



THIS IS THE MONTHLY NEWSLETTER
BY AND FOR
THE BERGOS NEXT COMMUNITY.

B E R G O S

P R I V A T E B A N K

N E X T
M O N T H



THIS MONTH IS:
JULY

A BERGOS BRIEFING

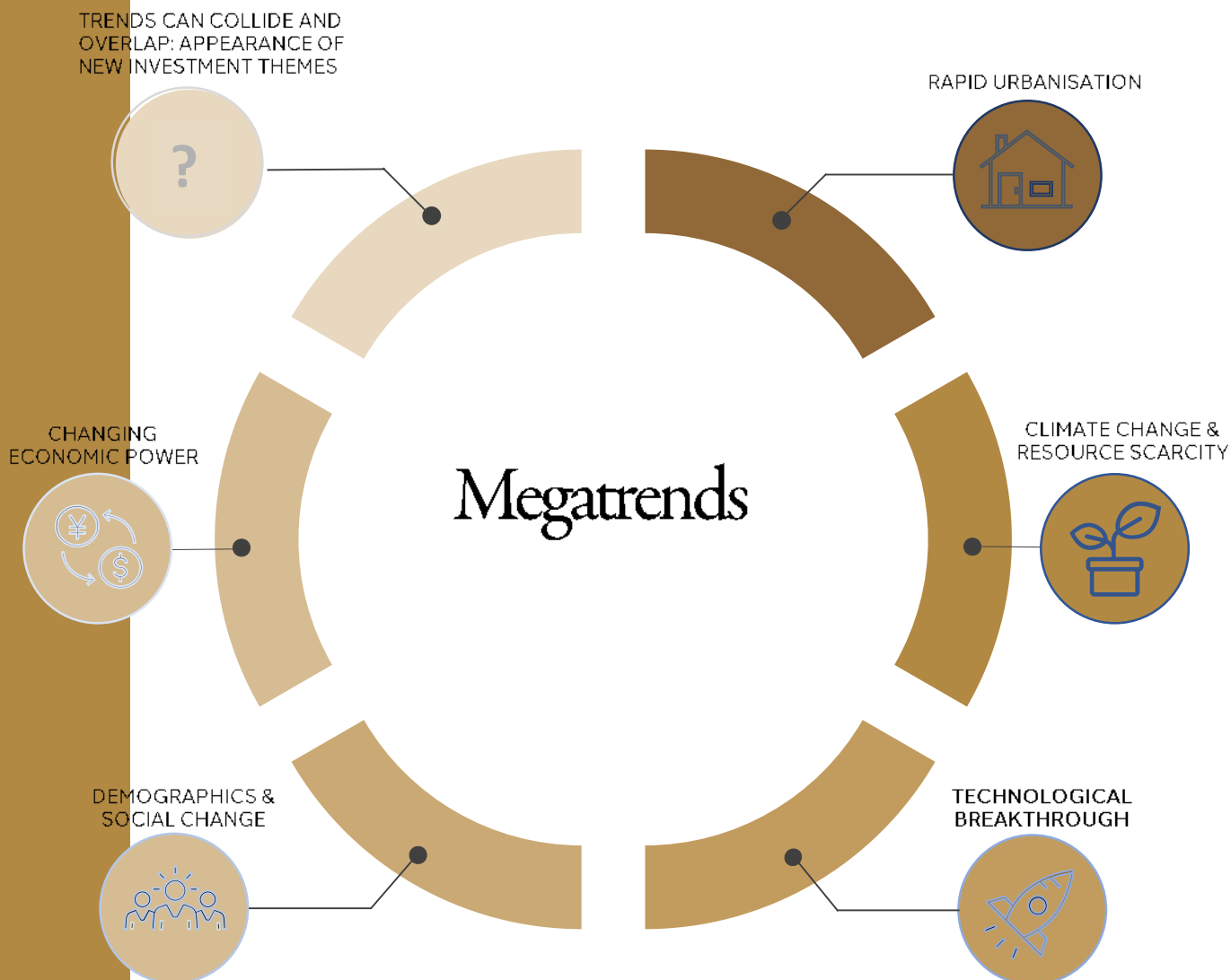
Fintech



NEXT INVESTOR

WHAT IS THEMATIC INVESTING

New long-term trends are transforming the global economy. Thematic investing is about finding companies that are set to benefit from a global structural change backed by the Megatrends, which we believe will drive outperformance compared to global equities in the long-run. Moreover, thematic investing seeks to align asset selection with certain economic, political, and social themes prevalent in modern society. In order to represent a long-term component in the portfolio, we seek to capture the arising opportunities across sectors and geographies.



