

# Why FinTech?



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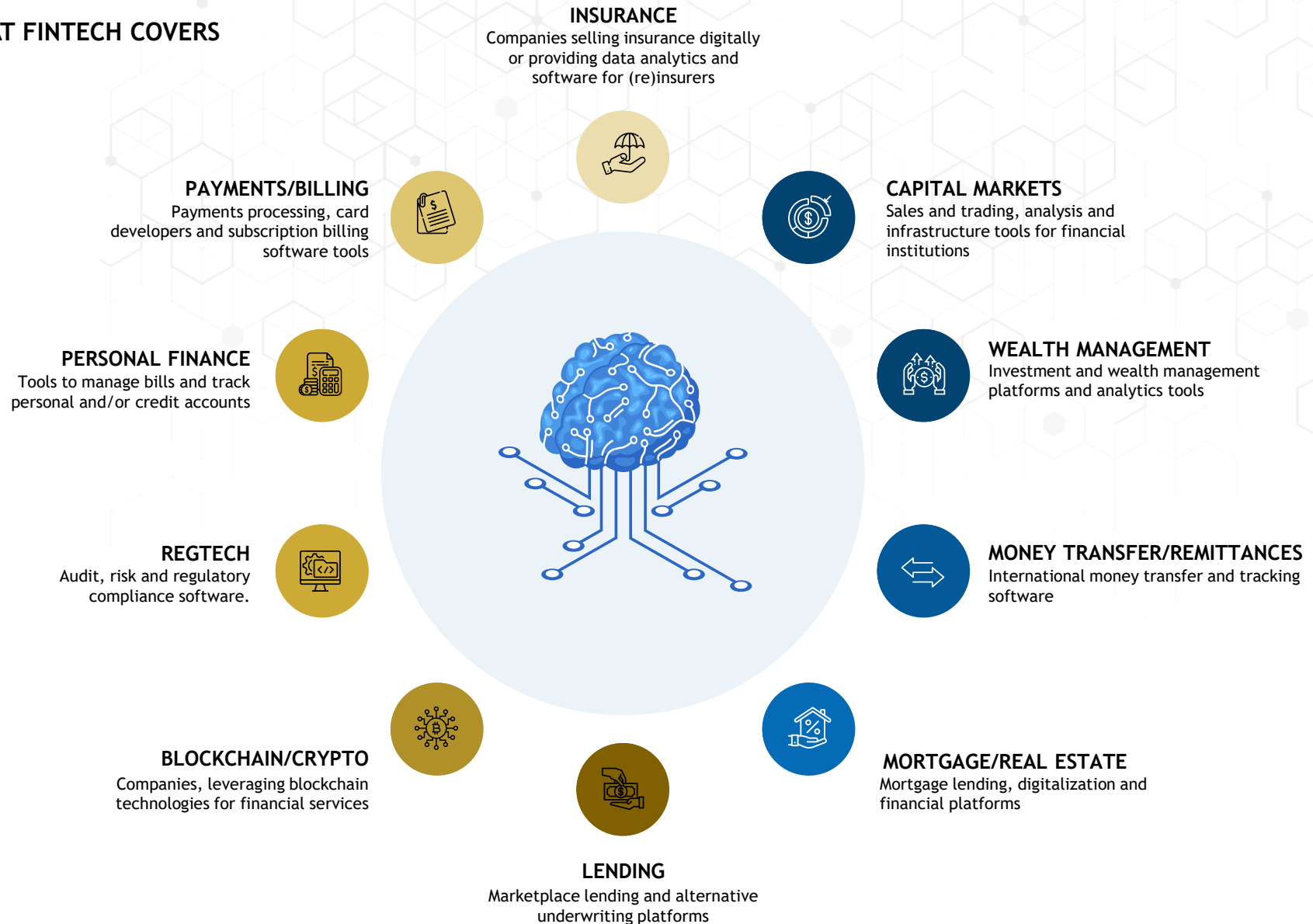
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# What is FinTech?

