

Good afternoon,

The following is touched on in this issue:

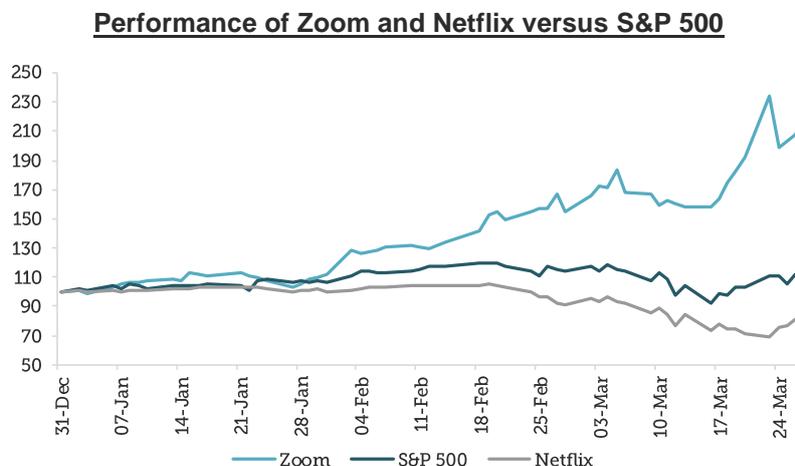
- South Africans are turning their offline businesses into online ones in the face of Covid-19 closures ✓
- 8 stay-at-home stocks beating the coronavirus blues ✓
- Alphabet's Verily ramps up drive-thru coronavirus testing with 1,000 Google volunteers ✓
- With everyone working from home, go easy on Netflix ✓
- Bosses panic-buy spy software to keep tabs on remote workers ✓
- The world's most downloaded apps in 2019 ✓

✓ = no subscription required to view article/website

We find ourselves in unprecedented times. I've been working from home for about two weeks now. **Communication software such as Skype, Zoom and Microsoft Teams**, which I would usually close immediately upon logging in to my PC at the office, have now become essential tools as this pandemic unfolds. **And this is happening globally.** According to Priori Data, global downloads of Skype, Houseparty and Zoom each surged by more than 100 percent in March. Zoom was downloaded nearly 27 million times this month, up from just 2.1 million times in January.

Based on this, I decided to make the focus of this issue on **how technology is impacting our lives, assisting us and being utilised during this outbreak** – and tying this into the longer-term investment trends and themes which are taking place. As per a recent Bloomberg Technology newsletter, a global pandemic that keeps billions of people inside their homes may not be as bad for technology companies as it is for many others. If you're making video conferencing software, or selling video game consoles, or running the cloud services that power them, that's a good business to be in right now.

This is reflected in the relatively **resilient performance of the so-called "stay-at-home" stocks**, such as Netflix and Zoom (video conferencing), compared to the US market as a whole (figure below). I have included an article below which discusses such stocks in some more detail.



Source: Factset; 27 March 2020

It is also important to note that **innovation gains traction during tumultuous times** like we are currently experiencing. I refer to a recent note from ARK Invest's CEO, Catherine Wood:

"During the worst financial crisis of our lifetimes, innovation gained more traction than most investors had anticipated. Companies offering faster, cheaper, more cost effective, and creative products/services gained significant share... We believe that the turbulence caused by the coronavirus is giving innovation another opportunity to break through the traditional world order. As is typical during periods of turbulence and fear, consumers and businesses are willing to think differently and change their behaviour."

The first article in today's issue supports this view. It discusses how **South Africans are trying to survive the lockdown**, by finding new ways to earn an income during this difficult time.

The conclusion which can be drawn is that **technology is playing an invaluable role globally and locally at this time – both to businesses and consumers**. As a result, the longer-term investment themes which we have been investing in – even prior to the outbreak – are only likely to **benefit further and gain greater momentum given what is unfolding**.

Hope you enjoy the read. Look after yourselves and stay safe.

Regards,

Nicholas Dakin
Equity Analyst

The purpose of this newsletter is to educate, create interesting talking points, and to increase awareness regarding some of the longer-term investment themes which are taking place, in order to determine where the world is going and to find potential investment opportunities.

