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# FinTech Strategy

## Vaccines, reflation theme and economies reopening: value and cyclicals continue doing well

- The acceleration of vaccines roll-out fuelled hopes of economic rebound
- Very strong first quarter results for financials
- Rotation from growth stocks to more value and cyclicals sectors continued

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### What's happening?

The MSCI World performed strongly in April, underpinned by solid US first quarter GDP numbers and President Biden's \$2.25trn infrastructure plan. Although some areas like Brazil and India continue to be severely impacted by the Covid-19 pandemic, the acceleration of the roll-out of Covid-19 vaccines across the world and especially in Europe fuelled hopes of a swift economic rebound.

While US rates took a breather in April, there was mounting evidence that inflation will rise significantly over the next few months as a result of global, wide-ranging supply issues, paired with a strong global economic recovery. First quarter results from financial companies were generally very strong, with solid pre-provision profit beats as well as very positive guidance on future credit impairments. As a result, rotation out of some high valuation growth names into more value and economic recovery orientated sectors, including financials, continued.

### Portfolio positioning and performance

The FinTech strategy outperformed its performance benchmark in April. Main positive contributors were Shift4Payments (favourable US re-opening trends), Kakao (solid results, strong KakaoPay volumes), Worldline (solid Q1 results), SBanken

(take-over bid from DNB) and Banco Santander (strong Q1 results). The fund's banks holdings generally performed strongly.

Main negative contributors were Paguegueros and HDFC Bank (poor pandemic situation in Brazil and India), Lufax (ongoing regulatory crackdown in China), WEX and Fiserv (despite broadly in-line Q1 results).\*

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

## Outlook

The Covid-19 pandemic generated strong interest in almost any company active in the Fintech space, often regardless of the underlying quality or medium-term profitability potential of the business. As expected, this is starting to normalize as economies gradually reopen. While those Fintech companies that continue to deliver strong results and cash flows performed well, a number of high-profile "blue-sky" fintech stocks have under-performed the broader market significantly over the last couple of months. This might provide some attractive entry point into a number of exciting long-term technology growth stories. The strategy is well positioned to take advantage of such opportunities. The strategy's diversified positioning, spanning the full Fintech value chain, from technology companies to financial stocks, also positions it well to navigate a rising rates environment and the current value / growth rotation.

Overall, we believe that the Fintech strategy is well positioned for the post Covid-19 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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