## WHAT FINTECH COVERS



# Investment Thesis



The financial services industry is at a structural inflection point. We believe that the wave of unprecedented regulation and the proliferation of low-cost enabling technologies are providing the necessary catalysts for significant dislocation and democratization of market share.



Startups are attacking core business models and services, across all segments of financial markets.



One of the biggest benefits of fintech is the competition it has introduced into the financial industry. With access to this new technology, customers now have an alternative to large organizations and banks, which usually are more expensive options.



One of the most prominent examples of fintech disrupting traditional ways of working is mobile banking.



The top 10 publicly traded U.S. fintechs and another dozen privately held fintechs have a collective market cap of \$175 billion. This degree of value didn't exist 20 years ago.



10 years ago, digital asset managers or robo-advisors, were brushed off by many of the top Asset Managers. Today they have attracted millions of customers and manage billions of dollars. With the backing of private market investors, robo-advisors have raised a war chest of nearly \$2B across 169 deals spanning 18 countries. At risk is an estimated \$70T in regulatory assets under management.

Sources: CB Insights, Lendit Fintech, Fintech Collective, Deloitte, McKinsey, PWC, SharesPost

# Investment Thesis



## Secondary Direct Venture Investment

Purchase shares of late-stage venture-backed companies directly from existing shareholders and indirectly from third party funds who hold shares

Capital is used to provide liquidity and diversification to shareholders



## The Sellers

Employees who receive a large portion of their compensation in the form of equity

Angel investors and early-stage VCs wanting to gain liquidity either to return capital to investors or engage in other deals

Traditional VCs, to divest holdings in order to wind down their funds

Companies raising additional rounds of capital



## Growing Market

Companies are staying private longer than before in order to avoid premature IPO or acquisition

Private technology companies are now larger, more diverse, and better funded than at any time in recent history

Scale, agility, and global reach create multibillion dollar valuations, allowing these companies to raise billions without going public

