



STK FINANCIAL
Societate de Administrare a Investițiilor

Board of Directors Report 1st Half 2020

STK Emergent



Half-year report in accordance with: **Law no. 24/2017, ASF's Norm no. 5/2018**

Date of the report: **08/31/2020**

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

Headquarter: **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**

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

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

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

The financial statements for the first half of 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 06/30/2020 have not been audited.

Events with significant impact on the Fund's performance

In the first half of 2020, the COVID-19 pandemic had a major impact on global financial markets, being the main factor influencing the Fund's activity. Earlier this year, the Fund gradually liquidated its equity portfolio, which consisted mainly of shares in the oil sector, following the influence of coronavirus on oil demand in China, and the likelihood of significant price corrections due to the expansion of multiples and growth expectations of companies' profits.

The COVID-19 pandemic created a risky investment environment, with volatility and significant price corrections, but also uncertainties about their duration. Although markets partially recovered in April-June, growth was driven by optimism over massive stimulus from governments and central banks and hopes that the economic recovery will be quick.

For the next six months of the year, the main risks and uncertainties are mainly related to the evolution of the pandemic, the pace of development of a vaccine, and secondary, to the negotiations on Brexit, the US presidential election and US-China geopolitical tensions.



1. Financial statements

The Fund's **Statement of Financial Position** as of 06/30/2020 compared with 12/31/2019 is as follows:

| | -RON- | | |
|---|-------------------|-------------------|--------------|
| In accordance with IFRS: | 06/30/2020 | 12/31/2019 | Chg (%) |
| Other financial assets at fair value through other comprehensive income | 30,325,153 | 30,678,898 | -1.2% |
| Securities at fair value through profit or loss (held for trading) | 1,133,529 | 9,375,911 | -87.9% |
| Receivables from securities operations | 11,000 | 0 | n.a. |
| Cash and cash equivalents | 26,761,363 | 18,217,289 | 46.9 % |
| TOTAL ASSETS | 58,231,046 | 58,272,098 | -0.1% |
| Equity | 57,886,661 | 57,929,208 | -0.1% |
| Current liabilities | 344,384 | 342,890 | 0.4% |
| TOTAL EQUITY AND LIABILITIES | 58,231,046 | 58,272,098 | -0.1% |

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, and as unlisted companies are valued in conformity with international valuation standards in accordance with Regulation 2/2018; thus a fair value is used, from an assessment report made by an ANEVAR certified external valuator.

Securities at fair value through profit or loss (held for trading) were reduced to RON 1.13 million, the Fund sold at the beginning of 2020 most of the shares held in the portfolio; the liquidations in the portfolio generated the increase of cash availabilities to RON 26.76 million, compared to RON 18.22 million at the end of 2019. *Receivables from securities operations*, amounting to RON 0.011 million, represent dividends to be received.

The Fund's equity decreased slightly by 0.1% in the first half of the year, due to the reduction in the value of financial assets at fair value through other comprehensive income, which canceled the positive effect of the profit for the period of RON 0.31 million. The composition of the Fund's equity is shown in the table below:

| | -RON- | |
|--------------------------|-------------|-------------|
| In accordance with IFRS: | 06/30/2020 | 12/31/2019 |
| Capital on fund units | 121,950,600 | 121,950,600 |
| Issue premiums | 10,003,133 | 10,003,133 |
| Reserves* | 4,996,147 | 5,349,892 |



| | | |
|---|-------------------|-------------------|
| Retained earnings on transition to IFRS | (32,498,316) | (32,498,316) |
| Reported earnings | (46,876,101) | (45,214,251) |
| Result for the period** | 311,199 | (1,661,850) |
| Total Equity | 57,886,661 | 57,929,208 |

*according to IFRS, the Reserves include the positive/negative differences arising from revaluation of *Other financial assets at fair value through other comprehensive income*

** according to IFRS, the Reserves include the positive/negative differences arising from revaluation of *Securities at fair value through profit or loss (held for trading)*

The financial performance of the fund as of 06/30/2020 compared to the same period from the last year is as follows:

| In accordance with IFRS: | -RON- | | |
|---|---------------------|---------------------|---------------|
| | H1 2020 6 months | H1 2019 6 months | Chg (%) |
| Net gain on financial instruments traded or held for trading at fair value through profit or loss | 1,133,527 | 976,860 | 16.0% |
| Dividend income | 15,000 | 153,900 | -90.3% |
| Interest income | 58,029 | 5,189 | x10.2 |
| Net gain from foreign exchange differences | 8,083 | 269,005 | -97.0% |
| Total Net Revenue | 1,214,640 | 1,404,953 | -13.5% |
| Administration fees, bank charges, fees, other expenses | 903,441 | 932,362 | -3.1% |
| Total Net Expenses | 903,441 | 932,362 | -3.1% |
| Net Profit for the year | 311,199 | 472,591 | -34.2% |

