



STK FINANCIAL
Societate de Administrare a Investițiilor

Board of Directors Report **1st Quarter 2017**

STK Emergent

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



Quarterly report in accordance with the **Law no. 297/2004, C.N.V.M.'s Regulation no. 1/2006, C.N.V.M.'s Regulation no. 15/2004** and **ASF Norm no. 39/2015**

Date of the report: **05/15/2017**

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

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

Telephone number: **0264.591982**

Website: **www.stk.ro**

VAT no.: **not applicable**

Registration number with the Register's Office: **not applicable**

Subscribed and paid-up 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 2017 have been prepared in accordance with the Financial Supervisory Authority (ASF) Norm no. 39/2015 for the approval of 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 03/31/2017 have not been audited.

Business overview

1. Financial – accounting position

The evolution of the Fund's Balance Sheet compared with the end of the year 2016 is as follows:

	RON				
	In accordance with IFRS:				
	12/31/16	(%)	03/31/17	(%)	Chg(%)
Financial investments available for sale	25,096,542	35.2%	25,096,542	36.4%	0%
Financial investments at fair value through profit or loss	532,630	0.7%	521,151	0.8%	-2.2%
Securities at fair value through profit or loss (held for trading)	11,180,775	15.7%	18,736,645	27.2%	67.6%
Receivables from securities operations	0	0.0%	1,429,778	2.1%	n.m.
Cash and cash equivalents	34,439,479	48.3%	23,185,588	33.6%	-32.7%
TOTAL ASSETS	71,249,426	100%	68,969,705	100%	-3.2%
Current liabilities	334,739	0.5%	330,148	0.5%	-1.4%
Equity	70,914,687	99.5%	68,639,557	99.5%	-3.2%
TOTAL EQUITY AND LIABILITIES	71,249,426	100%	68,969,705	100%	-3.2%

Under IFRS, the fund's portfolio was reclassified into financial investments at fair value through profit or loss and financial investments available for sale, so all listed shares were revalued at fair value and unlisted shares were tested for impairment.



At the beginning of the first quarter, the fund raised its exposure in securities in the oil sector, resulting a 32.7% decrease in cash. The unfavorable development in oil prices led to a 3.2% drop in fund assets at the end of the first three months versus December 2016, up to the level of RON 68.97 million.

The Fund's financial performance as of 31 March 2017 as compared to the similar period of 2016 is as follows:

RON

In accordance with IFRS:					
	Q1 2016	(%)	Q1 2017	(%)	Change ('17/'16)
	3 months		3 months		
Total revenue	13,932,511	100%	3,009,323	100%	-78%
Gains on financial instruments traded or held for trading at fair value through profit or loss	13,901,535	99.8%	3,003,304	99.8%	-78%
Dividends income	28,359	0.2%	0	0%	n.m.
Interest income	2,618	0%	6,019	0.2%	130%
Total expenses	5,948,081	100%	5,284,454	100%	-11%
Losses on financial instruments traded or held for trading at fair value through profit or loss	3,587,854	60%	4,420,686	84%	23%
Administration fees, bank charges , fees	700,791	12%	758,301	14%	8%
Net loss from foreign exchange differences	1,659,436	28%	105,467	2%	-94%
Net profit/ (loss)	7,984,430		-2,275,131		n.m.

According to IFRS, the Fund generated revenues of RON 3 million in the first quarter of 2017. Interest income increased by 130% in the first three months of this year.

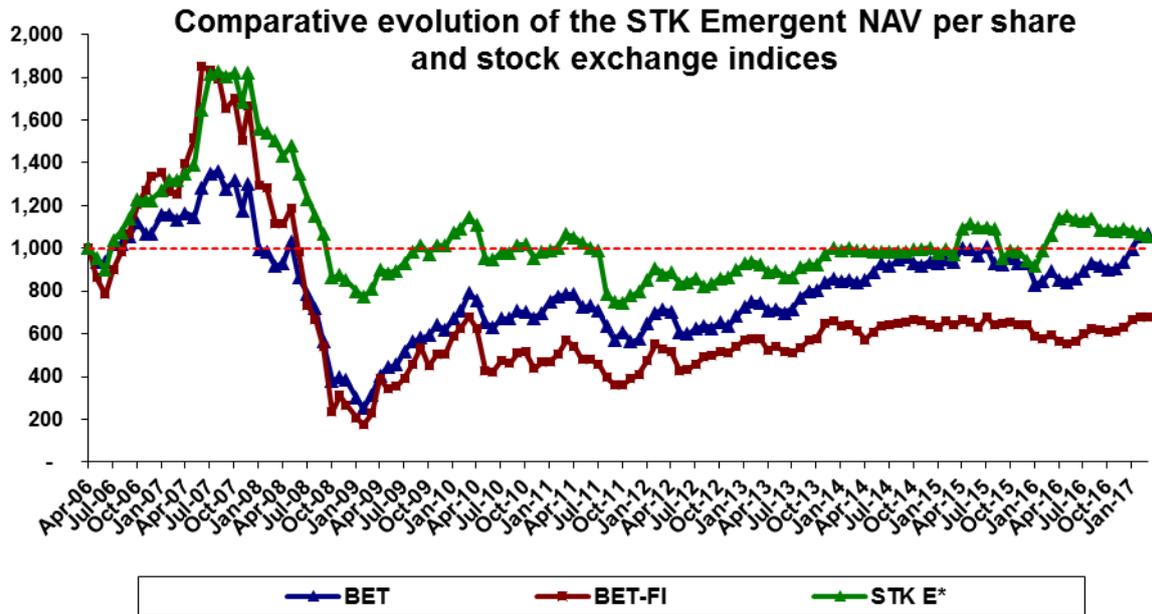
Current activity expenses were 11% lower in Q1 2017 compared to Q1 2016 due to a reduced loss from foreign exchange differences. The first quarter of 2017 ended with a negative result, the main factor of the recorded loss on financial instruments traded being the decrease in the oil prices.

