



**STK FINANCIAL**  
Societate de Administrare a Investițiilor

## **Board of Directors Report** 1<sup>st</sup> Quarter 2018

**STK Emergent**



Interim report in accordance with the **Law no. 24/2017, C.N.V.M.'s Regulation no. 1/2006, C.N.V.M.'s Regulation no. 15/2004, ASF's Norm no. 39/2015**

Date of the report: **05/15/2018**

Name of the issuer: **STK EMERGENT Investment Fund managed by STK FINANCIAL SAI**

Headquarters: **Cluj-Napoca, Heltai Gaspar street no. 29**

Telephone number: **0264 591 982**

Subscribed and paid-in share capital: **RON 121,950,600**

The regulated market on which the issued securities are traded: **The Bucharest Stock Exchange**

The financial statements for the first quarter of 2018 have been prepared in accordance with the Financial Supervisory Authority (ASF) Norm no. 39/2015 for the approval of the Accounting Regulations pursuant to the International Financial Reporting Standards (IFRS), applicable to entities authorized, regulated and supervised by the ASF in the Sector of Financial and Investment Instruments. The financial statements of STK Emergent fund have not been consolidated. The financial statements as of 03/31/2018 have not been audited.

## 1. Financial – accounting position

The Fund's Statement of Financial Position as of 03/31/2018 compared with 12/31/2017 is as follows:

	-RON-				
In accordance with IFRS:	03/31/2018	(%)	12/31/2017	(%)	Chg (%)
Financial investments available-for-sale	29,129,895	44.0%	28,399,150	42.0%	2.6%
Securities at fair value through profit or loss (held for trading)	24,600,446	37.1%	29,063,602	43.0%	-15.4%
Cash and cash equivalents	12,536,343	18.9%	10,079,681	14.9%	24.4%
<b>TOTAL ASSETS</b>	<b>66,266,683</b>	<b>100.0%</b>	<b>67,542,433</b>	<b>100.0%</b>	<b>-1.9%</b>
Current liabilities	308,794	0.5%	321,546	0.5%	-4.0%
Equity	65,957,890	99.5%	67,220,887	99.5%	-1.9%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>66,266,683</b>	<b>100.0%</b>	<b>67,542,433</b>	<b>100.0%</b>	<b>-1.9%</b>

In accordance with the the IFRS, the Fund's portfolio is classified into Financial assets available-for-sale and Securities at fair value through profit or loss (held for trading). The financial assets included in the Financial investments available-for-sale category are measured at book value, adjusted for the fair value of these companies's assets, with the positive or negative difference being included directly in equity, through other comprehensive income.



The Securities at fair value through profit or loss (held for trading) are measured at fair value, with the positive or negative difference being recognized in the income statement.

In the first three months of the year, the Fund maintained its exposure to oil and gas companies` shares, as the oil sector remains undervalued compared to the rest of the economic sectors, indicating a potential of overperformance in the next period. Moreover, the regression model that reflects the historical evolution of the oil prices relative to the global crude oil demand and supply, indicates an equilibrium price of 81\$/barrel, representing a 25% upside against the oil price at the end of the first quarter.

The reduction of securities at fair value through profit or loss, coupled with the increase in cash, was due to the partial sale of the investments in March, in order to mitigate the risk of market corrections. In the last two months of the first quarter, mature financial markets averaged a 6.45% decline, amid fears of inflation and possible raises of interest rates, as well as tensions between the US and China, which spread across the rest of European markets.

The Fund's equity decreased by 1.9% in the first quarter of the year, as a result of the incorporation of the result for the period of RON -1.99 million. The increase in the value of available for sale assets generated a growth in reserves and, implicitly, had a positive effect on equity, slightly reducing the unfavorable effect of the market volatility in the first three months of the year. The breakdown of the Fund`s equity is shown in the table below:

-RON-

<b>In accordance with IFRS:</b>	<b>03/31.2018</b>	<b>12/31/2017</b>
Capital on fund units	121,950,600	121,950,600
Issue premiums	10,003,133	10,003,133
Reserves*	3,534,796	2,804,050
Retained earnings on transition to IFRS	(32,498,316)	(32,498,316)
Retained earnings	(35,038,581)	(35,130,926)
Result for the period**	(1,993,742)	92,346
<b>Total Equity</b>	<b>65,957,890</b>	<b>67,220,887</b>

