



**STK FINANCIAL**  
Societate de Administrare a Investițiilor

# **Annual Report**

## **STK Emergent Investment Fund**

For the fiscal year 2017

In accordance with the Annex 32 from the CNVM's Regulation no. 1/2006

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**STK FINANCIAL Societate de Administrare a Investițiilor SA**

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Operator date cu caracter personal nr. 30711, Decizia CNVM nr. 2731/05.10.2005,  
Nr. Reg. A.S.F. PJR05SAIR/120017, CIF: 17772595, J12/2600/2005, Capital social: 913.724 lei



The annual report in accordance with: **Law No 297/2004 and C.N.V.M.'s Regulation No 1/2006**

For fiscal year: **2017**

Date of the report: **03/15/2018**

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

Headquarters: **Cluj-Napoca, 29 Heltai Gaspar street**

Telephone number: **0264 591 982**

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

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

The main characteristics of the securities issued by STK Emergent: **609,753 fund units, nominative, dematerialized, par value: RON 200 per fund unit**

## 1. Analysis of the company's activity

### 1.1 a) Description of the company's main activity

STK Emergent was incorporated as a civil society without legal personality that privately raised financial resources and fell into the category of other collective investment undertakings with a permissive investment policy. In November 2007, the fund was transformed from a closed-end investment fund that privately raises resources, into one that raises resources publicly.

### b) Specification of the establishment date of the company

STK Emergent was set up at the initiative of the STK FINANCIAL S.A. Asset Management Company and has an unlimited duration. The closed-end investment fund STK Emergent was established through a private offering running between 03/20/2006 – 04/20/2006. The Fund is registered at the Financial Supervisory Authority (A.S.F.) under No CSC08FIIR/120004.

### c) Description of any significant merger or reorganization of the company, its subsidiaries or companies controlled during the financial year

N/a.

### d) Description of acquisitions and/or disposal of assets

The Fund has only financial assets. Compared to the end of 2016, the situation of the Fund's assets is as follows:

|  | -RON-             |                   |                   |
|--|-------------------|-------------------|-------------------|
| In accordance with IFRS:   | 2017              | 2016              | Change ('17-'16)  |
| <b>Non current assets</b>  |                   |                   |                   |
| Financial assets available for sale                                | 28,399,150        | 25,096,542        | 3,302,608         |
| Financial assets at fair value through profit or loss              | 0                 | 532,630           | -532,630          |
| <b>Current assets</b>  |                   |                   |                   |
| Securities at fair value through profit or loss (held for trading) | 29,063,602        | 11,180,775        | 17,882,827        |
| Cash and cash equivalents  | 10,079,681        | 34,439,479        | -24,359,798       |
| <b>Total Assets</b>  | <b>67,542,433</b> | <b>71,249,426</b> | <b>-3,706,993</b> |



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

The increase of securities at fair value through profit or loss by RON 17.88 million compared to the end of 2016 was due to the increase in the exposure to the companies belonging to the oil sector, the cash decreasing by RON 24.36 million. During 2017, the Fund paid dividends in the amount of approximately RON 5.81 million, which led to the decrease in total assets.

## e) Description of the main results of the company's activity valuation

### 1.1.1 General valuation elements

The evolution of revenues and expenses for 2016 and 2017 is as follows:

| In accordance with IFRS:          | 2017          | 2016             | -RON-<br>Change<br>(17-'16) |
|-----------------------------------|---------------|------------------|-----------------------------|
| Revenues                          | 2,705,766     | 16,599,404       | -13,893,638                 |
| Expenses                          | 2,613,420     | 6,736,621        | -4,123,201                  |
| <b>Profit/(Loss) for the year</b> | <b>92,346</b> | <b>9,862,783</b> | <b>-9,770,437</b>           |

### Fund's profit, income and costs

In accordance with IFRS, the Fund realised a net profit de RON 92,346 in 2017, which was mainly influenced by the evolution of the oil and mining companies that the Fund invested in, the net gain from these investments being RON 2.44 million.

