



Secret Sauce Behind Ark's Success Is Cathie Wood's Diverse Team

September 28, 2020

by Claire Ballentine

Cathie Wood's Ark Investment Management is well known for its wildly optimistic price target for Tesla Inc., its money-spinning bet on Bitcoin and the 81% return of its main fund this year. It's less well known that almost none of its analysts has a finance background.

Instead, their previous careers include cancer researcher, artificial intelligence expert, gaming engineer -- even sailboat captain.

The 27-person team -- one-quarter people of color, 30% women and most in their 20s -- has built funds around companies with the potential to shape the future, including fintech, space and imaging. Wood attributes many of her firm's successes to her analysts' wide range of experiences.

"You're probably not going to find a more diversified group of people," Wood said. "They already have one foot in the new world, and they are extremely creative in terms of figuring out how the world is going to work."

Wood, who is 64, said that if Ark hadn't hired analysts who'd experimented with CRISPR gene editing technology, "I wouldn't even know what it was."

Ark analyst James Wang focuses on AI and the next wave of the Internet. He previously worked for Nvidia and wrote tech columns for an Australian magazine. He joined the firm in 2015 after he heard Wood speaking on Bloomberg Radio, guessed her email address and reached out.

"If we all came from a financial background, we would inevitably have views that are much more similar and more aligned with the current price expectations set by the market," Wang said.

Different Experiences

While Ark's gender distribution is about average for the securities industry, according to U.S. Bureau of Labor Statistics data, the firm's racial diversity is far from the norm. Out of more than 80 members of executive teams at the nation's top banks, only one is Black. Numbers for the ETF industry aren't available, but anecdotal evidence suggests it's also lacking.

"It's an example of how diversity can make companies more efficient and productive because of the diversity of experience that we all bring to the table," he said.

Studies back this up. McKinsey & Co. found that businesses in the top quartile for ethnic diversity outperformed those in the bottom quartile by 36%.

Ark has consistently racked up strong returns since first betting on Bitcoin in 2015. Over five years, Ark has three of the top 15 U.S. equity funds in terms of performance in the past five years. In that period, her Ark Next Generation Internet ETF (ARKW) has annualized returns of more than 41%, compared to 22% for tech darling Invesco QQQ Trust Series 1 (QQQ).

More Than Tesla

Wood has gotten plenty of headlines for her bullish calls for Tesla -- her current price target for the stock is \$7,000 by 2024. Yet she pushes back on skeptics who say the 81% gains in the ARK Innovation ETF this year were due to a lucky bet on the electric carmaker. According to Wood's calculation, if ARKK's Tesla stake was in cash, the fund would still be up 43% year-to-date through Sept. 17 thanks to her team's other bets. Compare this with the Nasdaq gain in the same period of 26.9%.

And she's still a believer. After Tesla plunged 21% earlier this month, Wood boosted ARKK's Tesla position to 10.7% from 9.9%. She said that she still thinks Tesla will see "surprising growth."

“There’s always some luck involved when you have active management, that’s part of it,” said Nate Geraci, president of the ETF Store. “But what you want in an active manager is somebody who has conviction, and they’ve put their money where their mouth is.”

Tossing the Playbook

Ark also sets itself apart from other firms through its open research ecosystem that Wood devised to promote ideas on social media.

Unlike other fund managers who closely guard their tactics, Wood’s strategies are all available on Ark’s website, along with articles, podcasts, videos, white papers and newsletters.

Giving away trade secrets seems counterintuitive, but Wood says it sparks wide-ranging discussions that add to Ark’s strategies. For instance, Venkat Viswanathan, an associate engineering professor at Carnegie Mellon University who focuses on energy conversion and storage, now frequently shares his latest work with Ark analysts.

“Business questions are cross disciplinary in nature, so you need expertise from different angles,” Viswanathan said. “Having a diverse and close-knit team of analysts positions them very, very nicely.”

Next Generation

Wood said that her parents, who immigrated to the U.S. from Ireland, had always encouraged her to pursue any career she wanted. She used their name in founding the Duddy Innovation Institute at her alma mater, Notre Dame Academy High School in Los Angeles, in 2018.

The students begin the program studying a Wood hallmark -- disruptive innovation -- before diving into areas like genomics and robotics. Wood said she’s already received questions from them that made her rethink a few positions. Some of these teenagers might even end up at Ark.

“I would love to bring some of these young people, get them through college and give them a shot,” Wood said.

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