>EF
Vostok Emerging Finance

Dear fellow shareholder,

With 2019 coming to a close, we wanted to share some of the highlights of our year, which we presented to our management board at our recent quarterly get-together and have been communicating with the investment community in a variety of forums of late. In many ways, 2019 was the year that VEF grew up and started to realise much of the value that had been built up over the 5 years since inception.

Portfolio Exits - 2 portfolio exits in 2019 yielding exceptional IRRs

- Tinkoff Bank: 6.1x CoC return and 65% IRR
- iyzico: 3.2x CoC return and 57.5% IRR

Size Funding Rounds - Creditas and Konfio

Our 2 largest holdings closed benchmark investment rounds leaving both companies exceptionally well-capitalised to grow and win in their respective spaces.

Creditas - Following its successful $231mn 2Q19 funding round, Creditas is now the size name within our portfolio, accounting for c. 30% of our NAV and we couldn’t think of a better poster-boy (for want of a better term) to represent what we are trying to achieve at VEF. Creditas has everything we look for in an investment, 1) exceptionally strong founder and top management team; 2) quality shareholder bench with experience and deep pockets; 3) playing into a scale opportunity space overlooked by incumbents; 4) built significant moats in a difficult space; 5) achieving supernatural unit economics and 6) very strong traction in origination/revenue trends with an extremely healthy forecast outlook for company financials from here.

Konfio - secured a $100mn Series C funding round in Mexico, which leaves it in a very strong position to continue to grow its small business loan book and diversify its offering into a broader small business financial services play for the grossly underserved Mexican SME.

New Investments - Xerpa, newcomer to the VEF portfolio

Our investment bar continues to rise and despite deploying c. $49mn of capital in 2019, we only did one new investment, a similar count to 2018. In 3Q19, VEF led a $13mn investment round into leading Brazilian HR platform and salary-on-demand provider, Xerpa. Xerpa’s salary-on-demand product, Xerpay, allows employees to access their already earned wages, instantly and at any time, similar to Wagestream in the UK.

Brazilian Fintech – still a global benchmark and our portfolio bias

A focus of our investment thesis to date, Brazil is the most exciting fintech market globally and VEF is one of the best plays on this theme with 6 investments & over 50% of our NAV currently there. A scale market, very online ecosystem, exceptional unit economics, quality founders/VCs and a supportive regulator are combined with one of the most active exit ecosystems in our EM universe which was once again proven out by the recent IPO of XP Investments.

Value Creation

2019 was a big year for value creation at VEF, both via our core NAV and our market capitalistion, 2 areas that are clearly linked but don’t always act in tandem. As at Q3 end, our USD NAV is up 23.6% YTD, while our share price in SEK is up 67% YTD. Taking a step back, since VEF raised capital in late 2015, we have delivered NAV per share and share price IRR in SEK of 35.5% and 28.3% respectively. From an initial NAV of $95mn, which was mostly cash and a 3.6% stake in Tinkoff Bank, today, organically, we now sit at c. $250mn of NAV.

Closing Remarks

2019 has been a stellar year for our company and we have a lot to be proud of. Never complacent and forever paranoid, but there continues to be so much value creation potential within the portfolio and in the broader EM fintech ecosystem, that our confidence levels continue to grow with each new milestone achieved.

We re-iterate that delivering shareholder value through a focused approach to increasing our NAV per share and reducing traded discount to market value remains our core focus, and the events of the 2019 period show real traction on this front. We take a long-term view on our company, investments and indeed life, which is necessary when investing in the space that we do.

December 2019,

David Nangle