

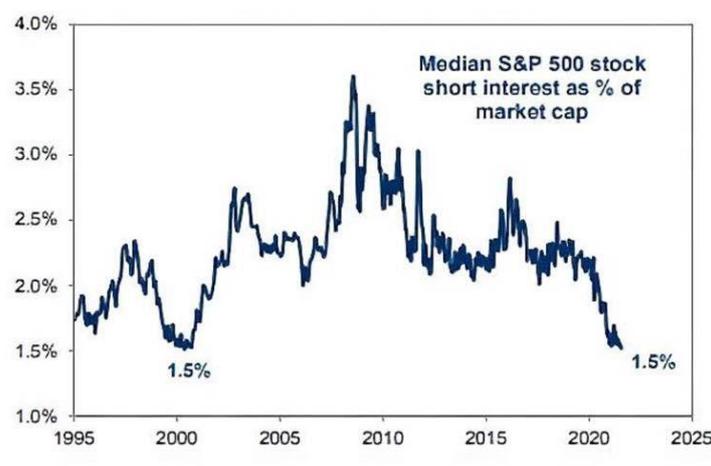


Executive Summary

There were plenty of events in August which pushed risk appetite backward and forward between pessimism and optimism several times. We maintained our conservative bias, as the delta variant remains the biggest risk for the markets right now. Together with the question of waning vaccine efficacy, this has made the risks to the economic outlook much more pronounced relative to just a few months ago. Furthermore, nervousness about possible tapering by the Fed, along with a potential Chinese growth slowdown have played on investors' minds and distanced the narrative considerably from the reflation hopes many had back in Q1. The bubble in the US equity market keeps getting bigger, while liquidity continues to deteriorate. We remain concerned that most contrarian technical indicators are pointing to serious overheating of markets, while the S&P 500 keeps attaining new all-time highs. The main story of August was the Chinese regulatory crackdown on China's internet technology sector. We have used the volatility in Chinese tech stocks as an opportunity to double our positions as we are convinced that it is more a case of focusing on social stability and increasing pay for working people than launching a full-scale attack on money making. The Technology of the Future Fund had a **-2.38%** return in August, underperforming the benchmark MSCI World Index (USD), which had a return of **+2.35%**. The main reason for underperformance is that the majority of our positions can be classified as low beta "undiscovered values": they are still not on the radar of the majority of investors and are not members of any benchmarks.

Economy and Markets

On Aug 30th 2021 **the S&P 500 set another new record high**, the 53rd for the year. By comparison, the majority of the contrarian technical indicators are signaling that the US market is seriously overheated. For example, short interest among S&P 500 members keeps decreasing.

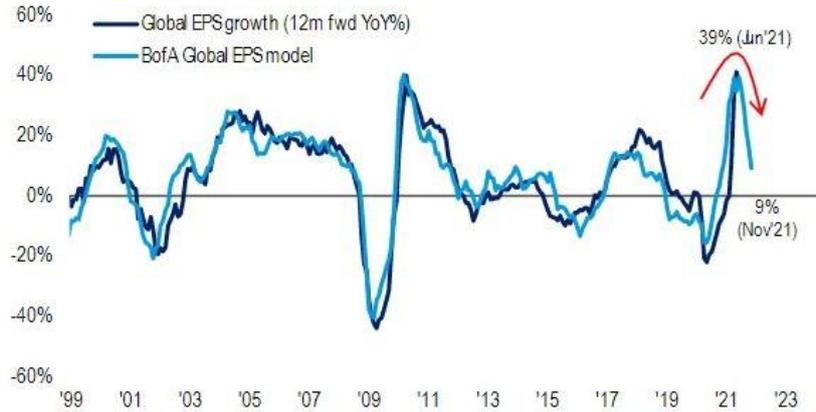


Source: FactSet, Goldman Sachs Global Investment Research

Global EPS growth is expected to decelerate very sharply from 40% YoY in April 2021 to 9% in November 2021. Obviously, the April 2021 number comes from the low base of April 2020, but in general, EPS growth deceleration is being confirmed by weak PMI numbers in developed markets and China.



Technology of the Future Fund



Source: BofA Global Investment Strategy, Bloomberg, Haver

In the meantime, central banks have started to raise interest rates slowly. The trend in interest rates is thus no longer downward. The central banks of the Czech Republic (the first EU central bank) and South Korea (the first major Asian central bank) raised interest rates in August 2021. Russia, Turkey, Brazil, and Chile also have raised interest rates in summer 2021.

