Technology of the Future Fund

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MONTHLY REPORT
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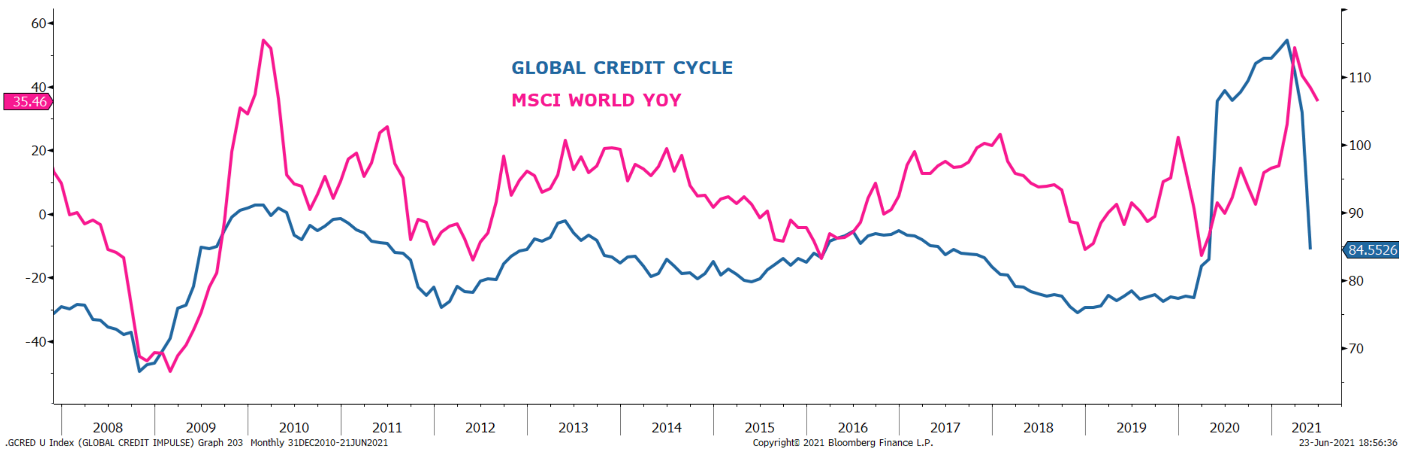
Executive Summary

The global credit cycle has peaked and there are many signs that global growth is peaking and will decelerate in 2H 2021. Liquidity is also deteriorating, with Global M2 money supply growth (dollar terms) peaking at +22% y/y in March. At the same time, we believe longer term inflation in the US (5Y5Y) has peaked. We maintain our defensive bias in the portfolio and continue to move forward with caution. However, we are confident that the rising volatility and coming weakness in the markets in 2H 2021 will provide opportunities to reload the portfolio with quality stocks. The Technology of the Future Fund had a +3.7% return in June, outperforming the benchmark MSCI World Index (USD), which had a return of +1.4%.

Economy and Markets

The global credit cycle has peaked. Global liquidity growth is decelerating as stimulus programs (monetary and fiscal) are not being renewed at similar sizes. Policymakers are looking to normalize policies and scale back support.



Global M2 money supply growth (dollar terms) has peaked at +22% y/y in March 2021, pointing to flat/negative and highly volatile performance of the S&P 500 in 2H 2021. US markets will inevitably drag down most of the world's equity markets.

The monthly global PMI data, an indicator of economic activity, might have tentatively hit a high point in May. But that peak in growth should not be confused with the end of growth. The well-communicated-in-advance rate hikes for 2023 and carefully measured tapering may represent a welcome regime change from the deflationary conditions of the past to a significantly stronger economic growth cycle that is combined with modestly higher inflation.

