



FUND BOARD VIEWS

A Seat at the Table

ARK Funds' chair says role fun, unique

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By Hillary Jackson

"This is the most fun I've had because the investment thesis is so intriguing, and the investment process is so unique." That's how Darlene DeRemer describes her job as independent chair of ARK Funds, a position she's held for the past five years and which she takes very seriously. And she's got plenty to which to compare it, having spent the past four decades in the asset management business.



Darlene DeRemer

ARK Investment Management, the adviser to five active and two indexed exchange-traded funds, launched in June 2014 with a "disruptive innovation" mindset and now has some \$9 billion in assets under management. "ARK defines 'disruptive innovation' as the introduction of a technologically enabled new product or service that should change an industry landscape by creating simplicity and accessibility while driving down costs," the firm says on its website. When the firm launched five years ago and DeRemer was tapped to lead the board, "it was intellectually interesting to me, and it continues to be because it's a very dynamic young firm," DeRemer told *Fund Board Views* in an interview. The fund board oversees the *ARK Innovation ETF*, *Industrial Innovation ETF*, *Web x.0 ETF*, *Genomics ETF*, *Fintech Innovation ETF*, *Israel Innovative Tech. ETF*, and *The 3D Printing ETF*.

'100% Transparency'

ARK's management—specifically CEO/CIO Catherine Wood—has "a very open ecosystem" and welcomes investors, potential investors, and others to look at ARK's actively managed ETF holdings as they're disclosed daily. They also can participate in weekly "brainstorm" research calls, DeRemer said. Those individuals and their feedback can, at times, either reaffirm Wood's conviction to a specific investment strategy or give her pause to think about possibly selling or trimming a position, she explained. "There is 100% transparency."

That transparency extends to the fund board, on which Wood sits as an interested director, DeRemer said. "Management is very open with us as a board, keeps us abreast of new things, and they share all of their ideas with us," she said. And since those ideas are anything but plain-vanilla, the board spends a lot of time talking with management and getting educated about its investment strategies and areas of focus.

DeRemer said that she and her colleagues on the board, Scott Chichester and Robert Zack, get involved in a new product between six and 12 months before the planned launch. Often, the independent directors will spend a day with analysts at the adviser during the planning stages to understand the fund and its investment

focus. The directors also engage with management about a product's growth potential and expected market demand, which typically is tested through the intermediaries who sell ARK's existing products.

"We're very involved in understanding the compliance approach, the operational approach," DeRemer said. For instance, "we spent a lot of time understanding investing in bitcoin before the launch [of the *Web x.0 ETF*]... how it works, the risks, the disclosures, special reporting to the board,...and multiple sets of attorneys worked on that," she explained. This education is part of the ARK Funds board's regularly scheduled board meetings, but the directors also have special meetings, telephonic meetings, and conference calls while new funds are in development. "It's a very collaborative process between management and this board," DeRemer said.

"It's easy for us to get comfortable because of [Wood's] experience, her breadth of investment experience," DeRemer added, also pointing to Head of Research Brett Winton's approach and experience as factors that support the board's comfort level with new product launches. That said, not every idea is a hit with the board, she said. "There have been some that we've been less enthusiastic about."

Growing Fund Lineup, Board

Because ARK's investment strategies are so unusual, devising peer groups for comparison can be tricky, DeRemer said. "Often times, we're looking at a combination of active ETFs and global thematic funds to get a read on a peer universe and a performance universe," she said. "At times it's a challenge, but there are a sufficient number of active ETFs now so it's a lot easier than it used to be." And, she noted, there also are increasingly more thematic funds from firms like Global X, JPMorgan, and BlackRock.

DeRemer said ARK's plan is to continue growing its fund lineup as opportunities arise. She maintained that there's nothing new on the immediate horizon, but she also said there are no plans to slow down anytime soon. And, as the board's remit grows, the likelihood that the independent directors will add to their ranks increases, she said. "We'll probably address that in another six months," DeRemer said, noting that for now, "we feel that given the breadth of product we have today, we're sufficient." When the board does start looking for a fourth independent director, it will look for an individual with an investment background in equities, she said. "That's the skill set that would be the next major addition to the board."

DeRemer, 62, is a managing partner at Grail Partners, an advisory merchant bank she founded with Donald H. Putnam in 2005. Her decades-long history in the investment management business includes running her own mutual fund consultancy, DeRemer & Associates, as well as positions at Putnam Lovell NBF, State Street Bank & Trust, and T. Rowe Price Associates; she also has served on boards overseeing AIG funds and Nicholas-Applegate funds. Chichester, 48, is CFO of AdeptPros and has a background in accounting, while Zack, 70, is a lawyer who was general counsel at OppenheimerFunds from 2002 to 2011 and then worked in private practice at Dechert until early 2014.

The board, as of yet, has no formal mandatory retirement policy, though DeRemer said the directors discuss that and other industry practices during their annual self-assessments and, she noted, they regularly consult independent counsel David Leahy, of Sullivan & Worcester. The board, like the adviser with which it works, is still evolving.

"It's been a fascinating journey for us," DeRemer said.