Global Central Bank Policy Rates						
Country	Rate	Central Bank Rate (Today)	CPI YoY	Real Central Bank Rate	Last Move	Last Move Date
Switzerland	Target Rate	-0.75%	0.7%	-1.5%	Cut	Jan-15
Denmark	Deposit Rate	-0.60%	1.6%	-2.2%	Hike	Mar-20
Eurozone	Deposit Rate	-0.50%	2.2%	-2.7%	Cut	Sep-19
Japan	Policy Rate Bal	-0.10%	-0.3%	0.2%	Cut	Jan-16
Norway	Deposit Rate	0.00%	3.0%	-3.0%	Cut	May-20
Sweden	Repo Rate	0.00%	1.4%	-1.4%	Hike	Dec-19
Poland	Repo Rate	0.10%	5.0%	-4.9%	Cut	May-20
Australia	Cash Rate	0.10%	3.8%	-3.7%	Cut	Nov-20
UK	Bank Rate	0.10%	2.0%	-1.9%	Cut	Mar-20
US	Fed Funds	0.13%	5.4%	-5.3%	Cut	Mar-20
New Zealand	Cash Rate	0.25%	3.3%	-3.1%	Cut	Mar-20
Canada	Overnight	0.25%	3.7%	-3.5%	Cut	Mar-20
Peru	Policy Rate	0.50%	3.8%	-3.3%	Hike	Aug-21
Thailand	Policy Rate	0.50%	0.5%	0.1%	Cut	May-20
South Korea	Repo Rate	0.75%	2.6%	-1.9%	Hike	Aug-21
Chile	Base Rate	0.75%	4.5%	-3.8%	Hike	Jul-21
Czech Republic	Repo Rate	0.75%	3.4%	-2.7%	Hike	Aug-21
Hong Kong	Base Rate	0.86%	3.7%	-2.8%	Cut	Mar-20
Saudi Arabia	Reverse Repo	1.00%	0.4%	0.6%	Cut	Mar-20
Taiwan	Discount Rate	1.13%	2.0%	-0.8%	Cut	Mar-20
Colombia	Repo Rate	1.75%	4.0%	-2.2%	Cut	Sep-20
Malaysia	Policy Rate	1.75%	2.2%	-0.5%	Cut	Jul-20
Philippines	Key Policy Rate	2.00%	4.0%	-2.0%	Cut	Nov-20
South Africa	Repo Rate	3.50%	4.6%	-1.1%	Cut	Jul-20
Indonesia	Repo Rate	3.50%	1.5%	2.0%	Cut	Feb-21
China	Loan Prime Rate	3.85%	1.0%	2.9%	Cut	Apr-20
India	Repo Rate	4.00%	5.6%	-1.6%	Cut	May-20
Mexico	Overnight Rate	4.50%	5.8%	-1.3%	Hike	Aug-21
Brazil	Target Rate	5.25%	9.0%	-3.7%	Hike	Aug-21
Russia	Key Policy Rate	6.50%	6.5%	0.0%	Hike	Jul-21
Turkey	Repo Rate	19.00%	19.0%	0.1%	Hike	Mar-21

COMPOUND

@CharlieBilello



Technology of the Future Fund

The recent FOMC minutes suggested that ‘tapering’, i.e., a reduction in the size of the Fed’s balance sheet, which now stands at USD 8tn, could start before the end of the year. In the past, the equity market has not received taper talk well. This was the case in December 2018, when taper talk resulted in a 16% plunge in the S&P 500 index over the course of a month. The Fed, which was planning to raise the fed funds rate in three lots of 25bp during 2019 and commence a reduction in its balance sheet at some point that year, immediately made a U-turn.

So, for us global equity markets today look like an avalanche that is at its breaking point.

I would like to bring to the attention of my readers a few quotes from a very important book by Mark Buchanan called *“Ubiquity: Why Catastrophes Happen”*.

Imagine, Buchanan says, dropping one grain of sand after another onto a table. A pile soon develops. Eventually, just one grain starts an avalanche. Most of the time, it’s a small one. But sometimes, it builds up, and it seems like one whole side of the pile slides down to the bottom.

“After the pile evolves into a critical state, many grains rest just on the verge of tumbling, and these grains link up into “fingers of instability” of all possible lengths. While many are short, others slice through the pile from one end to the other. So, the chain reaction triggered by a single grain might lead to an avalanche of any size whatsoever, depending on whether that grain fell on a short, intermediate, or long finger of instability.”

Please read this next excerpt with today’s markets in mind:

“In this simplified setting of the sandpile, the power law also points to something else: the surprising conclusion that even the greatest of events have no special or exceptional causes. After all, every avalanche large or small starts out the same way, when a single grain falls and makes the pile just slightly too steep at one point.

What makes one avalanche much larger than another has nothing to do with its original cause, and nothing to do with some special situation in the pile just before it starts. Rather, it has to do with the perpetually unstable organization of the critical state, which makes it always possible for the next grain to trigger an avalanche of any size.”