The portfolio holdings during the year produced dividends amounting to RON 260,268 up from RON 49,500 while the foreign exchange differences resulted in a net loss of RON 53,319 during 2017, which is significantly lower than the net loss registered in the previous year (2016: RON 4,055,352), due to depreciation of the pound sterling by 0.8% compared to the national currency (2016: depreciation of 16%), the vast majority of the investments being made in securities traded in pounds.

### Export

N/a.

### Market share

At the end of 2017, STK Emergent had a market share of 9.55% of the closed-end funds market from Romania, according to statistics provided by the Association of Fund Managers from Romania (<http://www.aaf.ro/fonduri-inchise/>).

### Liquidity

The amount of cash and cash equivalents (deposits and current accounts) of the fund at December 31, 2017 is RON 10,079,681.



### 1.1.2 Assessing the technical level of the company

N/a..

### 1.1.3 The assessment of the technical and material supply activity

N/a..

### 1.1.4 Assessing the sale activity

N/a..

### 1.1.5 The assessment of employee/company staff issues

N/a..

### 1.1.6 Assessing issues related to the impact of the issuer`s core business on the environment

N/a..

### 1.1.7 Research and development activity

N/a..

### 1.1.8 Company`s risk management activity

#### a) Market risk

The return of a stock in a period of time is influenced by the market return. This has a significant effect on the result of the Fund's investing activity.

In order to estimate the market risk we use the annualized synthetic risk and return indicator (SRRI), which computes the volatility using the 5 previous years' weekly returns. This volatility is computed and reconfigured using the following formula:

$$\sigma = \sqrt{\frac{m}{T-1} \sum_{t=1}^T (R_t - \bar{R})^2}$$

where the registered returns correspond to a number of  $T$  independent periods ( $T=260$  weeks) for an interval of  $1/m$  years ( $m = 52$  weeks), and  $\bar{R}$  is the mean arithmetic return over  $T$  periods.;

The SRRI indicator is computed for each security in the collective investment undertaking. Also, the annualized SRRI indicator is computed at the portfolio level using the following formula:

$$\sigma_p = \sqrt{52 \cdot v_p \cdot M_p \cdot v_p^T}$$

where:

$\sigma_p$  is the annualized SRRI for the portfolio;

$v_p$  is a vector with 1 row and  $n$  columns, where  $n$  is the number of securities in the portfolio, each element of the vector being equal to the variance for that security multiplied by the weight of that security in the portfolio;



$M_p$  is the correlation matrix for the returns of the securities, having  $n$  rows and  $n$  columns, where  $n$  is the number of securities in the portfolio.

For stocks and investments in other funds which are unlisted or do not have a sufficient trading history the BET index is used as a proxy in the computation of the SRRI indicator for Romanian securities, and the STOXX 600 Europe index for European securities.

The risk profile classification is done according to the following table containing SRRI volatility intervals, each interval having a correspondent risk class.

| Risk class | Volatility intervals  |           |
|------------|-----------------------|-----------|
|            | Equal or greater than | Less than |
| 1          | 0.00%                 | 0.50%     |
| 2          | 0.50%                 | 2.00%     |
| 3          | 2.00%                 | 5.00%     |
| 4          | 5.00%                 | 10.00%    |
| 5          | 10.00%                | 15.00%    |
| 6          | 15.00%                | 25.00%    |
| 7          | 25.00%                |           |