Business Insider - South Africans are turning their offline businesses into online ones in the face of Covid-19 closures ✓

- **Artists, photographers, and others in the creative industry are providing online courses** via online learning platforms like Skillshare, or video sharing websites like YouTube - which either pay commission, or allow users to monetise videos with third-party advertising.
- **Musicians are now offering online performances** - some of them for free, and others on a ticketed basis. Busqr, still in its launch phase, was set up by a South African musician to allow musicians to sign up, sell tickets to live home-based performances and keep 95% of the profits.
- **Several gyms and yoga studios have also quickly reinvented themselves with online classes**. Tools like Zoom, paired with online payment systems like PayPal and even SnapScan, are the go-to products for most studios.
- **Artists and graphic designers are finding inventive ways to sell their works**. Casetify lets artists put their works on several tech-related products, and earn a profit for every case sold. Similarly, Threadless allows artists to put their designs on shirts that customers from around the world can buy. Resources like Society6 and Displate are online artist marketplaces where users can buy and sell artworks. And there's also Etsy, which is an online marketplace selling handcrafted, vintage and custom objects direct to the public. Although it will be impossible to ship these during periods of lockdown, these delays can be built into the terms and conditions of the sale.

- **Traditional freelancers, like writers, developers, editors, and designers**, might also find work by turning to online job marketplaces like Upwork or Fiverr.
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Here are some of the larger listed stocks which have, or could potentially benefit from people staying at home.

US News - 8 Stay-at-Home Stocks Beating the Coronavirus Blues ✓

- **Amazon:** With many consumers unable to leave their homes, shoppers are turning to Amazon in larger numbers than ever before. Amazon's diverse portfolio of businesses, from its e-commerce site to cloud computing, grocery delivery through Amazon Prime Fresh, and even its Twitch live-streaming service, are **all uniquely positioned to profit from more people getting online.**
 - **Microsoft:** Like Amazon, Microsoft provides a variety of goods and services that suddenly seem perfectly suited for long periods of time stuck at home. For those who still must work, **Microsoft's suite of Office products has never been more important**, and more people than ever are turning to Teams, the company's work-chat service. In fact, last week Microsoft reported that Teams saw an impressive 44 million daily active users, more than double the last number it reported in November.
 - **Slack:** Work-chat app maker Slack announced last week that it had added approximately 7,000 new paid customers between Feb. 1 and March 18. Considering that the company only gained 5,000 new users throughout its entire last quarter, and another 5,000 in the quarter before that, it's clear just how much Slack is benefiting from more people working from home.
 - **Zoom:** The company has made some smart choices in the last few weeks, such as removing its 40-minute time limit for calls made from free accounts, that have encouraged more users to give the platform a shot. The result is a No. 1 spot on Apple App Store and Android downloads, with more than 600,000 downloads on a single day and an estimated 20 million new mobile users in a single week.
 - **Facebook:** With so much social distancing, there's a greater need than ever before to connect with one another. Enter Facebook, which has reported a surge in usage across its family of products; in fact, in areas affected by coronavirus, calls on WhatsApp and Messenger are double their usual number.
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Big Tech is also trying to play a more direct role in trying to address the outbreak.

CNBC - Alphabet's Verily ramps up drive-thru coronavirus testing with 1,000 Google volunteers ✓

- Alphabet's life sciences business Verily now has close to 1,000 volunteers from sister-company Google working across its COVID-19 screening and testing platform as it readies for a ramp-up.
- Thus far, Verily is offering on-site testing with a focus on those who are at-risk given the lack of availability of tests.

Big Tech hasn't been in the global regulators' good books for some time now. The responses by these companies to the pandemic may help them to earn some brownie points with regulators.

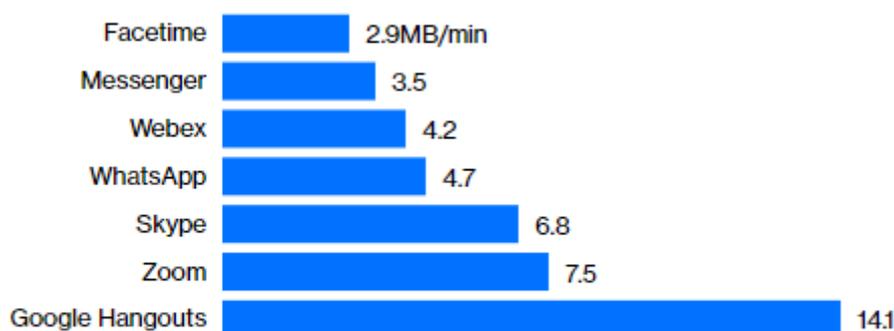
It goes without saying that the move online is increasing demands on global networks. Use of streaming services – video conferencing software in particular - has surged in recent weeks as hundreds of millions of people stay home to contain the spread of the virus.

Bloomberg Opinion - With Everyone Working From Home, Go Easy on Netflix ✓

- In the age of Covid-19, video conferencing is an important channel for maintaining social contact, but some products are easier on the network than others.
- The most interesting part of the article was the result of a series of tests the author carried out to see how much data each of the most popular apps required for the same calls.
- On average, Zoom Video Communications Inc.'s eponymous service and Google Inc.'s Hangouts used more than twice as much data as Apple Inc.'s FaceTime or Cisco Systems Inc.'s Webex.

