
Kamco Invest: A look into disruptive innovation with Cathie Wood

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Kamco Invest concluded an exclusive live webcast on disruptive innovation under its webinar series hosting, for the first time in Kuwait, CEO and CIO of ARK Invest, Cathie Wood. The webinar, organized in collaboration with ARK Invest and Nikko Asset Management, provided participants with the opportunity to learn more about Wood's thoughts on disruptive innovation and what she believes are the five Innovation Platforms.

The webinar kicked off with a welcoming message from Faisal M. Sarkhou, CEO of Kamco Invest, followed by a brief introduction on ARK Invest and Nikko Asset Management by Tim Lord, Head of Sales & Business Development (MEA) – Nikko AM, leading up to the one-on-one discussion between Faisal AlOthman, Director of Third-Party Solutions at Kamco Invest and special guest Cathie Wood.

Sarkhou welcomed attendees joining from different countries around the world while stressing the commitment Kamco Invest upholds to the investor community. Kamco Invest believes in the value of providing informative and educational platforms that aid investors in making wiser investment decisions in an ever-evolving economic and business environment. The Company has been on a quest to provide investors with the greatest value ideas and opportunities based on pertinent market trends that can influence investment decisions and enhance future investor returns.

Sarkhou said, “As an institution, Kamco Invest is committed to keeping pace with this transformation by evolving with the times and building competitive advantages, being it through the adoption of the latest systems to maintain and deliver an up-to-date value creation process internally or on behalf of our investors and stakeholders. To exploit this revolution on behalf of our clients, we are proud to say that we have participated in a manner that has yielded meaningful returns.”

Lord emphasized that his esteemed institution, Nikko Asset Management, holds over USD 250 billion in assets under management on behalf of its clients worldwide, and is responsible for all distribution of ARK Invest’s products outside of the United States.

Lord said, “In the GCC, we work closely with companies like Kamco Invest to offer various strategies to our list of sophisticated clients covering institutions, family offices and high net worth individuals.”

Establishing ARK

The discussion started with an introduction of Wood and the events leading up to the establishment of ARK Invest. She mentioned that her attraction to innovation started at a very young age and was influenced by her father’s occupation as a Radar Technician. This provided her with valuable insights on the importance of technological transformation, not only in that field, but in others as well. Her role as an analyst in the 80’s allowed her to identify companies that did not conform to the normal classifications given to them by the market. Those same companies were the ones that were transforming the trend, sparking her interest as they inched closer to the cusp of successful transformation, evolution, and recognition.

AlOthman hailed the level of engagement that Wood and her team bring to the community, attracting both followers and investors. Renowned for its open research ecosystem and levels of transparency, ARK Invest possesses a leading edge in identifying their investment opportunities and affirming their investment theses and strategies. This approach itself is viewed by Wood as an innovative factor within the financial services industry. When asked if this approach served them well, Wood responded that it has been a critical component of the company’s strategy since investors are continuously evolving in the way they engage and research companies. Wood went as far as mentioning that ARK Invest’s pricing models for the companies they invest in are available for the public to view and battle-test the assumptions according to their expectations of that specific company.

The Five Innovation Platforms

Wood gave the audience a description of the five Innovation Platforms which include: DNA sequencing, Robotics, Energy storage, Artificial Intelligence, and Blockchain technology. She also noted that there are 14 technologies that are critical for the successful evolution and development of these platforms.

AlOthman inquired about what she describes as “Escape Velocity” for companies. Wood mentioned that a disruptive company able to achieve or is on the path to achieving a 15%-30% market share in an industry can be classified as a company that is reaching Escape Velocity. This phenomenon is supplemented through the evolution of the manner that a specific product or service is offered.

COVID-19, according to Wood, has accelerated Escape Velocity across several constituents under her portfolio that fall within the five Innovation Platforms discussed.

AlOthman inquired if Escape Velocity is limited to a company of a certain size, in which Wood responded that it was not necessarily the case.

One of the examples she covered was Tesla, which was later discussed in further detail, highlighting the competitive advantages which include Artificial Intelligence, Energy Storage, data collection and the software service aspects of their products. The company can identify problems in clients’ vehicles and rectify them without the engagement of the user through direct software updates. In terms of Energy Storage, she believes that Tesla is three years ahead of the competition, which is critical to being competitive in the EV market.

Wood noted that the health care industry is amid this transformation shift as well. For many years, the focus was on treatment methods for chronic diseases. In the advent of Genomics, through artificial intelligence and DNA sequencing, certain companies are now focusing on finding the cure rather than ongoing treatment, this is especially true for illnesses such as diabetes.

When asked if US innovation ecosystems are the focus of her attention, she quickly responded that the US has more restriction in some areas of innovation versus others. She used Amazon’s development and adoption of drone technology as an example to highlight some of the challenges. Due to regulatory restrictions, Amazon were forced to conduct most of their R&D in other countries that were open to the exploration of the technology. This example proves that other jurisdictions can be more competitive in innovation versus the US.

AlOthman asked on the importance of demographics in the analyses that she and her team conduct on an ongoing basis. In response, Wood emphasized that the formation of her team is highly critical to the objectives set out by ARK Invest. The company employs field specialists as well as recent graduates in specific areas to keep pace with current market trends and dynamic perspectives.

Digital currencies, a new asset class

The final topic of the discussion revolved around cryptocurrencies. Most notably Bitcoin, the first globally adopted digital currency for trade and transactions. The fact that there is a limited and finite supply strengthens the case for the asset. This is the first new asset class to avail itself in the investment world in centuries and Wood does not see any signs of deceleration in its growth in popularity or adoption. Her argument revolves around the concept of DeFi (Decentralized Finance).

Blockchain technology is central to her focus on cryptocurrencies. Recognizing the admission of large investment banks and their leaders of being late, stating that they should have acquired certain technologies earlier and cheaper than they are now. Those technologies are important for financial transactions today and certainly in the future. Square was the prime example she gave on this point.

Wood was asked about the concept of Bitcoin as a means of storing wealth, considering the recent drop in its price by around 50% this year. She comfortably responded that less than a year ago, around September of 2020, Bitcoin was trading around one third of its price today, and this was not the peak. This translates into an almost 300% return inclusive of the recent drop in the price of the asset.

AlOthman conclude by emphasizing the role Kamco Invest plays in sharing the level of access that the company maintains and develops on behalf of its clients and various stakeholders.

He said, “We are constantly exploring opportunities across asset classes, markets and niche strategies to deliver the level of risk adjusted returns that our clients expect from us. ARK Invest and Nikko Asset Management are a testament to the level of quality and sophistication that we demand on behalf of our clients. This is how we remain competitive across our products and services, regionally and globally. We are consistently ranked among the top performers regionally through our products and we consistently invest in the best of breed managers globally.”

It is worth noting that Kamco Invest offers access to such highly acclaimed opportunities with proven track records, such as ARK, listed across global exchanges through its brokerage arm, Oula Wasata

and its recently developed international online trading platform. The Company also offers custom-tailored portfolio services to clients that demand competitive access and diversification to meet their investment objectives, return targets and exposures.

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