration, according to Alibaba officials, is to empower U.S. small- and medium-sized businesses to grow by tapping into the global B2B e-commerce marketplace. The stock price increased 0.67% in this session. The highest volatility was experienced on the 7th and 8th of March when the stock price plummeted 3.25%. Such sharp decline could be viewed as a short term adjustments of the stock price as the BABA stock price grew 18% in the last 3 months.

Verizon started March trading at \$56.96 and finished it 3.8% higher. On 8th March Verizon announced quarterly dividend of \$0.6025 and on 13th March it has announced its pricing for possibly first 5G mobile service in the US. On March 25th Verizon has received Authority to Operate under the GSA's huge Enterprise Infrastructure Solutions contract. Soon after stock experienced its highest price in March of \$60.88, but the next day it saw largest drop of the month to \$59.08.

Prudential Financial, Inc. (PRU) opened the month at \$96,60 and finished it with a loss (-5.14%) at \$91,88. Last month, Prudential was active in private equity and took part in Series B funding of Point. Point, the first financial technology platform that allows homeowners to unlock their home equity wealth without taking on new debt, announced today that it has secured \$122 million in new funding. The new self-employed part of the Prudential Financial Planning (PFP) business will be called The Advice Partnership (Tap). Those that join Tap will be able to build their own business and, following an initial five-year minimum period, will have the option to sell their businesses on.

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	98.51
Inception Date	November 1, 2018
Fund Domicile	Zagreb, Croatia
Reference Benchmark	^GSPC

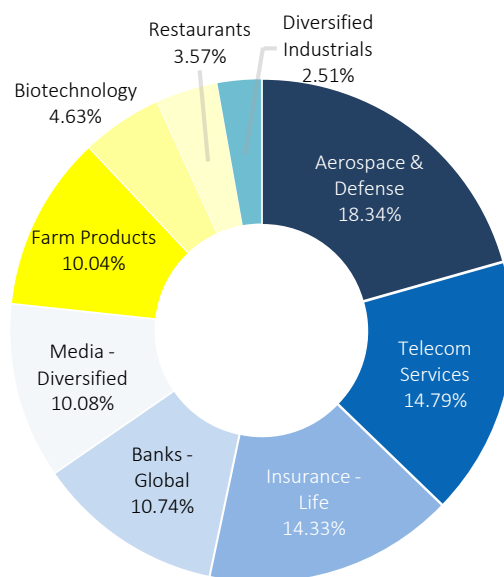
Return since Inception

Price return (net of dividends)	-1.49%
Total return (with dividends)	16.79%

Top 10 Holdings

Ticker	Company Name	%	Country
LQD	iShares Invmt Grade Corp Bd ETF	18.34%	USA
VB	Vanguard Small-Cap ETF	14.33%	USA
DIS	The Walt Disney Company	11.00%	USA
BABA	Alibaba Group Holding Limited	10.74%	CN
GLD	SPDR Gold Shares	10.08%	USA
ADM	The Archer Daniels Midland Company	10.04%	USA
JPM	JPMorgan Chase & Co.	4.63%	USA
T	AT&T Inc.	3.78%	USA
MCD	McDonald's Corporation	3.57%	USA
PRU	Prudential Financial Inc.	2.51%	USA

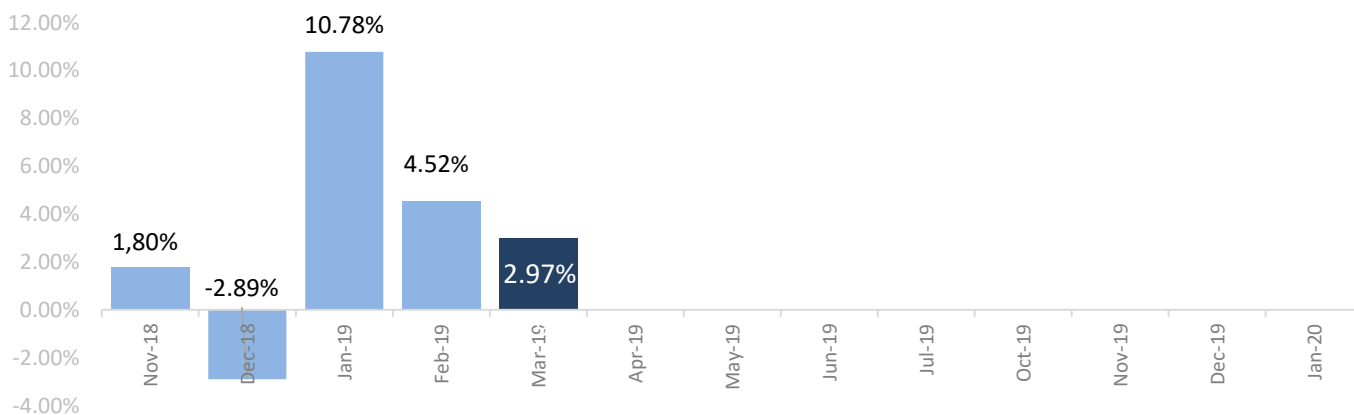
Sector Allocation



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 February 2019.

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