

# Management report

Dear fellow shareholder,

Exits were the over-riding theme of the first six months of 2019 for life at VEF, as we put down some impressive markers on the power of value creation within EM fintech. We said goodbye to both Tinkoff Bank and iyzico with stellar returns locked in for both. Our NAV and share price continued to rise, supported by these exits and more recently the Creditas mega-raise, while we continue to be on the bid for our own shares at the right discount and are as excited as ever by some of the opportunities at the later stage of our investment funnel.

## Performance review and highlights

Through 2Q19, total USD NAV of VEF grew 17% QoQ to USD 238.7 mln and +18.5% YTD. NAV per share in local currency grew 22.7% QoQ to SEK 3.41. The major drivers were the uplift in exit value for iyzico and the SoftBank-led Creditas fundraising event (details below).

Capital flowed both ways through the period, as our cash position benefitted from aforementioned exits, while we continued to deploy fresh capital into favoured portfolio names Creditas (USD 23.5 mln), Konfio (USD 10 mln) and Nibo (USD 2 mln) to name but three. We ended the period with USD 25.2 mln of investable capital, pre-iyzico fund flows, which are expected by 3Q19.

## iyzico, second portfolio exit of 2019

In 2Q19, the sale of iyzico to Naspers Group for USD 165 mln was announced, our second exit of 2019.

From a total VEF investment of USD 11 mln, the exit resulted in gross proceeds of USD 33.9 mln to VEF, an investment IRR of 63% and a CoC return of 3.1x at the time of closing. This followed on from the 1Q19 exit of Tinkoff, which itself delivered an IRR of 65% and 6x CoC returns. iyzico, Turkey's leading online payments player, has always represented a benchmark investment, and now exit, for VEF.

Since our initial investment, iyzico has been one of our cornerstone holdings, a strong driver of our NAV growth and a company that set the investment bar against which we measure all potential investments. Once again, we would like to thank Barbaros, Tashin and all the team at iyzico for welcoming us into their cap table back in 2017 and allowing us to be a small part of their hugely successful story to date. We wish them all the best in their continued ventures as part of the Naspers Group.

## Creditas, SoftBank backs them in benchmark fundraising

Within the existing portfolio the biggest recent event was the USD 231 mln Series D funding round for Creditas, led by SoftBank. As we mentioned in our previous letter, SoftBank recently arrived on the continent with USD 5 bln of dedicated capital looking to back Latin America's new economy champions. We were not surprised that Creditas was one of their first ports of call, as the scale of the opportunity in the secured consumer lending space in Brazil, combined with the quality of the team at Creditas, is a clear LatAm fintech champion in the making.

We also took our part in the investment round, writing our third-largest cheque to date of USD 23.5 mln, and have now invested a total of USD 48.5 mln in Creditas, a sign of the confidence we have in this company and team. It is now our largest holding and accounts for 30.1% of our NAV.

## Buybacks and pipeline

From a capital allocation perspective, of late, we have been especially active in putting more capital to work in current portfolio companies. Quite simply, if something in our portfolio is working, we look to back it harder and deploy more capital. At the same time, we continue to nibble at our own shares as and when we feel the discount is at inappropriate levels versus the current NAV, and our predicted view of

where that NAV goes next. While pipeline building is a never-ending process, we are at a point where we feel that much of the work over the previous 12 months could lead to conversions and new companies entering the portfolio in the near future. Brazil, for all the positive reasons we have cited many times in the past, and India, are the destinations where we are busiest on that front.

### **Concluding remarks**

In 1H19 we experienced significant portfolio exits, benchmark fund raises, and our companies continuing to grow at a very healthy clip, all driving our NAV per share and share price to fresh highs. 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 1H19 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.



August 2019,  
David Nangle