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FinTech Strategy

The growth gap with financially and digitally weaker players will increase significantly

- Global equity markets performed strongly in May
- The strategy significantly out-performed its performance benchmark
- All sub-themes contributed positively

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What's happening?

Global equity markets performed strongly in May, with the MSCI World ACWI up 5.1% and the S&P500 up 4.9% as economies in Europe and the US gradually started to ease their way out of the Covid19-induced lockdowns. Initial data coming from countries that re-opened early have been broadly encouraging, with no significant pick up in infection numbers despite some isolated outbreak cases.

Portfolio positioning and performance

The FinTech strategy outperformed its performance benchmark in May.

Top contributors to the fund's performance were Paypal (US, Payments, resilient US digital payment volumes during lockdowns), StoneCo and PagSeguros (Brazil, Payments, resilient Q3 volumes and strong management guidance), GMO Payments (Japan, Payments, resilient volumes) as well as ZScaler and PaloAlto (US, Cybersecurity, acceleration in billings due to sharp rise in digital usage during the lockdowns).

Negative contributors were PingAn and Tencent (China, rising US / China tensions, deteriorating HK situation), Proofpoint (US, Cybersecurity, weaker numbers than peers) as well as HDFC (India, digital banking leader) and DBS (Singapore, leading digital bank), both impacted by fears about the Covid19 economic impact.

Portfolio activity was limited in May.

Outlook

The FinTech space remains structurally very attractive, with strong operating trends and resilient growth expectations, even in very harsh conditions such as the ones we have seen recently. Indeed, we believe that this crisis will be a growth accelerator for the fintech universe as people and businesses alike have tested the efficiency and cost benefits of digital, including remote working and learning.

The totally unprecedented level of monetary and fiscal support on offer, as well as the speed of the central banks and governments actions, should greatly mitigate the secondary economic effects of the crisis. This exceptional level of support has also allowed investors to lengthen their focus to 2021 or even 2022, thereby helping financial markets stage a strong recovery despite poor short-term economic data. Although we expect volatility to remain elevated for some time, we are confident that this phenomenon will continue to broadly support financial markets over the next few quarters, until economic visibility is sufficiently improved to allow for a more sustained market recovery.

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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