

ARK INVESTMENT PROCESS

IN DISRUPTIVE INNOVATION



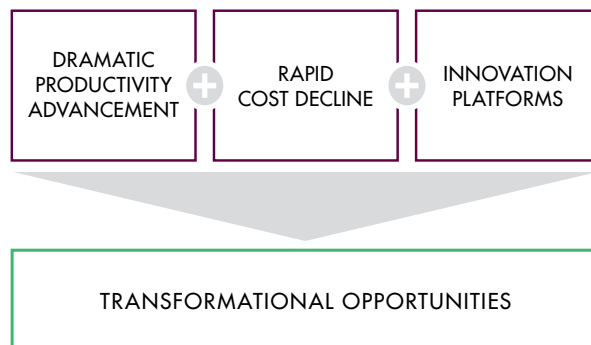
INVESTMENT OVERVIEW

DISRUPTIVE INNOVATION IS KEY TO GROWTH AND CREATES THEMATIC INVESTMENT OPPORTUNITIES.

Disruptive innovation is the introduction of a technologically enabled new product or service that permanently changes the way the world works.

ARK'S THEMATIC ANALYSTS ASK THE QUESTIONS:

- | Where is the next big disruptive innovation?
- | What is the size of the total market?
- | Which industries will be disrupted?
- | Which companies will emerge as the winners?



THEMATIC PORTFOLIO COMPOSITION

A thematic approach seeks investable ideas to capture opportunities from long-term trends or secular shifts. ARK's thematic investing process (i) recognizes that the world is changing rapidly and (ii) incorporates a deep understanding of the underlying disruptive innovations that drive long-term value creation and risk.

The themes of ARK's portfolios are driven by candidate disruptive technologies. Comprising each theme are elements that represent: (i) a disruptive technology platform, (ii) an enabling tool, or (iii) an application seated atop a disruptive technology platform.

THEME (INVESTABLE IDEA)		
ELEMENT	ELEMENT	ELEMENT
Companies/Stocks	Companies/Stocks	Companies/Stocks
Companies/Stocks	Companies/Stocks	Companies/Stocks
Companies/Stocks	Companies/Stocks	Companies/Stocks

DIFFERENT AREAS OF FOCUS COMPARED TO TRADITIONAL BUY SIDE ANALYSTS AND MANAGERS

BUY SIDE ANALYSTS ASK THE QUESTIONS:

- | Which stock is a buy right now?
- | Which stock is a sell right now?
- | Did earnings meet expectations?
- | How is management doing?



