Management report

Dear fellow shareholder,
Below we share the highlights of year to date 2019, which we presented to our management board at our quarterly get-together and have been communicating with the investment community in a variety of forums of late:

YTD, one portfolio exit completed and the second in closing process: Tinkoff & iyzico

- Tinkoff Bank: 6.1x CoC return and 65% IRR
- iyzico: Expected 3.1x CoC return and approximately 56% IRR. Final closing is subject to regulatory approval and the process is ongoing.

Creditas and Konfio: Recent benchmark investment rounds leaving both exceptionally well-capitalised to win in their respective spaces.

Brazilian Fintech: A focus of our investment thesis. Brazil is the most exciting fintech market globally and VEF is one of the best plays on this theme with six investments and over 50% of our NAV there.

Value Creation: NAV is up 23.6% YTD and share price is up 57.7% YTD.

2019 has been a stellar year for our company and we have a lot to be proud of. Never complacent, 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.

3Q/9M19 performance review and highlights

Through 3Q19, total USD NAV of VEF grew 4.3% QoQ to USD 248.9 mln and 23.6% YTD. NAV per share grew 10.7% QoQ to SEK 3.78. Over the quarter the major driver was Konfio, while YTD both Creditas (major funding round) and iyzico (size exit in the making) also weighed in. At the end of 3Q19, our cash/capital position was USD 11 mln pre the receipt of USD 34 mln as a result of iyzico exit. Through the quarter, we invested USD 8.5 mln into Xerpa, a further USD 2 mln into Magnetis and committed to another USD 2.5 mln into Konfio as part of a broader funding round in the company. Net net, as of the date of reporting we have USD 11.6 mln of cash at bank to continue our mandate.

Taking a step back, since VEF raised capital in late 2015, we have delivered NAV per share and share price IRR of 35.6% and 28.5% respectively. From an initial NAV of USD 95 mln, which was mostly cash and a 3.6% stake in Tinkoff Bank, today, organically we now sit at USD 249 mln of NAV and rising.

Creditas

Following its successful USD 231 mln 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 a very healthy forecast outlook for company financials from here. Adding to that, Creditas is aggressively bringing down the cost of consumer borrowing in one of the world's most aggressive consumer rate environments, which fits from an ESG component and supports scalability of early success. We clearly view Creditas as a compounding asset and the most obvious multi-billion-dollar valuation company in the making within our current portfolio.

Xerpa, newcomer to the VEF portfolio

In 3Q19, VEF led a USD 13 mln investment round into leading Brazilian HR platform and salary-on-demand provider, Xerpa. VEF invested USD 8.5 mln and holds a minority stake and board representation in the company. 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. Brazil has long suffered from some of the highest interest rates globally, poor financial inclusion and 60% of workers struggle to make their paycheck last the month. Through Xerpay, employees gain instant financial security and thus can avoid the cumulative spiral of debt, defaults and penalties caused by overdraft and credit card revolvers commonly used when workers cannot access their earnings between pay cycles. We were very excited by the Xerpa story and team as well as the company's approach to this massively disruptive product. Xerpa's origins in the HR software space provide the ideal foundations to enable companies to be a force for good in their employees' lives and in doing so, address the leading cause of stress in the workplace: financial uncertainty.

Concluding remarks

Following the first six months of 2019 which was dominated by exits, in 2H19, we have got our investment hats firmly back on and have written significant follow on cheques for Creditas and Konfio, while making our first new portfolio investment in over 12 months in Xerpa and continue to be excited by the near-term investment pipeline. 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.

November 2019,
David Nangle