

## >02 Management report

Dear fellow shareholder,  
Busy and exciting times at Vostok Emerging Finance as our portfolio has really began to take shape through 2016, while the underlying positive performance in our NAV and share price continued through the third quarter. Key highlight from the past few months was seeing our NAV per share reach new highs (again) of SEK 1.60, as at the end of the third quarter (and higher since), principally off the back of the continued strong performance of Tinkoff Bank shares. It was also a quarter where we laid the groundwork for eventful final months of 2016 and expect to be able to announce a mix of new investments and follow-ons in current portfolio companies before year-end.

First and foremost, it is always good to focus on a positive NAV and share price performance over the period. The third quarter uptrend continued where the second quarter left off in both NAV per share and share price. Over the quarter to September 30, NAV per share ended the quarter at SEK 1.60 (and higher since), up 14% QoQ, while, as important, our share price is tracking this trend and pushed higher to reach a 2016 high of SEK 1.30 at the end of September and more recently, above SEK 1.40. As before, this uptrend is principally a result of the continued rise of Tinkoff Bank share price, our largest and most fruitful holding to date, but also in part due to currency moves given the strong USD trend. Of more importance to future value creation potential, we saw our first portfolio positive mark to market move (ex Tinkoff), in Jumo, as there was a small uprround in the third quarter. A small, but positive move and an indication of what is to come from our private company portfolio.

On the portfolio front, we continue to add selectively as we go. In our second quarter investor letter we

communicated our second and third investments of 2016, investing into TransferGo and Finja. TransferGo is an investment into a cross border payments play focused on the growing European migrant community and Finja is our inaugural investment into the Pakistan fintech space via a mobile wallet play. Both have strong founding teams and great potential and are great fits into our growing EM fintech portfolio. We spent a lot of time with targets in markets like Brazil, Mexico, Turkey and the broader Middle East over the quarter and do expect to add one more holding by year-end.

We are very comfortable as we head towards the end of our first full year of operation with how our portfolio is coming together. We continue to deliver on promises made to investors during our funding round in December last year, as we have sought to deliver a quality and diversified portfolio of fintech assets across a number different scalable emerging markets and across a number of different sub-segments of financial services. Looking at the split by:

1. Geography – VEF holds assets in Russia, Emerging Europe, Africa, Pakistan and Brazil.
2. Fintech subsector – VEF is in consumer credit, digital banking, payments, cross border remittances, mobile money, financial marketplace and online consumer loan brokerage.

Today, we can comfortably state that we, in our view, have the best fintech assets in Russia and Africa in our portfolio. Finally, we are also on the board of all our holdings ex Tinkoff, as is part of our stated mandate.

Regarding current portfolio holdings, once again, Tinkoff Bank was the standout performer within the VEF portfolio with a stellar set of second quarter results released in

September and the share price rallying (+43.1% QoQ in the third quarter) as a result. Management held strategy sessions with investors in London and New York and upped their guidance for the financial year of 2016 and gave deeper guidance regarding their future strategy – in Tinkoff we see as many new fintech business lines coming through as we do in maybe a dozen separate fintech companies in other markets we focus on. Elsewhere, Revo and Jumo continued their uptrend delivering record months as they go, while the more we focus on the Pakistan opportunity with relatively new holding Finja, the more excited we become. On the cash front, with a c. USD 56 mln cash and liquid asset balance, VEF remains in a strong liquid position following our funding round in December 2015 and this remains a key strength for our company in many ways in this volatile and very opportune investment environment. We are well positioned for follow on financial support to our portfolio companies as well as additions of new holdings.

Fintech in emerging markets, our focus space, is a very real and growing trend and we continue to unearth opportunities across a number of different geographies, segments of fintech and stages of company development on a daily basis, which feeds our optimism. We feel our timing was spot on with the creation of VEF and it's all about our execution into what is a very ripe and growing value creation opportunity space. We all look forward to a very busy close to the year with a number of key events and milestones pending. Our portfolio companies remain on the front foot and we look forward to reporting as many positive data points as we can by year-end 2016.

As always, I would like to close off my comments by thanking my supportive board of directors and the

deepening 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. Our success to date, while encouraging at one level, has only focused our minds more so on the opportunities and potential hurdles ahead.

November 2016,  
David Nangle