

>02 Management report

Dear fellow shareholder,
If we were to describe how we feel at VEF post 2016, our first full year of operation, we would use two words; proud and ambitious. We are very proud of what we have achieved to date, inclusive of setting up and listing the company, raising capital, making our first investments, watching them grow and our Net Asset Value and share price along with it. Our ambition comes from the fact that despite what we have achieved to date, we feel we are only at the start of our journey and believe we are in a strong place in terms of investment opportunity set, coupled with our position to take advantage of it. If we could add one more sentiment, it would be grateful. We are very grateful to the support our shareholders have shown us on our journey so far and happy that we have been able to repay that faith with healthy returns on investment thus far.

Reflecting on 2016, we summarise our key achievements...

- > We began the year on the front foot having just closed a successful rights issue in December 2015, raising SEK 588 mln for our focused mandate.
- > Having started the year with four portfolio companies across two geographies, we ended 2016 with seven portfolio companies across five geographies, and have added another since.
- > Of most importance, we continue to meet our rights issue investor promises of building out a diversified portfolio of quality fintech holdings across a number of different lines of financial services and across a number of different scalable emerging geographies.

- > Deepened our experience and position in the emerging fintech ecosystem through travel and closer integrations with fintech players across numerous emerging markets, all while deepening the team bench at VEF.
- > Our NAV per share and share price continue to grow and reflect all of aforementioned factors.

...and have followed this up with an eventful and positive start to 2017:

- > We have made follow on investments into portfolio companies Jumo and REVO/Sorsdata.
- > The REVO/Sorsdata transaction was a benchmark transaction as we welcome Baring Vostok, Russia's leading PE house, who led a USD 20 mln funding round for the company.
- > We announced our latest portfolio investment, a USD 9 mln investment into Iyzico, Turkey's leading online payments player.
- > Pipeline continues to keep us busy, as we are advanced with a couple of opportunities, with real potential to put more money to work and add to the portfolio depth, diversity and quality.

On the portfolio front, focusing more on the last quarter of 2016 and the start of 2017, key highlights included the Iyzico transaction, the REVO/Sorsdata follow on funding deal and Tinkoff Q3 2016 numbers and dividend announcement.

- > In January 2017, we announced our eighth portfolio investment, into Iyzico, an online Turkish payments play. VEF made an investment of USD 9 mln and holds a sizeable minority position. The company currently supports thousands of merchants, both Turkish and International, to accept online payments from Turkish citizens safely and efficiently. As well as being

one of the larger emerging market economies and populations, Turkey is Europe's largest consumer card market, but remains vastly under-penetrated in the fast growth online payment space. Turkey has unique card market dynamics which, coupled with the importance of the growing share of e-commerce transactions leaves us very positive on the market opportunity in front of lyzico. There is a wealth of experience in the lyzico management team, which is what really drew us to this opportunity.

- > VEF also announced in January 2017 that it agreed to invest up to USD 5 mln over a number of tranches in REVO/Sorsdata as part of a broader funding round, totalling up to USD 20 mln. The new round was led by Baring Vostok, a leading private equity firm operating in Russia and the CIS. This is a third investment by VEF into the companies, following on an earlier round in late 2015.
- > Tinkoff once again delivered stellar results for 4Q/12M 2016, where it delivered a RoAE of 42.5% on strong balance sheet/revenue growth and lower cost of risk. They followed this up with positive outlook for 2017 for the business and a new dividend policy announced for 2017 (VEF netted USD 2.4 mln in dividend payments from TCS through 2016). As previously mentioned, 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.

On the cash front, with a USD 55 mln cash and liquid asset balance at YE16, c. USD 40 mln today, VEF is well positioned for follow on financial support to our portfolio companies as well as additions of new holdings for the near future.

While it is always nice to speak about strategy and portfolio evolution in our quarterly letters, nothing speaks louder to investors than delivery in our NAV per share and share price. In this regard, 2016 was a very successful year for VEF, as we saw our NAV per share and share price rise 57% and 54% YoY respectively. In Q4 those movements were 16% and 31% QoQ. Over the year, the uptrend was principally a result of the gradual continued rise of Tinkoff Credit Systems share price, our largest and most fruitful holding to date. Arguably, of more importance to our future value creation is that we have now seen up-valuation rounds in two of our earliest portfolio company investments, JUMO and REVO/Sorsdata. We are especially very proud of the performance from REVO/Sorsdata in Russia and are not surprised that we were able to attract blue chip local PE investor Baring Vostok into the cap table, as part of a broader funding round that we were more than happy to support.

Looking ahead, we remain encouraged by the opportunity set that is emerging market's fintech and how we are very well positioned to take advantage of it. We continue to unearth quality opportunities across a number of different fintech segments and geographic markets. Specifically, of late, we are doing a lot of work and seeing multiple opportunities in the accounting software as a service (SaaS) and payroll spaces, while Mexico, Egypt and India are on our current geographic focus radar. With the capital we have, the target has always been and remains to build a quality portfolio of 10 holdings +/- across a number of different segments of fintech and across a number of different scalable emerging markets, and we are well on our way to achieving this goal. As we continue to invest, and reduce

our investable cash position, we will continue to review the opportunity set in front of us before making decisions on any further capital needs of the business as we go.

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. As a listed investment company, our shareholder base continues to evolve and we welcome those new shareholders to the story while thanking those who have moved on. At VEF, we 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. We take a long-term view on our company, investments and indeed life, which is a necessary positive when investing in the space that we do. Encouraged by our success to date, we remain focused for the long exciting journey ahead.

March 2017,
David Nangle