

Market Commentary

While world stock exchanges reached record highs, primarily US stock market indexes, which are at the highest levels, the Croatian stock exchange index, CROBEX grew by 3.7% and is far from a significant recovery. US economy grew by 3% in the Q3 while Amazon, Microsoft and Alphabet smashed forecasts and sent NASDAQ to new record high. At the same time, the Fed did not raise its benchmark interest rate from its current 1% to 1.25% target, but indicated that one more hike is likely this year. Officials also projected one rate hike less than initially forecasted between now and 2019. The World Bank held its assessment of the growth of the Croatian economy this year at 2.9% and also said that risks to the economy are moderate. The additional risks are posed by a still high level of indebtedness of the private sector, the Agrokor crisis, and public debt. The Agrokor crisis and uncertainty still affect Croatian stock market, job positions in Agrokor Group companies are no longer remotely secure, while the whole agriculture and food industry are endangered as well. Although biggest companies in Croatia reported strong third quarter, which showed steady growth, investors are still cautious.

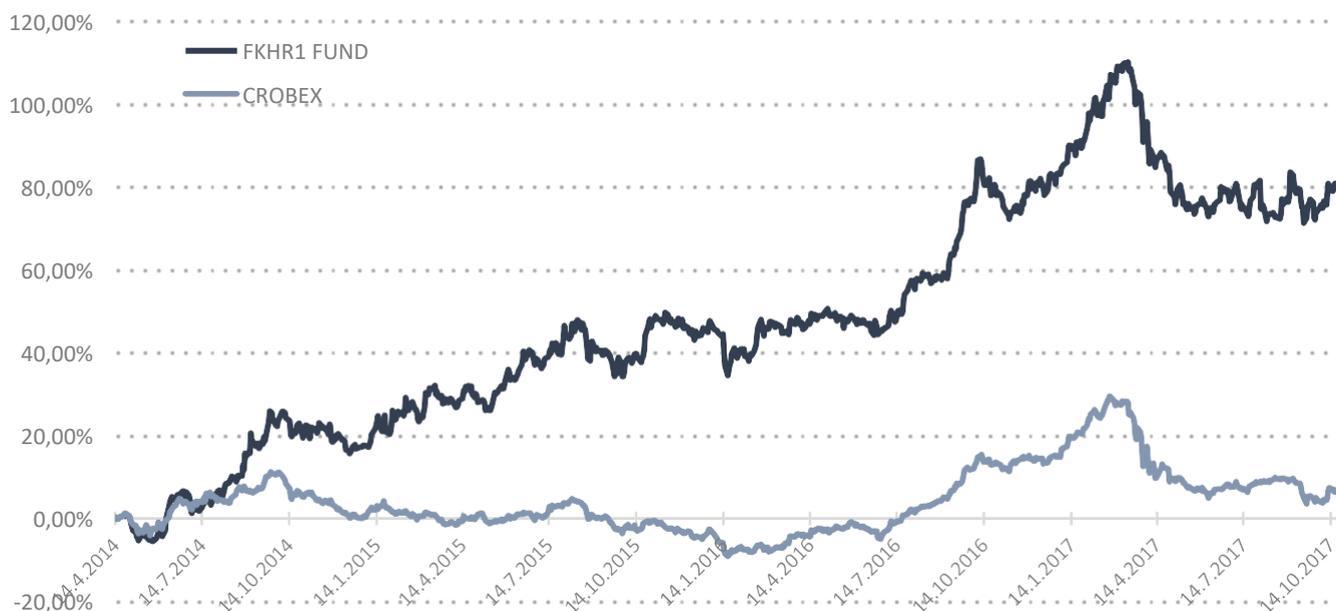
After two months our Fund regained positive trend. During October Fund rose by 3.5% which is roughly the same as our benchmark, CROBEX index. Zagrebačka banka d.d. was the best stock this month marking 5% growth in price per share, while Viadukt d.d. lost 81% of its price and is the most affected by Agrokor crisis.

The Zagreb Stock Exchange decided to remove the VDKT stock from its listed names of companies that are trading on it. The last day of trading for the VDKT stock will officially be November 24th this year. The month started badly when the Commercial Court brought a resolvent decision over the debtor company Viadukt

Grupa and opened a bankruptcy procedure. After the ZSE decided to remove the stock from its listings on 26th of October, the stock soared by 68.43%. The stock ended the month trading at the all-time low since its listing. There is yet to see what is going to happen with this civil engineering firm, but the company announced in its annual report that their revenues fell by 82.3% since last year. Also, the company said in a statement that they will sue Croatian government and that they will start the arbitrage process because of the bridge Čiovo in Croatia. The government decided to break the contract with Viadukt d.d. for unknown reasons and employed an Austrian contractor.

Hrvatski Telekom d.d. reported a stable month in which price per share slipped by 1,49%, mostly due to concerns about Agrokor and overall pessimism of Croatian investors. In the third quarter of this year, HT was encouraged with the accelerated revenue growth. Total consolidated revenues increased by 11.6% compared with the same period in 2016, but if we exclude Montenegro Telecom, the revenues grew by 2.4%. Furthermore, if we exclude H1 telecom influence, the revenues grew only by 2.1%. In line with these results, capital investments were increased by 28%, but also mobile network speed became 47% faster. Recently H1 telecom became the part of Optima telecom, which is under control of HT for a limited period of time. The control is supervised by AZTN and HAKOM. Judging by these growth results and HT reputation, it is expected to justify its portfolio position in the future.

