

## Market Commentary

The European Commission has revised its winter expectations for the growth of Croatian GDP to 3,1%, which would represent the biggest growth since 2007. The Zagreb stock exchange index, CROBEX has risen 3,2% in February, while the CROBEX10 index rose by 4% which was by itself a confirmation of high expectations and a positive economic climate in Croatia. During the traditional "Business expectations" poll, taken by 403 business owners in Croatia, 2016 was graded 2,64 and the current opinion is that 2017 will be even better, quoting the expected 3% GDP increase as the base for optimism. A wake-up call came in the UHY research, which concluded that direct foreign investment only constitutes for 0,3% of the GDP, while the rest of the world averages 2,2%. Main reasons behind these numbers are huge and slow bureaucracy, no flexibility for investments, and long legal procedures. The unemployment rate is also on the rise, although to be fair, it is 15% less than in the same time last year. The general macroeconomic outlook is positive and is expected to continue through March.

Our Fund outperformed the benchmark once again, growing by 5,6% MoM. Dalekovod d.d. recorded growth of 22%, Viro.d.d. and Maistra d.d. both grew by 16%. The performance of these three companies pushed our Fund's share price to 206,29. This is the highest share price since inception, and is the first time the price is higher than 200.

Our IT company Ericsson Nikola Tesla d.d. recorded strong growth during February in which price per share soared by 11%. The trading month opened with a price of 1.281,99 HRK and ended with a price of 1.428,35 HRK per share. February was also marked

by high liquidity due to a low bid-ask spread which enabled this steady growth. In the meantime, the price reached a two-year high of 1.444 HRK per share. The main reason for this performance lies in the fact that financial statements for Q4/2016 showed excellent results. Furthermore, results for FY2016 gave investors a reason for optimism. Net income rose by 21,2%, sales revenue by 16,7% while basic valuation measures showed positive results compared to last year. Although sales on Croatian market plunged by 8,4%, sales on East European markets, mostly in ex-SSSR countries, skyrocketed by 314,7% which proved that management made good choices and smart investments. Concluding, the ERNT management continues to expand their business by signing contracts for cooperation with the Croatian Ministry of the Interior.

Finally, we have to highlight Viro tvornica šećera d.d. (VIRO-R-A), whose price per share gained 16,1% during February, reaching HRK 489,9, a three-year record high. In the first half of the month, the price per share was stable, with the majority of growth happening in the second half. The reason for this are good news from the Chairman of the Management Board that the production is at the highest level in 26 years and that growth of another 30% is expected in 2017. This is due to a positive outlook for longer term growth because of the suspension of quotas on the production of sugar in the EU in October, after 50 years. The Chairman also expressed expectations about support and cooperation with French Crystal Union group, which bought a 17% stake in Viro last year, through a stronger presence in the global market.

## 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	206,29
Inception Date	14. travanj 2014.
Fund Domicile	Zagreb, Croatia
Reference Benchmark	CROBEX Index

