PRESS RELEASE

CFA Societies Australia 2021 Australian Investment Conference

ARK CEO Cathie Wood says Bitcoin could get US$500,000 boost from institutional investment

RBA Deputy Governor Guy Debelle says more consistent disclosure needed on climate risk

[SYDNEY, AUSTRALIA] 15 October 2021: The CFA Societies Australia *2021 Australian Investment Conference* has heard from ARK Invest CEO Cathie Wood who said that it is difficult for investors to value technologically enabled companies using traditional valuation methods using discount rates, which often involved "guesswork".

Wood said investors and asset managers commonly underestimated the potential growth rates of technology innovators and disruptors, with "exponential" growth rates becoming characteristic of these companies. "The reason I think we're so far away from the consensus view in terms of valuation, [is] our five-year time horizon. But the other reason is our focus on technologically enabled innovation entering exponential growth trajectories, where the growth rates and revenues will be 25% to 60% or 75% per year for the next five years, because we're in the sweet spot of the 'S' curves of these technologies," she told conference attendees yesterday.

"Exponential growth is the sustaining of these super normal growth rates, 25% to, as I said, 75% for an unusually long period of time. We're going to see more and more of this, especially given the convergence of technology. So, I think playing with discount rates will cause too much guesswork."

Wood said Tesla, which is leveraging artificial intelligence (AI) to develop self-drive cars, could enjoy those potentially "exponential" growth rates. "When we were making our Tesla assumptions, and when we understood that Tesla had taken a leaf from Apple's book and designed a chip, in this case an AI chip instead of a computer chip, we said, okay, if Tesla is right and can execute, then it will probably take the lion's share of the profits in the autonomous [drive] opportunity, which globally we think will be a $10 trillion revenue opportunity in 2030 from zero now."

Asked by Rob Fowler, the former chief investment officer of super fund HESTA, for her thoughts on meme stocks, and whether ARK owned any, Wood said: "When it comes to meme stocks, I guess the only one, people might consider a meme stock that we own, or have ever owned is Robinhood," she said. "The meme stocks would not be our kind of investing; we're focused exclusively on technology-enabled innovation and most [meme stocks] are dinosaurs."

Wood said her flagship ETF, the ARK Innovation ETF, did not own FAANG (Facebook, Apple, Amazon, Netflix, and Google) stocks either. "We're looking for the next fangs. These are long-in-the-tooth FAANGs, even though we think they still have a lot of good growth," she said.

According to Wood, Bitcoin's price would be significantly higher if institutional investors allocated just 5% of their portfolios to the digital currency, which could add around US$500,000 to the current price of Bitcoin; a 10% allocation would add another US$400,000, according to Wood.

"If institutions around the world were to allocate 5% of their portfolios to Bitcoin, that allocation alone … would add roughly US$500,000 to Bitcoin's price today.

She expects the US Securities and Exchange Commission will soon approve the first US cryptocurrency ETF. "I think we're getting closer to a bitcoin futures ETF mostly because the SEC is flagging it is much more interested in starting there," Wood told the CFA Australia Investment Conference.

Separately, Reserve Bank of Australia Deputy Governor Guy Debelle told the *2021 Australian Investment Conference: From Purpose to Action* that the "the longer we leave actions to reduce carbon emissions, the more likely it is that we will need to take drastic and disruptive actions later."

According to Debelle, as Australia transitions to net zero emissions, improving the quality and comparability of disclosures of climate risk by Australian companies is essential. "To be more usable, these disclosures need to be comparable and consistent across companies, both within Australia but also globally, given the sizeable share of offshore funds invested in Australia as well as the significant investments abroad of Australian asset managers," he said.

"We want these assessments to be comparing like-with-like, so that the risks are assessed appropriately. The Task Force on Climate-Related Financial Disclosures provides a global framework that ASIC is encouraging Australian companies to use as the primary reference for Australian corporate disclosures," Debelle said.

While there are costs of transitioning to net zero, the Deputy Governor said Australia could benefit by exporting renewable energy. "There are plenty of opportunities for Australia to continue to take advantage of its natural endowments of renewable resources and continue to be an exporter of energy to the world, but in a much cleaner and more sustainable way," Debelle said.

"It is an opportunity that is being realised today in places like Port Augusta. There is an undeniable negative impact on some regions and communities as this transition occurs but, as Port Augusta shows, the opportunities are potentially there for the very same communities.

"As another example, the New South Wales government has articulated its strategy in its Net Zero Plan to transform the energy composition of the state while providing opportunities for those regions currently most dependent on fossil fuels. Other states have similar plans in train. Likewise, Australian companies are seeing the opportunities provided by the changing climate and investing in them.

"There are challenges ahead in managing the transition and in managing the financial risks. But with the risk comes a great potential for reward," Debelle said.

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