Dear fellow shareholder,

We felt the need for an interim shareholder update following our attendance at the Tinkoff investor day in London last week.

Tinkoff is clearly an investment that is part of our DNA and close to our hearts, having been very early stage investors through our previous investment company Vostok Nafta, before becoming the cornerstone investment in Vostok Emerging Finance. Of more importance, Tinkoff has been the main driver of our NAV and thus share price uplift to date, given its fantastic performance. The business is as close as we have to "the finished fintech product" within our portfolio and is a benchmark against which we measure everything else we do.

The Tinkoff investor day was a great example and indeed justification of why we started Vostok Emerging Finance and what we are looking to achieve through our investment strategy - creating value for shareholders by backing winning fintech companies across emerging and frontier markets.

We continue to see as many separate fintech companies coming out of the Tinkoff ecosystem as we would see in numerous individual companies in other emerging markets. While each new business grows out of, and is part reliant on, the base Tinkoff ecosystem, they are each clear unique lines of fintech value creation.

More specifically, Tinkoff management presented on the following key business lines with strong traction......

- **Tinkoff Black**, Tinkoff’s current account offering, added c. 250k new clients in Q118, should reach 4mn customers by YE18 and is already break even despite being primarily a customer acquisition and funding channel
- **Tinkoff SME bank**, added 50k+ new clients in Q118, should reach 350k clients by YE18 and too has reach profitability so far by just focusing on fee and float income. Credit is the next exciting chapter in this business line and clearly could dwarf revenue generated to date.
- **Tinkoff Mortgage broker platform** - with no desires to underwrite mortgages, Tinkoff has built one of Russia leading digital only mortgage brokers, with a growing number of partner banks (10+ and growing).
- **Tinkoff Investments** - initially through a partnership with BCS and now driving its own initiative, Tinkoff has over 100k clients with c. 25% of new online accounts registered in Russia opened with Tinkoff (April 18 data).

A home equity line of business is one of the most recent and exciting plays (in our view) from the Tinkoff stable and one that is just so obvious for the Russian market given the level of home ownership and the lack of borrowing against it, as there are in most developed markets. This is all beyond the core credit card and consumer lending offering which has led the way in terms of customer acquisition, revenue generation and successful base for more.
A clear message from the event and something which the investment community has a growing awareness to is that Tinkoff has clearly evolved from its focused but very successful card mono-line roots to be one of Russia's largest consumer and SME ecosystems. A growing number of financial products, both its own and those of partners, are being offered through this ecosystem, while Tinkoff naturally starts to branch out into related (non-financial) areas to look to attract and keep a growing number of consumers on its platform, more regularly and for longer intervals. Tinkoff and Russia are unique in this regard, as financial services firms are at the forefront of the broader ecosystem evolution while elsewhere it has tended to be those companies from social media, search or ecommerce/marketplaces that have drifted into payments and then broader financial services, with the Chinese (Alibaba and Tencent) being the most successful examples.

We continue to hold a sizeable stake in Tinkoff Bank, 3mn shares or 1.6% of the company, and it remains c. 40% of our NAV. This is despite selling close to half our original position over the past 12 months. For all the positives we highlight above, the opportunity to realise a significant gain on one of our investments in up-cycle Russia while redeploying some of that capital into great fintech investments elsewhere was just too obvious a risk/reward move for us to ignore. In effect, Tinkoff has now become our first successful exit and we realised 5.8x CoC return and 84% IRR on the shares of the company we have sold to date, inclusive of dividends. Furthermore, we still have significant skin in the game in what is one of the best fintech assets globally, while being able to strengthen and diversify the VEF portfolio and our investment cash firepower at the same time.

In conclusion, Tinkoff, we salute you and I recommend all our investors take the opportunity to look at the investor day deck (link below).

June 2018
Dave Nangle