

# SFDR PRODUCT DISCLOSURE

## NIKKO AM ARK POSITIVE CHANGE INNOVATION FUND

January 2023

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Société Anonyme

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## (a) In sintesi

Il focus del gestore degli investimenti sono le tecnologie e le società innovative che probabilmente avranno un impatto positivo sull'ambiente e la nostra società, valutando in che modo queste possano accelerare la realizzazione degli Obiettivi di Sviluppo Sostenibile delle Nazioni Unite ("SDG"), declinati in quattro categorie: convergenza economica, crescita economica sana, azione per l'ambiente e infrastrutture per il futuro.

La strategia del Comparto si affida a un sistema di punteggio proprietario per valutare le società (espresso su una scala da 1 a 10), il quale prende in considerazione sette fattori, inclusi un fattore "Impatto sugli SDG delle Nazioni Unite" che ha la precedenza sugli altri sei, e un fattore "Persone, gestione e cultura" che prende in considerazione i rischi che possono scaturire in conseguenza a una governance di scarso livello, alla minaccia di un'azione legale, a un'acquisizione inefficiente dei talenti e all'abbandono dei collaboratori aziendali chiave.

Il processo di costruzione del portafoglio prevede che le società considerate ai fini della selezione abbiano tutte un impatto su un SDG delle Nazioni Unite. Un punteggio inferiore a 6 determina la revisione della posizione. Il consulente del Gestore degli investimenti impiega un ecosistema di ricerca aperto che unisce ricerche top-down e bottom-up. Il sistema è progettato per individuare tempestivamente le innovazioni dirompenti, permettendo uno scambio organizzato di informazioni tra il gestore del portafoglio, i direttori di ricerca, il direttore delle analisi degli investimenti, gli analisti, i direttori associati di ricerca e fonti esterne. Nonostante tale processo, dal momento che l'impatto atteso di una specifica tecnologia sugli SDG delle Nazioni Unite si basa su previsioni e stime, il risultato non sempre si concretizza.

Ritenendo che gli SDG delle Nazioni Unite possano unicamente essere conseguiti grazie a un rapido progresso tecnologico, il consulente del gestore degli investimenti si concentra sulle maggiori piattaforme di innovazione che ha identificato. Le tecnologie all'interno di queste piattaforme vengono poi modellizzate per valutare quelle che, secondo le previsioni, possono trovarsi in una fase critica di convergenza e inflessione e che possono diventare dei driver chiave di un'innovazione dirompente, usando criteri quali previsioni dei costi, ricavi e costi su base unitaria, elasticità rispetto ai prezzi della domanda e probabile penetrazione di queste tecnologie nel medio e lungo termine.

Il grado del possibile impatto dei singoli titoli sugli SDG delle Nazioni Unite viene valutato con un meccanismo di punteggio basato sull'analisi condotta dal consulente del Gestore degli investimenti dei seguenti fattori:

- L'impatto atteso della tecnologia sugli SDG delle Nazioni Unite
- L'esposizione dell'impresa a tale tecnologia
- L'allineamento del prodotto all'impatto atteso

Il Gestore degli investimenti rivede quindi il portafoglio modello del consulente e le modifiche raccomandate alla luce dell'obiettivo prefissato, della strategia di investimento e delle restrizioni di investimento. In aggiunta, vengono realizzate delle verifiche di compliance pre e post negoziazione, incorporate nel sistema stesso di gestione degli ordini, per garantire la conformità di tutte le posizioni del portafoglio modello alle restrizioni e alle linee guida di investimento.

La strategia del Comparto non richiede attività di engagement sulle questioni ambientali e sociali e non ha designato un indice di riferimento allineato alle caratteristiche ambientali o sociali che promuove.

**(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.

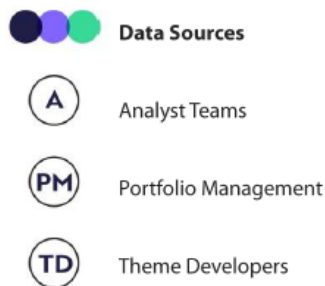
The next step is to determine if there is product alignment with the SDGs at the company level, in which the investment manager advisor will evaluate whether the financial success and product lines of the company are intrinsically tied to the UN SDGs.

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.

#### OPEN RESEARCH ECOSYSTEM



**Data Sources** include social media, traditional sources, and crowd  
**Analyst Teams** are organised by cross-sector disruptive innovation themes  
**Portfolio Management** evaluates research, fundamentals, and bottom-up characteristics, and market movements  
**Theme Developers** are external thought leaders across innovations, including academia, think tanks, and venture capital

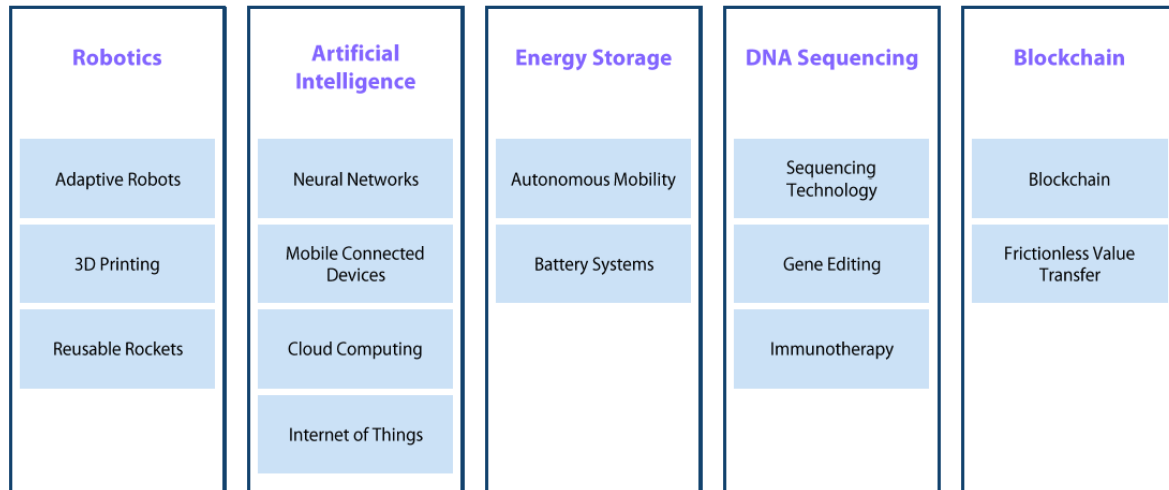
Source: ARK Investment Management LLC

### (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.