Data Appetite

Video conferencing apps had different data requirements



Source: Bloomberg Opinion research

Note: average MB/minute usage in trials carried out in London at three different points during the day

- It's not all about work, of course. There's been a massive leap in the demands imposed on networks by online streaming and gaming. In the week from March 9th, gaming data usage jumped 75% in the U.S.

YouTube will reduce the quality of videos around the world starting Tuesday, an effort by the world's most popular video site to ease internet traffic during the coronavirus outbreak. However, YouTube doesn't believe the world will run out of internet bandwidth any time soon, but is taking a preemptive measure given growing concerns at the government level.

With a large portion of the global workforce working remotely, employers are taking extra measures to ensure that employees aren't treating this as a holiday...

Bloomberg - Bosses Panic-Buy Spy Software to Keep Tabs on Remote Workers ✓

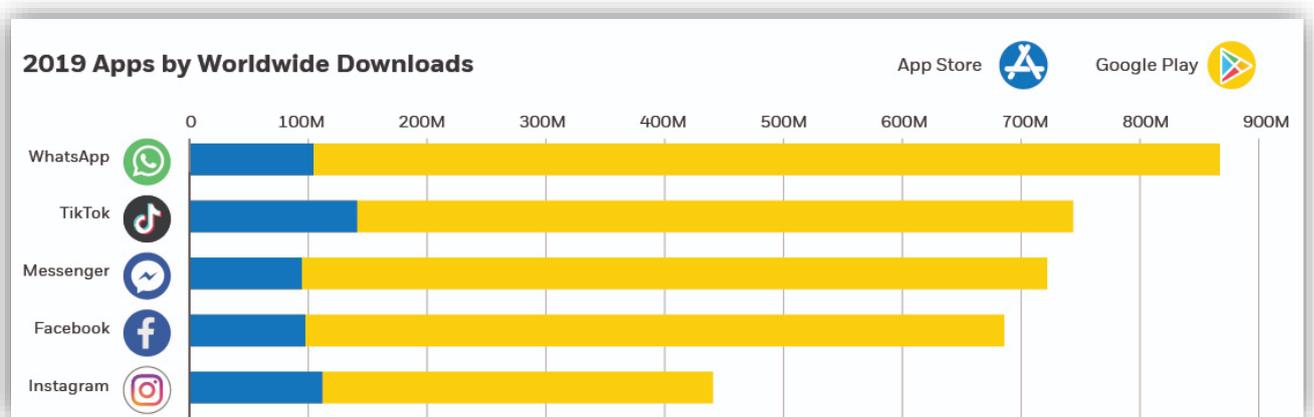
- The email came from the boss. We're watching you, it told Axos Financial Inc. employees working from home. We're capturing your keystrokes. We're logging the websites you visit. Every 10 minutes or so, we're taking a screen shot.

- It's perfectly legal for businesses to keep an unblinking eye on employees as long as they disclose they're doing it.
- **With so many people working remotely because of the coronavirus, surveillance software is flying off the virtual shelves.** Software makers include InterGuard, Time Doctor, Teramind, VeriClock, innerActiv, ActivTrak and Hubstaff. All provide a combination of screen monitoring and productivity metrics, such as number of emails sent, to reassure managers that their charges are doing their jobs.
- Managers using InterGuard's software can be notified if an employee does a combination of worrisome behaviors, such as printing both a confidential client list and a resume, an indication that someone is quitting and taking their book of business with them.
- ActivTrak's inbound requests have tripled in recent weeks. Teramind has seen a similar increase and innerActive's phones have been ringing off the hook.

It's not just spyware which has received a boost from recent events. Cybersecurity companies have also been experiencing this. Checkmark cybersecurity director Rudi Dicks said that phishing attacks in South Africa have increased substantially since the outbreak of the coronavirus. This is because employees working from their own devices may be using unsecured hardware or be connected to an unsecured network, leaving their systems vulnerable to attack.

Prior to the pandemic, this is what the global app market looked like.

Visual Capitalist - The World's Most Downloaded Apps ✓



- According to a report by Sensor Tower, total app downloads grew to **115 billion** in 2019, including almost 31 billion downloads on the App Store and 84 billion on Google Play.
- Facebook owns four out of five of 2019's most downloaded apps: Facebook, Facebook Messenger, WhatsApp, and Instagram. Collectively, they boast an eye-watering **16 billion downloads - with WhatsApp holding the top spot for the fourth year running.**

As per the article, apps have become one of the largest consumer ecosystems on the planet, with the global app economy expected to reach \$6.3 trillion by 2021. I suspect that this forecast may even be too low, if we are to remain in an increasingly-confined world.