

SFDR PRODUCT DISCLOSURE

NIKKO AM ARK POSITIVE CHANGE INNOVATION FUND

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Société Anonyme

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(a) Resumen

El gestor de inversiones se centrará en tecnologías y empresas innovadoras que probablemente puedan tener un impacto positivo en el medio ambiente y nuestra sociedad, evaluando cómo podrían acelerar el avance hacia los Objetivos de Desarrollo Sostenible de las Naciones Unidas («ODS de la ONU») dentro de cuatro categorías: convergencia económica, sólido crecimiento económico, acción por el medio ambiente e infraestructuras para el futuro.

La estrategia del Subfondo se basa en un sistema de puntuación interno (en una escala de 1 a 10) a la hora de evaluar a las empresas en función de siete factores; estos incluyen un factor de «Impacto sobre los ODS de la ONU» que tiene prioridad frente a los otros seis factores, y un factor de «Personal, gestión y cultura» que considera los riesgos que podrían surgir a causa de una mala gobernanza, los riesgos de acciones legales, una adquisición de talento ineficiente y la salida de personal clave.

En el proceso de construcción de carteras se exigirá que todas las empresas consideradas para la selección tengan un impacto sobre los ODS de la ONU, y si su puntuación cae por debajo de 6, se revisará la posición. El asesor del Gestor de inversiones utiliza un ecosistema de análisis abierto que combina análisis descendente (*top-down*) y ascendente (*bottom-up*). Está diseñado para identificar de manera temprana la innovación disruptiva, lo que permite un intercambio de opiniones organizado entre el gestor de cartera, los directores de análisis, el director de análisis de inversiones, los socios de análisis y fuentes externas. Pese a este proceso, puesto que el impacto previsto de una tecnología específica sobre los ODS de la ONU se basa en proyecciones y estimaciones, es posible que no siempre se materialicen.

Dada la opinión de que los ODS de la ONU solo pueden lograrse con un rápido progreso tecnológico, el asesor del gestor de inversiones se centra en las principales plataformas de inversión que ha identificado. A continuación, se modelizan las tecnologías de esas plataformas para evaluar cuáles podrían encontrarse en una fase crítica de convergencia e inflexión y servir de motores fundamentales de la innovación disruptiva, mediante criterios como: las previsiones de reducción de los costes, los aspectos económicos por unidad, la elasticidad de precio de la demanda, y la penetración probable de esas tecnologías a medio y largo plazo.

Se evalúa en qué medida puede esperarse que los valores individuales impacten sobre los ODS de la ONU mediante un mecanismo de puntuación basado en el análisis del asesor del Gestor de inversiones de:

- El impacto esperado de una tecnología sobre los ODS de la ONU
- La exposición de la empresa a esa tecnología
- El ajuste del producto al impacto esperado

A continuación, el Gestor de inversiones revisa la cartera modelo del asesor y los cambios recomendados, en vista del objetivo de la cuenta, la estrategia de inversión y las restricciones de inversión. Asimismo, hay unas verificaciones de cumplimiento antes y después de la negociación incorporadas en el sistema de gestión de órdenes, cuyo propósito es garantizar que todas las posiciones de la cartera modelo cumplan las restricciones y directrices de inversión.

La estrategia del Subfondo no requiere que se lleven a cabo acciones de implicación en asuntos medioambientales y sociales y no ha designado un índice de referencia que se ajuste a las características medioambientales o sociales que promueve.

(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.



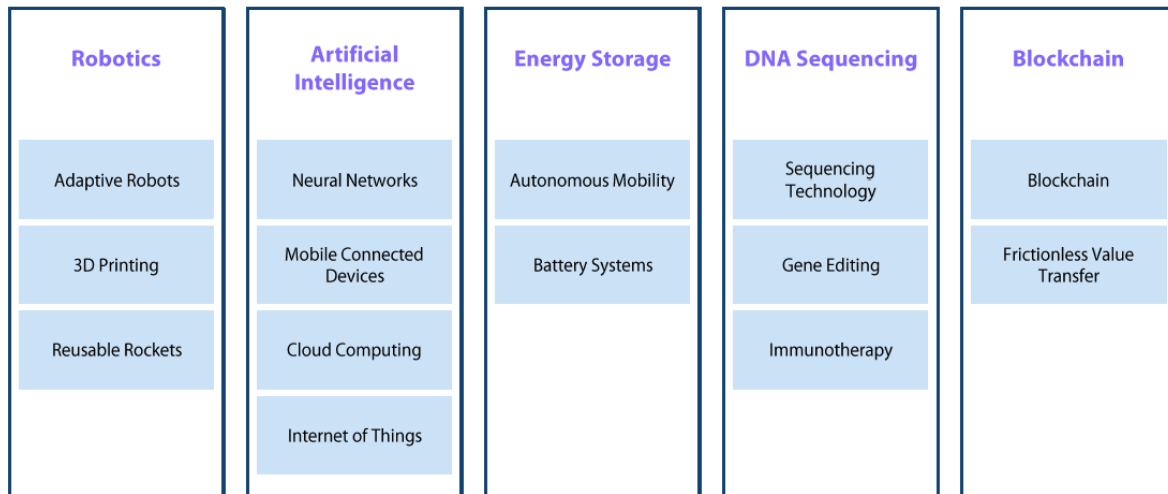
Source: ARK Investment Management LLC

(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.