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LION
GLOBAL
INVESTORS

LionGlobal Disruptive Innovation Fund

5TH ANNIVERSARY UPDATE

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Fund Manager,
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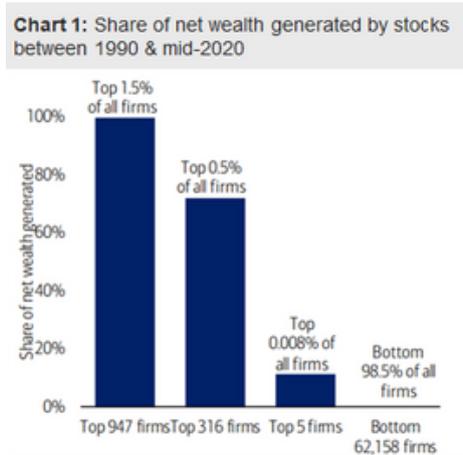
Dear Valued Investors,

When Lion Global Investors first launched our LionGlobal Disruptive Innovation Fund (fondly nicknamed GDIF) back in early 2017, the term 'disruptive' did not have the connotations of being cutting edge like it does today. There were few true 'disruptive' or 'innovation' funds on the market, compared to the myriads of mainstream technology Funds. In fact, our Fund was launched a good two years ahead of the MSCI ACWI IMI Disruptive Technology Index, an index which helped to bring the concept to a wider audience.

Our mission then and still is to give investors exposure to the various cutting edge technologies that are disrupting the way that the world lives, works and plays.



Today, most investors need little convincing that investing in disruptive, innovative technologies is the best way to harness long term secular growth for compounding wealth. Nonetheless, it never hurts to pause and remind ourselves why we strongly believe **disruption matters.**

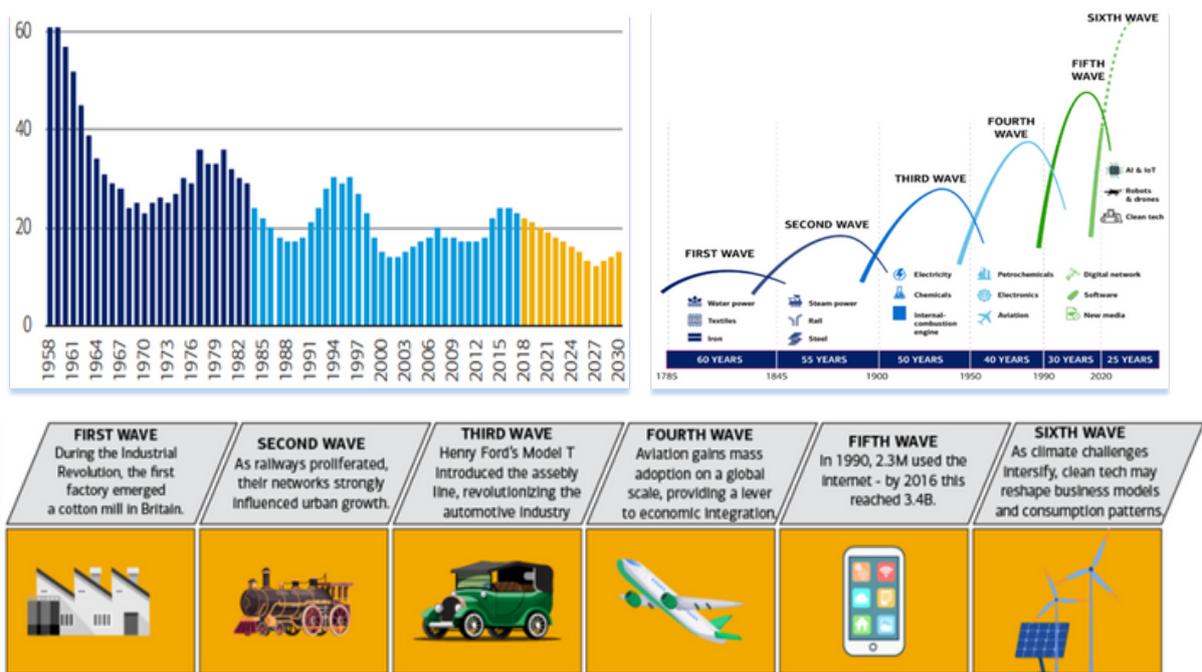


Source: BofA Global Research, September 2021. *Net wealth refers to the wealth generated that is above the performance from one-month treasury bills.