INVESTMENT PHILOSOPHY

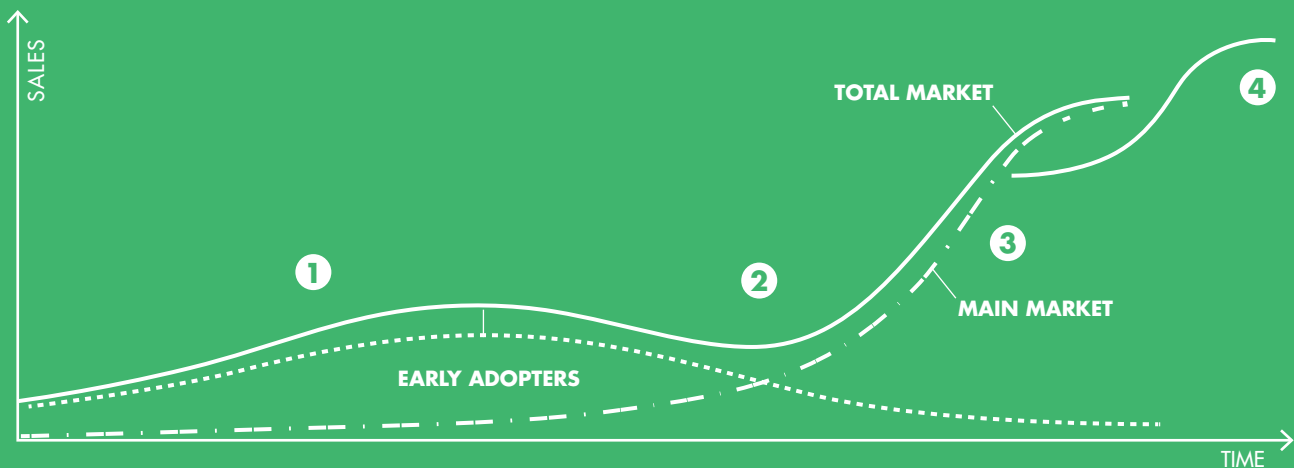
IDENTIFY DISRUPTIVE INNOVATION

ARK aims to identify large-scale investment opportunities resulting from disruptive technology platforms and focuses on the companies that rely on or benefit from them. Examples of these investment opportunities include robotics, big data, 3D printing, autonomous vehicles, cloud computing, energy storage, and DNA sequencing.

Although these companies are leading and benefiting from disruptive forces, often they are undiscovered or misunderstood by investment managers during the early adoption period of their innovation cycle. ARK's cross-sector and in depth thematic research process enables us to recognize these game-changing companies before many traditional asset managers do.

IDENTIFY THE INVESTMENT OPPORTUNITY

According to New York University and The Economist, the majority of innovative products have a “Saddled Adoption Curve”, where the early market comprises only 10-20% of total eventual adopters.



1. Innovative companies often have long flat adoption curves. ARK analysts work to discover these companies and understand their true potential market opportunities.
2. Performance declines during the gap between the early adopters and mass market acceptance. ARK focuses on recognizing whether a company is a trap or on the verge of “crossing the chasm” to large rapid growth.
3. Many truly innovative products and services are platforms in “winner takes most” markets. ARK looks for companies within disruptive technology platforms that cut across sectors for maximum potential upside.
4. As companies realize the commercial successes of their innovations, they must continue to evolve and differentiate. ARK monitors whether a company is reinvesting in future opportunities or runs the risk of being disrupted.

INVESTMENT PROCESS

EVALUATE THE INVESTMENT OPPORTUNITY

Not every trend represents a thematic opportunity. ARK judges secular shifts based on three factors. First, a thematic trend must **provide alpha**, an opportunity to earn a premium over the market. Second, the trend needs to offer a **duration of at least 3-5 years**. And third, the trend must be **investable**, unlike early stage startup innovations or disruptive change facilitated through private or institutional companies.

ARK SCORES EVERY THEMATIC OPPORTUNITY BASED ON EIGHT KEY METRICS:

QUALITATIVE RATING

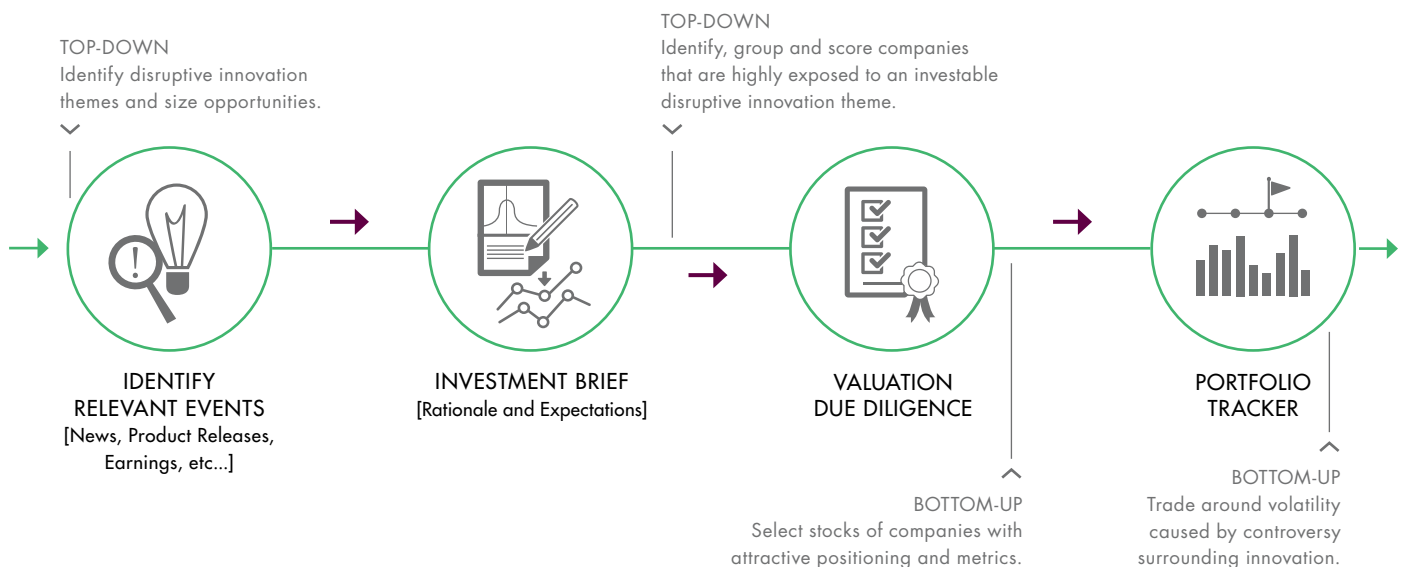
- | Company Management, People & Culture
- | Moat [Barriers to entry]
- | Product and Service Leadership
- | Execution of Company Objectives