Investment Strategy and Portfolio Changes

We continue to focus on companies, where long-term earnings growth is based on innovative breakthrough technologies, i.e., **disruptive innovators**. We aim to control volatility in 2H 2021 and in coming years by focusing on the portfolio of low beta “undiscovered values” or “out of favor” discounted assets in core strategic technology sectors. We are convinced that this strategy will help our clients to achieve their financial goals in today’s challenging environment and in the current business cycle, characterized by structurally rising inflation, deteriorating liquidity, and diminishing investment returns across all asset classes.

In August the biggest event for us was the regulatory crackdown on China’s internet technology sector. We think Chinese data-driven e-commerce and internet technology stocks present a unique investment opportunity similar to the EM sell-off in 4Q 2008, in 2014 and in the Covid-related situation in March 2020. In our view the recent sell-off was clearly emotional. Some of our key investment ideas in Chinese tech stocks were down 40-50% since the beginning of the year. We think we saw the “capitulation” in the last week of July and 1st week of August. Our core assumption is that the government is simply trying to put order in the e-commerce space and establish the rules of the game, which will be positive in the long run. Beijing has also signaled a broad shift in recent weeks towards **“common prosperity”**, with a focus on improving rights of workers and consumers. The government made it very clear that social stability is more important than growth and the authorities want to reduce social inequality. However, companies like Alibaba, Tencent, and Baidu are also important to efforts to strengthen China's technological capacity in advanced technology fields. A Google translation of Xi’s notes showed the Chinese leader called for “encouraging hard work and innovation to get rich” and “creating opportunities for more people to become rich”. So, we are convinced that the Chinese leadership understands it needs innovation and entrepreneurship to upgrade the economy, and this requires the appropriate incentives. Therefore, our main conclusion is that it will take months for details of new regulation to emerge, but the interests of all parties will have to be balanced.



Technology of the Future Fund

Portfolio Changes

In August we sold our position in Snowflake (cloud data/cloud analytics), which was the most expensive company in our portfolio, trading at a 2021 price/sales multiple of 130. Despite the fact that the company is a disruptor and one of our top investment ideas, continued selling by key insiders comprising the CEO, CRO, and Head of Product Development was the trigger for our sale. We have also sold our largest holding, Translate Bio. Please see the performance contributors section for details.

The Technology of the Future Fund had a **-2.38%** return in August, underperforming the benchmark MSCI World Index (USD), which had a return of **+2.35%**. In 2021, YTD, the fund delivered a **-1.18%** return, underperforming all major indexes and the benchmark MSCI World Index (USD), which had a return of **+16.78%**. There are two main reasons for underperformance: 1) The basket of Chinese tech stocks (30% weight in the fund), which we bought at the end of July and early August, after these stocks were down 40-50%, increasing our position as they kept falling; 2) The majority of our positions can be classified as low beta “undiscovered values”, meaning that they are still not on the radar of the majority of investors and are not members of any benchmarks.

Monthly performance %

As of 31.08.2021

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	-0.11%	+0.79%	-7.86%	+6.45%	+8.51%	+6.03%	-0.17%	+1.51%	-0.22%	-1.39%	+18.08%	+3.22%	+38.07%
2021	+2.05%	+0.35%	-3.43%	+3.61%	-0.57%	+3.70%	-4.32%	-2.38%	-	-	-	-	-1.18%

Performance since inception (Aug 2019): **+38.7%** vs MSCI World (USD): **+43.6%**

Technology of the Future Fund performance vs. major equity indexes

	August 2021	YTD 2021
Technology of the Future Fund (USD)	-2.38%	-1.18%
S&P 500 (USD)	+2.90%	+20.41%
NASDAQ 100 (USD)	+4.16%	+20.90%
NASDAQ Biotech (USD)	+4.09%	+12.37%
DJ Stoxx 600 (USD)	+1.44%	+14.08%
MSCI EM (USD)	+2.42%	+1.35%
Micex, Russia (USD)	+3.84%	+20.81%
Shanghai Composite (USD)	+4.32%	+3.06%
MSCI World (USD) (Fund's benchmark)	+2.35%	+16.78%

Performance contributors

August 2021

Top contributors	Return %	Contribution
Translate Bio	+35.31%	+2.54
Meituan	+15.81%	+0.75
Geely	+8.29%	+0.42

Bottom contributors	Return %	Contribution
Dicerna	-45.13%	-2.05
Renewable Energy	-20.95%	-0.98
Minesto	-17.77%	-0.66



