FinTech Strategy

Investors' interest in Fintech close to an all-time high

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• Markets increasingly expect growth and inflation to make a comeback at some point in the future
• Regulatory scrutiny is increasing, both in China, in Europe and in the US, we believe this to be a sign that fintech is getting really mainstream

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What's happening?

After a solid start during the first days of the year, global equity markets ended January slightly down on the back of a sharp rise in volatility triggered by a retail-driven short squeeze of hedge fund positions. Contradictory health and economic developments contributed to roil investors' short-term confidence. On the negative side, the IMF downgraded 2021 growth expectations again. Several countries announced tighter Covid-19 restrictions on the face of apparently more aggressive variants. A number of vaccine delivery delays were also announced due to manufacturing issues. On the positive side, the new White House administration announced a massive $1.9tn support plan while vaccination campaigns started in a large number of countries and are still ramping up rapidly.
Rate-wise, the US yield curve continued steepen over the month, indicating that markets increasingly expect growth and inflation to make a comeback at some point in the future.

Portfolio positioning and performance

The FinTech strategy under-performed its performance benchmark in January as semi-conductor stocks as well as Microsoft and Apple, which are part of the chosen benchmark but not part of the fintech universe, performed strongly.

Top performers included Chinese fintech stocks Lufax, ZhongAn, Tencent and Alibaba which all posted strong rebounds as the impact of increased regulatory scrutiny gradually got better understood by the market. Network International, a unique play on the growth of digital payments in Africa, also performed strongly.
On the negative front, Global Payments, FIS, StoneCo, Worldline and Fiserv, all active in the fast growing digital payment area but with a degree of exposure to travel or brick-and -mortar payment activity levels - and therefore impacted by the recent round of increased Covid19 restrictions. The medium-term outlook for these businesses remains excellent.*

In January we did not make any significant changes to the strategy.

* Stock shown for illustrative purposes only and should not be considered as advice or a recommendation for an investment strategy.

Outlook

Covid19 proved to be a significant tailwind for the fintech universe and investor interest in the space is close to an all-time high. Regulatory scrutiny is increasing, both in China, in Europe and in the US but we strongly believe this to be an encouraging sign that fintech is maturing into a significant economic activity. After a year during which stock performance was in a large part driven by long-term "blue-sky" hopes, we expect the differences between the strongest business models and some less sustainable concept stocks to become more apparent in 2021. In the shorter-term, the results' season has started strongly with most companies beating already high expectations.

Overall, we believe that the Fintech strategy is well positioned for the post Covid19 world, with a strong focus on structurally growing businesses with solid balance sheets. The Fintech businesses the strategy invests in are through-the-cycle growers. They will undoubtedly represent a larger part of the global economy in 5 years, even more so in 10 years.

No assurance can be given that the FinTech Strategy will be successful. Investors can lose some or all of their capital invested. The FinTech strategy is subject to risks including Equity; Emerging Markets; Global Investments; Investments in small and/or micro capitalisation universe; Investments in specific sectors or asset classes; ESG.

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