QUANTITATIVE RATING

- | Thematic Relevance
- | Growth Potential [Sizing the opportunity]
- | Thesis Risk
- | Expected Return [15% per year hurdle rate]

ANALYZE THE INVESTMENT | TOP-DOWN & BOTTOM-UP





ARK'S WORKFLOW



INVESTMENT ECOSYSTEM

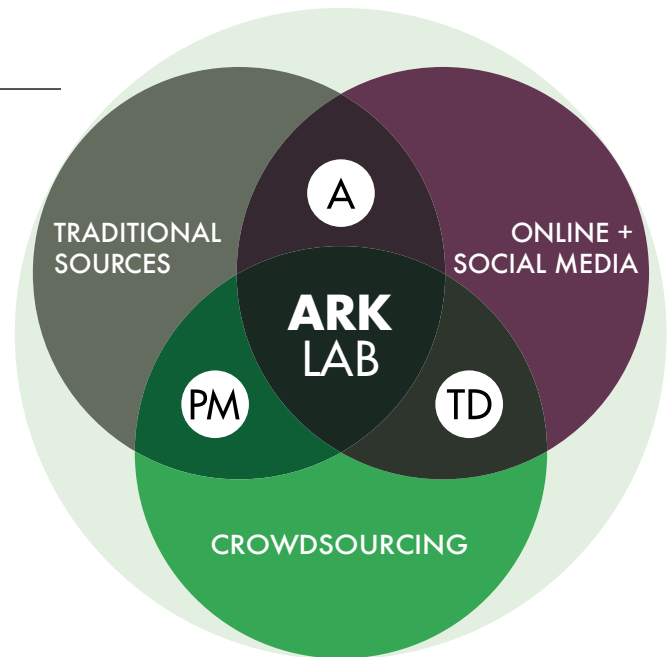
AN OPEN SOURCE RESEARCH COMMUNITY

The ARK Invest Ecosystem is founded on the belief that transparent, collaborative, and interdisciplinary information flow will provide unique insights. ARK's research ecosystem leverages multiple data sources, both internal and external, that result in original analysis. ARK's research is made available on its website and visitors to the site are invited to participate in discussions.

-  An open source research process, including social media, traditional sources, and crowdsourcing
-  Dedicated **Analyst** teams focused on each investment theme.
-  **Portfolio Manager** that evaluates traditional research, fundamental metrics and other bottom-up characteristics.
-  External **Theme Developers** that challenge, validate and provide knowledgeable insights for ARK's theme-based research.

ARK LAB

is at the center of a patent pending research process. This virtual collaboration platform allows for an organized exchange of insights and ideas between ARK team members and external Theme Developers.





For further information regarding thematic investment opportunities in disruptive innovation contact ARK Invest at info@ark-invest.com, or call +1 (212) 426.7040

ARK Invest | 155 West 19th Street, Floor 5, New York, NY 10011 | ark-invest.com | [t](#) [in](#) [d](#)

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