Technology of the Future Fund

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MONTHLY REPORT
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Executive Summary

The economic recovery continued to gather pace in May, with many companies experiencing a sharp bounce back in demand. Despite high volatility most equity markets realized positive gains, but many companies are reporting supply chain disruptions and various other constraints that are hindering a return to pre-pandemic production levels. This, combined with rising demand, creates inflationary pressure, which is the primary risk for the markets in the longer term. Market overvaluation continues to suggest a cautious long-term outlook. However, the low level of interest rates, which are expected to remain on hold for the next three years; low level of annualized inflation; and minimal returns on fixed-income instruments make us affirm our "risk on" stance to equities over the course of 2021. We have used the market pullback in May as an opportunity to invest almost all of our reserved cash by adding to some of our core positions and opening new positions in companies that we have long been monitoring to buy at more favorable share prices. The Technology of the Future Fund realized a -0.57% return in May, slightly underperforming the benchmark MSCI World Index (USD), which had a return of +1.26%.

Economy and Markets

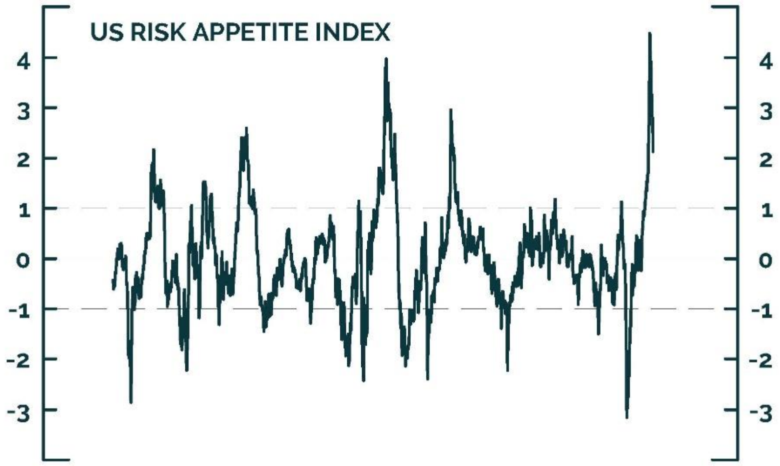
Commodities continued to show persistent strength across all asset classes and have proven to be the most advantageous in April and May from an investor perspective. But investors are worried that, as a result, many companies are faced with higher raw material input prices and elevated freight and logistics expenses. At the same time, rising supply disruptions are proving to be costly as they hinder production and limit output. Supply chains across several industries were strained, particularly in those that use semiconductor and related electronic components. Many companies indicated that the impact of these disruptions will get worse in Q2, with a few companies forecasting that these imbalances will persist all the way into 2022. The volatility in production schedules has been mentioned in many conference calls, with the economy struggling to meet strong customer demand levels.

Inflation fears continue to be the biggest market driver and the main reason for the market pullback in May 2021. A Deutsche Bank institutional survey (May 24) of 620 institutional investors revealed higher bond yields/inflation as the biggest perceived market risk. Nearly two-thirds of respondents (63%) chose inflation as the #1 risk.

Another interesting trend worth watching is that the U.S. dollar is on the cusp of breaking lower out of a big five-year range. We assign a high probability that the dollar (Index DXY) will break through key support of 89.21 и 88.25 and go lower. Besides long-lasting negative trends in the U.S. (unlimited money printing, uncontrolled debt issuance, and negative real rates), U.S. data surprises have now started to ease down as the initial burst of activity gives way to more normalized conditions. Europe, in the meantime, is still in the midst of the v-shaped part of its recovery. When European growth accelerates, the euro accelerates too—which could be a trigger for the dollar break.

Meanwhile, it is interesting that the U.S. Treasury market has not sold off more as a result of the recent stronger than anticipated inflation data. The explanation must surely be that a lot was discounted in last quarter's big move, while U.S. Treasury bonds also continue to look attractive to European and Japanese investors on a currency hedged basis. We expect another sell-off in the Treasury bond market in the 2H 2021 as a result of an escalating inflation scare, a scare which has already commenced. This will undoubtedly be one of main sources of volatility.

Note also that the majority of equity market indicators are sitting at extreme levels, which provides a warning to investors about the intermediate trend in equities. For example, the Risk Appetite Indicator of BCA Research recently touched the four standard deviations line.



Investment Strategy and Portfolio Changes

The pro-cyclical commodity trade was the main investment theme for April and May of 2021. The monthly survey of fund managers caught our attention by reporting the highest positioning in cyclical stocks like commodities and industrial materials over the past ten years. We think this crowded trade—spurred by rotation from the technology sector towards cyclicals, especially financials, industrials, and energy stocks—will continue in the short- and mid-terms. Accordingly, we believe that value stocks will maintain their recent outperformance.

The environment for growth stocks, which represents the base of our portfolio, remains challenging. Growth stocks do not perform well in an inflationary environment. A rotation towards value stocks adds further pressure. But we maintain our focus on (1) Compounders and (2) Disruptors (companies with disruptive, innovative breakthrough technologies). We think that the current business cycle will be very challenging for equity markets. And the best way to go through such a challenging environment is to focus on the companies that deliver strong, stable earnings growth and have a sustainable competitive advantage through their possession of innovative, breakthrough technology.

With inflation fears spurring volatility, we spent significant amounts of reserved cash to add to our core, strategic positions and to buy new stocks. As the majority of China's internet leaders have experienced a greater than 20% drawdown in recent months (Chinese Internet ETF, KWEB ETF, is down 33% from its peak), we have opened new positions in Meituan and Pinduoduo, which represent a new market segment—Community Group Purchase—in China. Meituan, which operates as a web-based shopping platform for locally-found consumer products and retail services, has an outstanding project execution track. Pinduoduo is an innovative and fast growing "new e-commerce" platform that provides buyers with value-for-money merchandise and fun and interactive shopping experiences.

