

## >02 Management report

Dear fellow shareholder, Vostok Emerging Finance (VEF) has made a productive and positive start to 2016, following on from the successful 4Q15 rights issue, when we raised SEK 588 mln of fresh capital to support our strategy of investing in some of the most exciting fintech companies coming through in emerging markets. Key portfolio highlight during the quarter, was making our first investment of the new year in FinanZero, a consumer loan marketplace in Brazil. Also of note, has been the positive momentum in our share price, up 14% from recent placement price as at the end of quarter. This is all the more satisfying given the turbulent global economic and market backdrop into which we were operating in this period.

Following 2015, which was broadly regarded as a boom year for private equity and venture capital investing, through 1Q16, the industry took its lead from public markets and got off to a quiet start, with many commentators and headlines focusing on a more difficult environment for the industry in general. As stated before, we at VEF are all too aware of the challenging global macro and market backdrop in which we are operating, with many of our focus geographies affected directly by contracting economies, weakening currencies and volatile politics to name just a few of the implications. At one level, this backdrop only sharpens our focus and raises the investment bar regarding any potential incremental investments. On another level, VEF's strategy is to invest in fintech companies whose business model success is, in large part, due to structural market changes underway in the financial services sector across scalable markets. Hence, irrespective of the ups and downs of economic cycles, we continue to invest with a strong supportive structural tailwind behind us.

We spent much of a busy 1Q16 on the road visiting markets (inclusive of Russia, Africa, Pakistan and Middle East) and companies, both current holdings as well as new opportunities. Geographically, Pakistan was a specifically interesting trip, where we saw much of what has come to pass in India in the fintech space, starting to come through in this sizeable market opportunity. Segment wise, over the quarter we spent much time and focus on the payments and remittances space, which consists of a large piece of the opportunity set in our world and often a gateway to other financial service opportunities. As we go, we continue to find comfort in the fact that there is no shortage of investment pipeline in our region/segment of focus, and we are engaged on an on-going basis with potential investments. Picking the winners from the opportunity set remains our key challenge, as opposed to finding them. We are comfortable that in this environment patience is a key factor.

As mentioned, we concluded our first investment of 2016 and indeed our first ever in Latin America, into FinanZero.com.br, a marketplace for consumer loans in Brazil. VEF invested USD 1.2 mln for a minority stake of the company. FinanZero is a pioneer marketplace for consumer loans in Brazil. The business is an independent online broker for loans, negotiating the customer's loan with several banks and credit institutions, to find the loan with the best interest rate and terms for the consumer. FinanZero handles the lending process from start to finish, with the customer and the bank fully integrated into FinanZero's system. The business combines aspects of comparison, lead generation and consumer loan brokerage. This is a business model we have seen scale and succeed in other markets. The size of market,

nature of the opportunity, combined with strength of team made it a clear winning opportunity for us to go after.

Our portfolio holdings continued to make good progress through the quarter:

- > Tinkoff Bank remains an anchor holding in the VEF portfolio and in our opinion the best fintech play in Russia. The latest set of results, 4Q15, delivered yet another uptick in RoAE to 16.7% for the quarter, despite the still difficult Russian macro/market backdrop, while management guided for a circa doubling of profits YoY in 2016. This continues to be a business that is making the most of the current environment, remaining on the front foot with new hires, gaining market share and rolling out new lines of business. The share price trend continues to reflect this with Tinkoff shares up 14.4% YTD to quarter end.
- > REVO continues to deliver strong growth in its merchant point of sale/consumer instalment credit business in Russia, continuously adding a diverse array of regional and nationwide merchant partners while up and running with their online merchant product. 1Q16 delivered a second quarterly profit in a row and most of the focus is on scaling at speed while maintaining risk. Sister company, Sorsdata, a play on consumer data analytics, target migrating and loyalty programmes has moved out of successful pilot stage and looking to deliver its first merchant agreements in 2Q16.
- > JUMO continues to progress in delivering its leading mobile money marketplace for Africa and key mobile money markets beyond. Their integration with mobile network operators (MNO's) across the continent continued into 2016 as

they look to build near 100% MNO connectivity for the 6 key mobile money markets on the continent today. The other side of the marketplace is now very much in focus as they look to compliment their own balance sheet early stage facilities with a broader array of FSP (Financial services providers). We would expect to see its inaugural savings product rolled out to compliment credit and for the platform to deepen its ecosystem on all fronts as we move through the year.

- > VEF remains in a majority cash position following our 4Q15 cash call and this remains a key strength for our company in many ways in this volatile and very opportune environment. VEF is in a very strong position to support our current portfolio holdings and add to them with new investments as we go through 2016.

As well as portfolio developments, through the quarter we continued to bolster the VEF team and lay further foundations for longevity of success. We welcome Henrik Stenlund to the team, formerly with Modern Times Group (part of Kinnevik) in a variety of management positions. Henrik adds great experience and depth to our bench. Alexis Koumoudos also joined VEF, after a number of years in the hedge fund space, most recently at Skyline Capital Management, and works alongside me today, making a big difference to scaling and deepening our (re)search and due diligence efforts.

As always, I would like to close off my comments by thanking my board of directors and the team at Vostok Emerging Finance for all their input and efforts over the period. To fellow shareholders, we appreciate your on-going support, and remain committed to delivering shareholder value through a focused approach on

increasing the NAV per share, coupled with healthy level of company transparency and investor communication as we go.

May 2016,  
David Nangle