

June 23, 2014

**Dear clients and colleagues,**

Thematic investing is an important part of our investment process. One appealing theme in which we have been exposed for quite some time is the online & mobile payment.

Thanks to new technologies and changing spending habits, the payment industry has evolved considerably in the past decade. The secular trend towards e-commerce and non-cash payment transactions has contributed to broadening the payment solution spectrum. Nowadays, several payment solutions exist for consumers and merchants. Besides traditional payment methods (Visa, Mastercard), newcomers such as PayPal or Square are offering other alternatives.

Rather than speculate on which payment method will dominate in the future, we prefer being exposed to solution providers. These solution companies which provide payment processing and risk management for various ecosystems should continue to perform well.

Based on market research specialists, online and mobile payment has a bright future. Forrester forecasts that European online retail should grow by 11.5% per annum on average for the next 3 years. According to Gartner, Mobile payment volumes are expected to soar 35% per annum to reach \$ 720 billion in transaction volume by 2017. We believe that service providers that offer secure networks through multiple payment solutions will benefit from these trends.

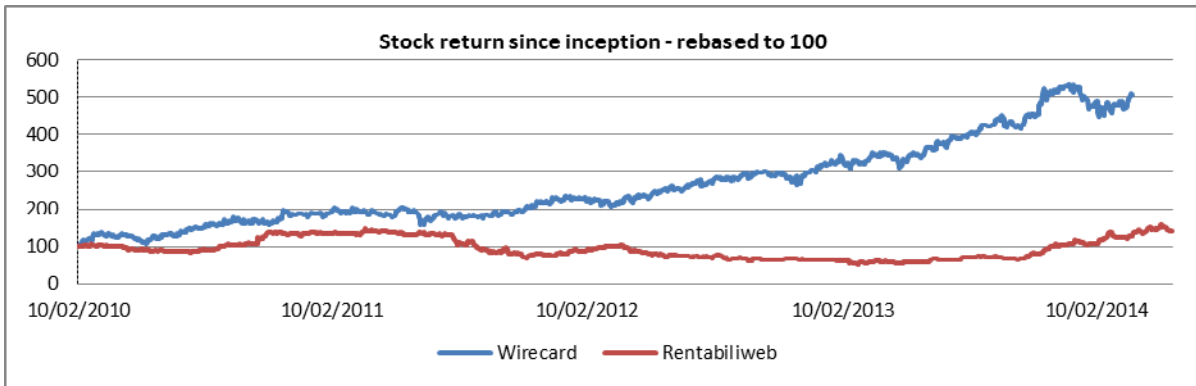
Wirecard has been a stellar performer in our portfolio since we initiated the position in March 2010. The company's strong execution skills have constantly delivered double digit growth. We recently sold our positions because its market capitalization exceeded our upper limit.

Rentabiliweb is another European holding exposed to the payment space. The company offers digital contents, retargeting solutions, payment processing and fraud detection. Two years ago, the company shifted its focus towards online and mobile payment. With close to 1000 merchant customers and over €1 billion in processing payment volume, the company is in a good position to leverage its payment business unit. Although the performance of Rentabiliweb has been less spectacular over the years, we see plenty of opportunity going forward.

The electronic transaction market should continue to expand further in the coming years. We will continue to monitor this space and look for new opportunities.

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Sources: Bloomberg, GACM

### The Global Alpha Team

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