

Annual Report

STK Emergent Investment Fund

For the financial year 2020

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Interim report in accordance with: **Law no. 24/2017 and ASF's Norm no. 5/2018**

For the fiscal year: **2020**

Date of the report: **04/26/2021**

Name of the issuer: **STK EMERGENT managed by STK FINANCIAL AFIA SA**

Headquarters: **Cluj-Napoca, 3 Mihai Veliciu street**

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-up 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**

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 2019, the situation of the Fund's assets is as follows:

	-RON-		
In accordance with IFRS:	2020	2019	Change ('20-'19)
Non current assets			
Other financial assets at fair value through other comprehensive income	32,979,223	30,678,898	2,300,325
Current assets			
Securities at fair value through profit or loss (held for trading)	3,938,383	9,375,910	-5,437,527
Cash and cash equivalents	23,150,763	18,217,289	4,933,474
Total Assets	60,068,370	58,272,098	1,796,272

Securities at fair value through profit or loss summed up RON 3.94 million, a large part of the portfolio being composed mostly of the shares from REIT. Cash and cash equivalents reached 23.15 million lei on 31.12.2020, registering an increase of 4.93 million lei.

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 2020 and 2019 is as follows:

In accordance with IFRS:	2020	2019	-RON- Change ('20-'19)
Net Revenues	478,838	4,010,545	-3,531,707
Net Expenses	1,865,669	5,672,396	-3,806,726
Net result for the year	-1,386,831	-1,661,850	275,019

Fund's profit, income and costs

In accordance with IFRS, the Fund realised a net loss of RON 1.39 million; the net expenses of RON 1.87 million comprise a net loss on traded instruments and administrative expenses, decreasing by RON 3.81 million compared to those recorded in 2019.

Net revenues, amounting to RON 0.48 million, includes net gains from traded financial instruments, income from dividends, interest and exchange rate differences (in the case of 2020), being substantially lower than those recorded in 2019, of RON 4.01 million.

Export

N/a.

Market share

At the end of 2020, STK Emergent had a market share of 3.83% 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, 2020 is RON 23,150,763.

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

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.

On 31 December 2020, the SRRI computed at the portfolio level was 26.17%, in accordance with the Fund's risk class.

b) Sensitivity analysis

A sensitivity analysis is performed in order to determine the effect of the market risk on the net asset value, analysis 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 12/31/2020							
		-30%	-20%	-10%	10%	20%	30%
	Total value (RON)						
Securities	33,854,771	23,698,340	27,083,817	30,469,294	37,240,248	40,625,725	44,011,203
Current accounts	7,119,969	7,119,969	7,119,969	7,119,969	7,119,969	7,119,969	7,119,969
Bank deposits	16,030,794	16,030,794	16,030,794	16,030,794	16,030,794	16,030,794	16,030,794
Other assets	1	1	1	1	1	1	1
TOTAL ASSETS	57,005,535	46,849,103	50,234,580	53,620,057	60,391,012	63,776,489	67,161,966
TOTAL DEBT	496,129	496,129	496,129	496,129	496,129	496,129	496,129
NET ASSETS	56,509,405	46,352,974	49,738,451	53,123,928	59,894,882	63,280,359	66,665,837
		-17.97%	-11.98%	-5.99%	5.99%	11.98%	17.97%

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 12/31/2020

Bank	Rating	Cash held in current accounts (RON)	Bank deposits	Total exposure	Concentration
Banca Transilvania	BB+	18,909	13,008,945	13,027,853	56.27%
BRD	BBB+	7,079,985	100,008.89	7,179,994	31.01%
Libra Internet Bank	n.a.	860	2,921,840	2,922,700	12.62%
TechVentures Bank	n.a.	20,215		20,215	0.09%
Total		7,119,969	16,030,794	23,150,762	100%

d) Liquidity risk

The liquidity risk management is performed globally, by monitoring the liquidity risk limits such that the ratio of current exposure to current liquidity is less than 3.5, allowing the held instruments to be liquidated in less than 3.5 days.

