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Data leak by Facebook - are technology shares at risk?

Gast-AutorIn / Guest Author



Open questions about the processing and leaking of data by the social media giant have triggered a correction among technology companies.

Bernhard Rutenstorfer, fund manager of our [technology equity fund](#), has answered questions regarding Facebook et al. in this flash interview.

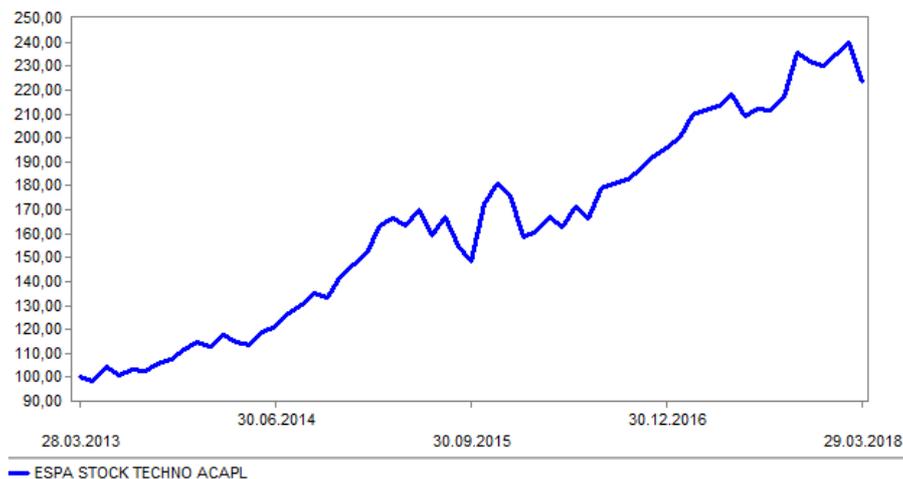
Why did this incident affect the entire technology sector?

You cannot deny that the heavyweights among the technology companies such as Facebook, Alphabet (Google), NVidia, or Amazon drive the technology sector. These companies do not only account for a large part of the technology equity index, but they also crucially support technological mega trends. Despite the controversy regarding the data leak and the resulting losses, the economic outlook for companies and for the entire IT sector is still positive.



Performance ESPA STOCK TECHNO 2013-2018

(rebased, 28.03.2013=100)



Source: FMP, Erste Asset Management

Note: Past performance is not indicative of future development.

What is the fundamental situation of technology shares? Do the reported company results justify such a setback?

Current valuations would at least not argue against further price increases. The fundamental mega trends in the IT sector have not been stalled by the events in recent weeks. In fact, the development will continue throughout the coming years. We are talking about trends like digitalisation, automation, artificial intelligence, cloud computing and internet of things, to name but a few. The technical and economic benefits of the trends in the IT sector (higher efficiency, productivity, flexibility, and reliability) vis-à-vis traditional approaches across various technologies will continue.

What is the outlook for the technology sector, especially for the shares of social media providers?

Adjustments and regulation of products are possible and foreseeable for social networks (e.g. labelling of the sponsor of commercials, or higher user influence with regard to their own data etc.). As long as user behaviour does not change sustainably, existing platforms should provide a high advertising value. The risk of newly emerging platforms and user churn from older applications has always existed. In this context, Facebook has by far the biggest user base. This network effect is still a highly important argument for the users. And in assessing recent events, one has to bear in mind that Facebook does not only operate the Facebook app, but also the image platform Instagram and the messenger WhatsApp. These two are independent of the Facebook app and therefore operate on the basis of their own business models. In my view users who leave Facebook will not automatically close their Instagram and WhatsApp accounts.

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