Performance Contributors, August 2021

Translate Bio (+35.31%) is a clinical-stage US biopharmaceutical company developing messenger RNA (mRNA)-based therapeutics. The shares of the company surged 30% on Aug 3 after French Biopharma giant Sanofi agreed to buy the company for \$3.2 billion. We have sold the position as in our view all the good news was priced in. Translate Bio was the largest position in the Technology of the Future Fund with a 7.4% weight. The shares of Chinese food delivery company **Meituan Dianping** (+15.81%) bounced back after the sell-off in late August. In parallel, pressure on the company increased on Thursday, Sept 2, as regulators set a four-month deadline to the company to “rectify” their treatment of their workers and customers. We think the company’s earnings and margins will come under pressure in the short-term, but in the long term we are convinced that the government will not destroy the industry which delivers meals and groceries to doorsteps. The company beat second-quarter estimates with a 77 per cent revenue growth, despite the government’s antitrust investigation and the regulatory scrutiny of the sector. The shares of Chinese car producer **Geely** (+8.29%) went up as the company has announced that Zeekr Intelligent Technology (Zeekr) has entered into share-purchase agreements with five high profile strategic investors – Intel Capital Corporation, CATL, Cathay Fortune Corporation (CFC), Bilibili-related investors, and Boyu Capital. Zeekr will issue a total of 126 million Pre-A preferred shares, or a 5.6% stake, for USD 500 million. This suggests a post-money valuation of the Zeekr Pre-A round at USD 9 billion, vs. Zeekr’s paid-in capital of RMB 2 billion when it was set up in April 2021. Geely listco’s stake in Zeekr will accordingly decline from 51% to 48% post-issuance, but Geely will still control the Zeekr Board as it remains the single-largest shareholder. US biotech company **Dicerna** (-45.13%) has an RNAi technology platform with a unique therapeutic structure which could give it higher potency than other RNAi technologies. The shares went down as the company released top-line data from the PHYOX2 pivotal study in PH2 (primary hyperoxaluria II), which was below market expectation. Based on this data the company has announced plans to pursue a commercialization partnership for nedosiran (key drug in pipeline) and out-license global sales of the drug. This effectively means the company will not invest in building out its own commercialization team internally and will instead refocus capital on earlier stage programs in the company’s GalXC RNAi pipeline. While this is a significant development, we are convinced that investors have overreacted. The risk adjusted value of the PH program has dropped by about \$4 per share, the value of the whole program being around USD 14 per share. This compares to a USD 20 decrease in per share price of the stock. We have increased our position. The shares of US producer of renewable fuels (biodiesel and renewable diesel), **Renewable Energy** (-20.95%) have gone down as, in an apparent blow to the biofuel industry, the Environmental Protection Agency is expected to [recommend reducing U.S. biofuel blending mandates](#) below 2020 levels. We remain bullish on the company in the long-term as we think it is able to blend renewable diesel with existing biodiesel volumes which can improve margins, and that should bolster share prices. Our thesis has been confirmed by 2Q results, which were ahead of consensus and better than expected 3Q guidance. The shares of Swedish Greentech company **Minesto** (-17.77%) went down, because, as we think, there was no positive news on developments in the company’s business in the company’s 2Q results. We remain bullish in the long term and stay patient, as we think developments in new disruptive technologies come with time.

Portfolio Structure

As there are more signs that the global economy is heading towards another major downturn in 2H2021 we maintain our defensive bias in the portfolio. We continue to move forward with caution as one thing is clear to us — volatility will remain high. At the same time, we use opportunities as they appear. We have sold all our goldmining stocks in the portfolio (which was a hedge of the portfolio against volatility) and bought a basket of deeply discounted Chinese tech stocks, which has 30%+ weight in the portfolio today. We keep an above average amount of cash as going forward we are confident that the rising volatility and coming weakness of the markets in 2H 2021 will offer the opportunity to reload the portfolio with quality stocks.

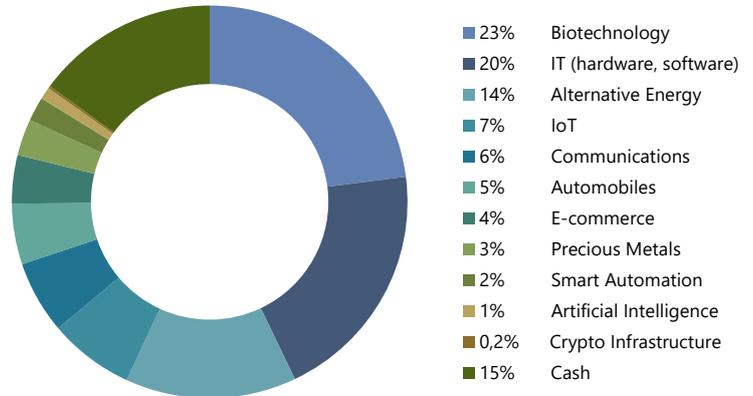


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Top 5 holdings

Company	Portfolio weight
Axon	6.4%
Invisio	5.7%
Baidu	5.3%
Geely	5.1%
Meituan	4.8%

Portfolio structure



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Technology of the Future Fund

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