	12/31/2020
1 Current exposure (2) - (3)	25,942,044
2 Net assets	56,509,405
3 Assets with limited liquidity	30,567,361
4 Current liquidity (5) + (6) + (7) + (8)	43,483,977
5 Current liquidity for listed stocks	17,627,299
6 Current liquidity for financial instruments not admitted to trading	2,705,916
7 Current liquidity for deposits	16,030,794
8 Current liquidity for cash	7,119,969
9 Current exposure/Current liquidity	0.60

On December 31, 2020, the Current exposure/ Current liquidity indicator was 0.60, which is within the permissible liquidity limit.

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

Compared to the end of the previous year, the Fund's liquidity increased 1.27 times on 12/31/2020, due to the sale of a part of the shares in the portfolio at the beginning of 2020, amid the emergence of the coronavirus pandemic. The Fund may at any time invest in assets that have sufficient liquidity to ensure compliance with liquidity limits (see paragraph 1.1.8.d on liquidity risk). The objective of the Fund is to invest these available funds during 2021, depending on the opportunities you identify.

	-RON-		
In accordance with IFRS:	2020	2019	2020 vs 2019
Cash and cash equivalents	23,150,763	18,217,289	X1.27

- 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

Not applicable. 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 revenues of STK Emergent come from the core business. The revenue structure differs from one financial year to another, depending on the evolution of the of the share prices included in the Fund's portfolio.

During 2020 the Fund's portfolio was composed mainly of shares of the companies belonging to the oil sector, which were largely sold, their evolution being influenced in part by the oil price movements, but also by their specific factors.

At the end of 2020, the Fund recorded a net gain from financial instruments traded or held for trading of RON 0.27 million, dividend income being RON 0.02 million, interest income RON 0.07 million, and net gain from exchange rate differences being of RON 0.12 million.

In accordance with IFRS:	-RON-				
	2020	(%)	2019	(%)	2020 vs 2019
Total net Revenues	478,838	100.0%	4,010,545	100.0%	X0.12
Net gains on financial assets at fair value through profit or loss	272,197	56.85%	0	0%	n.a.
Dividend income	20,000	4.18%	213,909	5.3%	X0.09
Interest income	70,760	14.78%	13,915	0.4%	X5.08
Net gain from exchange differences	115,882	24.2%	3,782,721	94.3%	X0.03

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

Company	-RON-	
	12/31/2020	(%)
Closed-end Fund BET FI INDEX INVEST	20,000	100%
Total	20,000	100.0%

The holdings in the tradable portfolio generated dividend income in the amount of RON 20,000 during 2020: 100% being distributed by the closed-end investment fund BET FI INDEX INVEST.

2. Company`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

3.1. 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 31, 2020, 609,753 fund units with a nominal value of RON 200 were in circulation.

The value of transactions with STK Emergent units in 2020 was RON 1.17 million; On December 31 2020, the Fund`s market capitalization was RON 34.76 million.

Dividend policy

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

Dividend policy for the past 4 years

During 2017, the Fund distributed from the 2016 profit a gross dividend of RON 10/fund unit and paid dividends in the amount of RON 5.81 million. In 2018, 2019 and 2020, the Fund did not distribute dividends.

Description of any acquisition activities of its own fund units

During 2020, the Fund did not carry out activities to acquire its own fund units.

STK Properties SA, a 99.99% company owned by STK Emergent, has no fund units on December 31, 2020.

Emergent Real Estate SA, a 99.99% company owned by STK Emergent, had 117,016 fund units on December 31, 2020.

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 managers

The fund manager is the STK Financial AIFM 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 AIFM SA 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.

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.

As of 12/31/2020, STK Financial AIFM SA held 19,385 fund units.

The affiliated entities are STK Financial AIFM SA, 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 the statutory bodies` decisions to conduct the company`s business in good working order. In 2020 the company`s directors were Mr. Nicolae Pascu and Mrs. Cristina Pascu.

As of 12/31/2020, the management and the persons close to them held 24,824 fund units.

