

# SFDR PRODUCT DISCLOSURE

## NIKKO AM ARK POSITIVE CHANGE INNOVATION FUND

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## (a) Sammenfatning

Investeringsforvalteren fokuserer på innovative teknologier og virksomheder, som sandsynligvis vil have en positiv indvirkning på miljøet og vores samfund, ved at vurdere hvordan de kan accelerere fremskridt mod FN's verdensmål for bæredygtig udvikling ("FN's verdensmål") kategoriseret i fire kategorier: økonomisk konvergens, sund økonomisk vækst, miljøindsats og infrastruktur til fremtiden.

Afdelingens strategi afhænger af et egenudviklet scoringssystem (fra 1 til 10) til værdiansættelse af virksomheder, der består af 7 faktorer herunder faktoren "Indvirkning på FN's verdensmål", der har forrang frem for de øvrige 6 faktorer og faktoren "Personale, ledelse og kultur", der tager risici i betragtning, som kan opstå som følge af dårlig ledelse, trussel om sagsanlæg, ineffektiv talenterhvervelse og nøglepersonales tilbagetræden.

Porteføljeopbygningsprocessen kræver, at virksomheder, som overvejes til udvælgelse, alle har en indvirkning på et FN-verdensmål, og at scorer under 6 udløser en gennemgang af positionen. Investeringsforvalteren anvender et åbent analyseøkosystem, der kombinerer top-down- og bottom-up-analyse. Det er designet til at identificere forstyrrende innovation tidligt ved at muliggøre en organiseret udveksling af indsigt mellem porteføljeforvalteren, forskningschefer, investeringsanalysechef, analytikere, forskningsmedarbejdere og eksterne kilder. Da den forventede indvirkning af en specifik teknologi på FN's verdensmål er baseret på prognoser og skøn, bliver de på trods af denne proces ikke altid til noget.

Investeringsforvalteren mener, at FN's verdensmål kun kan opnås med hurtig teknologisk fremgang, og fokuserer på de store innovationsplatforme, denne har identificeret. Teknologierne inden for disse platforme udformes derefter til at vurdere de teknologier, som kan forventes at være på afgørende stadier af konvergens og inflektion, og som tjener som nøgledrivere for forstyrrende innovation, ved brug af kriterier såsom prognoser for fald i omkostninger, enhedsøkonomi, efterspørgsels priselasticitet og disse teknologiers sandsynlige penetrering på mellemlang og lang sigt.

I hvor høj grad, individuelle værdipapirer kan forventes at indvirke på FN's verdensmål, vurderes gennem en scoringmekanisme, der er baseret på investeringsforvalterens analyse af:

- En teknologis forventede indvirkning på FN's verdensmål
- Virksomhedens eksponering for den pågældende teknologi
- Produktets tilpasning til den forventede indvirkning

Investeringsforvalteren gennemgår derefter sin rådgivermodelportefølje og de anbefalede ændringer set i lyset af formålet med kontoen, investeringsstrategien og investeringsbegrænsninger. Derudover sørger overholdelseskontroller før og efter handel, der er indbygget i ordreforvaltningssystemet, for, at alle beholdninger i modelporteføljen overholder investeringsrestriktionerne og retningslinjerne.

Afdelingens strategi kræver ikke, at der engageres i miljømæssige og sociale anliggender og har ikke udpeget et referencebenchmark, der er på linje med de miljømæssige og sociale egenskaber, den fremmer.

### **(b) No sustainable investment objective**

This financial product promotes environmental and/or social characteristics but does not have as its objective sustainable investment.

### **(c) Environmental or social characteristics of the financial product'**

The investment manager will focus on innovative technologies and companies that are likely to have a positive impact on the environment and our society.

The ability of a company to deliver positive environmental and/or social impact through innovation is assessed by dimensioning the impact that its rapid technological progress could have on accelerating progress towards the United Nations Sustainable Development Goals ('UN SDGs') which have been categorised into four broad global sustainable ambitions:

1. Economic Convergence: No Poverty, Zero Hunger, Reduced Inequalities, Partnership for the Goals, Peace, Justice, and Strong Institutions.
2. Healthy Economic Growth: Decent Work and Economic Growth, Good Health and Well-being, Responsible Consumption and Production, Gender Equality.
3. Environmental Action: Affordable and Green Energy, Climate Action, Life Below Water, Life on Land.
4. Infrastructure for the Future: Industry, Innovation and Infrastructure, Sustainable Cities and Communities, Clean Water and Sanitation, Quality Education.

### **(d) Investment strategy**

#### **Environmental or social characteristics**

The Sub-Fund strategy relies on a proprietary scoring system to value companies. The scoring process considers the following seven factors:

1. People, management, and culture
2. Execution
3. Moat/barriers to entry
4. Product and service leadership
5. Valuation
6. Thesis risk
7. Impact on UN SDGs

The environmental and social characteristics of the Sub-Fund are implemented through the 'Impact on UN SDGs Score', which takes precedence over the other six factors.

The score assesses the degree to which a company's technologies, products, and business model are likely to accelerate material progress towards meeting each UN SDGs, as measured on a 1 (lowest) to 10 (highest) scale.

#### **Good governance**

Within the Sub-Fund company scoring system, governance considerations are acknowledged in the 'People, management, and culture' factor. This score allows the Sub-Fund to consider risks that may be generated as a result of poor governance, threat of legal action, inefficient talent acquisition, and departure of key personnel.

In addition to the scoring mechanism, controversies that may be related to management structures, employee relations, remuneration of staff, and tax compliance are monitored to ensure a company's behaviour remains coherent with governance practices.