We also bought shares of Coinbase. We have long been reluctant to invest in cryptocurrencies as it was, and still is, impossible to calculate their true values. But cryptocurrency markets are developing. Goldman Sachs has announced that Bitcoin is a new asset class, and many investors have agreed. Thus, we made a strategic decision to invest in cryptocurrency's infrastructure. Coinbase is the most popular consumer-facing cryptocurrency exchange in the U.S. and is positioned to be a primary beneficiary of the increased adoption of Bitcoin and other digital assets as it continues to scale in the U.S. and internationally.

The Technology of the Future Fund had a -0.57% return in May, underperforming major indexes and the benchmark MSCI World Index (USD), which had a return of +1.26%. The primary reason underlying the underperformance was our purchase of IT and Biotech stocks, which are unpopular today. But we are happy to sacrifice short-term performance in order to own secular winners. Continued rotation from IT and Biotech sectors towards value and cyclical is reflected in the performance of the Nasdaq Biotech Index (-2.03%) and Nasdaq 100 index (-1.26%). In 2021 year-to-date the fund has delivered a +1.87%. return, significantly underperforming all major indexes and the benchmark MSCI World Index (USD), which had a return of +10.62%.

Monthly performance %

As of 31.05.2021

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%	-	-	-	-	-	-	-	+1.87%

Technology of the Future Fund performance vs. major equity indexes

	May 2021	YTD 2021
Technology of the Future Fund (USD)	-0.57%	+1.87%
S&P 500 (USD)	+0.55%	+11.93%
NASDAQ 100 (USD)	-1.26%	+6.19%
NASDAQ Biotech (USD)	-2.03%	+0.16%
DJ Stoxx 600 (USD)	+3.90%	+12.07%
MSCI EM (USD)	+0.98%	+5.38%
Micex, Russia (USD)	+7.75%	+14.52%
Shanghai Composite (USD)	+6.61%	+6.65%
MSCI World (USD) (Fund's benchmark)	+1.26%	+10.62%

Performance contributors

May 2021

Top contributors	Return %	Contribution
Sangstorm Gold	+17.39%	+0.51
Renewable Energy	+10.00%	+0.56
Invisio	+8.44%	+0.42

Bottom contributors	Return %	Contribution
Saniona	-20.60%	-0.78
Translate Bio	-22.44%	-1.19
Artificial Solutions	-23.61%	-0.58

Performance Contributors, May 2021

Shares of Canadian Gold Royalty company **Sangstorm Gold** (+17.39%) went up as gold (+7.9%) was the second-best performing of all asset classes after silver (+8.1%). Also, the company demonstrated record revenues of $31.0 million and record cash flows from operating activities. The shares of U.S. alternative energy producer **Renewable Energy** (+10.0%) pulled back up in line with Oil prices (WTI,+4.3%) after the previous month's decline. We built a good position in the company's shares in early April and early May. The company is among the top three largest holdings in our portfolio. The shares of Swedish military communication equipment producer **Invisio** (+8.44%) recovered after two months of declines based on pure market volatility. After two months of strong performance, shares of Swedish Biotech company **Saniona** (-20.6%) declined in line with other Biotech stocks. We have increased our position to a maximum weight of 5%, which is allowed for Biotech companies that have drugs in the first or second stage of clinical trials and have negative free cash flow. It is our understanding that the company's drug, Tesomet, is the only product in the world under development that can be used against uncontrollable hunger and excess weight. There were no fundamental reasons for weakness in the share price. Shares in U.S. Biotech company **Translate Bio** (-22.44%) also pulled back after the previous month's strong performance (+40%). It bears repeating that high volatility in Biotech stocks is normal. Shares in Swedish company **Artificial Solutions** (-23.61%) went down as the company is going through a transition from upfront licenses to recurring revenue. And this would typically imply a period of flat revenue as revenue from new deals is deferred. We are concerned with the company's overall execution as the company has conducted a new share issue for the second year in the row, issuing 14.1 million new shares and raising proceeds of approximately SEK 120 Million. This is the only company in our portfolio that makes us concerned about their recent developments, so we are monitoring the situation closely.

Portfolio Structure

The first two weeks of May provides evidence that the defensive positioning of the portfolio in Jan-Feb 2021 for a market consolidation and return of volatility was the correct move. Many IT stocks on our radar went down 10-20% in May once the inflation scare was triggered by Janet Yellen's comments on May 4th that "it may be that interest rates will have to rise somewhat to make sure our economy does not overheat." In May, Nasdaq's drawdown was around 10%. We have spent significant amount of cash reserves buying stocks that we have been waiting to provide us with a favorable entry point (Snowflake, Coinbase, Meituan). The amount of cash in the portfolio has decreased from 26% at the end of April to 6.7% at the end of May. We continue to expect high volatility this summer based on potential inflationary and/or interest rate increase fears. We maintain a large weight (15.9% in our portfolio) of the "longevity" theme (in Biotech sector) in our portfolio for 2 reasons: 1) We think this is the most important investment theme and biggest investment opportunity in current economic cycle, as during the period of 2020–2030 life expectancy should experience exponential increase by 30 years (source: CLSA research – please ask for a copy). 2) The Biotech sector is less correlated with economic cycles and overall market performance. It can be used as a hedge of the portfolio in periods of high volatility. We also continue to maintain 11% weight in precious metals and goldmining stocks, which also serve as a hedge instrument in the portfolio.

Top 5 holdings

Company	Portfolio weight
Renewable Energy	5.6%
Translate Bio	5.3%
Axon	5.2%
Dicerna	5.1%
Invisio	5.0%

Portfolio structure