

Five for Friday: Is it Time To Reboard the ARKK?

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.

In January 2022, we scanned ARKK's holdings in search of companies with positive earnings growth over the last five years and strong earnings growth potential. At the time, ARKK was down about 25% from recent highs. Many of its holdings were getting battered.

Since then, it has gotten much worse. ARKK has been down about 65% over the last year, and some of its holdings are down by 80-90%. We again review ARKK holdings, but we relax our scanning criteria this time. The goal remains the same: find high-growth stocks with beaten-down stock prices.

Screening Criteria

Unlike the previous scan, which returned COIN, ROKU, SHOP, SQ, and TSLA, the current scan returned two from the prior list (ROKU and TSLA) and a new one (DOCU).

Keep in mind that high valuations are common in high-growth companies. Investors are betting the stocks will "grow into" their valuations.

Ticker	Market Cap (bn's)	P/E	EPS Growth Last 5y	EPS Growth Next 5y	Sales Growth Past 5y
DOCU	11.47	n/a	16.2%	32.7%	40.8%
ROKU	11.17	86.00	42.1%	43.0%	47.3%
TSLA	684.69	92.00	48.6%	41.9%	50.4%

DOCU and ROKU are down nearly 75% for the last year. TSLA has held up much and still sports a slight gain for the year. All three appear to be forming bottoming-like patterns.

Company Summaries (all descriptions courtesy Zacks)

DocuSign (DOCU)

DocuSign is a global provider of cloud-based software. The company's DocuSign Agreement Cloud is a cloud software suite that automates and connects the entire agreement process. Agreement cloud products include e-signature, DocuSign's anchor product that helps businesses prepare, sign, act on, and manage agreements digitally; Contract Lifecycle Management, which automates workflows across agreement process; Insight, which scouts and analyzes agreements by legal concepts and clauses using artificial intelligence; Analyzer, which acts as an add-on to insight and analyzes inbound agreements, detecting clauses by type, scoring their risk, and extracting important terms.



Roku, Inc. (ROKU)

Roku is the leading TV streaming platform provider in the United States based on hours streamed. The company reported over 60 million active accounts attributed to the sale of stand-alone streaming devices, partnerships with TV brand partners like TCL, JVC, Sharp and other leading TV-makers who license the Roku OS to manufacture and sell Roku TV models, and licensing of Roku OS to certain service operators. Moreover, Roku is benefiting from growth in advertising driven by monetized video ad impressions on the increasing popularity of The Roku Channel. Important factors contributing to this growth include the continued growing interest in streaming by traditional TV advertisers, as well as ongoing investment in the company's OneView ad platform and overall ad tech capabilities.



Tesla (TSLA)

Tesla is the market leader in battery-powered electric car sales in the United States, with roughly 70% market share. The company's flagship Model 3 is the best-selling EV model in the United States. Tesla, which has managed to garner the reputation of a gold standard over the years, is now a far bigger entity than what it started off since its IPO in 2010, with its market cap crossing \$1 trillion for the first time in October 2021. The EV king's market capitalization is more than the combined value of legacy automakers including Toyota, Volkswagen, Daimler, General Motors and Ford. Over the years, Tesla has shifted from developing niche products for affluent buyers to making more affordable EVs for the masses. The firm's three-pronged business model approach of direct sales, servicing, and charging its EVs sets it apart from other carmakers. Tesla, which is touted as the clean energy revolutionary automaker, is much more than just a car manufacturer.



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.