WHAT IS FINANCIAL TECHNOLOGY - FINTECH?

Since the Digital Revolution, also known as the Third Industrial Revolution, the shift from analogue electronic technology towards digital electronics has begun and the Financial Technology, or FinTech, industry has evolved explosively.

The term "financial technology", or in short "FinTech", is broadly understood as the technology used to automate and improve the delivery of financial services. FinTech applies to any innovative way of how people transact business or perform financial activities such as money transfers, depositing a check with a smartphone, raising money to start a business, managing investments and much more. Today, some of the most active areas of FinTech innovation include:

Cybersecurity

Unbanked / Underbanked services, seeking to low-income individuals.

Smart Contracts

RegTech, seeking to help financial services companies to meet compliance rules.

InsurTech, seeking to streamline insurance industry.

Cryptocurrency & Digital Cash

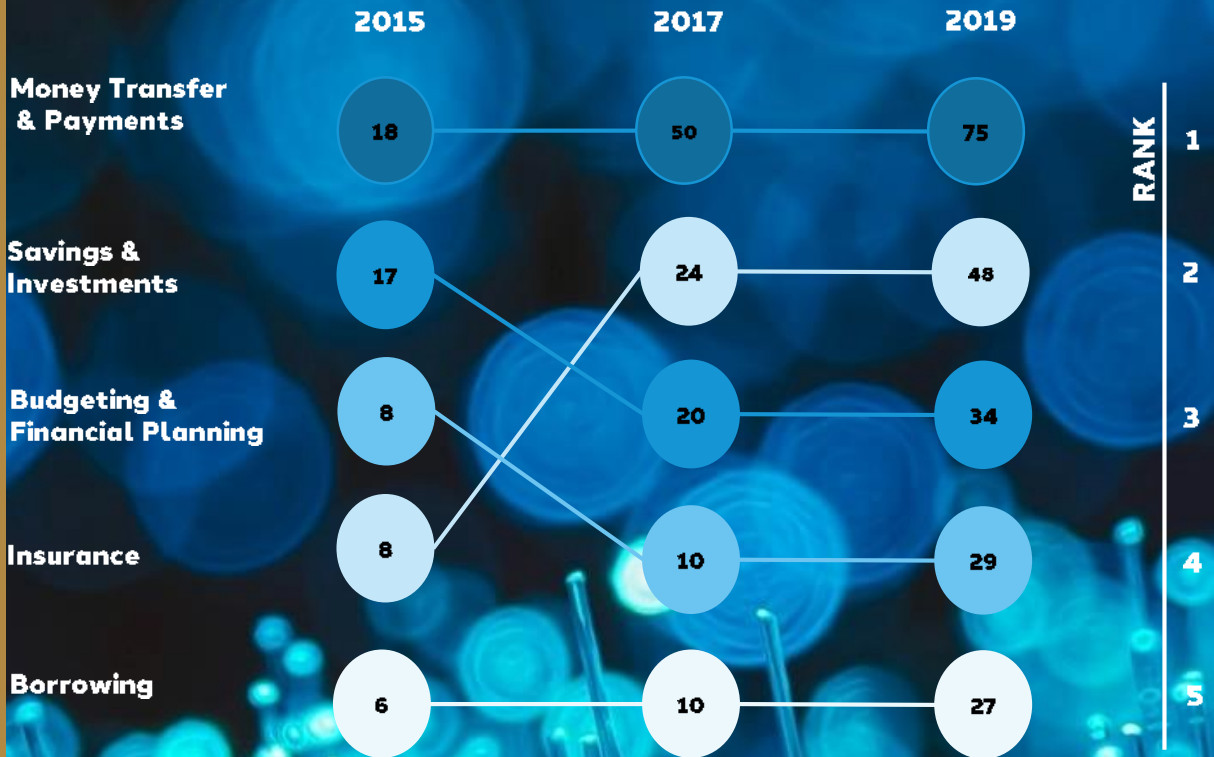
Robo Advisors

A History of Financial Technology

COMPARISON OF FINTECH CATEGORIES RANKED

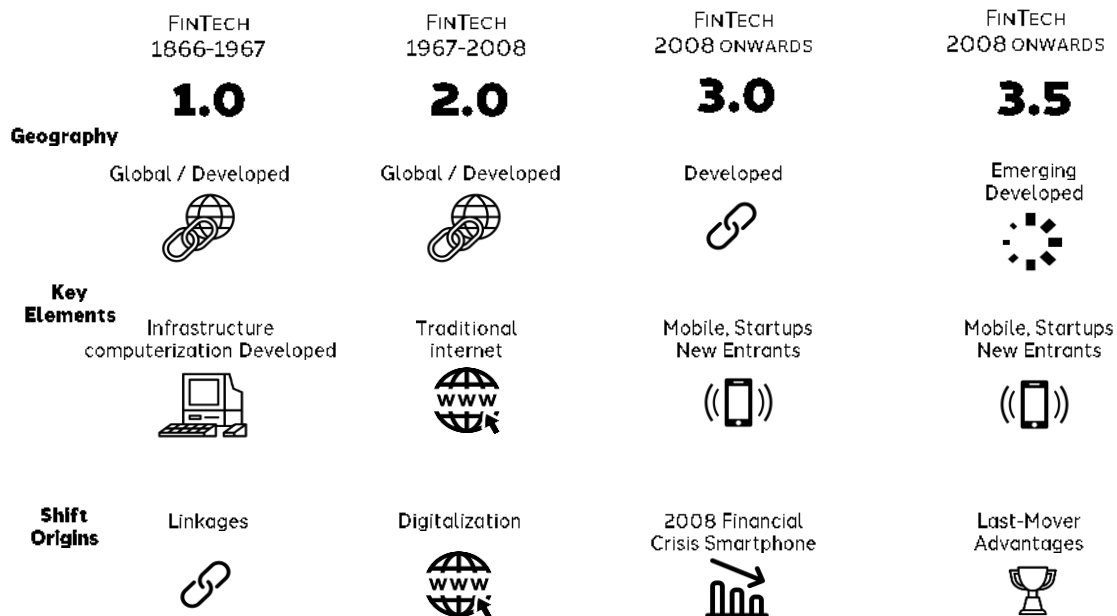
The FinTech industry is highly dynamic and innovative and new technologies such as artificial intelligence, machine learning, and blockchain will continue to spur the creation of new FinTech services. A study conducted by EY shows the development of FinTech services over time. In 2019, the most common used category is Money Transfer & Payments, as 75% of consumers use one or more services in this category. Particularly noteworthy is the strong adoption of insurance.

The illustration shows the average percentage of respondents from a study conducted by EY, who reported using one or more FinTech services in that corresponding category.



THE EVOLUTION OF FINTECH?

Digital innovation is disrupting and redefining financial services at a rapid pace. Nowadays, we think of FinTech in terms of cryptocurrencies, blockchain, and start-ups, however, the first groundbreaking developments happened much earlier and can be traced back to the late 19th century.



FINTECH 1.0 IS ALL ABOUT INFRASTRUCTURE

During the period 1866-1967, the financial globalization has started. In the beginning, technologies such as the telegraph, railroads, and steamships enabled the rapid transmission of financial information across borders for the first time. The first transatlantic cable (1866) and Fedwire (1918) in the USA enabled the first electronic fund transfer system using technologies such as telegraph and Morse code.

FINTECH 2.0 IS ABOUT THE SHIFT FROM ANALOGUE TO DIGITAL

The second phase is introduced by the installation of the first ATM by Barclays in 1967 and marks the shift from analogue to digital. Various significant trends followed in the early 1970s, such as the establishment of the world's first digital stock exchange, NASDAQ. During the 80s, we saw the rise of bank mainframe computers for data and book keeping and the 90s brought us the internet and early stage e-commerce.