| 12/31/2017                        | SRRI Indicator | 12/31/2016                        | SRRI Indicator |
|-----------------------------------|----------------|-----------------------------------|----------------|
| <b>Listed stocks (portfolio)</b>  | <b>36.05%</b>  | <b>Listed stocks (portfolio)</b>  | <b>32.18%</b>  |
| Vedanta Resources PLC             | 56.51%         | Genel Energy PLC                  | 20.94%         |
| Premier Oil PLC                   | 69.42%         | Premier Oil PLC                   | 65.78%         |
| Tullow Oil PLC                    | 52.59%         | Tullow Oil PLC                    | 49.09%         |
| Ophir Energy PLC                  | 20.38%         | Ophir Energy PLC                  | 20.94%         |
| EnQuest PLC                       | 20.38%         | E.On Se Na                        | 29.56%         |
| Cairn Energy PLC                  | 35.06%         | S.S.I.F. BROKER S.A               | 27.87%         |
| Eramet SA                         | 52.72%         | ARMĂTURA S.A. CLUJ-NAPOCA         | 77.68%         |
| Vallourec SA                      | 60.48%         | CONSTRUCȚII BIHOR S.A. ORADEA     | 14.28%         |
| Nostrum Oil&Gas PLC               | 20.38%         |                                   |                |
| CONSTRUCTII BIHOR S.A. ORADEA     | 12.45%         |                                   |                |
| <b>Unlisted stocks</b>            |                | <b>Unlisted stocks</b>            |                |
| STK PROPERTIES S.A.               | 12.45%         | STK PROPERTIES S.A.               | 14.28%         |
| EMERGENT REAL ESTATE              | 12.45%         | EMERGENT REAL ESTATE              | 14.28%         |
| <b>Investments in other funds</b> |                | <b>Investments in other funds</b> |                |
| FII BET-FI INDEX INVEST           | 12.45%         | FII BET-FI INDEX INVEST           | 14.28%         |



### b) Sensitivity analysis

In order to determine the effect of the market risk on the net asset value, a sensitivity analysis is performed, in which the total value of the securities varies between -30% and +30% compared to the value at the reference date, the value of cash and bank deposits being held constant.

| Sensitivity analysis 12/31/2017 |                          |                   |                   |                   |                   |                   |                   |
|---------------------------------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                 |                          | -30%              | -20%              | -10%              | 10%               | 20%               | 30%               |
|                                 | <b>Total value (RON)</b> |                   |                   |                   |                   |                   |                   |
| Securities                      | 57,462,752               | 40,223,926        | 45,970,201        | 51,716,476        | 63,209,027        | 68,955,302        | 74,701,577        |
| Current accounts                | 4,331,889                | 4,331,889         | 4,331,889         | 4,331,889         | 4,331,889         | 4,331,889         | 4,331,889         |
| Bank deposits                   | 5,747,792                | 5,747,792         | 5,747,792         | 5,747,792         | 5,747,792         | 5,747,792         | 5,747,792         |
| Other assets                    | 1                        | 1                 | 1                 | 1                 | 1                 | 1                 | 1                 |
| <b>TOTAL ASSETS</b>             | <b>67,542,433</b>        | <b>50,303,608</b> | <b>56,049,883</b> | <b>61,796,158</b> | <b>73,288,708</b> | <b>79,034,983</b> | <b>84,781,259</b> |
| <b>TOTAL DEBT</b>               | <b>311,880</b>           | <b>311,880</b>    | <b>311,880</b>    | <b>311,880</b>    | <b>311,880</b>    | <b>311,880</b>    | <b>311,880</b>    |
| <b>NET ASSETS</b>               | <b>67,230,554</b>        | <b>49,991,728</b> | <b>55,738,003</b> | <b>61,484,278</b> | <b>72,976,829</b> | <b>78,723,104</b> | <b>84,469,379</b> |
|                                 |                          | -26%              | -17%              | -9%               | 9%                | 17%               | 26%               |

\*For the sensitivity analysis performed on 12/31/2017, the net asset was calculated according to the asset valuation rules set out in Regulation 9/2014 and certified by the depository.