An inflation rate in the US that rises gradually from the pre-Covid average of 1.5% to 2.5%-3% in the medium-term will not cause tangible stress to the economy or the markets. May or June of 2021 should mark the peak of the present inflation cycle. The market is obviously comfortable with the Fed's message, as the big plunge in long-end US yields to the lowest levels since February resulted in a flattening of the yield curve while, at the same time, NASDAQ recorded a few new all-time highs in June and early July. Thus, the market definitely seems to expect that inflation will come down in the coming months. A July 6th strong rally in US bonds with 10yr yields down to 1.348% gave another confirmation to our views on inflation's decline. We think July's weak ISM numbers for both manufacturing and services served as the trigger for the bond rally.

Investment Strategy and Portfolio Changes

We maintain our core positions in companies that possess breakthrough technologies because we continue to believe that they will be secular winners. At the same time, we hedge various risks and volatility using all the tools allowed for in our investment declaration in the Long Only Fund. Our actively managed low-beta portfolio has a lower correlation with major indexes than most of the peers. Our approach allows us to capture alpha in conjunction with a limited drawdown (2020 max drawdown 7.8%; 2021 max drawdown 3.4%). We assume short-term underperformance of our portfolio vs benchmark and major indexes, as 50 %-plus of our portfolio is outside of all major indexes and can be classified as undiscovered values.

Hedging Risks

Despite the fact that our fund focuses on technology companies, 20% of the fund was invested in non-tech names, i.e. goldmining stocks and commodities, in the 1H 2021. And we maintained a high level of cash. This was our hedge against rising volatility. And the goldmining stocks in our portfolio proved to be the best performers in 1H 2021. Going forward in this time of decelerating economic growth, uncertainty, and rising interest rates, we will continue to hedge our core bets. We plan to diversify and hedge risks by allocating capital as follows: 5% - commodities; 5% - precious metals and goldmining stocks; at least 5% in cash; and we plan to invest 5 % in the cryptocurrencies infrastructure. We have kept away from cryptocurrencies, but cryptocurrencies infrastructure represents great investment potential while also helping to diversify portfolio risks. Also, 29 % of the Fund is invested in biotech stocks, which have a low correlation with the economic cycle, with most of them having a low beta. Biotech stocks typically serve as a good tool to help diversify risks in the portfolio.

China Technology Stocks – The New Investment Theme in the Portfolio

China will again be out of sync with the Fed, as its easing will coincide with the Fed move towards tapering at the end of 2021. Over the last six months China has aggressively attacked new economy sectors (biotech, internet, fintech and education) via regulatory and administrative actions. It seems likely that by now the message has been received—China wants control over data and society; in other words, corporate assets are national assets to be used for national objectives. While this has implications for the future outlook of new economy sectors, the intensity of scrutiny should diminish. This is critical because the new economy dominates more than 50% of China equity indices. We think that, going forward, the emphasis in the portfolios will be shifting towards quality and growth and away from value and cyclicality. We think most of the headwinds that China's equities encountered over the last six months might either reverse or become less pronounced. We continue to increase our positions in Chinese Internet stocks, as the technology innovation is laying the foundation for continued growth. Also, we believe that Chinese fiscal and monetary should turn more stimulative by the end of 2021, and this will support Chinese equity markets. PBoC has started the process by cutting the reserve requirement ratio on July 9th.

Commodities Stocks

The lagged effects from the slowdown in Chinese credit growth earlier this year will weigh on major commodities in 2H 2021, but the long-term outlook for commodities, especially industrial metals, is positive. We will be adding to select mining companies at lower levels as a hedge for our tech portfolio.

Portfolio Changes

We sold 50% of our holdings in goldmining stocks after the noteworthy June 16th FED meeting, as we feel that the gold might underperform in 2H 2021 due to a stronger USD. We have also sold our position in Coinbase (cryptocurrency exchange), as we think cryptocurrencies will underperform with the deceleration of money supply (M2) growth. We intend to repurchase the stock when it hits lower levels.

The Technology of the Future Fund had an +3.7% return in June, outperforming the benchmark MSCI World Index (USD), which had a return of +1.4%. In 2021 the fund delivered a +5.64% return, underperforming all major indexes and the benchmark MSCI World Index (USD), which had a return of +12.16%. The main reason of the underperformance in 2021 is the defensive positioning and defensive portfolio structure.