FINTECH 3.0 IS ABOUT DECENTRALIZATION AND WEB 3

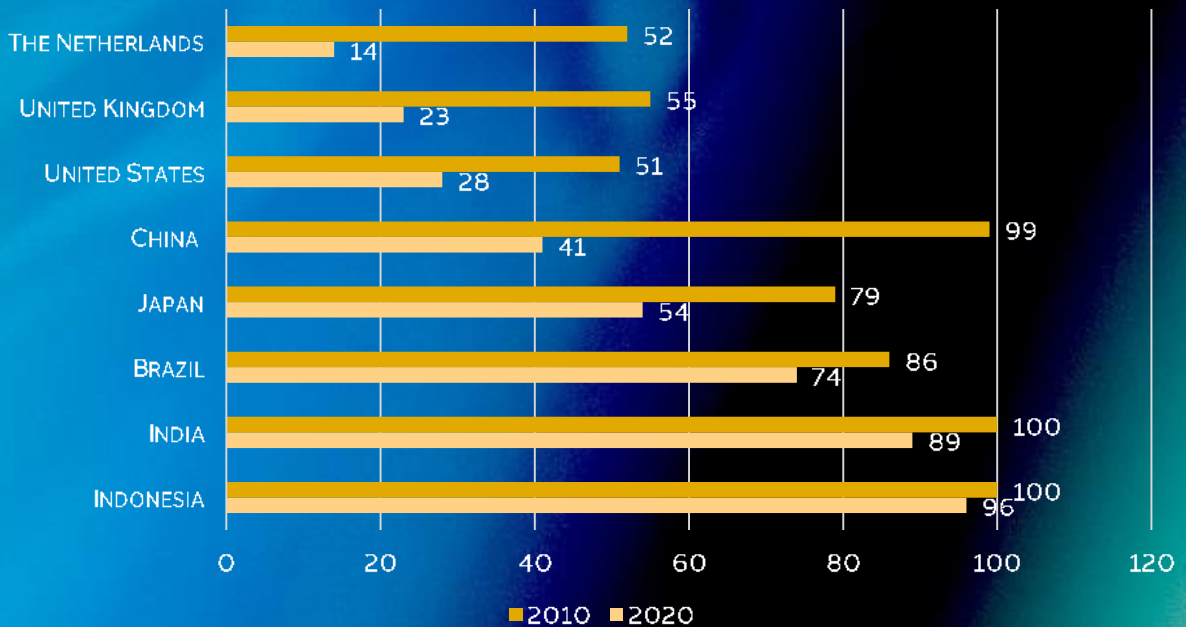
The financial crisis soon escalated into a global economic crisis, with the public quickly developing a distrust of the traditional banking system. In 2008, a whitepaper published by Satoshi Nakamoto, revealed all the details of bitcoin technology. The entire bitcoin system is decentralised and the technology is fully disclosed. The invention of bitcoin in 2008 spurred the creation of many new cryptocurrencies that are commonly known as altcoins. Additionally, FinTech 3.5 incorporates emerging markets, as the countries with the highest FinTech usage are China (69%) and India (52%).

2020-2021 A PERIOD OF TRANSITION

The impact of the pandemic as well as the resulting economic environment indicated significant shifts in the spending pattern as well as payments behavior. A declining cash usage together with the migration from in-store to e-commerce and the growing role of cybersecurity, however, have created new opportunities for payments players.

According to McKinsey, global cash payments declined by 16 percent in 2020. The figure below displays the cash usage by country comparing the years 2010 with 2020.

CASH USAGE BY COUNTRY
(percent of cash used in total transactions by volume, %)



SOURCE: BERGOS, MCKINSEY, ROBECCO

Besides the declining numbers shown in the illustration, one can also interpret that the global move away from cash has just started in emerging markets such as India and Indonesia. The Asian Pacific region is catching on when it comes to FinTech adoption. It has been the largest and fastest-growing payments revenue region for the past several years. Ranging from fast-growing young economies, such as China and India, to mature markets, such as Australia and Japan, advanced FinTech systems are becoming a crucial part of everyday life.

“The combination of strong, unbreakable public key cryptography (...) will produce interesting and profound changes in the nature of economic and social systems.” (Timothy May, 1994)

CRYPTO - A NEW ERA OF FINANCIAL INCLUSION?

With an increasingly cashless society, apps and platforms have been created to help us better understand and manage our finances. In the wake of the Global Financial Crisis (GFC) of 2008, Satoshi Nakamoto revealed all the details of bitcoin technology. Bitcoin was the first cryptocurrency launched, designed as a “peer to peer electronic cash system that allows for online payments to be sent directly from one party to the another without going through a financial institution.”¹

A first step towards bitcoin, the first decentralized payment system, dates back more than a quarter of a century when David Chaum invented *DigiCash* in 1982. Motivated to improve data privacy, he developed a virtual monetary unit that mimicked the anonymity of cash. In the following years, the idea of a pseudonymous virtual money unit has been considered, whose system uses public keys as pseudonyms in whose favour or against whose debit transactions can be made. In 1988, Timothy May predicted that a social change driven by the technical possibilities of cryptography would enable a new kind of economic interaction.