### c) Credit risk

Bellow is presented the credit rating of the banks where the deposits are or cash is held in current accounts, and the exposure concentration for each bank is calculated as a percentage of the total exposure as of 12/31/2017.

| Bank                       | Rating | Cash held in current accounts (RON) | Bank deposits    | Total exposure    | Concentration |
|----------------------------|--------|-------------------------------------|------------------|-------------------|---------------|
| Banca Transilvania         | BB     | 7,327                               |                  | 7,327             | 0.07%         |
| BRD                        | BBB+   | 4,303,459                           | 5,747,792        | 10,051,251        | 99.72%        |
| Banca Comercială Feroviară | n.a.   | 20,994                              |                  | 20,994            | 0.21%         |
| Raiffeissen Bank           | BB+    | 109                                 |                  | 109               | 0.00%         |
| <b>Total</b>               |        | <b>4,331,889</b>                    | <b>5,747,792</b> | <b>10,079,681</b> |               |

### d) Liquidity risk

The STK Emergent fund is an exchange listed closed-end fund, the trading of fund units being possible at all times during the trading hours, due to this fact this fund does not have a table containing the settlement dates for the subscription or repurchase of the fund units.



The liquidity risk management is performed globally, by monitoring the liquidity risk limits according to the following criteria:

The adherence to the following risk limit is being monitored:

Current exposure/Current liquidity < 3.5, where:

*Current exposure* = total value of net assets from which the total amount of the assets with limited liquidity is eliminated

*Current liquidity* = Current liquidity of listed securities + Current liquidity of unlisted securities + Current liquidity of derivatives + Current liquidity of deposits + Cash

Current liquidity of listed securities = the sum of the average daily trading value over the past 3 months for all quoted shares held in the portfolio

Current liquidity of unlisted securities = 0

Current liquidity of deposits = the total value of the deposits at the reference date.

|  | 12/31/2017         |
|--|--------------------|
| <b>Current liquidity for listed stocks</b> | <b>375,041,704</b> |
| <b>Net assets</b>                          | <b>67,230,554</b>  |
| <b>Assets with limited liquidity</b>       | <b>29,031,150</b>  |
| <b>Current exposure</b>                    | <b>38,199,404</b>  |
| <b>Current exposure/Current liquidity</b>  | <b>0.10</b>        |

On December 31, 2017, the Current exposure/ Current liquidity indicator was 0.10, which is within the permissible liquidity limit, the shares held being sufficiently liquid to be sold in a short time.

### 1.1.9 Perspective elements regarding the company's activity

- a) Presentation and analysis of trends, events or uncertainties affecting or likely to affect the liquidity of the company as compared to the same period of the previous year

The main strategy of the Fund is to invest in undervalued securities, which have underperformed the market in the last period. Currently, the main sector of interest is the oil sector, as the market undervalues the companies in this sector compared to the values obtained by discounting future cash flows.

The strategy is subject to market risk because the bottom prices are quite difficult to identify. According to our studies, long-term investments in undervalued companies generate yields above the market average, but there is also a risk of short-term underperformance (for up to 1-2 years). Nevertheless, underperformance indicates the chance for the security or the sector to generate higher returns, with a favorable ratio between expected return and assumed risk.

- b) Presentation and analysis of the effects of current and anticipated capital expenditures on the financial position of the company compared to the same period last year

It is not the case, because the fund does not record capital expenditures due to its object of activity.



- c) Presentation and analysis of the events, transactions and economic changes that significantly affect earnings from core business