Chart 1 shows how over the past 30 years, 100% of net wealth creation* is attributable to a mere 1.5% of global listed companies. These are the current leaders in their respective fields globally, who disrupted the previous incumbents, often with innovative new technologies catching the incumbent off-guard, and replaced them at the top of the foodchain.

A cautionary tale is Kodak. The inventor of the digital photography, Steven Sasson was working for Kodak in 1975, and Kodak’s reaction, as recounted by Steven Sasson years later to The New York Times was “They were convinced that no one would ever want to look at their pictures on a television set. Print had been with us for over 100 years, no one was complaining about prints, they were very inexpensive, and so why would anyone want to look at their picture on a television set?” Kodak went bankrupt in 2012.

Source: Kodak's First Digital Moment - The New York Times (nytimes.com)

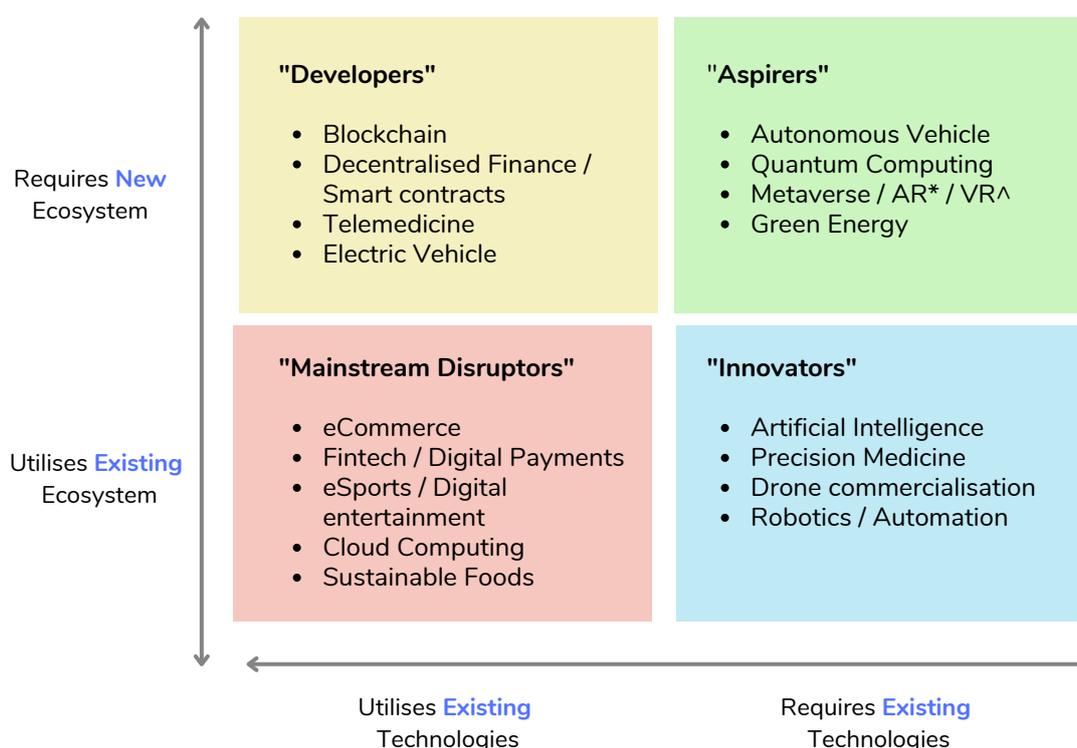


At the same time, the pace at which innovation is disrupting incumbents is accelerating – see Chart 2. At LionGlobal Disruptive Innovation Fund, we are on the lookout for the next disruptive technology that could destroy the status quo. We, together with our investors, want to avoid the “Kodak moment”.

So say we believe strongly in a new theme that is shaking up the world, how do our team of analysts and fund managers analyze the opportunity to come up with the best ways to invest in this theme?

