



**STK FINANCIAL**  
Societate de Administrare a Investițiilor

## **Board of Directors Report** 3<sup>rd</sup> Quarter 2018

**STK Emergent**

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

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



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: **11/15/2018**

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**

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

Factors that influenced the company's activity and results in the third quarter of the year:

- The oil price closed the third quarter at \$ 73.49/barrel down slightly from \$ 74.26/barrel (at the end of June 2018), driven by rises/falls in US crude inventories and market expectations on their variations, the US decision to impose sanctions on Iran for the banking and energy sector starting with November (with the purpose of reducing the country's oil purchases);
- At the August meeting, the Bank of England decided to increase the Bank Rate to 0.75%, from 0.50%, on the background of a forecasted economic growth of around 1.75% per year, and on the inflation rate that exceeded the 2% target in June (reaching 2.4%, pushed by external cost pressures resulting from the effects of sterling's past depreciation and higher energy prices);
- At the September meeting, the US Federal Reserve decided the third hike this year of the monetary policy interest rate, to between 2.00% and 2.25%, decision due to the labor market that has continued to strengthen and the economic activity which has been rising at a strong rate;
- The US has imposed import tariffs for Chinese goods worth \$34 billion (in July) and \$200 billion (in September), with China retaliating with tariffs for \$34 billion of US imported goods (in July) and \$60 billion (in September).



The financial statements as of 09/30/2018 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 09/30/2018 have not been audited.

## 2. Financial – accounting position and Fund’s performance

The Fund`s Balance Sheet as of 09/30/2018 compared with 12/31/2017 is as follows:

	-RON-				
<b>In accordance with IFRS:</b>	<b>09/30/2018</b>	<b>(%)</b>	<b>12/31/2017</b>	<b>(%)</b>	<b>Chg (%)</b>
Financial investments available-for-sale	28,694,005	37.6%	28,399,150	42.0%	1.0%
Securities at fair value through profit or loss (held for trading)	37,900,248	49.7%	29,063,602	43.0%	30.4%
Receivables from securities operations	5,000	0.0%	0	0%	N.A.
Cash and cash equivalents	9,717,854	12.7%	10,079,681	14.9%	-3.6%
<b>TOTAL ASSETS</b>	<b>76,317,107</b>	<b>100.0%</b>	<b>67,542,433</b>	<b>100.0%</b>	<b>13.0%</b>
Current liabilities	332,964	0.4%	321,546	0.5%	3.6%
Equity	75,984,143	99.6%	67,220,887	99.5%	13.0%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>76,317,107</b>	<b>100.0%</b>	<b>67,542,433</b>	<b>100.0%</b>	<b>13.0%</b>

In the first nine months of the year, the Fund maintained its exposure to oil and gas companies` shares, as the oil price may have an upward trend due to the following factors: the increase in world oil demand, the sanctions imposed by the US on Iran, with a potential to reduce the oil supply by around 1 mb/d, the decrease in sector`s investments (which are at about 60% of the investments made before the fall in oil prices) and the increase in shale oil production can only partly offset these factors. Estimated oil price as a function of oil demand and supply is 81\$ per barrel, representing an 10% upside against the end-September price.

Securities at fair value through profit or loss (held for trading) increased by 30.4% at the end of the third quarter, to RON 37.9 million, from RON 29.1 million lei (end of 2017), mainly due to the increase in the prices of the shares held in portfolio, and less due to acquisitions of new shares. Receivables from securities operations are dividends that were yet to be received at the end of September. Equity increased by 13.0% over the nine months, following the incorporation of the net result of RON 8.39 million.



The financial performance of the Fund as of 09/30/2018 compared to the same period from the last year is as follow:

-RON-

<b>In accordance with IFRS:</b>	<b>09/30/2018</b> <i>9 months</i>	<b>09/30/2017</b> <i>9 months</i>	<b>Chg (%)</b>
Net gain on financial instruments traded or held for trading at fair value through profit or loss	9,997,418	305,323	3174.4%
Dividend income	46,772	204,950	-77.2%
Interest income	7,701	8,122	-5.2%
Net gain from foreign exchange differences	92,404	-	N.A.
<b>Total Net Revenue</b>	<b>10,144,296</b>	<b>518,395</b>	<b>1856.9%</b>
Administration fees, bank charges, fees	1,749,043	2,027,235	-13.7%
Net loss from foreign exchange differences	-	353,119	N.A.
<b>Total Net Expenses</b>	<b>1,749,043</b>	<b>2,380,354</b>	<b>-26.5%</b>
<b>Net Loss for the year</b>	<b>8,395,253</b>	<b>-1,861,959</b>	<b>-550.9%</b>

Net gain on financial instruments traded or held for trading at fair value through profit or loss from the first nine months of 2018 was RON 9.99 million, substantially higher than the one realized in the same period of the previous year, of RON 0.31 million.