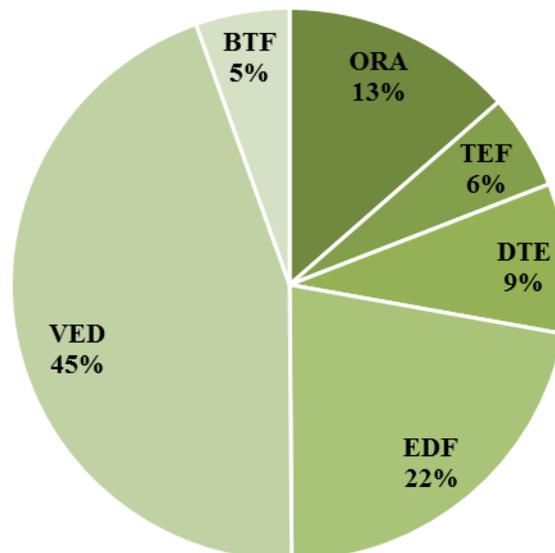
All the revenues of STK Emergent come from the core business. The revenue structure differs from one fiscal year to another, depending on the evolution of the capital market.

| In accordance with IFRS:   | -RON-            |               |                   |               |               |
|--|------------------|---------------|-------------------|---------------|---------------|
|  | 2017             | (%)           | 2016              | (%)           | 2017 vs 2016  |
| <b>Total Revenues</b>  | <b>2,705,766</b> | <b>100.0%</b> | <b>16,599,404</b> | <b>100.0%</b> | <b>-83.7%</b> |
| Net gains on financial assets at fair value through profit or loss | 2,435,693        | 90.0%         | 16,520,637        | 99.5%         | -85.3%        |
| Dividend income  | 260,268          | 9.6%          | 49,500            | 0.3%          | 425.8%        |
| Interest income  | 9,805            | 0.4%          | 29,267            | 0.2%          | -66.5%        |

Net gains on financial assets at fair value through profit or loss amounted to RON 2.44 million in 2017, down from the previous year 2016, reflecting the evolution of the oil sector, the vast majority of the Fund's investments during 2017 was in shares of companies belonging to this sector. As a percentage of total revenues, the net gains from the financial assets represent 90.0%, the difference being represented by dividend and interest income.

The structure of dividend income (according to IFRS) is presented in the chart below:

**Dividend income, 2017**



The holdings in the tradable portfolio in the year 2017 generated dividend income in the amount of RON 260,268 up from RON 49,500 in 2016. About 45% of the dividends received in 2017 were distributed by Vedanta PLC, a company from the mining sector.



## 2. Fund`s tangible assets

STK Emergent does not own tangible assets. The investment in such assets is not included in the Fund`s prospectus.

## 3. The stock exchange of the securities issued by STK Emergent

### The specification of the market on which the securities are traded

Fund units issued by STK Emergent are traded on the Bucharest Stock Exchange starting with September 22, 2008. On December 30, 2016, 609,753 fund units with a nominal value of RON 200 were in circulation.

The value of transactions with STK Emergent units in 2017 was RON 6.62 milioane; on December 31 2017, the Fund`s market capitalization was RON 30.06 milioane.

### Dividend policy

The dividend policy is governed by the Incorporation Agreement (Contract de Societate Civilă) of the STK Emergent.

### Dividend policy for the past 3 years

In 2015 and 2016, the Fund did not distribute dividends. From the 2016 profit, the Fund distributed a gross dividend of RON 10/fund unit and paid dividends in the amount of RON 5.81 million.

### Description of any acquisition activities of its own fund units

STK Emergent has not redeemed its own fund units.

STK Properties SA, a 99.99% company owned by STK Emergent, has no fund units on December 31, 2017.

Emergent Real Estate SA, a 99.99% company owned by STK Emergent, had 117,016 fund units on December 31, 2017.

### The way in which the fund pays its debt obligations to the holders of debt securities

*N/a.*

## 4. The management of the STK Emergent Fund

### 4.1 Fund administrators

The fund manager is the Asset Management Company STK Financial SA in accordance with the constitutive documents of STK Emergent. The duration of the management contract concluded between the Asset Management Company and the Fund is unlimited.

The Board of Directors of STK Financial SA Asset Management Company is composed of 3 members. The list of the members of the Board of Directors is as follows:

- Nicolae PASCU - Chairman
- Prof. Dr. Dumitru MATIȘ - Member
- Adrian ROȘIANU – Member



Details regarding the Board members are available at [www.stk.ro](http://www.stk.ro).

