

# Management report

Dear fellow shareholder,

As we sat down recently as a family and discussed new years resolutions, my eldest daughter, Natasha, educated us on Janus, the Roman God of beginnings and endings, which the first month of the year, January, was named after. Usually depicted with two faces, one face looks back to the year departed, while one looks forward to the new year ahead. At VEF, we love to learn from the past, but are always looking forward – “it’s what we do next that counts”. So with that in mind, we begin 2020 post an exceptionally successful 2019 with all the welcome burden of expectation to do it all again in 2020, and beyond.

## 2019: Tip of the cap to the year gone by

2019 has been a stellar year for VEF and we have a lot to be proud of:

- > Two Portfolio Exits: Tinkoff Bank: 6.1x CoC return and 65% IRR and izyico: 3.1x CoC return and 57% IRR.
- > Credits and Konfio: Benchmark investment rounds (USD 231 mln/USD 100 mln respectively) leaving both exceptionally well capitalised to win in their respective spaces.
- > Value Creation: NAV is up 24% / Share price is up 68%.

In 4Q19, total USD NAV of VEF grew 0.2% QoQ to USD 249.4 mln. Behind the broadly flat NAV performance through 4Q19 was some minor positive (Guiabolso, Nibo) and negative (REVO) moves in mark to model valuations as a result of peer multiple and FX moves over the quarter. Our cash/capital position as at YE19 was USD 40 mln, post the receipt of USD 34 mln from the izyico exit.

## 2020: Our thoughts for the year ahead

Looking ahead into 2020, a successful year for VEF would include:

**Expertise:** Maintain and build on our very unique global fintech lens edge by having a strong global understanding of disruptive forces in financial services, while deepening our expertise in our current core scale focus markets of Brazil, India and Mexico. Ultimately, we strive for the reputation as *the* Emerging Markets fintech experts.

**Portfolio and Pipeline:** Continue to work with all current portfolio companies to help drive incremental value and opportunistically, where it’s working, bet harder. Selectively adding 1–2 quality new investments to our portfolio from the constant pipeline building and investment funnel process. Being open to participating in smaller earlier stage deals if a) Founders are exceptional and/or in scale early stage frontier markets like Egypt, Nigeria and Bangladesh.

**Value Creation:** Continue to have an over-riding focus and within our powers, deliver on gradual continued uplift in our NAV per share and share price.

**Team/Business:** Continue to build out and deepen the team and competence within it.

## ESG, the way of the future

Through 2019, Environmental, Social and Governance (ESG) has continued to grow in importance globally and specifically for the investment community. That affects both us as a private company investor and an invested-in listed entity. While we have much to be proud of on this front, we have some clear gaps in how we document and communicate all. It is worth highlighting, many of the companies that we invest in and sit on the boards of, are pioneers in financial inclusion for the un- and under-banked. Others are driving down the

price of financial services to the markets/segments of focus. We highlight JUMO whose financial product is indeed the first formal financial interaction for many Africans, while TransferGo provides digital remittances to its migrant client base at a fraction of the cost of the traditional cash market players. That said, we can do more both in terms of documenting and communicating all as well as doing more directly for the communities where we invest and which give us so much in return. With financial services, we always take the view that if it's not ethical it's not scalable and hence it's a bad investment. Inherently, ESG and good investing have always gone together.

### **Concluding remarks**

With a benchmark 2019 behind us, we enter 2020 confident, while always humble, and as well placed as ever to create value in EM fintech. From day one we maintained an over-arching focus on three key themes; 1) Investments (Invest well or die), 2) Investors (love your investors) and 3) Build a business for the long term. 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.



February 2020,  
David Nangle