Employees and early investors desire liquidity

Companies demand mission-critical talent

# The Evolution of FinTech

## Fintech 1.0: Digitalizing Finance

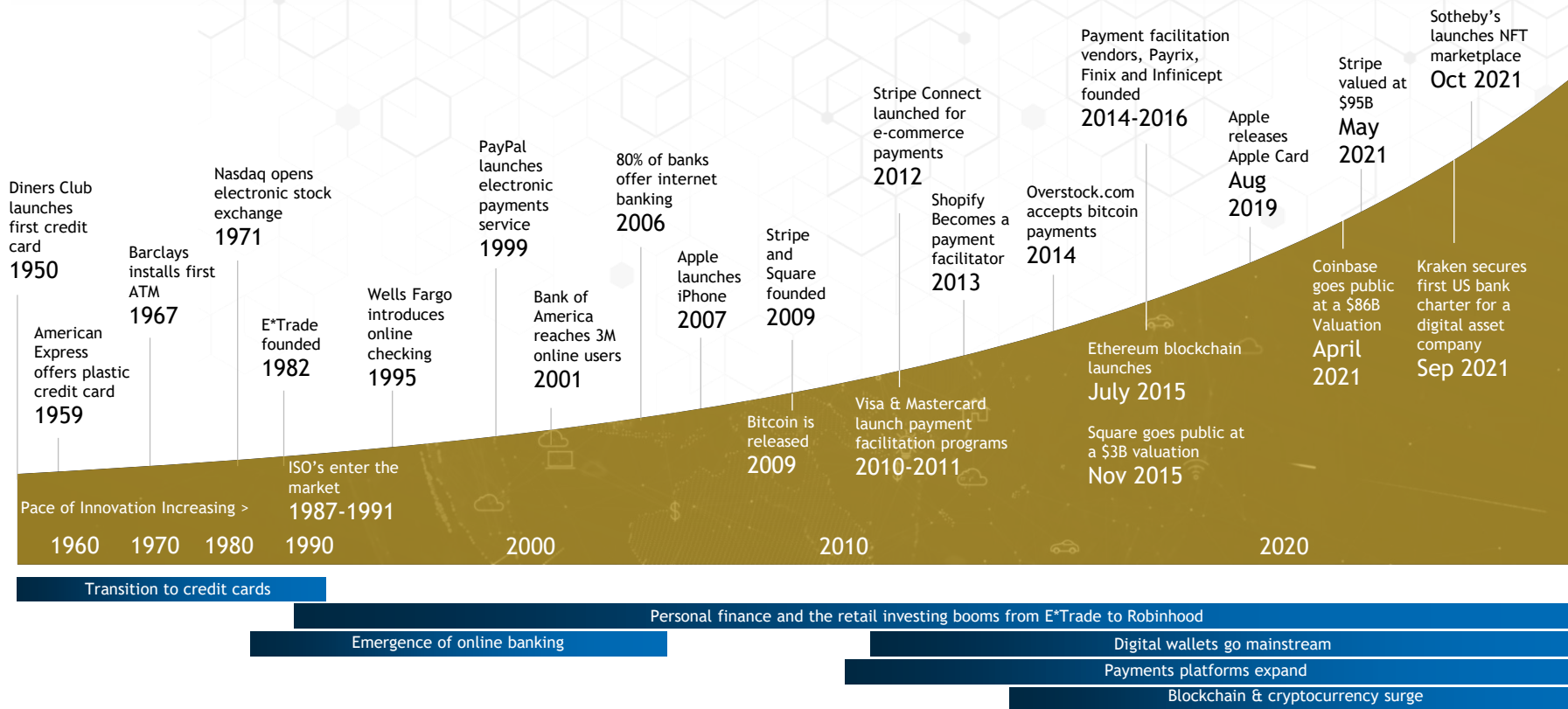
Analog financial services transition to digital as banking, payments, lending and insurance move online.

## Fintech 2.0: Embedding Finance

Financial service leave the realm of standalone products and are incorporated into digital platforms

