

Five ARKK Favorites

The ARKK ETF

Per the [ARK Invest website](#):

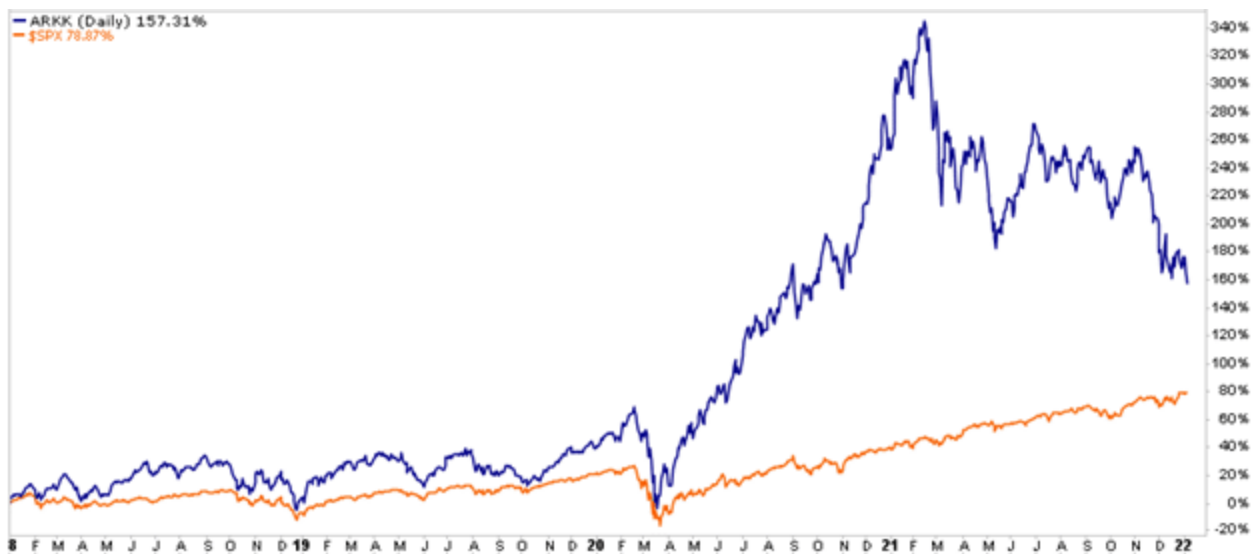
“ARKK is an actively managed Exchange Traded Fund (ETF) that seeks long-term growth of capital by investing under normal circumstances primarily (at least 65% of its assets) in domestic and foreign equity securities of companies that are relevant to the Fund’s investment theme of disruptive innovation.”

“ARK defines “disruptive innovation” as the introduction of a technologically enabled new product or service that potentially changes the way the world works.” Please go to the ARK Invest website for more information about the ARKK fund and its holdings.

Over the past few years, ARKK’s popularity has grown wildly. Its AUM has risen sharply to \$15.44 billion, ranking it in the top 100 of ETFs. The Ark Invest family of ETF’s founder Cathie Wood is highly sought after by the media. Readers and viewers are anxious to hear her views on technology, innovation, and the companies she follows

Given the fund’s popularity, we thought it would be helpful to scan ARKK holdings for established companies with high growth opportunities. The stocks we selected and the ARKK ETF are highly volatile. Given the high level of market speculation, this has been even more true over the last 18 months.

ARKK struggled last year and in the first few days of 2022, but since 2018 is still handily beating the S&P 500. Four of the five stocks in this report are down significantly over the past couple of months.



Screening Criteria

The scan seeks larger companies with proven track records. We are looking for companies that are currently profitable and offer high future growth rates. Only seven of the 41 companies the ETF held at year-end showed up in our initial scans. Two stocks, ZM and DDD, met many of our conditions but lacked high enough expected growth levels. Included in this report, COIN is a recent IPO and therefore lacks data for the last five years. We decided to include it as it ranks high in the other categories and is the only stock trading with a reasonable current valuation.

High valuations are common in high-growth companies. Investors are betting the stocks will grow into their valuations.

Ticker	Market Cap	P/E	EPS Growth	EPS Growth	Sales Growth	ROE
			Last 5y	Next 5y	Past 5y	
COIN	54,972.42	17.95	n/a	66.60%	n/a	70.30%
ROKU	32,429.73	114.87	19.90%	49.10%	40.90%	12.70%
SHOP	173,773.09	330.06	60.00%	28.76%	70.20%	36.80%
SQ	77,456.61	231.00	22.00%	47.24%	49.60%	20.20%
TSLA	1,155,784.08	388.28	19.70%	73.06%	50.80%	14.30%

Company Summaries (all descriptions courtesy Zacks)

COIN

Coinbase is the largest U.S. cryptocurrency exchange, trading some 50 different digital assets.

