The long lines of the investment industry

Øyvind G. Schanke, CEO

The art of common sense
History of mutual funds

1. Late 1700: Origin of Investment funds
2. 1924: First open-end mutual fund
3. 1929: Stock market crash
4. 1934: «Security Analysis»
5. 1971: First index fund
6. 1976: Vanguard
1982: The Bloomberg Terminal
The dot-com boom and bust

The Nasdaq Composite Index, daily close
Concentrated return drivers – USA and Asia

<table>
<thead>
<tr>
<th>Nasdaq 100</th>
<th>MSCI Asia APEX 50</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Top 5 weight</strong></td>
<td><strong>Top 5 weight</strong></td>
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<tr>
<td><strong>Top 5 contribution, % of total</strong></td>
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</tr>
<tr>
<td>43.5%</td>
<td>46.0%</td>
</tr>
<tr>
<td>54.4%</td>
<td>58.8%</td>
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<table>
<thead>
<tr>
<th>Weight</th>
<th>Return</th>
<th>Weight</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>11.8%</td>
<td>Tencent</td>
<td>11.8%</td>
</tr>
<tr>
<td>Google</td>
<td>9.3%</td>
<td>Samsung</td>
<td>11.2%</td>
</tr>
<tr>
<td>Microsoft</td>
<td>9.1%</td>
<td>Alibaba</td>
<td>9.6%</td>
</tr>
<tr>
<td>Amazon</td>
<td>7.4%</td>
<td>China Communication</td>
<td>9.2%</td>
</tr>
<tr>
<td>Facebook</td>
<td>5.9%</td>
<td>AES</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

Source: SKAGEN and for illustrative and discussion purposes only.
Stock exchange volume

Total value (Trillion USD)

Source: The World Bank
Development of high-frequency trading (HFT)

HFT as a share of US equities daily volume

HFT industry revenues from US equities markets

Source: Tabb Group, Financial Times
Investment industry in the 21st century

2002
The Quants

2005
High-frequency trading

2007
Financial crisis

2013
Smart beta
Lower transaction fees
Ant Financial – The world’s most valuable fintech company

The world's largest mobile and online payments platform

The world's largest money-market fund
Bitcoin is in classic bubble territory

$000 per bitcoin, 2017

Smart money

Institutional investors

Public
Delusion
Greed

‘New paradigm’
Denial

Bull trap
Fear

Capitulation

Return to median

Despair

Take-off

First sell-off

Bear trap

Median

Stealth phase

Awareness phase

Mania phase

Blow off phase

Source: Financial Times
Bitcoin transaction costs growing

Average transaction cost for Bitcoin

Source: blockchain.info, Morgan Stanley Research
Significant growth of Turquoise Plato Block Discovery

Value traded (EUR millions over time)

Source: Turquoise. Turquoise Plato Block Discovery includes volumes >25% LIS
The Great Eclipse

Number of U.S. funds and stocks

Source: bloomberg.com
Coming trends in the industry

Robo-advice

Machine learning and AI

2018 and beyond
Artificial intelligence
No short term super profits

Source: Bloomberg
The Nikkei 225

Source: Bloomberg, Twitter.com
The stock market is a wonderfully efficient mechanism for transferring wealth from the impatient to the patient.

Warren Buffett
Thank you