## Fintech 3.0: Decentralizing Finance

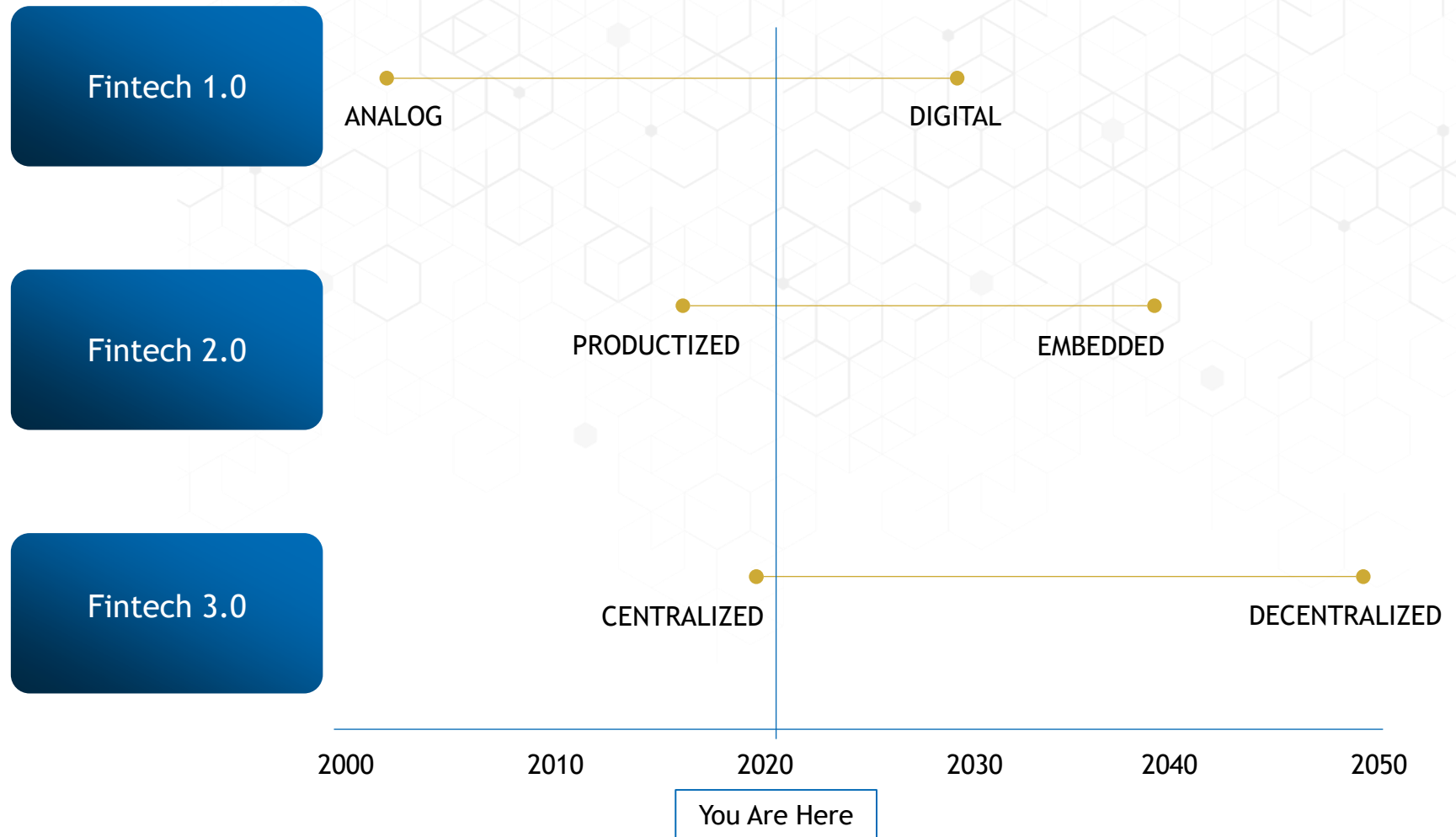
Financial service migrate away from centralized institutions and rely on self-executing blockchain contracts



Source: 10/22/2021 Forbes article by Matthew Harris: "The Future of Money: A Complete Revolution" and SVB Analysis.



# A Complete Revolution



Source: 10/22/2021 Forbes article by Matthew Harris: "The Future of Money: A Complete Revolution"

# The Future of Money

## 1 Pools

## 2 Inflows

## 3 Outflows

## 4 Credit

2000

Open a DDA at a bank branch in fiat currency including a companion saving account

Receive a physical check from employer every 2 weeks, paid in arrears

Use a plastic card or paper check substantiating identity, bank/bank association authenticates clears and settles

Complete a documentation-intensive application, point-in-time/outside-in underwriting using largely adverse third party data sources.



2050

Manage fluid yield harvesting across DeFi pools + merchant incentivized wallets in stablecoins back by currencies, commodities and securities depending on risk appetite and values.

Pull funds at employee discretion based on work done + risk-weighted probability of future work at any given point

Trigger instantaneous account to account transfer including seamless stablecoin to stablecoin exchange, with 100% accurate biometric identity certainty.

