

Management Report

Dear fellow shareholder,

VEF ended 1Q18 with another quarterly record NAV per share of SEK 2.68, up 8% from YE17 and 31% YoY. NAV went above USD 200 mln while the discount to our market cap averaged c. 18% over the 1Q period. The key driver remained the evolution of Tinkoff Bank's share price. For a company and team, which focuses and prides itself on shareholder value creation over the medium to long term, we have more than enjoyed the somewhat early journey valuation driver that has been Tinkoff Bank. We believe that the future drivers of value sit amongst the 10 other private holdings that we have added to the portfolio since the summer of 2015. Content with the value creation trend to date, we see so much more unrealised potential from our core portfolio, while the traded discount to portfolio intrinsic value is something that will continue to annoy us until closed. Post quarter end, our share price has felt the pressure of more volatile trading markets and in particular its Russian linkage and is priced today at c. SEK 1.9 and running at well above average levels of discount to NAV of c. 25%. We respect short-term market forces but are focused on the longer-term value creation strategy we ware well upon as well as closing the discount to NAV over time.

Unlike the benign investment environment of 2017, top down themes of politics and geopolitics have dominated the investment landscape YTD, with immediate impact on traded public markets and potential medium-term effects on the global economy, all offering potential opportunities and treats for VEF's mandate and portfolio. Specifically, Russia has found itself front and centre stage (again) and is well worth reviewing below where we stand on this still important market for us.

The sanctions placed on Russia by the US in April had a very clear negative impact on asset prices across the board,

irrespective of whether they are directly linked to the sanctions or not. I won't go into the detail of what was widely broadcast on the newswires, but we have been following all closely since the announcement and are on top of market movements and scenarios from here. There are a number of key points worth making with respect to VEF:

- > Russia remains a very important market for VEF. We have two of our 11 portfolio holdings in Russia, Tinkoff Bank and REVO/Sorsdata, which together account for c. 40% of our current NAV. Russia has been our strongest market and main driver of NAV uplift to date.
- > Tinkoff Bank, as our only public holding, is very much our focal point in this window, given it reflects Russian risk and investor risk appetite for it. At this stage, we are in the general higher risk arena for Russia and Russian assets and price pressure on all Russian traded assets.
- > This is all irrespective of the on-going record earnings results and returns that the Tinkoff machine has been churning out and management's reiteration of its strong earnings guidance for 2018.
- > Tinkoff came into our portfolio in 2015 at c. USD 3 a share (USD 19 mln position in total), we owned 3.6% of the company at the time. We have been reducing our position on the way up and today own approx. half that stake or a 1.8% stake. We have realised effectually USD 50 mln from Tinkoff share sales (not including dividend flow, another USD 6.2 mln) and still have a position valued at c. USD 71 mln at the end of the first quarter. Russia, like all emerging markets, has a tendency to bite when you least expect it, hence our on-going policy of selling down of a winning story as we go, redeploying capital into new private fintech names.
- > REVO, we also hold a 25% stake in REVO, 7% of our NAV and other than the fact that it is a ruble asset, has

no negative aspects other than the potential secondary macro slowdown impact.

- > What I will say is that this is nothing new for us and for our Russian holdings. We have been through many crises in Russia and while never enjoying them, it's how you manage your way through them with the constant goal of long term value creation that is key.

We recently held an update trip for our board in Brazil, a market which hosts nearly 50% of our holdings and remains one of the most exciting fintech markets globally. We are very well positioned in this market, with five diversified fintech holdings benefiting from both the classic structural trends as well as more recently positive cyclical ones. All our Brazilian portfolio companies are realising double-to-triple digit percentage growth run-rates of clients, AUM, loans, revenues etc. YoY. Two events worth highlighting from the 1Q period; 1) we recently announced the USD 3.6 mln Series A capital raising for FinanZero at an uplift in valuation, in which we were happy to take up our rights. 2) Regarding Brazilian exits, the recent IPO of PagSeguro (PAGS), Brazil payments company, on the US stock exchange has become a benchmark successful fintech IPO exit. There has been a lot of public and private investor interest in the market as a result and since.

Strategic update – we are three years into our journey at VEF and naturally our portfolio is starting to season. Having made our initial bets, increasingly we are looking to deploy more capital within our current portfolio strategically, either supporting companies looking to get to the next level of growth or simply backing winning names with additional capital injections where possible, or a combination of both. While there remains plenty of potential to add names to our portfolio, 2018 is evolving into a different year for VEF

than 2017, with more work and support for current portfolio companies than due diligence on potential new ones. On the new opportunity front, we are deep into the Mexican fintech space, while the team is returning to some of the more scale frontier markets where we feel we have an edge inclusive of Nigeria, Pakistan and Egypt, with the early playing field across different fintech areas still being formulated and we wait for logical risk/reward entry points.

I would like to close off my comments by thanking my supportive board and team at VEF for all their on-going efforts. To fellow shareholders, we appreciate your on-going support. Delivering shareholder value through a focused approach to increasing our NAV per share and reducing traded discount to market value remain our core focus. We take a long-term view on our company, investments and indeed life, which is necessary when investing in the space that we do.

May 2018,
David Nangle