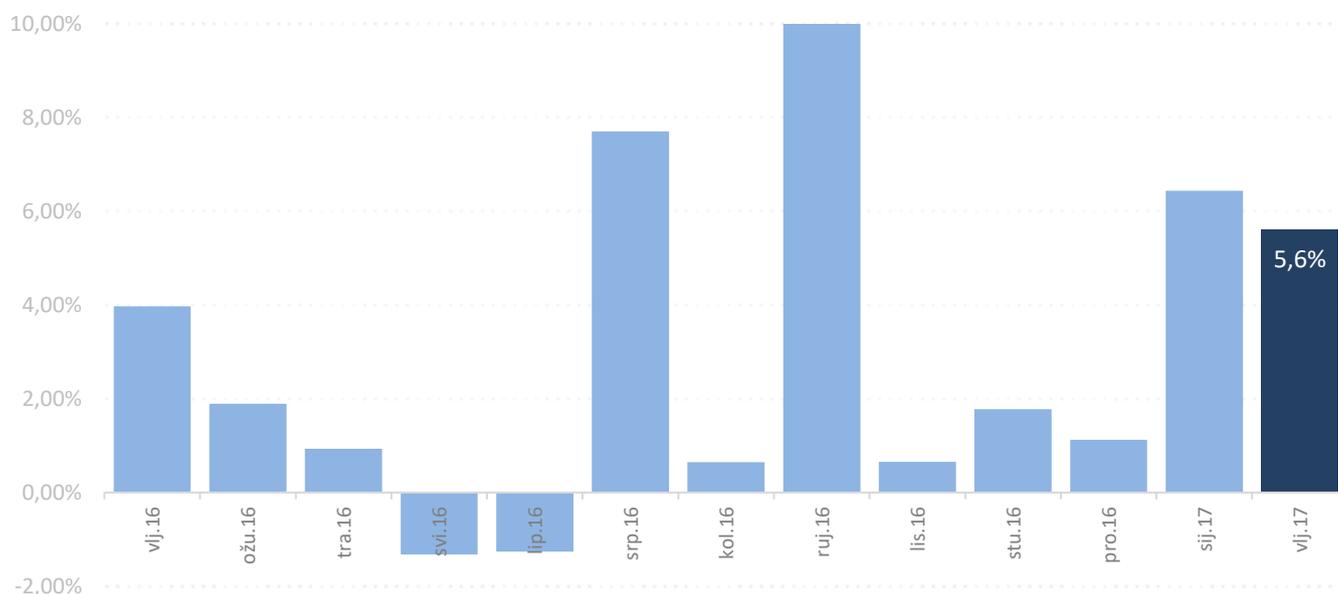
## Return since inception

Price return (net of dividends)	106,29%
Total return (with dividends)	127,33%

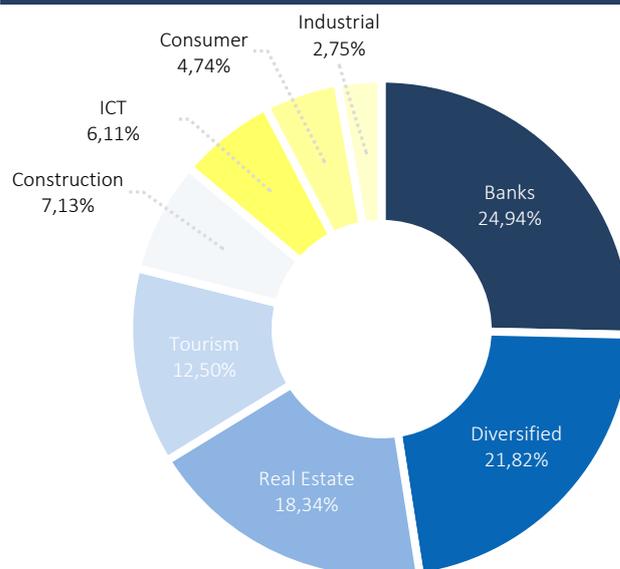
## Top 10 Holdings

Ticker	Company Name	%	Country
ZABA-R-A	Zagrebačka banka d.d.	24,94%	CRO
ADRS-R-A	Adris Grupa d.d.	21,82%	CRO
ATLN-R-A	Excelsa nekretnine d.d.	18,34%	CRO
MAIS-R-A	Maistra d.d.	6,72%	CRO
RIVP-R-A	Valamar riviera d.d.	5,78%	CRO
VIRO-R-A	Viro tvornica šećera d.d.	4,74%	CRO
VDKT-R-A	Viadukt d.d.	3,87%	CRO
ERNT-R-A	Ericsson Nikola Tesla d.d.	3,77%	CRO
DLKV-R-A	Dalekovod d.d.	3,26%	CRO
DDJH-R-A	Đuro Đaković Holding d.d.	2,75%	CRO

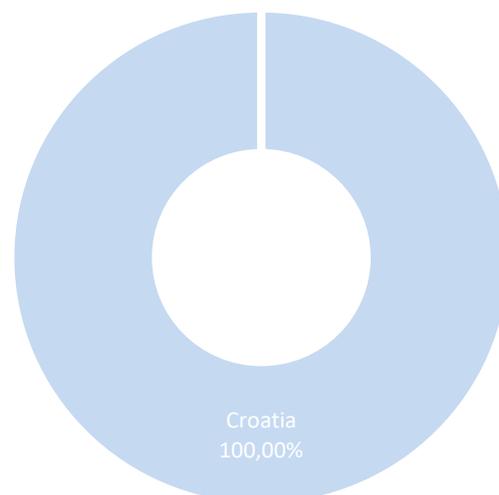
## Monthly Performance (MoM)



## Sector Allocation



## Geographic Allocation



### JURAJ OREHOVEC

Head of Portfolio Management  
juraj.orehovec@finance.hr

### FILIP VRLEC

Senior Analyst  
filip.vrlec@finance.hr

### DOMINIK VUGIĆ-SAKAL

Junior Analyst  
dominik.vugic-sakal@finance.hr

### MARKO JELČIĆ

Junior Analyst  
marko.jelcic@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-17.**

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