There were and there are no agreements or family relationships between board members and other persons who led to the appointment of board members in this position.

On December 31, 2017 STK Financial SA Asset Management Company held 18,551 fund units.

The affiliated entities are STK Financial Asset Management Company, STK Properties SA and Emergent Real Estate SA. The holdings of their fund units were previously stated.

#### 4.2 Executive management of the Fund

Company`s managers lead and coordinate the daily work of the company in accordance with statutory bodies` decisions to conduct the company`s business in good working order. In 2017 the company`s directors were Mr. Nicolae Pascu and Mrs. Cristina Pascu.

Litigation or administrative proceedings involving the fund manager or members of the executive management over the past 5 years relating to their activity within the issuer

N/a.

## 5. Financial – accounting position

### a) Balance Sheet

The evolution of the main elements of the STK Emergent Balance Sheet in the last 3 fiscal years is as follows:

| In accordance with IFRS:   | 2017              | (%)           | 2016              | (%)           | 2015              | (%)           | -RON-<br>2017 vs<br>2016 |
|--|-------------------|---------------|-------------------|---------------|-------------------|---------------|--------------------------|
| <b>Non current assets</b>  |                   |               |                   |               |                   |               |                          |
| Financial assets available for sale                                | 28,399,150        | 42.0%         | 25,096,542        | 35.2%         | 25,118,597        | 40.9%         | 13.2%                    |
| Financial assets at fair value through profit or loss              | 0                 | 0.0%          | 532,630           | 0.7%          | 892,143           | 1.5%          | n.a.                     |
| <b>Current assets</b>  |                   |               |                   |               |                   |               |                          |
| Securities at fair value through profit or loss (held for trading) | 29,063,602        | 43.0%         | 11,180,775        | 15.7%         | 13,222,886        | 21.5%         | 159.9%                   |
| Receivables from securities operations                             | 0                 | 0.0%          | 0                 | 0.0%          | 2,503,957         | 4.1%          | 0.0%                     |
| Cash and cash equivalents  | 10,079,681        | 14.9%         | 34,439,479        | 48.3%         | 19,696,726        | 32.1%         | -70.7%                   |
| <b>TOTAL ASSETS</b>  | <b>67,542,433</b> | <b>100.0%</b> | <b>71,249,426</b> | <b>100.0%</b> | <b>61,434,308</b> | <b>100.0%</b> | <b>-5.2%</b>             |
| <b>Equity</b>  | <b>67,220,887</b> | <b>99.5%</b>  | <b>70,914,687</b> | <b>99.5%</b>  | <b>61,073,958</b> | <b>99.4%</b>  | <b>-5.2%</b>             |
| <b>Current liabilities</b>   | <b>321,546</b>    | <b>0.5%</b>   | <b>334,739</b>    | <b>0.5%</b>   | <b>360,350</b>    | <b>0.6%</b>   | <b>-3.9%</b>             |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                | <b>67,542,433</b> | <b>100.0%</b> | <b>71,249,426</b> | <b>100.0%</b> | <b>61,434,308</b> | <b>100.0%</b> | <b>-5.2%</b>             |