Fund's revenues represent the value increase of the equity portfolio, and the investments made by the fund in the first three months of 2017 are still recent, our expectation being that they will generate revenue translating into real profits in the following periods.



2. STK Emergent NAV evolution

On **March 31, 2017** the net asset value per share was RON **112.58**, 3.22% lower compared to the net asset value as of 12/31/2016 and 5.81% higher than the value at launch. Over the same period, the BET index of the Bucharest Stock Exchange increased by 8.14% and the BET-FI index decreased by 31.18%.



STK E- adjusted NAV per share with distributed dividends*

	12/30/2016	03/31/2017
Unlisted shares	25,096,542	25,096,542
Tradeable shares portfolio	46,152,790	43,873,161
<i>Shares</i>	<i>11,244,404</i>	<i>18,741,579</i>
<i>Cash</i>	<i>34,439,386</i>	<i>24,615,366</i>
<i>Collective undertakings titles</i>	<i>469,000</i>	<i>516,217</i>
<i>Other assets</i>	<i>0</i>	<i>0</i>
Total assets	71,249,332	68,969,703
Liabilities	319,393	323,952
Net assets	70,929,940	68,645,751
NAV per share	116.33	112.58

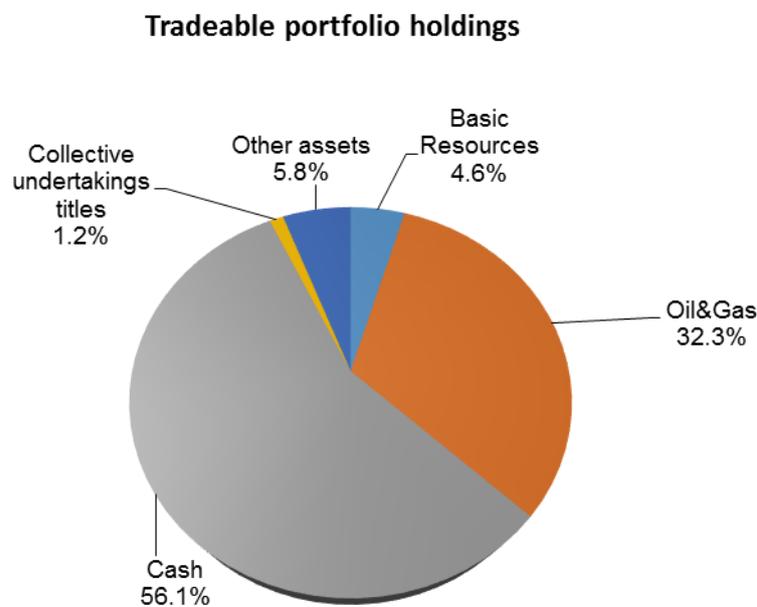
In the first quarter of 2017, the Fund increased its share exposure in the oil sector, as we expect an outperformance of this sector as a result of the OPEC members' decision to reduce production in order to narrow the gap between supply and demand, which would lead to an increase in the oil prices. Thus, the shares held increased from RON 11.24 million to RON 18.74 million at the end of March, while the cash decreased from RON 34.44 million to RON 24.62 million.



The net assets of the Fund fell by about RON 2 million, from RON 70.93 million as of the end of 2016 to RON 68.64 million at the end of March 2017, due to the adverse evolution of oil prices and, implicitly, oil companies due to the increased oil production in America, contrary to the OPEC members' action, the oil sector continuing to underperform the other sectors. The underperformance of this sector rather indicates a high probability of generating higher returns over the next period.

The tradeable portfolio of the fund which consists of traded shares, cash, shares in Collective undertakings titles and other net assets holds a share of 63.7% of the total net assets.

The structure of the tradeable portfolio is presented in the chart bellow:





3. Events that had a major impact on Fund's performance:

In the first quarter of this year the events with significant impact on the fund performance were as follows:

- **External factors:**
 - The increase in oil production and in the number of oil rigs in America has led to a drop in oil prices, although OPEC is following its production cutback plan started at the beginning of the year;
 - The slowdown in China's economic growth in 2016, reaching +6.7%, the lowest level since 1990, has had negative effects on industrial metals prices;
 - In March, the US Federal Reserve raised the interest rate from 0.75% to 1.00%.

- **Internal factors:**
 - The low liquidity of the Bucharest Stock Exchange and few investment opportunities;
 - The impossibility to invest in companies transferred from the Rasdaq market on unregulated markets such as AERO and Sibex alternative trading systems.

PASCU Nicolae,

Chairman of the Board