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) Statement of Financial Position

The changes in the main elements of the STK Emergent Statement of Financial Position in the last 3 fiscal years are as follows:

In accordance with IFRS:	2020	(%)	2019	(%)	2018	(%)	-RON- 2020 vs 2019
Non current assets							
Other financial assets at fair value through other comprehensive income	32,979,223	54.9%	30,678,898	52.6%	28,039,762	49.2%	7.5%
Current assets							
Securities at fair value through profit or loss (held for trading)	3,938,383	6.6%	9,375,911	16.1%	23,381,688	41.0%	-58.0%
Cash and cash equivalents	23,150,763	38.54%	18,217,289	31.3%	5,615,038	9.8%	27.1%
TOTAL ASSETS	60,068,370	100.0%	58,272,098	100.0%	57,036,488	100.0%	3.1%
Equity	59,567,832	99.2%	57,929,208	99.4%	56,685,829	99.4%	2.8%
Current liabilities	500,537	0.8%	342,890	0.6%	350,659	0.6%	46.0%
TOTAL EQUITY AND LIABILITIES	60,068,370	100.0%	58,272,098	100.0%	57,036,488	100.0%	3.1%

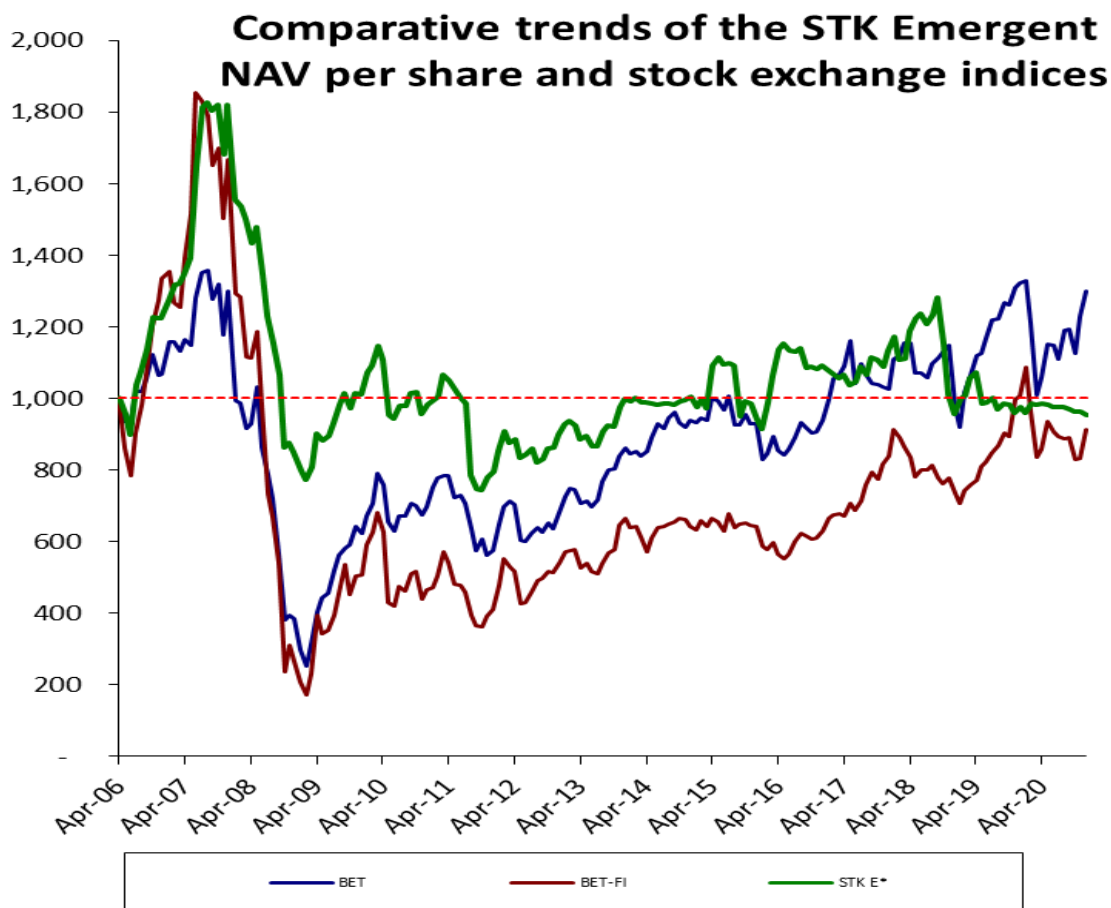
Other financial assets at fair value through other comprehensive income mainly include securities held in STK Properties SA and Emergent Real Estate SA, and as unlisted companies, they are valued according to international valuation standards according to Regulation no. 2/2018; thus, a fair value is used given by an evaluation report made by an ANEVAR certified external valuator. In the financial statements presented above, the fair value of these securities as at 12/31/2020 was updated based on the last valuation report prepared during February 2020.