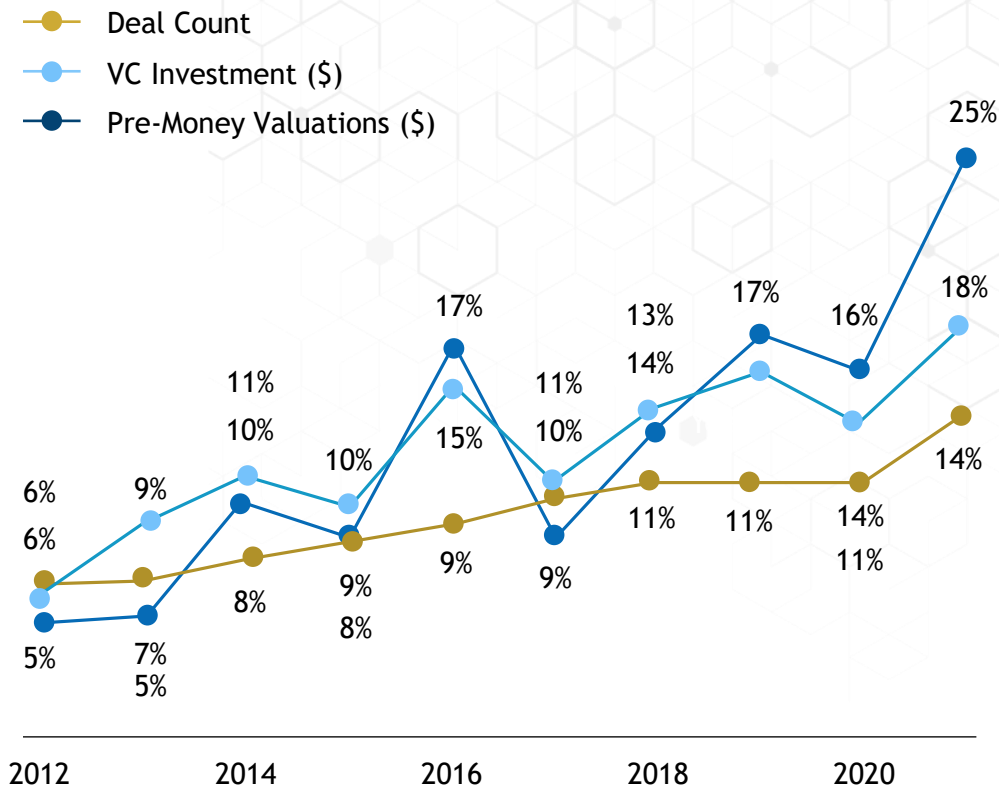
Apply to global pools of capital atomized and delivered to borrowers, intermediated by DeFi protocols and based on validated but self-sovereign real-time data

Source: 10/22/2021 Forbes article by Matthew Harris: "The Future of Money: A Complete Revolution"

Projections are inherently subject to substantial and numerous uncertainties. Actual outcomes may vary significantly from forecasts.

# A Brewing FinTech Landscape

## FinTech's Share of Global VC Activity\*



\*Reflects larger private market, not Fund holdings. Source: PitchBook and SVB Analysis  
Data as of November 15, 2021.



The COVID-19 pandemic has changed consumer behavior, generating a plethora of opportunities in the Fintech ecosystem. Few sectors have benefitted from this transition to same extent.



- 49% of millennials adopted new digital buying methods (curbside pickup or delivery apps)
- 65% of Americans use mobile banking
- Global smartphone ownership increase from 49% in 2016 to 80% in 2021



The behavior shift and influx in new digital users has broadened the market, creating a surge in fintech company formation and VC activity.



# An Industry of Growth

## Global FinTech VC Activity by Sector

	Early-Stage Share of Deals (2021)	Growth (2019-2021)	Late-Stage Share of Deals (2021)	Growth (2019-2021)
Real Estate	9%	-11%	8%	13%
Personal Finance	9%	36%	9%	126%
Alternative Lending	9%	2%	9%	27%
Fintech Infrastructure	25%	43 %	10%	76%
Cryptocurrency/Blockchain	16%	101%	13%	325%
Business Process Software	10%	-1%	16%	41%
Insurtech	10%	-2%	16%	93%
Payments	11%	10%	19%	39%



Based on early-stage funding data, payment facilitation infrastructure is the largest recipient of investment, representing 25% of total deals.



Cryptocurrency/blockchain is the fastest growing FinTech sector at both early and late stages. Investors are betting that technologies such as non-fungible tokens (NFTs) and smart contracts will usher in a decentralized financial system.

Source: SVB Analysis

# Manager Contacts

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