#### **(e) Proportion of investments**

The Sub-Fund product promotes environmental and/or social characteristics but without having a sustainable investment objective and does not commit to make sustainable investments.

The portfolio construction process will require that companies considered for selection have an impact on UN SDGs through their technologies, products, or business model. All invested assets, therefore, will be aligned with the Sub-Fund environmental and social characteristics.

#### **(f) Monitoring of environmental or social characteristics**

The investment manager advisor continuously monitors its portfolio companies and Directors of Research and Analysts will adjust scores according to quantitative and qualitative inputs. Any score downgraded to 6 or lower would trigger a position review.

In terms of UN SDG's impact, a downgrade could be triggered by a downward revision of the expected technology impact based on the investment manager advisor's top-down research or a change in the company's product/service alignment with the specific UN SDG outcomes that were selected as part of the portfolio construction process.

#### **(g) Methodologies for environmental or social characteristics**

The investment manager advisor shall ensure that each company selected remains exposed to a technology, product, or business model that is likely to accelerate progress to meeting at least one of the UN SDGs.

To that end, during the investment process each company is allocated an 'Impact on UN SDG Score'.

The Sub-Fund disaggregates major innovation platforms (such as Robotics, Artificial Intelligence, Energy Storage, DNA Sequencing, and Blockchain Technology) into their underlying technologies, each with cost decline and demand elasticity curves that can be quantified, helping to dimension their commercial potential and their potential impact on the UN SDGs.

The ability of a holding to contribute to reaching an UN SDG is based on fundamental research into the business model and technologies of the company and how it can impact a particular SDG.

The conclusion of the research is expressed in the Impact on UN SDG Score component, which has a one-third weight in a proprietary scoring system.

The next step is to determine if there is product alignment with the SDGs at the company level, in which the investment manager advisor will evaluate whether the financial success and product lines of the company are intrinsically tied to the UN SDGs.

Between these two pillars, the Impact on UN SDG Score for each company is calculated. Each Impact on UN SDG Score is evaluated annually but can be re-evaluated if there are any meaningful business changes.

### (h) Data sources and processing

The investment manager advisor uses an open research ecosystem that combines top-down and bottom-up research. It is designed to identify disruptive innovation early, allowing for an organised exchange of insights between the portfolio manager, directors of research, director of investment analysis, analysts, research associates, and external sources.



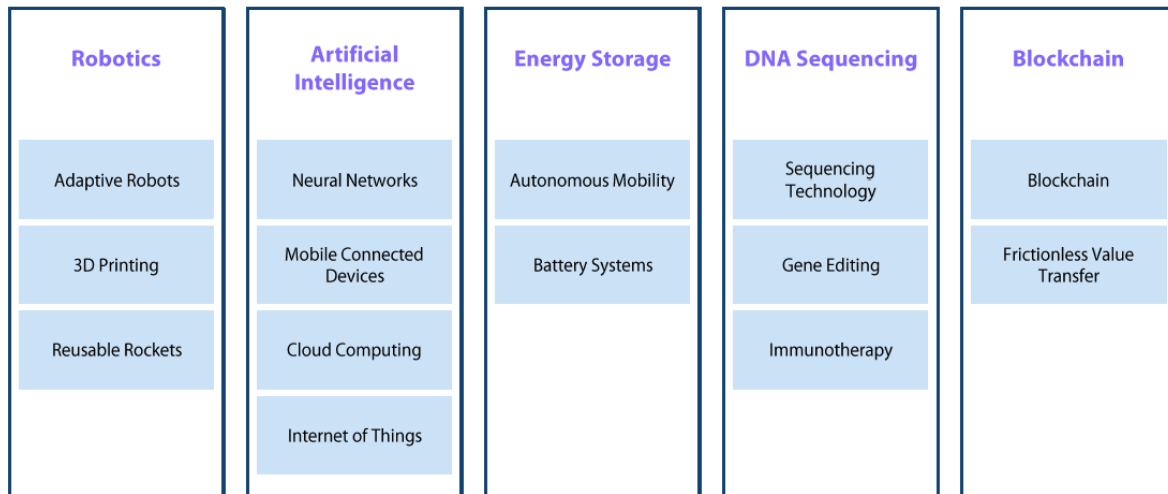
Source: ARK Investment Management LLC

### (i) Limitations to methodologies and data

The expected impact of a specific technology on UN SDGs are based on the investment manager advisor forecasts and estimations which may not materialize.

### (j) Due diligence

With the view that UN SDGs can be achieved only with rapid technological progress, the investment manager advisor focuses on major innovation platforms:



Source: ARK Investment Management LLC

The technologies within the identified innovation platforms are modelled to assess those that can be expected to be at critical stages of convergence and inflection and that serve as key drivers of disruptive innovation, utilizing criteria such as cost decline forecasts, unit economics, price elasticity of demand, and likely penetration of these technologies over the medium and long term.

The degree to which individual securities could be expected to impact UN SDGs is assessed through a scoring mechanism that is based on the investment manager advisor analysis of:

- A technology expected impact on UN SDGs
- The company exposure to that technology
- The product alignment with the expected impact

The Investment Manager then reviews its advisor model portfolio and the recommended changes in light of the objective of the account, the investment strategy and investment restrictions. Additionally, pre- and post-trade compliance checks embedded in the order management system ensure all holdings of the model portfolio comply with the investment restrictions and guidelines.

### **(k) Engagement Policies**

Engagement is not specifically performed in the context of Nikko AM ARK Positive Change Innovation Fund environmental or social investment strategy.

### **(l) Designated reference benchmark**

The Sub-Fund has not designated a reference benchmark that is aligned with the environmental or social characteristics it promotes.