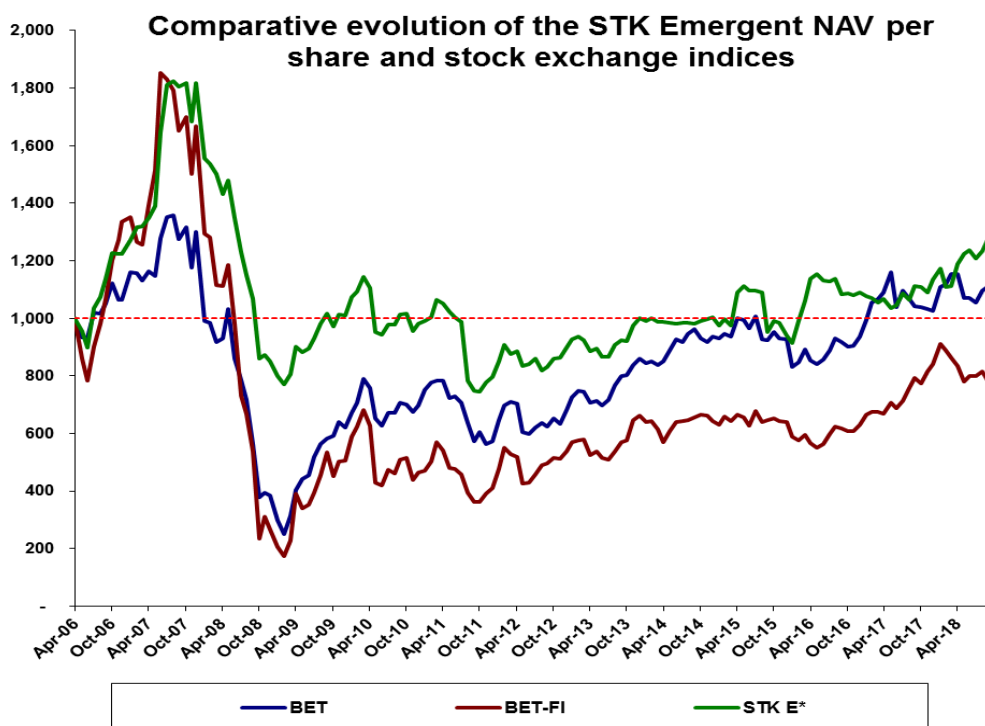
Dividend and interest income were lower than those recorded in the similar period of 2017, but the net result of foreign exchange differences was positive, of RON 0.09 million, as opposed to -0.35 million lei realized until 09/30/2017.

Administration fees, bank charges and other fees were RON 1.75 million, down by 13.7% from RON 2.03 million. Compared to the net loss of RON 1.86 million in the first nine months of 2017, the Fund's operational activity resulted in a net profit of RON 8.39 million for the first nine months of 2018.



### 3. Analysis of STK Emergent activity

At the end of September, the net asset value per share was RON 124.65, compared to the net asset value per share at the end of 2017 of RON 110.28, registering an increase of 13.04%. Since inception to 09/28/2018, the net asset value per share registered a positive variation of 28.45%, while during the same period the BET-FI index declined by 20.89% and the BET index increased by 12.75%.



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

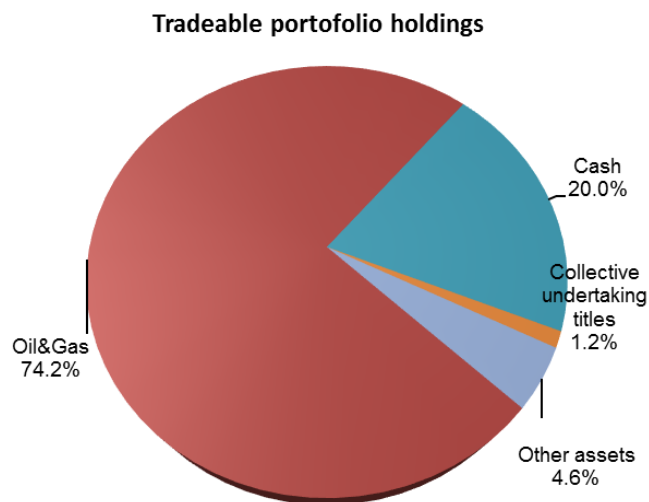
The net asset structure at 09/28/2018 compared to the end of 2017 is as follows:

	-RON-	
	09/28/2018	12/29/2017
Unlisted shares	27,667,252	28,119,767
Tradeable shares portfolio	48,649,855	39,422,644
Shares	38,347,001	28,710,984
Cash	9,717,854	10,079,659
Other assets	585,000	632,000
<b>Total assets</b>	<b>76,317,108</b>	<b>67,542,411</b>
Liabilities	310,094	301,680
<b>Net assets</b>	<b>76,007,013</b>	<b>67,240,731</b>
NAV per share	124.65	110.28



The tradeable shares portfolio represents 64% of the total net assets at the end of the third quarter. The Fund's net assets increased by 13.04%, from RON 67.24 million at the end of 2017 to RON 76.01 million at the end of March 2018, reflecting the growth in the price of shares included in the portfolio.

The structure of the tradeable portfolio holdings as of 09/28/2018 is presented in the chart below:



At the end of September 2018, the trading portfolio is composed of shares belonging to oil & gas companies, about 74.2%, while cash represents 20% of the total portfolio.

Attached to this report are:

Balance Sheet as of 09/30/2018

Income Statement as of 09/30/2018

Notes to the financial information

**Chairman of the Board,  
PASCU Nicolae**

**Chartered Accountant,  
OPREAN Victor-Bogdan**