



**STK FINANCIAL**  
Societate de Administrare a Investițiilor

## **Board of Directors Report** 1<sup>st</sup> Quarter 2020

**STK Emergent**



Interim report in accordance with the **Law no. 24/2017, Regulation no. 15/2018**

Date of the report: **05/07/2020**

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**

Decision of the Financial Supervisory Authority (ASF): **no. 20/16.03.2006**

Registration number in the ASF Registry: **CSC08FIIR/120004**

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

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

## **1. Events with significant impact on Fund`s performance**

Factors that influenced the Fund`s activity and results in the first quarter of 2020:

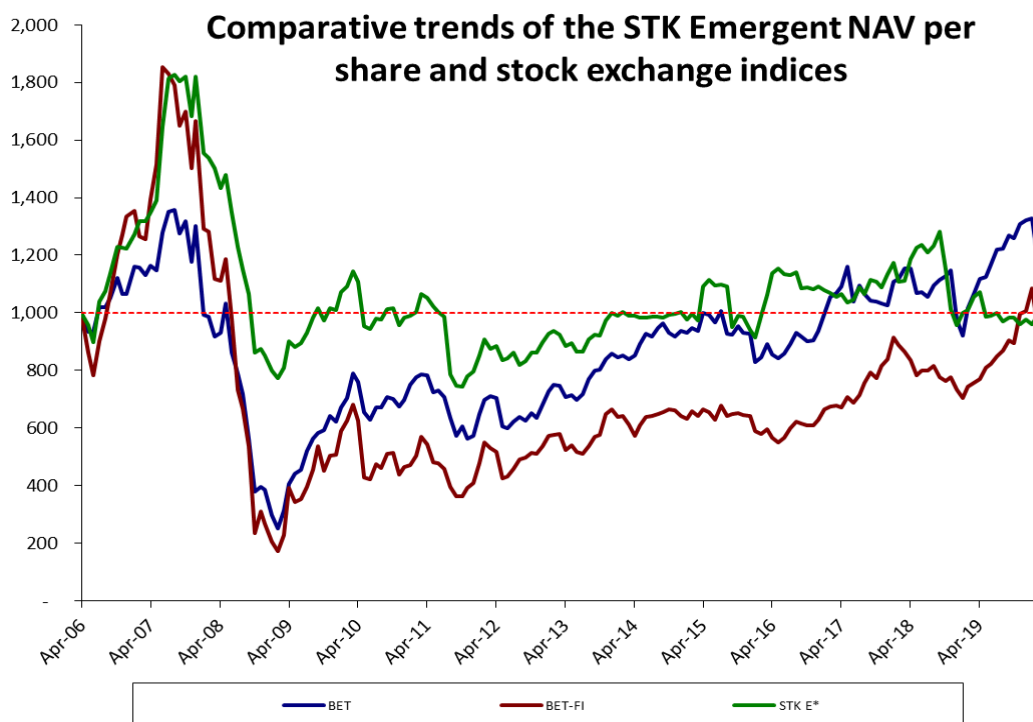
- The increase of share prices during 2019, through the expansion of multiples and based on the growth expectations of the companies` profits, have increased the probability of significant price corrections;
- Concerns about the development of the COVID-19 pandemic have led to sharp declines in the stock markets by the end of the first quarter of 2020, so that:
  - the developed stock markets recorded an average decrease of -20.3%, while emerging frontier stock exchanges dropped by an average of -27.2%; the returns generated by investments in precious metals were +3.6% for gold, -21.6% for silver, -25.0% for platinum; in industrial metals were -20.1% for copper, -3.8% for iron ore, and Brent oil yielded -60.7%;
  - the S&P 500 index registered a decrease of -20.0% from the beginning of the year until March 31, 2020, while the Stoxx Europe 600 index -23.0%, and the BET index -23.6%;
- As for the companies, the COVID-19 pandemic generated less clear consequences due to the level of extreme uncertainty around current and future gains;
- Lately, opinions supporting an L-shape economic recovery are gaining ground, compared to the initial reactions that were predominantly in favor of a V-shape recovery, and in these conditions, stock markets still have substantial downside risks;
- As of 31 January 2020, the United Kingdom has officially left the European Union, now being considered a third country, but during the transitional period, which will last until 31 December 2020, it is treated as a Member State.



All these factors have created a very risky investment environment, with volatility and significant price corrections, but also uncertainties about their duration. Under these conditions, we opted to maintain higher liquidity while waiting for a more favorable context.

## 2. Analysis of STK Emergent activity

At the end of March, the net asset value per share was RON 95.60, compared to the net asset value per share at the end of 2019 of RON 95.01, registered a slight increase of 0.63%. Since inception to 03/31/2020, the net asset value per share registered a negative variation of 1.49%, while during the same period the BET-FI index declined by 14.97% and the BET index increased by 2.19%.



