


# The unstoppable rise of the digital investor.

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The year 2020 witnessed the massive rise worldwide of a new generation of self-directed investors. There was a huge growth in the retail trading activities of many existing online investors driven by several factors, and Covid-19 played a significant role.

**Moving forward, there will be regular updates regarding highlights or trends in the world of online self-directed investing. This extends from the perspective we published at the end of 2020: 'The Unstoppable Rise of the Digital Investor'.**

### **HIGHLIGHT 1. RETAIL BANKS ENTERING THE ONLINE BROKERAGE SPACE – BELFIUS**

Belfius, one of the top five banks in Belgium, launched its online investment platform, Re=Bel, at the beginning of July 2021. It is considered a price breaker, charging at least 50% less than the top three Belgian online brokers – BinckBank, KeyTrade and Bolero. It also focuses on ESG. Belgians invest increasingly more online, and all retail banks report many more investors. Belfius, for instance, recently stated: 'Finally we succeeded in convincing people to move from saving to investing'.

The Belgian story is repeated globally. At InvestSuite, we are experiencing a drastic increase in demand from retail banks in Europe, the Middle East and Asia to roll out digital investment platforms. This is clearly the start of a new era. Previously, self-directed trading was in the hands of the online brokers. Although this is still the case, retail banks are striking back, and new parties, such as e-commerce players and telecom, are also entering the battle for the self-directed client.

### **HIGHLIGHT 2. THE RISE OF THE MONGOLS**

The stock markets had a fantastic first half of the year – end June 2021 – with gains of between 10 and 15%. But the winner is the Mongol stock market with an outperformance of 71%, supported by a 5% growth in the Mongol economy. The Ulaanbaatar stock exchange also celebrated its 30<sup>th</sup> birthday in 2020.

Remarkable fact: 50% of the Mongol population invests in equity! De Tijd (Belgian financial newspaper) attributes this to the fact that in 1991, a voucher system was created by the government allowing the population to participate in the partial flotation of Mongol state-owned companies on its stock market.

### **HIGHLIGHT 3. THE UNSTOPPABLE RISE OF ETFs**

Back in 2014, when I *re-founded* Bolero, Belgian's largest online retail platform, trackers, or ETFs, were largely unknown among the general public. Fast forward to the first quarter of 2021, and Michael Mackenzie (Financial Times [FT] Weekend, 8–9 May 2021) announced that there was an inflow of \$269bn into US listed equity ETFs. That exceeds last year's overall total of \$249bn. He highlighted a few factors behind this 'unstoppable rise':

- a. **They are easy to trade like stocks on the stock exchanges.**
- b. **Low-cost ETFs passed a structural test by surviving the market chaos of March 2020. Investors gained considerable confidence.**
- c. **The economy is moving into a recovery and investors seek low-cost exposure to this recovery.**
- d. **Investors seek exposure to global markets, emerging markets and/or specific themes and sectors. By the same token, they appreciate the underlying risk and already high valuations, and they seek appropriate diversification offered by trackers.**

#### **HIGHLIGHT 4. THE UNSTOPPABLE RISE OF CRYPTOCURRENCY TRADING?**

The prospectus of US online broker Robinhood shows that cryptocurrency trading makes up a large proportion of their income.

Anecdotal evidence shows that cryptocurrency trading is becoming extremely popular among young people, regardless of whether banks, central banks or regulators approve. Having said that, I added a question mark in the title because unlike the unstoppable rise of ETFs, the story for cryptocurrency trading is not yet clear and very volatile to say the least. A tweet from Elon Musk, for example, may have significant impact – positive or negative – and that is a problem.

#### **HIGHLIGHT 5. 2021: ACCELERATED BREAKTHROUGH OF GREEN BONDS**

ESG driven equity investments have soured over the last year. While the volumes are much lower, the first five months of 2021 saw investors pour \$54bn into green bonds. That compares very favourably to the \$68bn during the whole of 2020. According to the FT Weekend (26–27 June 2021), assets under management have almost tripled in the last three years. By the same token, there are rising fears and concerns about greenwashing. It is very hard to label government bonds to include ESG criteria.

#### **HIGHLIGHT 6. NFTS: A FORCE SOON TO BE RECKONED WITH?**

Non-fungible tokens (NFTs) are rising in popularity. An NFT is a cryptocurrency token connected to the blockchain that represents a digital good and permanently and traceably marks its ownership and uniqueness.

In March 2021, a high benchmark was set by digital artist Beeple who was paid \$69m by a cryptocurrency investor for his work *Everydays: the first 5000 days*. More recently, a bidder paid \$5.4m for Berners-Lee's original web source code. Another interesting one to note was the \$2.9m digital purchase of Twitter co-founder Jack Dorsey's first tweet.

In a sign of the times, one of the world's most successful VC firms, Andreessen Horowitz, announced a \$100m investment in OpenSea, which is one of the largest NFT trading marketplaces. OpenSea, founded in 2017, has a valuation of \$1.5bn.

Fast Company (July 20, 2021) reported that users connect their crypto wallet to OpenSea's platform and can then buy, sell or create NFTs. OpenSea takes a 2.5% fee on each transaction. NFTs have had a big 2021; OpenSea says it sold \$160m in digital assets on its platform during June and saw a 45-fold increase in volume growth in the first half of 2021.

#### **HIGHLIGHT 7. OBITUARY: THE MAN WHO WAS BEHIND CHINA'S SELF-DIRECTED INVESTORS BOOM**

The FT Weekend (24–25 July 2021) reported that Chinese stock picker Yang Huaidong passed away at the age of 70. Yang was an ordinary steelworker 'who pioneered stockpicking'. He had his first big break in 1988 when he observed the price discrepancy between bonds quoted in different Chinese cities and engaged in arbitrage activities – which involved travelling to buy in one city and sell in another. In 1990, the stock market exchanges in Shanghai and Shenzhen were opened. He immediately engaged in equity trading and soon earned his salary many times over. Newspapers began to cover his story, and millions of Chinese people ultimately followed his example. Nowadays, there are more than 180m Chinese people with trading accounts.

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