Monthly performance %

As of 30.06.2021

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%	-	-	-	-	-	-	+5.64%

Performance since inception (Aug 2019): +48.3% vs MSCI World (USD): +38.0%

Technology of the Future Fund performance vs. major equity indexes

	June 2021	YTD 2021
Technology of the Future Fund (USD)	+3.70%	+5.64%
S&P 500 (USD)	+2.22%	+14.41%
NASDAQ 100 (USD)	+6.34%	+12.93%
NASDAQ Biotech (USD)	+8.00%	+8.17%
DJ Stoxx 600 (USD)	-1.71%	+10.16%
MSCI EM (USD)	+1.02%	+6.46%
Micex, Russia (USD)	+3.62%	+18.67%
Shanghai Composite (USD)	-2.02%	+4.50%
MSCI World (USD) (Fund's benchmark)	+1.40%	+12.16%

Performance contributors

June 2021

Top contributors	Return %	Contribution
Translate Bio	+52.92%	+4.15
Axon	+25.76%	+1.64
Geely	+23.86%	+0.99

Bottom contributors	Return %	Contribution
Invisio	-8.80%	-0.35
Minesto	-9.69%	-0.42
Saniona	-9.34%	-0.37

Performance Contributors, June 2021

Translate Bio (+52.92%) is a clinical-stage US biopharmaceutical company developing messenger RNA (mRNA)-based therapeutics, with technology that instructs cells in the body to make specific proteins that then produce an immune response. The company has been the largest holding in the Technology of the Future Fund in 2021. The share price went up in response to the French vaccine giant Sanofi announcing plans to set aside ~€400 (USD$476 million) per year in research and development efforts focused on mRNA-based vaccines. Sanofi plans to accelerate its mRNA-based vaccine portfolio, developed through its partnership with Translate Bio. Sanofi and Translate Bio have initiated a Phase 1 clinical trial evaluating an mRNA-based investigational vaccine against seasonal influenza. Translate Bio is the only company in the world which has an mRNA-based vaccine targeting influenza under development. Clinical trials of an experimental vaccine against COVID-19, which are being developed together by Sanofi and Translate Bio, showed favorable immune responses in mice and monkeys. Human clinical trials began in 2Q 2021. The shares in the US company **Axon Enterprise** (+25.8%), which specializes in law enforcement technology solutions (police body cameras etc.), went up as the company continues to gain market share as the crowded trade in cyclicals and value stocks went into reverse. As inflation risks faded, investors have returned to growth stocks. The shares of Chinese automobiles producer **Geely Automobile** (+23.86%) rebounded after underperformance in previous months. We do not see any particular reasons behind the moves in the shares, either down or up, in recent months. The shares of Swedish military communication equipment producer **Invisio** (-8.8%) and Swedish alternative energy producer **Minesto** (-9.7%) declined based on pure market volatility. The shares of Swedish biotech company **Saniona** (-9.3%) went down after Mexican regulators declined to approve the company's key product, Tesofensine, and requested additional information on specific issues, such as weight loss maintenance. The company intends to continue to pursue the approval process, but the additional information requested will delay the anticipated approval decision into 2022. But Tesofensine for general obesity hasn't been the core of our investment case and does not constitute a major part of our valuation calculations. We see this as a non-event for two main targets of the company—two rare eating disorders, HO (hypothalamic obesity) and Tesomet-PWS (uncontrolled hunger).

Portfolio Structure

With few signs that the global economy is heading towards another major downturn in 2H 2021, 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 are confident that the rising volatility and coming weakness in the markets in 2H 2021 will offer the opportunity to reload the portfolio with quality stocks.

Top 5 holdings

Company	Portfolio weight
Translate Bio	7.8%
Axon	6.4%
Dicerna	5.6%
Renewable Energy	5.5%
Invisio	4.3%

Portfolio structure