Securities at fair value through profit or loss (held for trading) in the amount of RON 3.94 million represented on the last day of 2020 a share of 6.6% of assets, a decrease of 58.0% compared to the end of 2019, the decrease being attributed to the sale of a part of the shares in the portfolio. Consequently, cash inflows increased to RON 23.15 million, from RON 18.22 million at the end of 2019.

The increase of equity by 2.8%, to RON 59.57 million at the end of 2020, compared to RON 57.93 million on December 31, 2019, was given by the increase of reserves from the revaluation of securities at fair value, which offset the net negative result of the financial year ended.

Net assets

The comparative evolution of NAV per share with the main indices is presented in the chart below:



STK E- adjusted NAV per share with distributed dividends*

On December 31, 2020, the STK Emergent net asset value per share was RON 92.68, registering an decrease of 2.45% compared to the net asset value at the end of December 2019. Since its launch, the dividend adjusted net asset value per share registered a negative variation of 4.50%. During the same period, the indices on the Bucharest Stock Exchange registered an increase of 31.41%, the BET index, and the BET-FI index a decrease of -7.13%

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

	-RON-		
	12/30/2020*	12/31/2019	12/31/2018
Unlisted shares	32,979,223	29,916,388	27,667,252
Tradeable shares portfolio	27,089,7147	28,355,710	29,369,236
<i>Shares</i>	3,287,410	9,538,420	23,149,275
<i>Cash</i>	23,150,763	18,217,289	5,615,038
<i>Other assets</i>	650,973	600,000	604,923
Total Assets	60,068,370	58,272,098	57,036,488
Liabilities	496,129	341,407	342,210
Net Assets	59,572,241	57,930,691	56,694,279
NAV per share*	97.70	95.01	92.98

* Net assets with the update of the value of unlisted shares after the end of the financial year 2019

During the reporting period, the Fund did not have any Securities Financing Transactions (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).

b) Statement of Profit or Loss

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

	-RON-		
In accordance with IFRS:	12/31/2020	12/31/2019	12/31/2018
Net gains from financial assets at fair value through profit or loss	272,197	0	0
Dividend income	20,000	213,909	51,772
Interest income	70,760	13,915	9,295
Net gain from foreign exchange differences	115,882	3,782,721	0
Total net Revenues	478,838	4,010,545	61,067
Net loss from disposed financial assets at fair value through other comprehensive income	0	116,093	0
Net loss from financial assets at fair value through profit or loss	0	3,702,172	7,791,786
Administration fees, bank charges, fees	1,865,669	1,854,130	2,253,554
Net loss from foreign exchange differences	0	0	191,397
Total net Expenses	1,865,669	5,672,395	10,236,737
Net (Loss)/Profit for the period	-1,386,831	-1,661,850	-10,175,670

The Fund's net revenues at the end of 2020 was RON 0.48 million, including dividends and interest income, net income from foreign exchange differences, and compared to previous years, financial assets at fair value through profit or loss. The securities in the portfolio generated dividends in the amount of RON 0.02 million, decreasing from RON 0.21 million, lower than those received during 2019. The interest income received by the Fund was about 5 times higher in 2020 compared to the previous year and by 7.6 times higher compared to two years ago.

Exchange rate differences led to a net income of RON 0.12 million, the net losses being RON 0 in 2019 and RON 0.19 million in 2018, the GBP depreciating by 4.0% during 2020, amid the coronavirus pandemic.

The net loss from traded financial instruments was RON 0 in 2020, due to the sale of a significant number of securities in the first 3 months of the year. The operational expenses of the Fund were of 1.87 million lei, higher by 0.62% compared to 2019 and by 17.21% lower compared to 2018.

From the gains related to the financial year 2020, the net gains related to the value adjustments for recognition at fair value at the end of each month, are in the amount of RON 345,945 (2019: RON 41,175).