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	179,87
Inception Date	14. travanj 2014.
Fund Domicile	Zagreb, Croatia
Reference Benchmark	CROBEX Index

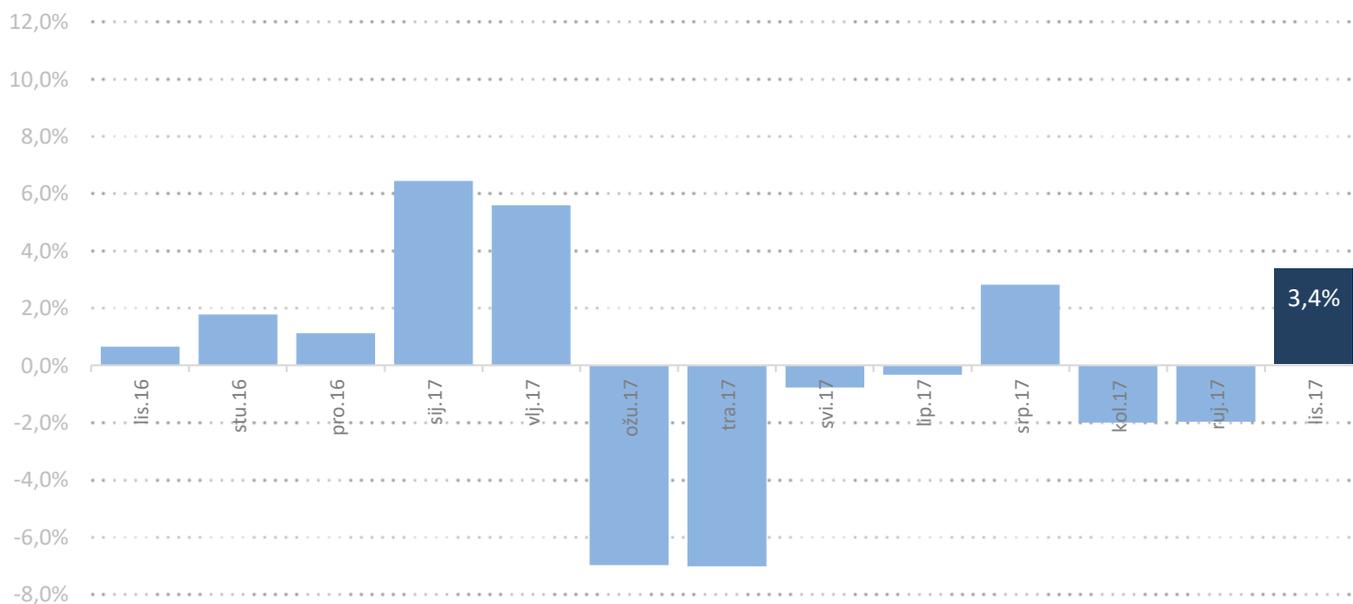
Return since inception

Price return (net of dividends)	79,87%
Total return (with dividends)	107,22%

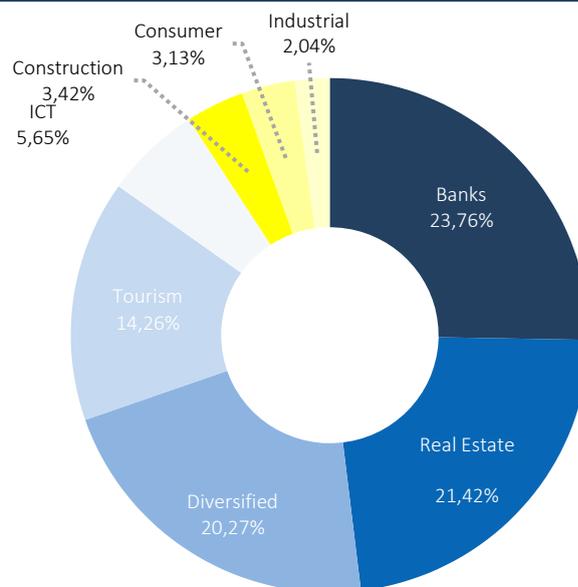
Top 10 Holdings

Ticker	Company Name	%	Country
ZABA-R-A	Zagrebačka banka d.d.	23,76%	CRO
ATLN-R-A	Excelsa nekretnine d.d.	21,42%	CRO
ADRS-R-A	Adris Grupa d.d.	20,27%	CRO
MAIS-R-A	Maistra d.d.	8,02%	CRO
RIVP-R-A	Valamar riviera d.d.	6,24%	CRO
DLKV-R-A	Dalekovod d.d.	3,40%	CRO
ERNT-R-A	Ericsson Nikola Tesla d.d.	3,31%	CRO
VIRO-R-A	Viro tvornica šećera d.d.	3,13%	CRO
HT-R-A	Hrvatski Telekom d.d.	2,34%	CRO
DDJH-R-A	Đuro Đaković Holding d.d.	2,04%	CRO

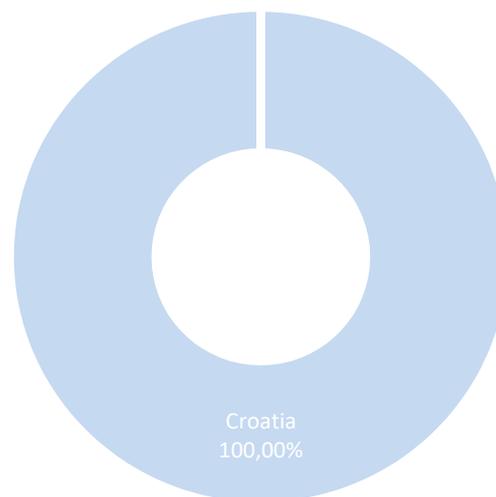
Monthly Performance (MoM)



Sector Allocation



Geographic Allocation



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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-Oct-17.

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