STK E\*- adjusted NAV per share with distributed dividends



**The net asset structure** at 03/31/2020 compared to the end of 2019 is as follows:

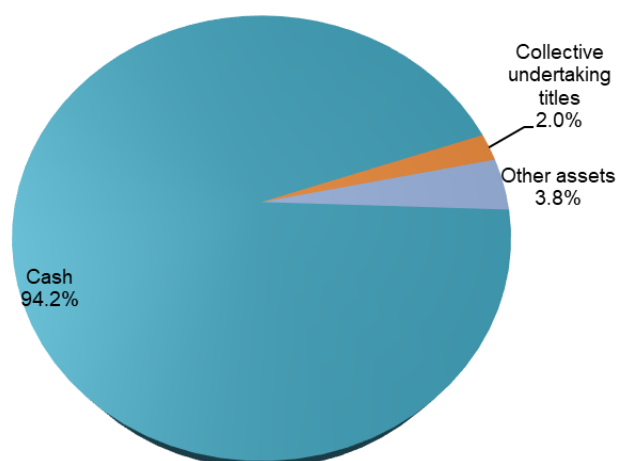
-RON-

|                            | 03/31/2020        | 12/31/2019        |
|----------------------------|-------------------|-------------------|
| Unlisted shares            | 29,916,388        | 29,916,388        |
| Tradeable shares portfolio | 28,717,835        | 28,355,710        |
| <i>Shares</i>              | 1,089,870         | 9,538,420         |
| <i>Cash</i>                | 27,042,965        | 18,217,289        |
| <i>Other assets</i>        | 585,000           | 600,000           |
| <b>Total assets</b>        | <b>58,634,223</b> | <b>58,272,098</b> |
| Liabilities                | 340,537           | 341,407           |
| <b>Net assets</b>          | <b>58,293,686</b> | <b>57,930,691</b> |
| NAV per share              | 95.60             | 95.01             |

At the end of the first quarter of 2020, the portfolio of traded shares amounted to RON 28.72 million, increasing by 1.28% compared to the value recorded at the end of 2019. The Fund's net assets increased by 0.63%, from RON 57.93 million on December 31 2019, at RON 58.63 million on March 31, 2020.

The structure of the tradeable portfolio holdings as of 03/31/2020 is presented in the chart below:

**Tradeable portofolio holdings**



At the end of March 2020, the portfolio of traded shares consists mainly of cash, with most of the shares held being sold at the beginning of the year.



### 3. Fund's Financial Position and Performance

The financial statements as of 03/31/2020 have been prepared in accordance with the Financial Supervisory Authority (ASF) Norm 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 03/31/2020 have not been audited.**

The Fund's Statement of Financial Position as of 03/31/2020 compared with 12/31/2019 is as follows:

|   | -RON-             |               |                   |               |             |
|---|-------------------|---------------|-------------------|---------------|-------------|
| In accordance with IFRS:  | 03/31/2020        | (%)           | 12/31/2019        | (%)           | Chg (%)     |
| Other financial assets at fair value through other comprehensive income | 30,678,898        | 52.3%         | 30,678,898        | 52.6%         | 0.0%        |
| Securities at fair value through profit or loss (held for trading)      | 912,360           | 1.6%          | 9,375,910         | 16.1%         | -90.3%      |
| Cash and cash equivalents   | 27,043,038        | 46.1%         | 18,217,289        | 31.3%         | 48.4%       |
| <b>TOTAL ASSETS</b>   | <b>58,634,297</b> | <b>100.0%</b> | <b>58,272,098</b> | <b>100.0%</b> | <b>0.6%</b> |
| Equity  | 58,289,139        | 99.4%         | 57,929,208        | 99.4%         | 0.6%        |
| Current liabilities   | 345,158           | 0.6%          | 342,890           | 0.6%          | 0.7%        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                     | <b>58,634,297</b> | <b>100.0%</b> | <b>58,272,098</b> | <b>100.0%</b> | <b>0.6%</b> |

The category *Other financial assets at fair value through other comprehensive income* includes mainly securities held by STK Properties SA and Emergent Real Estate SA.

*Securities at fair value through profit or loss (held for trading)* were reduced to RON 0.91 million, the Fund selling most of the shares held in the portfolio at the beginning of 2020; the sales from the portfolio generated an increase of cash to RON 27.04 million, compared to RON 18.22 million at the end of 2019.

The total assets of the Fund amounted to RON 58.64 million as of March 31, 2020, slightly increasing compared to the end of 2019. The variation of +0.6% of equity is due to the incorporation of the net result of the first three months of 2020, of RON 0.36 million.



The financial performance of the Fund as of 03/31/2020 compared to the same period of the last year is as follow:

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| In accordance with IFRS:  | 03/31/2020<br>3 months | 03/31/2019<br>3 months | Chg           |
|---|------------------------|------------------------|---------------|
| Net gain on financial instruments traded or held for trading at fair value through profit or loss | 912,358                | 3,940,563              | -76.8%        |
| Dividend income   | 0                      | 11,044                 | n.a.          |
| Interest income   | 51,966                 | 3,141                  | x16.5         |
| Net gain from foreign exchange differences  | 0                      | 1,724,012              | n.a.          |
| <b>Total Net Revenue</b>  | <b>964,324</b>         | <b>5,678,760</b>       | <b>-83.0%</b> |
| Administration fees, bank charges, fees   | 446,128                | 462,389                | -3.5%         |
| Net loss from foreign exchange differences  | 158,266                | 0                      | n.a.          |
| <b>Total Net Expenses</b>   | <b>604,393</b>         | <b>462,389</b>         | <b>30.7%</b>  |
| <b>Net Result for the year</b>  | <b>359,931</b>         | <b>5,216,370</b>       | <b>-93.1%</b> |

Total net revenues were formed in the first three months of 2020 from *the net gain from financial instruments traded, or held for trading at fair value through profit or loss*, of RON 0.91 million, and *interest income*, of RON 0.05 million.

Management fees, bank charges and other fees, amounting to RON 0.45 million, decreased by 3.5%, and compared to Q1 2019, net losses of RON 0.16 million were incurred due to exchange rate differences. The operational activity of the Fund in the first quarter of 2020 ended with a net profit of RON 0.36 million.

Attached to this report are:

Statement of Financial Position as of 03/31/2020

Statement of Profit or Loss and Other Comprehensive Income as of 03/31/2020

Notes to the Accounts

**Chairman of the Board,**  
**PASCU Nicolae**

**Chartered Accountant,**  
**OPREAN Victor-Bogdan**