

VEF Business and Portfolio update

Dear Fellow Investor,

We hope this update finds you well.

We wanted to provide you with an interim update on the latest developments in our world and portfolio given how fluid and volatile the environment has been since our recent 1Q20 update.

We simply felt that more communication is the order of the day, with an element of stability and predictability now in the air.

The one certainty we can take from this period is that the world is moving faster than ever towards a digital financial future. Across the globe, the digitisation of financial services, substitution of cash for plastic/mobile and shift from offline to online has seen both an acceleration and a step-change in adoption through this window. We have experienced this trend across our focus markets, segments and portfolio companies alike. This pandemic has provided a boost to our sector of focus, not necessarily in short-term financial results, but in seeing the opportunity for accelerated adoption and expanding addressable markets. While we, at VEF, see this evolution through private fintech assets, public markets are also experiencing this trend through benchmark listed fintech names in both developed markets (e.g. Adyen, Square) and emerging markets (e.g. Tinkoff Bank, StoneCo and Ant Financial) alike.

On the VEF portfolio front, in March we worked constantly with our portfolio companies to prepare for a range of Covid-driven macro and market scenarios, including many at the negative end of the spectrum. In our 1Q20 results call at the end of April, our communication focused on defence and how well-funded and generally prepared our companies were to meet any pending storm. I am happy to report that with nearly 3 months of "crisis" under our belt, our portfolio and the management teams driving them are having a strong crisis. We enjoyed seeing our companies operate and navigate through a proper stress-test window.

Specifically, VEF portfolio standout and 30% of NAV (as at 1Q20), Creditas, has experienced stable asset quality while funding markets have remained open to them through this storm – 2 key factors of focus in any stress scenario. Natural crisis conservatism drove the company to move to cash flow positive for the months of April /May, before getting back onto a growth footing in June once stress levels were monitored and managed. Our two digital payment plays, TransferGo (cross-border remittances) and Juspay (India mobile payments) have been natural beneficiaries of a global spike/trend to online payments by all. These are currently the 3rd and 4th largest companies in the portfolio.

Overall, back in March, it was hard to be confident in any short-term outlook for any company. However, today we simply have a lot more data points to hand which have increased our comfort and confidence in all. More generally, being a hard currency investor, we have been beneficiaries of the recent recovery in globally currencies (versus the \$), while the broader market recovery has provided a supportive backdrop to all.

We are realistic and cautious about the various recovery scenarios from here, but remain ambitious and positive by nature. By investing in fintech across the emerging world, we know we are riding one of the strongest multi-year secular growth trends in some of the world's fastest-growing markets. Pockets of volatility and headwinds are part of the journey, but we have enjoyed seeing our companies operate in the face of adversity, and it only bodes well for them and us as investors in better times.

Any questions or comments, please contact us.

Team VEF

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About Us

Vostok Emerging Finance is an investment company with the goal of investing in early stage modern financial services companies across emerging and frontier markets. VEF trades in Sweden on Nasdaq First North under the ticker VEMF SDB.

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Attachments

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