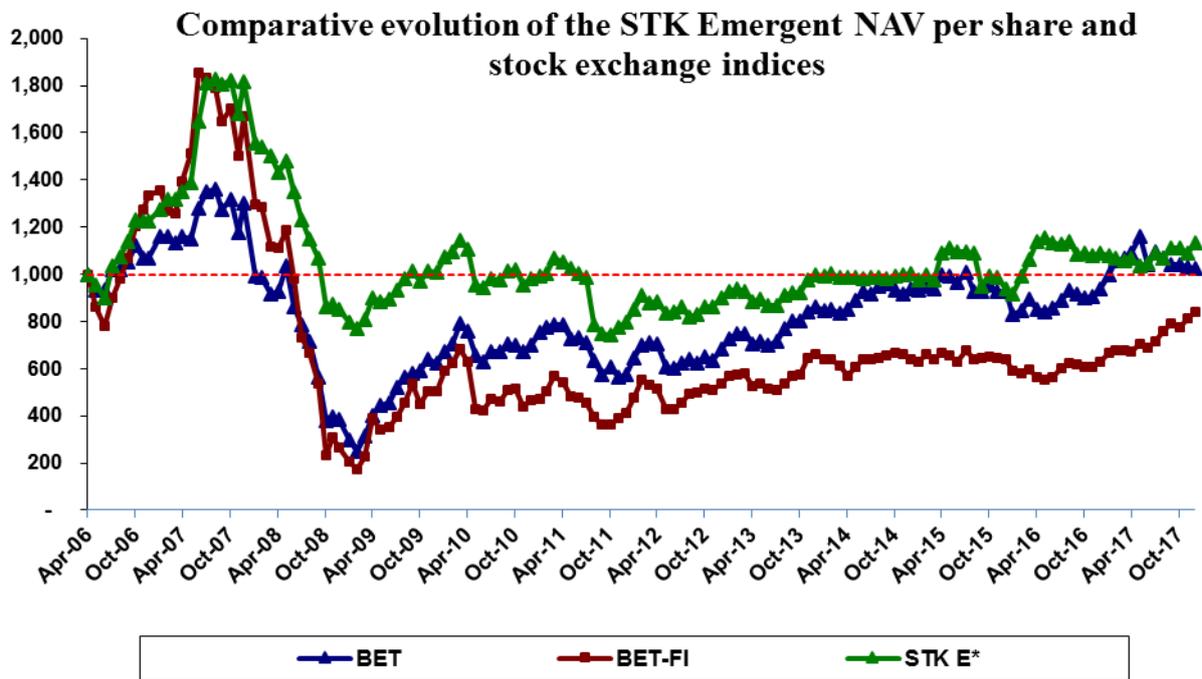


According to IFRS, available-for-sale financial assets (category that includes securities held in STK Properties SA and Emergent Real Estate SA and units in unlisted collective undertakings) account for 42% of the total assets at the end of 2017, a share of 43% of the asset is represented by securities at fair value through profit or loss (held for trading), the Fund ending the year in a proportion of approximately 85% invested. The increase in the exposure to the oil sector led to a growth in the held for trading securities by 160% as compared to the end of 2016, while the cash position decreased by 71%. Part of the decrease in cash is due to the payment of dividends from the 2016 profit, amounting to about RON 5.81 million.

The reduction of equity by 5%, from RON 70.91 million at the beginning of 2017 to RON 67.22 million at the end of December, was due to the payment of dividends.

### b) Net assets

The net assets reflect the value of STK Emergent holdings calculated in accordance with CNVM's Regulation no. 15/2004. The comparative evolution of NAV per share with the main indices is presented in the chart below:



On December 29, 2017, the STK Emergent net asset value per share was RON 110.28, registering an increase of 3.94% compared to the dividend adjusted net asset value at the end of December 2016 (12/30/2016: RON 106.10). Since its launch, the dividend adjusted net asset value per share registered a positive variation of 13.63%. During the same period, the performance of the Bucharest Stock Exchange indices was: BET index increased by 3.91%, while BET-FI index declined by 14.54%.