Given the size, growth, and adoption of cryptocurrencies, digital assets are already reshaping the FinTech industry. Particularly in 2021, we noticed rapid developments in digital assets, including the listing of Coinbase in April. This was not only driven by increasing user adoption, but also by institutional adoption by companies, governments, and regulators. Financial products and services are becoming fully digital. Moreover, they are increasingly embedded in software that consumers and businesses use on a daily basis. Services include custody, debit cards for account-linked spending, borrowing based on crypto-asset balances and staking, where fees are earned for pledging asserts to validate non-Bitcoin transactions. The adoption of cryptocurrencies and, at the same time, the rise of Web 3.0 seem to be the final piece of the puzzle towards decentralized financial services (DeFi).

at *Art Basel*

Next Collector

NEXT COLLECTOR: ART BASEL



“There are no rules about investment.
Sharks can be good.
Artist’s dung can be good.
Oil canvas can be good.”

CHARLES SAATCHI

A few days ago, Aurelia and I recorded a podcast for our format Bergos Ed on the topic of the art market (will be published soon!), this time with a reversed cast, so I could get rid of all my questions on the subject. Relatively quickly, we got onto the topic of how you should actually approach building a collection as a young person. Very important – small spoiler – is the development of one’s own taste, the discovery of a field of art in which one is interested and enthusiastic.

As luck would have it, a few days later our Next Collector event was scheduled at Art Basel. From my point of view there is no better place to get a feeling for the following topics:

- What do I actually like?
- How do you actually buy art (and how do you logistically get it to where I want it to be)?
- How much do works that I like actually cost? And could I just buy them now?
- What are the major players (galleries, buyers) in the market?

Accordingly, we enjoyed a fascinating guided tour that revolved around all of these questions and were able to benefit from Aurelia’s broad network and impressive wealth of knowledge to learn more about the works, artists, selling galleries and their history.

We were able to counteract the summer temperatures with a cool drink at the subsequent apero in the courtyard of the Basel Volkshaus and let what we had learned sink in. From my point of view an absolutely successful afternoon!

Who is *Next*

Introducing – Frederik Carstensen



THE NEXT TEAM

How did you come to the bank?

I always had a strong interest for capital markets and especially equities. During my Bachelor's degree I received the opportunity to complete an internship within the asset management department of Bergos in Zurich. I then continued to take on different roles within the bank's advisory department and also supported the private banking team of Berenberg in London alongside my Master's degree. Eventually, after two years of working for one of the large banks in Zurich, I decided to return to Bergos in 2015 as I always valued its short decision-making paths, unique culture and people.

What is your regular job with us?

At Bergos, I am part of the CIO-Office, which focuses on developing the capital market strategy and communicating the Bergos house view. My main responsibility is to lead the top-down equity team and to form an opinion on the global equity markets (e.g. determine the bank's overall equity quota and which regions/sectors to over- or underweight). This view is reflected in our matrix and communicated in formats such as regular market commentaries, a blog, or via participation in internal and external podcast episodes, thus making it available to a wide range of clients and interested parties. Apart from that I am also a portfolio manager, responsible for various equity funds and mandates.



What is my role in Next?

Within Next, I am responsible for the next generation of investors. Our goal is to create and foster a community, where investors can exchange ideas and learn from each other. This is why we created our Bergos Ed podcast, where we want to educate about the investment landscape, help inexperienced investors to avoid pitfalls and get a general feel for capital markets, including the different asset classes such as equities, bonds, alternative investments and crypto. With Bergos Start, we created a dedicated offering for our next generation of investors. Stay tuned for more!

What do you do when you are not at the bank?

In summer I enjoy spending time by the lake or playing golf. And in winter, I can often be found skiing in the Swiss alps. Apart from that I am passionate about travelling and exploring new places and cultures.

Save *the* Date

Next Weekend

Hamburg

NEXT WEEKEND 9-10 SEPTEMBER 2022

with Guest Speaker Dr. Andreas Jacobs

INVITATION TO FOLLOW SOON
For questions please contact events@bergos.ch





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WHO WE ARE

You probably know us, but if not, here are a few words about us. We'd be happy to chat more! Reach out: info@bergos.ch or next@bergos.ch are great ways to get in touch! So here we go:

We are Bergos, an independent, internationally operating Swiss Private Bank. We have a clear focus: protecting and growing private wealth.

Our name honors the many generations who, for more than four centuries, fostered entrepreneurial thinking, good education, and personal integrity. It expresses the ideals of independence, continuity, and openness to the world. We understand, respect and value this responsibility.

And we are glad you are here!

BERGOS AG

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