Fund's net revenues realized during the first half of 2020 amounted to RON 1.21 million, decreasing by 13.5% compared to the net revenues of RON 1.40 million from the same semester of last year; the reduction is due to the collection of lower dividend income (RON 0.015 million, compared to RON 0.153 million) and the registration of lower net income from exchange rate differences (RON 0.008 million, compared to RON 0.27 million). On the other hand, during the first half of 2020 higher interest income were recorded, and the net gain from financial instruments traded, or held for trading was 16.0% higher, amounting to RON 1.13 million, represented by a result net positive from the sale of shares.

The net expenses of the Fund are composed of expenses with administration fees, bank charges, and other fees, which decreased in the first half of 2020 by 3.1%, to RON 0.90 million, compared to RON 0.93 million in the first half of 2019. The net result for the first half of 2019 was a profit of RON 0.31 million (compared to a profit of RON 0.47 million resulted in the same period of last year).



The **Cash flow statement** for the first half of 2020 is as follows:

-RON-

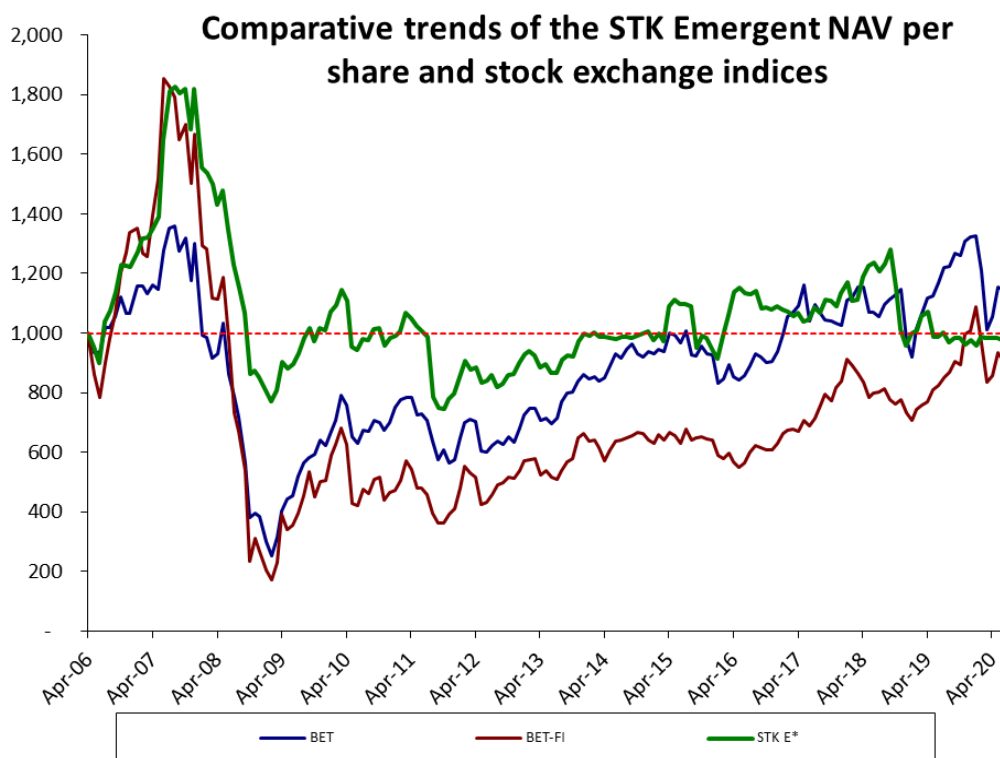
| In accordance with IFRS: | H1 2020 <i>6 months</i> | H1 2019 <i>6 months</i> | Chg (%) |
|--|-----------------------------------|-----------------------------------|----------------|
| Interest received | 58,072 | 5,189 | <i>x10.2</i> |
| Dividends received | 4,000 | 152,782 | <i>-97.4%</i> |
| Proceeds from the sale of securities held for trading (shares) | 9,433,739 | 3,030,290 | <i>211.3%</i> |
| Purchases of securities held for trading | (11,566) | (941,213) | <i>-98.8%</i> |
| Payment for the Fund's administration | (693,677) | (720,661) | <i>-3.7%</i> |
| Payments for other operational expenses | (190,235) | (192,755) | <i>-1.3%</i> |
| Cash flow from operating activities | 8,600,332 | 1,333,632 | 544.9% |
| Dividends paid to unit holders | 0 | (2,031) | <i>n.a.</i> |
| Cash flow from financing activities | 0 | (2,031) | n.a. |
| Net increase/(decrease) in cash and cash equivalents | 8,600,332 | 1,331,601 | 545.9% |
| Cash and cash equivalents at 1 January | 18,217,289 | 5,615,038 | <i>224.4%</i> |
| Effect of exchange rate changes on cash and cash equivalents | (56,258) | (18,602) | <i>202.4%</i> |
| Cash and cash equivalents at end of period | 26,761,363 | 6,928,037 | 286.3% |