\*according to IFRS, the Reserves include the positive/negative differences arising from revaluation of Financial investments available for sale

\*\* under IFRS, the Result for the period includes the positive/negative differences arising from the revaluation of Securities at fair value through profit or loss (held for trading)



The financial performance of the fund as of 03/31/2017 compared to the same period of the last year is as follow:

-RON-

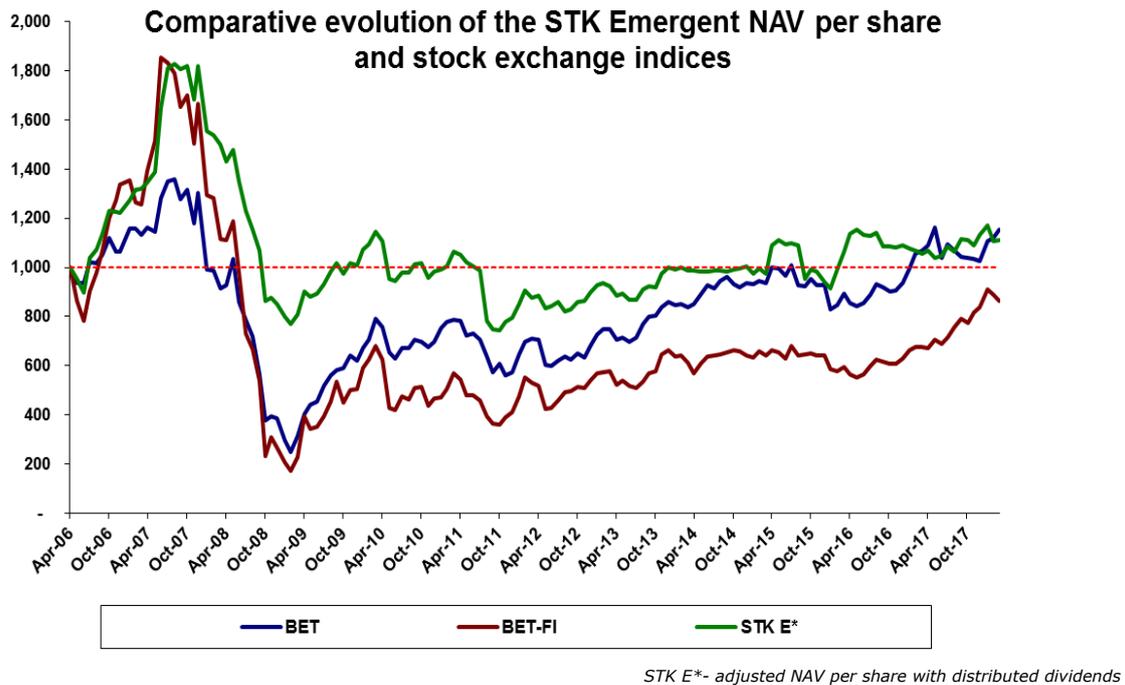
<b>In accordance with IFRS:</b>	<b>Q1 2018</b> <i>3 months</i>	<b>Q1 2017</b> <i>3 months</i>	<b>Chg (%)</b>
Interest income	2,263	6,019	-62.4%
Net gain from foreign exchange differences	328,762	-	N.A.
<b>Total Net Revenue</b>	<b>331,025</b>	<b>6,019</b>	<b>5399.7%</b>
Net loss on financial instruments traded or held for trading at fair value through profit or loss	1,744,282	1,417,383	23.1%
Management fees, bank charges, fees	580,485	758,301	-23.4%
Net loss from foreign exchange differences	-	105,467	N.A.
<b>Total Net Expenses</b>	<b>2,324,767</b>	<b>2,281,150</b>	<b>1.9%</b>
<b>Net Loss for the year</b>	<b>-1,993,742</b>	<b>-2,275,131</b>	<b>-12.4%</b>

The total net revenues of the Fund in the first three months of 2018 amounted to RON 0.331 million, compared to RON 0.006 million in the same period of the previous year, mainly consisting of net gains from foreign exchange differences, with a small portion consisting of interest income. During this period, the Fund recorded a net loss on financial instruments traded or held for trading at fair value through profit or loss of RON 1.74 million, but management fees, bank charges, and other fees were reduced by 23.4%.

The Fund's operational activity in the first quarter of 2018 resulted in a net loss of RON 1.99 million, 12.4% lower than the one recorded in the first quarter of 2017.