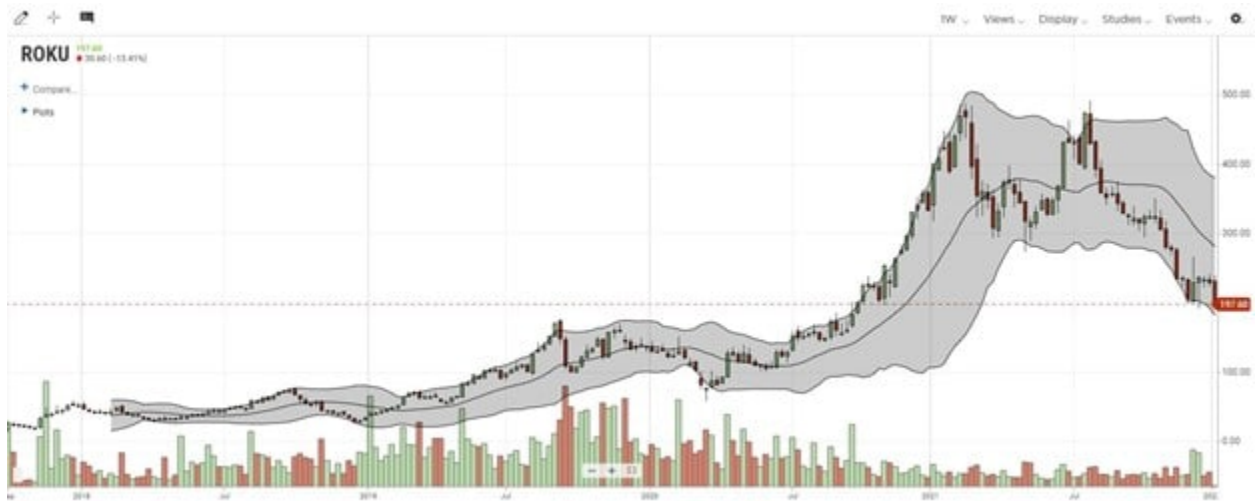
Unfortunately, COIN lacks financial history since its IPO was in April of 2021. However, it is apparent with the limited data that COIN is the only stock in the list without a sky-high valuation. Although, it's not for lack of growth prospects since analysts expect EPS to grow more than 66% annually over the next 5-years.



ROKU

Roku is the leading TV streaming platform provider in the United States based on hours streamed.

Following a blowout year in 2020, ROKU struggled in 2021 as it formed a double top technical pattern throughout the better part of the year. Since the 2nd peak in July 2021, the stock has lost roughly 59% of its value and remains severely beaten up.



SHOP

Ottawa, Canada-based Shopify Inc. provides a multi-tenant, cloud-based, multi-channel commerce platform for small and medium-sized businesses (SMBs). Merchants use the company's software to run business across various sales channels, including web and mobile storefronts, physical retail locations, social media storefronts, and marketplaces.

SHOP has held on to its pandemic gains better than most stocks in this list. Still, it is a high-growth stock and thus remains vulnerable to expectations of higher interest rates. The stock is in deeply oversold territory after bouncing off the upper Bollinger Band in November.



SQ

Headquartered in San Francisco, CA, Block, formerly known as Square, was incorporated in 2015. The company offers financial and marketing services through its comprehensive commerce ecosystem that helps sellers to start, run and grow their businesses. SQ provides payment and point-of-sale (POS) services, including hardware and software to accept payments, streamline operations, and analyze business information.

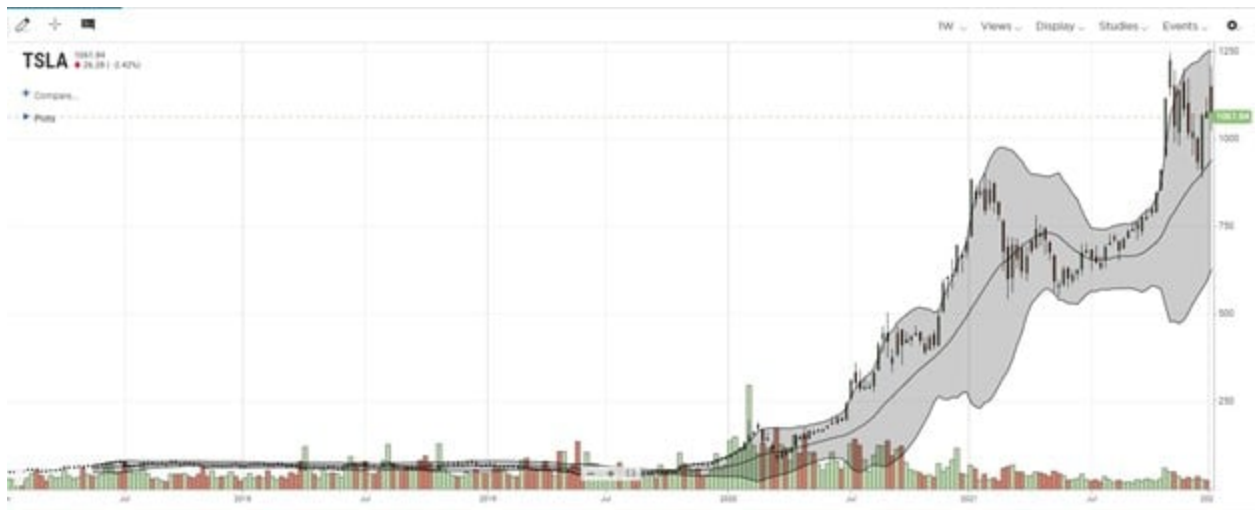
SQ was largely range-bound in 2021 after surging with other high-growth names in 2020. The stock's price began breaking down in November 2021 and has since fallen 42%. SQ remains deeply oversold and appears due for a reflexive bounce.



TSLA

Over the years, EV maker Tesla has evolved into a dynamic technology innovator. It has transformed the EV market much the same way as Amazon changed the retail landscape and Netflix revolutionized entertainment. Tesla is the market leader in battery-powered electric car sales in the United States, owning around 60% of the market share.

TSLA has been one of the pandemic favorites since Biden was elected in 2020, and the stock joined the S&P 500. TSLA's price exploded higher on surging expectations for future growth and speculation alike. Despite widespread carnage in other high-growth names, the stock has been performing well recently. It recently bounced off its 50-week moving average and is making a run towards new highs.



Five for Friday

Five for Friday uses stock screens to produce five stocks that we expect will outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our [disclosures](#) carefully and do your own research before investing.