The net cash flow from operational activities by the end of the first half of 2020 was positive, amounting to RON 8.60 milion, compared to RON 1.33 milion from the same period last year, given by the proceeds from the sale of securities held for trading of RON 9.43 milion, this category including the value of shares sold during the semester, but also the increase of interest received and the reduction of operating expenses.

2. Analysis of STK Emergent activity

At the end of June, the net asset value per share was RON 94.94, at approximately the same level as at the end of December 2019, varying by -0.07%; in the first six months of 2020, the BET index registered returns of -13.21%, and the BET-FI index -9.90%.

From launch to the end of June 30, 2020, the net asset value per share registered a decrease of 2.17%, while the BET-FI index declined by 7.65%, and the BET index increased by 16.05% over the same time frame.



STK E*- VUAN ajustat conform dividendului acordat

The net asset structure at 06/30/2020 compared to the end of 2019 is as follows:

-RON-

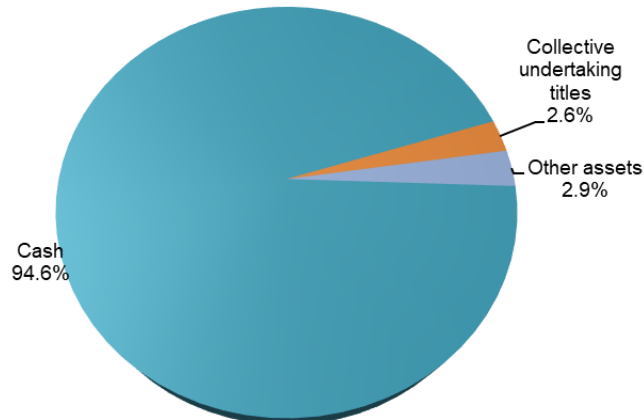
| | 06/30/2020 | 12/31/2019 |
|----------------------------|-------------------|-------------------|
| Unlisted shares | 29,916,388 | 29,916,388 |
| Tradeable shares portfolio | 28,314,615 | 28,355,710 |
| <i>Shares</i> | 814,365 | 9,538,420 |
| <i>Cash</i> | 26,761,320 | 18,217,289 |
| <i>Other assets</i> | 738,929 | 600,000 |
| Total assets | 58,231,003 | 58,272,098 |
| Liabilities | 339,675 | 341,407 |
| Net assets | 57,891,327 | 57,930,691 |
| NAV per share | 94.94 | 95.01 |

The tradeable shares portfolio, amounting to RON 38.31 million, represents at the end of the first half a share of 48.9% in total net assets. The category *Other assets* includes collective undertaking titles and dividends receivable (in the case of June 2020). The Fund's net assets varied by -0.07%, from RON 57.93 million at the end of 2019, to RON 57.89 million at the end of June 2020.

The structure of the tradeable portfolio holdings as of 06/30/2020 is presented in the chart below:



Tradeable portfolio holdings



At the end of June 2019, about 70.6% of the trading portfolio is composed of cash, in a percentage of 94.6%, OPC equity securities 2.6% and other shares 2.9%.

3. Changes affecting the capital and management of the company

3.1. Description of cases where the Fund was unable to meet its financial obligations

Not applicable.

3.2. Description of any change in the rights of the holders of securities held

Not applicable.

4. Significant transactions

During the first half of 2020 the senior management did not purchase STK Emergent fund units.

Attached to this report are:

Financial Statements as of 06/30/2020

Notes to the Accounts

**Chairman of the Board,
PASCU Nicolae**

**Chartered Accountant,
OPREAN Victor-Bogdan**