The financial instruments that were traded from the portfolio during the reporting period, led to a net gain of RON 242,618 (2019: - RON 3,777,090), thus resulting for the reporting period of this financial year, a net gain of financial instruments traded or held for trading, amounting to RON 588,563.

For 2020, the Fund registered a net loss of RON 1.39 million. At the beginning of 2020, we liquidated all investments in order to protect the fund's capital from the risks represented at that time by increased stock valuations, and later by the coronavirus pandemic.

c) Cash Flow Statement

The evolution of the cash flows of the Fund in the past 3 years is as follows:

In accordance with IFRS:	2020	2019	2018	2020 vs 2019
Interest received	70,759	13,915	9,124	408.5%
Dividends received	178,699	212,986	51,772	-16.1%
Proceeds from the sale of securities held for trading (shares)	25,908,847	17,839,426	21,890,538	45.2%
Proceeds from the sale of securities held for trading (AOPC ¹)	0	0	380,143	<i>n.a.</i>
Purchases of securities held for trading	-19,602,803	-3,777,477	-24,774,605	-418.9%
Payment for the Fund's administration	-1,383,329	-1,418,830	-1,667,459	-2.5%
Payments for other operational expenses	-367,180	-377,659	-446,212	-2.8%
Cash flow from operating activities	4,804,993	12,492,361	-4,556,699	-61.5%
Dividends paid to unit holders	0	-2,031	64,532	<i>n.a.</i>
Tax on dividends paid	0	0	-10,183	<i>n.a.</i>
Cash flow from financing activities	0	-2,031	54,349	<i>n.a.</i>
Net increase/(decrease) in cash and cash equivalents	4,804,993	12,490,330	-4,502,350	-61.5%
Cash and cash equivalents at 1 January	18,217,289	5,615,038	10,079,681	224.4%
Effect of exchange rate changes on cash and cash equivalents	128,482	111,921	37,707	15.1%
Cash and cash equivalents at end of period	23,150,763	18,217,289	5,615,038	27.1%

At the end of 2020, the net cash flow from operational activities was positive, of RON 4.80 million, by 61.53% lower to the previous year, but higher and positive compared to 2018. Proceeds from the sale of securities held for trading (shares) amounted to RON 25.91 million, this category including the value of shares sold during 2020.

Payments for purchases of securities held for trading increased to RON 19.60 million, from RON 3.78 million in 2019 and RON 24.77 million in 2018. These include the value at which the securities were acquired, commissions and other trading expenses.

¹ Other collective investment undertakings

Information on the remuneration policy of STK Financial AIFM SA. Amount of remuneration for the financial year 2020

For the financial year 2020, the total amount of remuneration, broken down into fixed remuneration and variable remuneration, paid by STK Financial AIFM SA to its staff and the number of beneficiaries is presented in the tables below:

STK Financial AIFM SA - Remuneration paid in 2020

Total amount of remuneration for the financial year, of which:	Total amount (RON)	Number of beneficiaries
a) Fixed remuneration paid to its staff	595,730	17
b) Variable remuneration paid to its staff, excluding performance fees	-	-
c) Variable remuneration representing performance fees	-	-
Total	595,730	17

STK Financial AIFM SA - Remuneration paid in 2020 for Personnel Identified

Cuquantum agregat al remunerațiilor pentru exercițiul financiar, din care:	Suma lei
a) Remuneration paid to the members of the Board of Directors	82,452
b) Remuneration paid to effective management (top)	51,195
c) Remuneration paid to staff with control responsibilities (compliance, risk management, internal audit, etc.)	164,979
d) Remuneration paid to identified personnel whose actions have a significant impact on the risk profile of the O.P.C.	461,926

The remuneration policy of STK Financial AIFM SA is developed in accordance with the provisions of Law no. 74/2015, of Law no. 29/2017 and ESMA Guidelines. Since the of adoption of the remuneration policy, no significant changes have been made.

For the financial year 2020, the Fund did not pay performance fees to the Management Company.

Signatures

Nicolae PASCU
Chairman of the Board
STK Financial SAI SA

Victor Bogdan OPREAN
Chartered Accountant