

## Market Commentary

This month DZS published January data concerning CPI index and registered unemployment rate. The price of goods and services for personal consumption measured with CPI has recorded a fall of 0.2% on a monthly basis and an increase of 1.1% on a yearly basis. These lower prices, when compared to December, are due to the seasonal discounts of clothes (-13.1%). The prices of food and energy are expected to be higher throughout the year because of the stronger domestic demand. This demand could increase the prices, thus the average yearly inflation rate could be 1.4% in 2018. Registered unemployment rate increased compared to the previous month, but compared to the January of 2017 there is a significant improvement (-20%). **First estimations show that a real GDP growth in 2017 was 2.8%** which was mostly a reflection of a growth in personal consumption. The estimations are below the expected growth of 3%, and also lower than the growth rate of 3.2% in the previous year. There is no analytical evidence that would suggest Agrokor's fault for this result. The result is most likely an outcome of the poor investment climate due to the administrative and tax barriers. There were no larger movements on the domestic foreign-exchange market. The Ministry of Finance issued treasury bills of HRK 1.5 bn with one year maturity. Domestic money market recorded a liquidity surplus of HRK 27.8 bn. which resulted in unchanged interest rates.

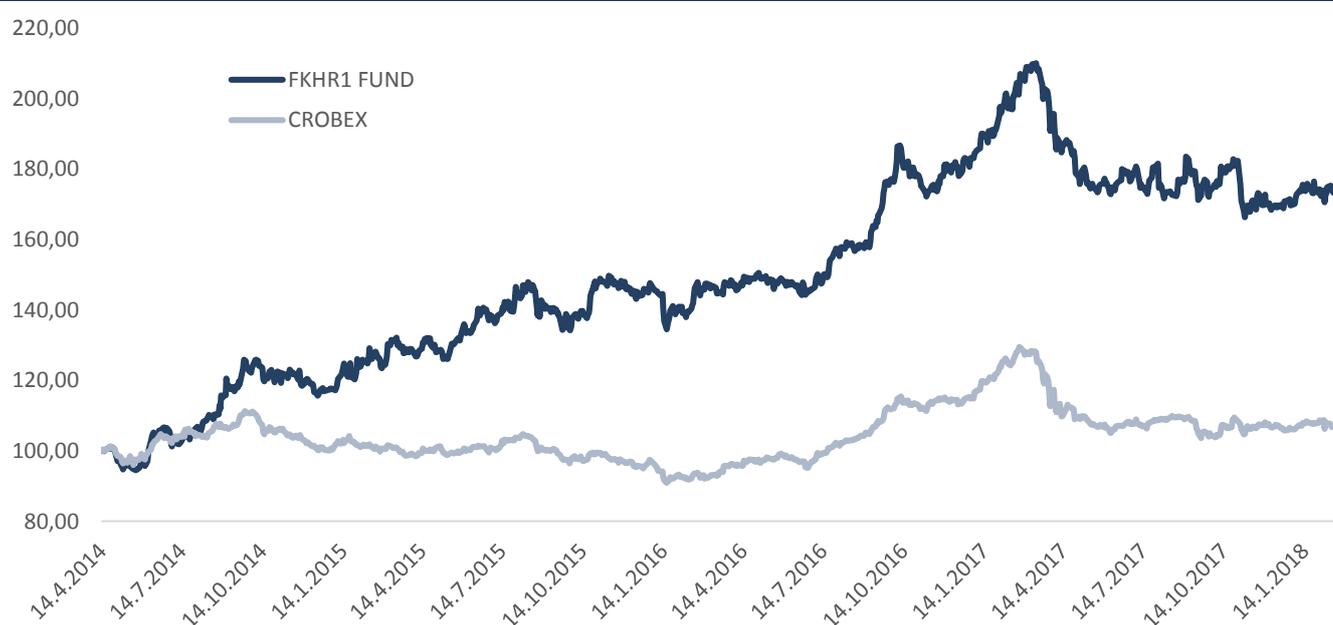
**February brought changes in our Fund, as we reduced our position in ZABA-R-A and ATLN-R-A from 25% and 24%, respectively, both to 20%. With the received cash and cash accumulated from dividends, we took position in AD Plastik Group (ADPL-R-A) which now constitutes about 15% of our portfolio.** We made our buy decision after analysis of financial statements, DCF and multiples valuation, as well as the future prospects of the business lead us to believe the stock's market

price was undervalued considering its fundamental value and considering valuations at which its peer companies traded at the moment of the analysis.

