

SFDR PRODUCT DISCLOSURE

NIKKO AM ARK POSITIVE CHANGE INNOVATION FUND

January 2023

Nikko Asset Management Luxembourg S.A.

Société Anonyme

Registered Office:

32-36, Boulevard d'Avranches, L-1160, Luxembourg

Tel +352 264 979 2209

Email luxenquiries@nikkoam.com

(a) Yhteenveto

Salkunhoitaja keskittyy innovatiivisiin teknologioihin ja yrityksiin, joilla on todennäköisesti myönteinen vaikutus ympäristöön ja yhteiskuntaamme arvioimalla, kuinka ne voisivat nopeuttaa edistymistä yltääkseen Yhdistyneiden Kansakuntien kestävä kehityksen tavoitteisiin ("UN SDG"), jotka on luokiteltu neljään luokkaan: taloudellinen lähentyminen, terve talouskasvu, ympäristötoimet ja tulevaisuuden infrastruktuuri.

Alarahaston strategia perustuu omaan pisteytysjärjestelmään (asteikolla 1–10) yritysten arvostamisessa, jossa otetaan huomioon seitsemän tekijää, mukaan lukien "vaikutus YK: n kestävä kehityksen tavoitteisiin" -tekijä, joka on etusijalla muihin kuuteen tekijään nähden, sekä "Ihmiset, johto ja kulttuuri" tekijä, joka ottaa huomioon huonon hallinnon, oikeustoimien uhan, tehottomien kykyjen hankinnan ja avainhenkilöiden lähtemisen seurauksena mahdollisesti syntyviä riskejä.

Salkun rakentamisprosessi edellyttää, että kaikki valitut yritykset vaikuttavat YK: n kestävä kehityksen tavoitteen saavuttamiseen, ja alle 6: n arvosanat käynnistävät aseman tarkistamisen. Salkunhoitaja käyttää avointa tutkimusekosysteemiä, jossa yhdistyvät ylhäältä alas ja alhaalta ylöspäin suuntautuva tutkimus. Se on suunniteltu tunnistamaan häiritsevät innovaatiot varhaisessa vaiheessa, mikä mahdollistaa organisoidun näkemysten vaihdon salkunhoitajan, tutkimusjohtajien, sijoitusanalyysijohtajan, analyytikoiden, tutkimuskumppaneiden ja ulkoisten lähteiden välillä. Tästä prosessista huolimatta, koska tietyn teknologian odotetut vaikutukset YK: n kestävä kehityksen tavoitteisiin perustuvat ennusteisiin ja arvioihin, ne eivät aina välttämättä toteudu.

Koska YK: n kestävä kehityksen tavoitteet voidaan saavuttaa vain nopealla teknologisella kehityksellä, sijoituspäällikköneuvoja keskittyy tunnistamiinsa suuriin innovaatioalustoihin. Näiden alustojen teknologiat mallinnetaan sitten niiden arvioimiseksi, joiden voidaan odottaa olevan kriittisissä lähentymisen ja taivutuksen vaiheissa ja jotka toimivat keskeisinä häiritsevien innovaatioiden vetureina käyttämällä kriteerejä, kuten kustannusten laskuennusteita, yksikkötaloutta, kysynnän hintajoustoa, ja näiden teknologioiden todennäköinen levinneisyys keskipitkällä ja pitkällä aikavälillä.

Se, missä määrin yksittäisten arvopapereiden voidaan odottaa vaikuttavan YK: n kestävä kehityksen tavoitteisiin, arvioidaan pisteytysmekanismilla, joka perustuu Salkunhoitajan analyysiin:

- Teknologian odotettu vaikutus YK: n kestävä kehityksen tavoitteisiin
- Yrityksen altistuminen tälle teknologialle
- Tuotteen kohdistus odotettuun vaikutukseen

Tämän jälkeen Salkunhoitaja käy läpi neuvonantajamallisalkkunsu ja suositellut muutokset tilin tavoitteen, sijoitusstrategian ja sijoitusrajoitusten valossa. Lisäksi toimeksiantojen hallintajärjestelmään upotetut kauppa edeltävät ja jälkeiset vaatimustenmukaisuustarkastukset varmistavat, että kaikki mallisalkun omistukset noudattavat sijoitusrajoituksia ja -ohjeita.

Alarahaston strategia ei edellytä sitoutumista ympäristö- ja sosiaaliasioihin, eikä se ole määrittänyt vertailukohtaa, joka on linjassa sen edistämien ympäristö- tai sosiaalisten ominaisuuksien kanssa.

(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.



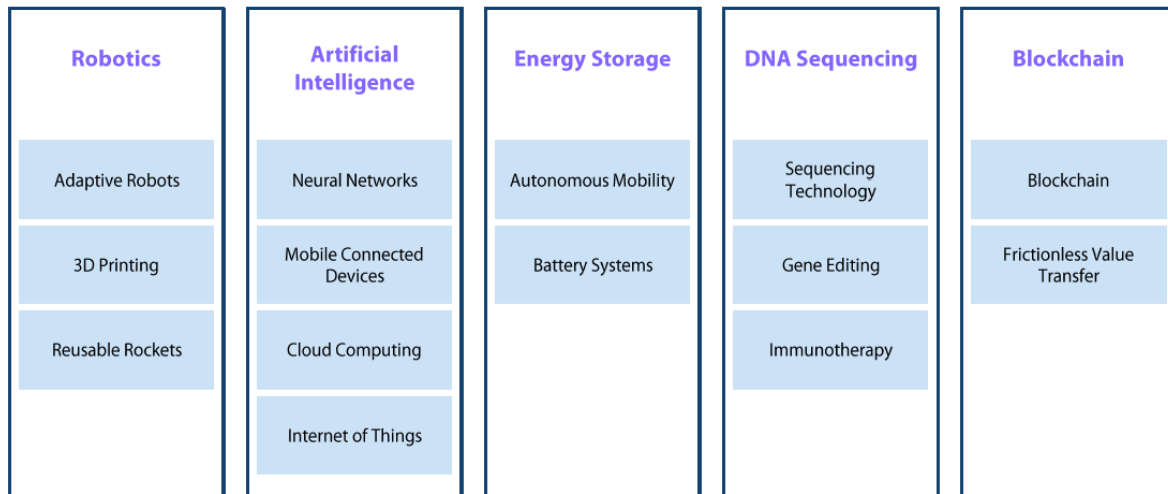
Source: ARK Investment Management LLC

(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.