We would like to share with our investors, an effective tool that our team utilizes to identify the best ways to think about and invest in any given theme.

GDIF DISRUPTORS' QUADRANTS ©



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Source: Lion Global Investors Limited. Based on information available as of 31 January 2022, unless otherwise stated. *AR: Augmented reality. ^VR: Virtual Reality

We use a framework which we have named the GDIF Disruptors' Quadrant. We classify the themes that we have identified along two axis – we consider (1) the level of technological maturity of this field, and (2) the maturity level of the existing ecosystem supporting this field. By doing so, we create four quadrants – (1) **Mainstream Disruptors**; (2) **Developers**; (3) **Innovators**; and (4) **Aspirers**.

Mainstream Disruptors Quadrant is where most traditional technology focused Funds would play in – fields where the technology is sufficiently mature for commercialization, and the infrastructure is relatively developed. The risks there may be lower, with most companies focused on driving adoption, however the rewards are also commensurately lower.

In the Developers Quadrant, we have themes where the leading companies have achieved a level of technological maturity, but there remains work to be done on building out the supporting infrastructure and ecosystem.

Conversely, the Innovators Quadrant is where the ecosystem is sufficient or does not need as much development, but it is the technology itself which needs further improvement to reach commercialization.

Finally, in the Aspirers Quadrant, this represents an area of greenfield potential, where we expect both the technologies utilized and ecosystem to require further development.

An example of how the Lion Global team has leveraged this framework to make smart investments is the way that we invested in the Electric Vehicle (EV) theme. In the very early days of Electric Vehicle technology, even before GDIF was officially launched, the industry could not even agree upon standards for EV batteries, let alone have a real champion with mass production capabilities and a path to commercial profitability. During these heady early days, when the EV space attracted a lot of companies with a “goldrush” mentality, we chose to invest in the “spade and shovel sellers”. In 2014 for example, the Nissan Leaf required overnight charging and could cover only 84 miles on a single charge (under ideal test scenarios, which are often far from real life driving scenarios). We classified the theme back then in the Aspirers Quadrant – investing in the lithium miners, battery packers and some leading battery makers.

Since then, the EV theme has gradually moved from the Aspirers to the Developers Quadrant, and we added leading pureplay EV manufacturers to our investment universe and removed the lithium miners. We also added companies involved in the buildout of charging station infrastructure, as we capitalised on the opportunities that being in the Developers Quadrant presents – participating in the ecosystem buildout.

Last year, Mercedes announced an EV with a range of 1000km on a single charge (Source: Electrek, 25 Nov 2021); whilst Tesla announced a new battery which they claim can be fully charged in just 10 minutes (Source: Electrek, 1 September 2021). We think the time is near when EVs move definitively from the Developers Quadrant into the Mainstream Disruptors Quadrant, and note an increasing number of Funds who claim to invest in EVs as a theme. Can we say we have been there since the beginning?

EVs are but one example. For most of the themes that today find themselves in our Mainstream Disruptors Quadrant, they too began their journey with us starting in the Aspirers Quadrant. We pride ourselves on pushing the boundaries over and beyond “Mainstream Disruptors”, to explore themes in the Aspirers, Innovators and Developers Quadrants. Yet, we are cautious of the lure and honey-tongued promises of exciting new technologies, hence we exercise pragmatism and investment discipline, ensuring we do not pay the moon for a company that has yet to prove its technology worthy of our investments.

One of the many ways in which we exercise such investment discipline is putting the companies through the GDIF Disruptor’s Quadrant, to ensure that we have thought through the best ways to capitalise on an exciting new disruptive theme – and not always by jumping straight into it, but understanding which quadrant it falls into and how best to capitalise on its growth.

In certain cultures, the fifth wedding anniversary is represented by Wood – symbolizing long-lasting strength, wisdom and strong deep roots for a tree that will bear fruits. We think this symbolism is apt for the LionGlobal Disruptive Innovation Fund – we are pleased that the concept of investing in disruptive, innovative companies has taken root with our investors and the broader audience, and we are grateful that our fund has withstood the tests of time and is bearing fruits for our investors.

With you for this long term investment journey,
Ong Ai Ling, CFA
Portfolio Manager

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