**The price of Viro tvornica šećera d.d. stock continued to decline throughout February.** At the end of the month, the closing price hit a new record low of HRK 170 per share, declining by almost 20% since the end of January. According to the financial report, the company made a loss in 2017 of HRK 57.3 million, compared to 2016 when it made a profit of HRK 37.2 million. **Total revenue of the company increased by 26% in 2017, but so did the total expenses, by 41%.** Sales revenue increased by 22% in the same period. The sale of sugar increased by 54% compared to the previous year, with an 85% increase in sales on the domestic market, as well as 34% increase in exports. Price of sugar on the global market is expected to remain low due to the world production surplus, as well as weaker demand expectations.

Maistra's stock finished February with an increase of price (+2.5%). Company published its fourth quarter report, which gave an insight into its business. From the report we could see that the company **increased cash flows from investment activities and increased its business revenues in comparison with the 3rd quarter.** From the balance sheet it is visible that the company heavily invested in new machines and equipment which can be a sign of preparations for the upcoming tourist season in Croatia, a season that could be as some experts say a record one. Maistra is looking strong and prepared and its stock has proved that this 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	171,79
Inception Date	14. travanj 2014.
Fund Domicile	Zagreb, Croatia
Reference Benchmark	CROBEX Index

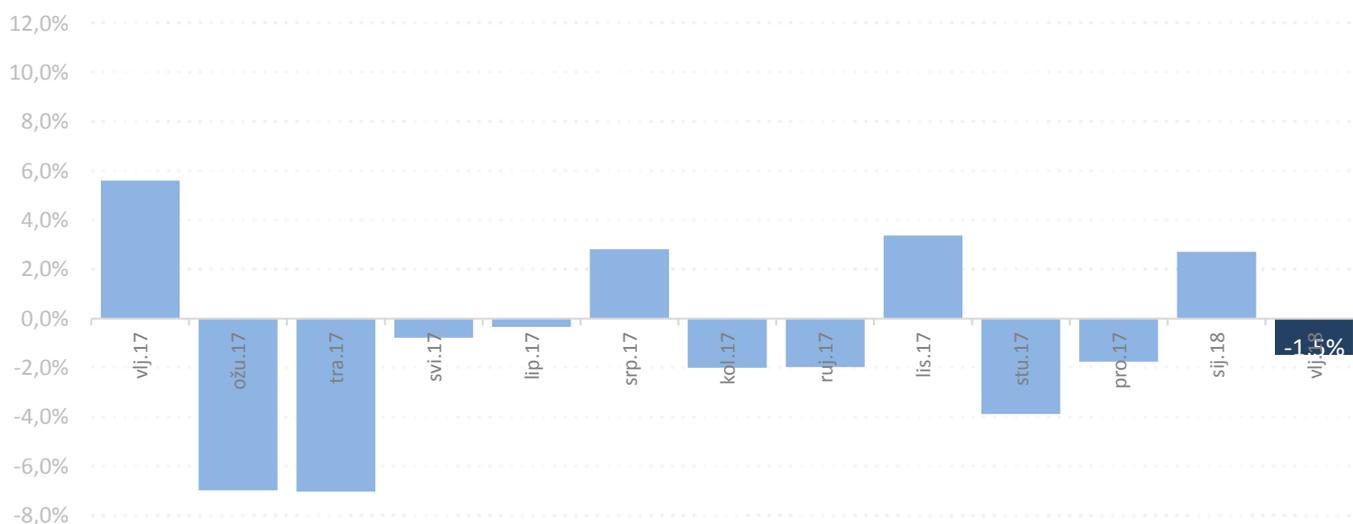
## Return since inception

Price return (net of dividends)	71,79%
