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FinTech Strategy

Many companies reported an acceleration in revenues and margins

- Global equity markets performed well in August, most notably driven by large technology stocks
- The strategy under-performed its performance benchmark
- All sub-themes contributed positively, led by cashless society companies

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What's happening?

Global equity markets performed well in August, most notably driven by large technology stocks that continued to deliver better earnings than investors had expected. Many companies in the fintech space also benefited from the Covid-19 crisis and reported an acceleration in revenues and margins. The valuation gap between value and growth stocks continued to widen in August as investors continued to shun negative earnings momentum stocks and focused on Covid-19 "winners".

Portfolio positioning and performance

The FinTech strategy performed very well in absolute terms in August but still underperformed its performance benchmark, as many large tech companies which are part of the benchmark but not of the fintech universe performed strongly.

Top contributors to the fund's performance were Workday (strong results, SaaS cloud growth), Alibaba (forthcoming ANT Group IPO), ING (improving economic backdrop), Intuit (strong results) and ZScaler (strong demand for cybersecurity products and services).

Negative contributors included Global Payments and FIS (US physical merchant acquiring businesses remain under pressure), Verisk (profit taking following strong previous performance), Tencent (ongoing US/China trade tensions) and Network International (ongoing Covid-19 impacts in the Middle-East and Africa).

The fund did not carry out any significant trading activity in August.

Outlook

We expect a degree of volatility over the next few months on the back of fluctuating Covid19 trends and of US presidential elections newsflow. However, we still believe that the broader equity markets' medium-term outlook is positive.

Today's exceptional liquidity environment should continue to support valuations over the next few quarters, until economic visibility is sufficiently improved. Index constituents that are affected by the Covid-19 crisis tend to trade on very low valuations, already reflecting a poor economic outlook and should provide significant upside as and when the global economy recovers. While we believe that some technology companies' valuations reflect increasingly unrealistic "blue sky" expectations that will eventually deflate, the performance of larger ones, the index heavyweights, mostly reflects improving fundamentals, which should limit downside potential in a market pullback.

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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