## 2. Analysis of STK Emergent activity

At the end of March, the net asset value per share was RON 108.20, compared to the net asset value per share at the end of 2017 of RON 110.28, registering a decrease of 1.89%. From launch to 03/30/2018, the net asset value per share registered a positive variation of 11.49%, while during the same period the BET-FI index declined by 12.18% and the BET index increased by 16.79%.



**The net asset structure** at 03/30/2018 compared to the end of 2017 is as follows:

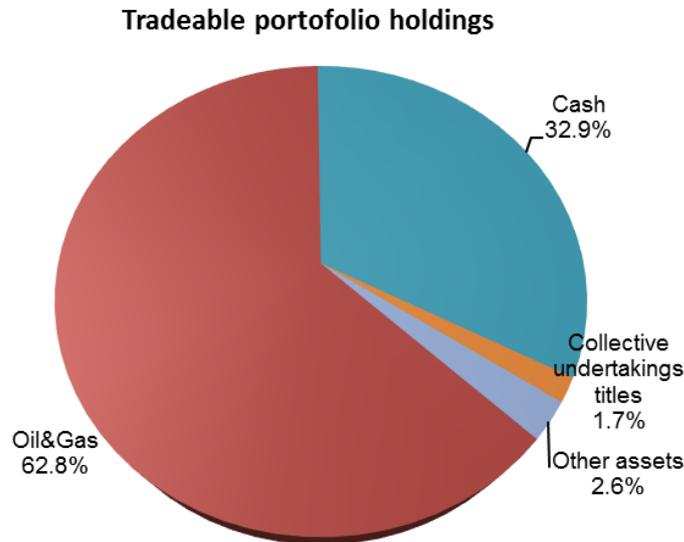
-RON-

	03/30/2018	12/29/2017
Unlisted shares	28,119,767	28,119,767
Tradeable shares portfolio	38,146,970	39,422,644
<i>Shares</i>	24,975,574	28,710,984
<i>Cash</i>	12,536,396	10,079,659
<i>Other assets</i>	635,000	632,000
<b>Total assets</b>	<b>66,266,737</b>	<b>67,542,411</b>
Liabilities	294,244	301,680
<b>Net assets</b>	<b>65,972,492</b>	<b>67,240,731</b>
NAV per share	108.20	110.28

The tradeable shares portfolio represents 57.8% of the total net assets at the end of the first quarter. The Fund's net assets decreased by 1.9%, from RON 67.24 million at the end of 2017 to RON 65.97 million at the end of March 2018, reflecting an average evolution of the shares' prices included in the portfolio.



The structure of the tradeable portfolio holdings as of 03/30/2018 is presented in the chart below:



At the end of March 2018, about 62.8% of the trading portfolio is composed of shares belonging to the oil & gas companies, while cash represents 32.9% of the total portfolio.

### 3. Events with significant impact on the Fund`s performance

Factors that influenced the company`s activity and results in the first three months of the year:

- *External factors*

- In the first quarter of this year, the price of oil rose from \$ 60.09 a barrel (at the end of 2017) to \$ 64.88 a barrel (at the end of March 2018), driven by rises/falls in US crude inventories and market expectations on their variations, the tensions in the Middle East and the the high level of compliance with the OPEC agreement to curtail production;
- In the first meeting of its Monetary Policy Committee in February 2018, the Bank of England left interest rates unchanged at 0.5%;
- Also, the Bank of England expects UK GDP to expand by 1.7% in 2018 (compared to a previous forecast of 1.5%) and by 1.8% in 2019 (compared to 1.7% previous forecasted);
- US Federal Reserve decided at the March meeting to raise the Fed funds rate to 1.75 percent, amid consolidation of the labor market and growth in economic activity;



- The US decide to impose a 25% tariffs on steel imports and 10% tariffs on aluminum, but also the possibility to impose commercial sanctions against China for intellectual property theft;

- ***Internal factors***

- The extremely low liquidity of the Bucharest Stock Exchange, the low volume of transactions, making the Romanian capital market one of the last places in Eastern Europe to this end.

Attached to this report are:

Statement of Financial Position as of 03/31/2018

Statement of Profit/Loss as of 03/31/2018

Notes to the Financial Statements

**Chairman of the Board,  
PASCU Nicolae**

**Chartered Accountant,  
OPREAN Victor-Bogdan**