The net asset structure of the main components on the last trading day of the year is as follows:

|                            | -RON-             |                   |                   |
|----------------------------|-------------------|-------------------|-------------------|
|                            | 12/29/2017        | 30/12./2016       | 12/31/2015        |
| Unlisted shares            | 28,119,767        | 25,096,542        | 25,118,597        |
| Tradeable shares portfolio | 39,422,644        | 46,152,790        | 36,314,906        |
| <i>Shares</i>              | 28,710,984        | 11,244,404        | 11,495,967        |
| <i>Cash</i>                | 10,079,659        | 34,439,386        | 22,200,673        |
| <i>Other assets</i>        | 632,000           | 469,000           | 2,618,267         |
| <b>Total Assets</b>        | <b>67,542,411</b> | <b>71,249,332</b> | <b>61,433,503</b> |
| Liabilities                | 301,680           | 319,393           | 357,497           |
| <b>Net Assets</b>          | <b>67,240,731</b> | <b>70,929,940</b> | <b>61,076,007</b> |
| NAV per share*             | 110.28            | 106.10            | 91.36             |

\* adjusted NAV per share with distributed dividends

The unlisted shares of the Fund accounted for 41.8% of the net asset on the last trading day of 2017 (at the end of 2016, unlisted shares accounted for 35.4% and 41.1% at the end of 2015). The tradable portfolio of the Fund consists of traded shares, cash and other assets, represented by shares in Collective investment undertakings and dividends to be received. The tradeable portfolio held 58.6% of the net assets on 12/29/2017 (65.1% on 12/30/2016 and 59.5% on 12/31/2015). The Net Asset Value per share amounted to RON 110.28 at the end of 2017, up by around 4% compared to the NAV per share\* at the end of 2016 and about 21% higher than the NAV per share\* from two years ago.

During the reporting period, the Fund did not have Financial Instrumentation Operations (SFTs) or total return swap operations (information according to Article 13(1) (b) of Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012).

### c) Income statement

The evolution of the revenues and expenses of the fund in the past 3 years is as follows:

|  | -RON-            |                   |                   |
|--|------------------|-------------------|-------------------|
| <b>In accordance with IFRS:</b>                                      | 12/31/2017       | 12/31/2016        | 12/31/2015        |
| Net gains from financial assets at fair value through profit or loss | 2,435,693        | 16,520,637        | 0                 |
| Dividend income  | 260,268          | 49,500            | 314,985           |
| Interest income  | 9,805            | 29,267            | 286,781           |
| Net income from foreign exchange differences                         | 0                | 0                 | 2,772,035         |
| <b>Total Revenues</b>  | <b>2,705,766</b> | <b>16,599,404</b> | <b>3,373,801</b>  |
| Net loss from financial assets at fair value through profit or loss  | 0                | 0                 | 3,327,990         |
| Administration fees, bank charges , fees                             | 2,560,101        | 2,681,269         | 4,051,187         |
| Net loss from foreign exchange differences                           | 53,319           | 4,055,352         | 0                 |
| <b>Total Expenses</b>  | <b>2,613,420</b> | <b>6,736,621</b>  | <b>7,379,177</b>  |
| <b>Net Profit/(Loss)</b>   | <b>92,346</b>    | <b>9,862,783</b>  | <b>-4,005,376</b> |



*According to IFRS*, in 2017 the Fund recorded total revenues of RON 2.71 million, mainly due to the net gains on financial assets, which amounted to RON 2.44 million, lower than in the previous year, reflecting the evolution of the companies in which the Fund has invested in.

In 2017, the pound depreciated by 0.8% against the national currency, which led to a net loss from foreign exchange differences of RON 0.05 million, significantly lower than in the previous year when the pound sterling depreciated by 16.0% under the impact of the Brexit referendum. The total expenses of the Fund amounted to RON 2.61 million in 2017, decreasing from RON 6.74 million last year.

Investments in oil and mining companies in 2017 generated a modest net profit of 0.09 million lei, as the rise in oil prices was 11.5%. Although recovery in price has yet to be fully reflected in the evolution of oil companies prices, it is expected that the growth trend will be visible in 2018.

## **Signatures**

**Nicolae Pascu**  
**Chairman of the Board**  
**STK Financial SAI SA**

**Victor Bogdan Oprean**  
**Chartered Accountant**