Total return (with dividends)	98,29%

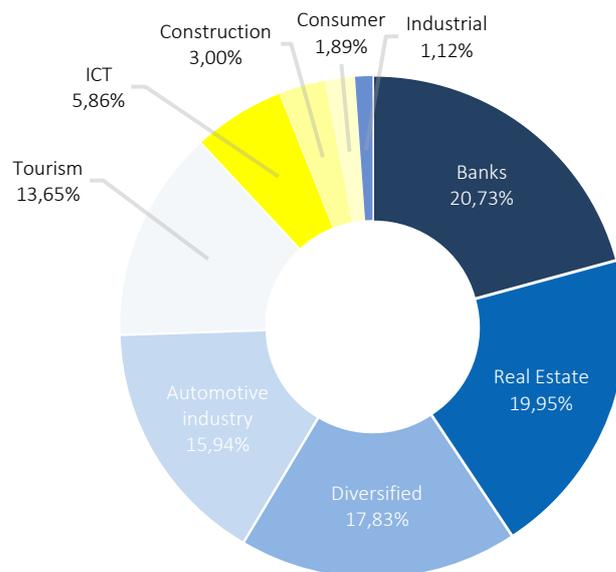
## Top 10 Holdings

Ticker	Company Name	%	Country
ZABA-R-A	Zagrebačka banka d.d.	20,73%	CRO
ATLN-R-A	Excelsa nekretnine d.d.	19,95%	CRO
ADRS-R-A	Adris Grupa d.d.	17,83%	CRO
ADPL-R-A	AD Plastik Grupa d.d.	15,94%	CRO
MAIS-R-A	Maistra d.d.	7,66%	CRO
RIVP-R-A	Valamar riviera d.d.	5,98%	CRO
VIRO-R-A	Viro tvornica šećera d.d.	1,89%	CRO
DLKV-R-A	Dalekovod d.d.	3,00%	CRO
ERNT-R-A	Ericsson Nikola Tesla d.d.	3,55%	CRO
DDJH-R-A	Đuro Đaković Holding d.d.	1,12%	CRO

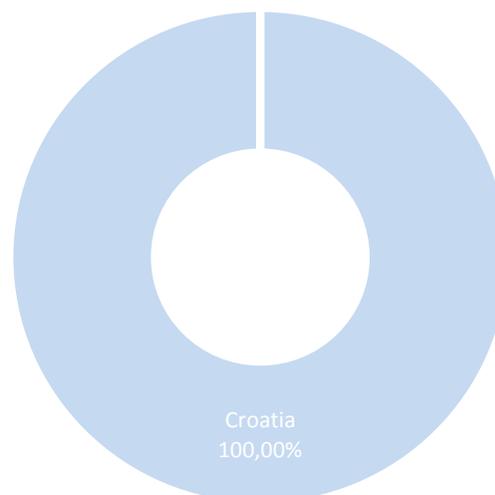
## Monthly Performance (MoM)



## Sector Allocation



## Geographic Allocation



## FK Portfolio Management

### FILIP VRLEC

Head of Portfolio Management  
filip.vrlec@finance.hr

### DOMINIK VUGIĆ-SAKAL

Senior Analyst  
dominik.vugic-sakal@finance.hr

### LJUDEVIT STANTIĆ

Senior Analyst  
ljudevit.stantic@finance.hr

### KARLO JURIC

Analyst  
karlo.juric@finance.hr

### DOMINIK VUKUŠIĆ

Analyst  
dominik.vukusic@finance.hr

### JURICA ŠKEVIN

Analyst  
jurica.skevin@finance.hr

### SARA LONČAREVIĆ

Junior Analyst  
sara.loncarevic@finance.hr

### ANA ŠKRLEC

Junior Analyst  
ana.skrlec@finance.hr

### BRUNO ŠEGOVIĆ

Junior Analyst  
bruno.segovic@finance.hr

### JURE BOROVIĆ

Junior Analyst  
jure.borovac@finance.hr

### FILIP MAČEK

Junior Analyst  
filip.macek@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](http://www.finance.hr)

Financijski klub • [info@finance.hr](mailto:info@finance.hr)

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



### All performance and holdings data as of 28 Feb-18.

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.