Factsheet 31 January 2021

# NIKKO AM ARK DISRUPTIVE INNOVATION STRATEGY

Assets are held in the Nikko AM Wholesale ARK Disruptive Innovation Fund. The Nikko AM ARK Disruptive Innovation Fund (retail) and Nikko AM KiwiSaver ARK Disruptive Innovation Fund invest in units in the wholesale fund, which the commentary refers to.

## Market Overview

- During January, as confidence increased that the resurgence in COVID-19 cases would not derail the V-shaped recovery, broad-based global equity indexes kept their footing, declining only slightly in the face of controversy after a very strong quarter.
- As the coronavirus (COVID-19) strengthened its grip on the globe this year, we have been gratified that government policymakers were laser-focused on cushioning the blow and on partnering with companies offering innovative solutions to the problems the disease is causing. During times of fear, uncertainty, and doubt, businesses and consumers are more willing to change their behavior and seek innovative products and services that are more productive, cost-effective, faster, and/or creative. As a result, innovation takes root and typically gains significant market share during and after tumultuous times.

## Fund Highlights

- The fund benefited from sizeable moves in Tesla (TSLA), Teladoc (TDOC), Roku (ROKU), Stratasys (SSYS), and Proto Labs (PRLB).
- Detracting from performance were Editas (EDIT), Nintendo (7974 JP), Iovance (IOVA), Intercontinental Exchange (ICE), and Shopify (SHOP).

## Performance

| | One month | Three months | One Year | Three Years (p.a.) | Five Years (p.a.) | Ten Years (p.a.) |
|---|---|---|---|---|---|---|
| Retail[3] | 11.03% | 35.65% | 137.06% | | | |
| KiwiSaver[3] | 11.10% | 26.03% | | | | |
| NASDAQ200 | 0.35% | 7.63% | 30.19% | | | |
| Wholesale[1] | 10.40% | 27.37% | | | | |
| Benchmark[2] | 0.80% | 2.41% | 10.00% | | | |

1. Returns are before tax and before the deduction of fees.
2. Absolute return of 10% per annum. No fees, expenses or taxes.
3. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any). Based on change in unit price.

## Investment Manager

The fund invests in the Nikko AM ARK Disruptive Innovation Fund managed by Nikko AM Americas. ARK Investment Management LLC is the Investment Adviser to Nikko AM Americas. Cathie Wood is ARK's founder and portfolio manager and is a highly experienced thematic investor.

ARK's transparent research approach is highly differentiated, seeking to capitalise on insights across multiple mediums.

The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies.

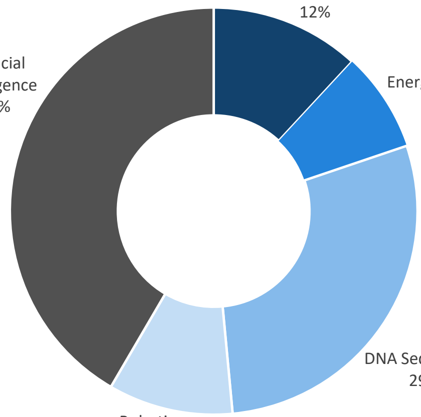
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

## Objective

The fund aims to achieve an absolute return of 10% per annum over a rolling five year period before fees, expenses and taxes.

## Asset Allocation by Innovation Platform*

*Weights based on Manager's model portfolio, which may vary from the actual portfolio and does not factor in cash positions



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Nikko Asset Management

## Portfolio Composition (Underlying Fund*)

| | % | | % |
|---|---|---|---|
| E-Commerce | 10.15 | Autonomous Vehicles | 3.77 |
| Cloud Computing | 10.01 | Instrumentation | 3.23 |
| Gene Therapy | 8.84 | Energy Storage | 2.94 |
| Digital Media | 8.31 | Targeted Therapeutics | 2.81 |
| 3D Printing | 7.63 | Robotics | 2.00 |
| Mobile | 7.42 | Social Platforms | 1.56 |
| Big Data & Machine Learning | 7.17 | Blockchain & P2P | 1.47 |
| Molecular Diagnostics | 6.46 | Next Generation Oncology | 1.23 |
| Internet of Things | 4.99 | Development of Infrastructure | 0.89 |
| Bioinformatics | 4.29 | Space Exploration | 0.82 |
| Beyond DNA | 4.00 | | |

## Top 10 Holdings (Underlying Fund*)

| | % | Country |
|---|---|---|
| Tesla Motors, Inc. | 8.76% | US |
| Roku Inc | 6.45% | US |
| Crispr Therapeutics Ag | 5.32% | Switzerland |
| Teladoc Health, Inc. | 5.13% | US |
| Invitae Corp | 4.71% | US |
| Square, Inc. Class A | 4.65% | US |
| Proto Labs, Inc. | 3.27% | US |
| Baidu Inc | 2.76% | US |
| Spotify Technology Sa | 2.70% | US |
| Pure Storage Inc | 2.66% | US |

## Market Commentary (source: ARK Investment Management LLC)

During January, as confidence increased that the resurgence in COVID-19 cases would not derail the V-shaped recovery, broad-based global equity indexes (as measured by the MSCI World) kept their footing, declining only slightly in the face of controversy after a very strong quarter. Although the transition month from the Trump to the Biden Administration caused some uncertainty and the short squeeze in heretofore moribund stocks some confusion, the outlook for fiscal stimulus in the US combined with supportive monetary policies around the world was enough to reassure equity markets. The yield curve in the US continued to steepen as the 10-year Treasury bond yield increased and 90-day Treasury bill rate slipped, suggesting that bond investors are anticipating higher nominal GDP growth.

Since the bottom of the market during the coronavirus crisis, growth stocks - particularly those associated with companies solving problems created by the pandemic, have outperformed value stocks significantly. This divergence could be a function of the “creative destruction” that innovation is fomenting in traditional value sectors like financial services, energy, and industrials.

That said, cyclical sectors around the world are beginning to benefit as producers continue to catch up with consumer demand and as significant capital spending declines in energy and other disrupted industries curb supply, supporting prices. The consumer saving rate in the US dropped from a record high 34% in April but still is 13.7%, more than 50% above the 8% recorded in March, suggesting that pent-up demand will continue to support the recovery now underway. Indeed, given the low level of inventories relative to sales in the US, businesses still are scrambling to catch up, pointing to a continued V-shaped recovery in the US and Asia during the next year. At the same time, companies like Exxon are writing down fixed assets and cutting capital spending, pointing to a resurgence of oil prices if the V-shaped recovery continues apace.

As the coronavirus (COVID-19) strengthened its grip on the globe this year, we have been gratified that government policymakers were laser-focused on cushioning the blow and on partnering with companies offering innovative solutions to the problems the disease is causing. During times of fear, uncertainty, and doubt, businesses and consumers are more willing to change their behaviour and seek innovative products and services that are more productive, cost-effective, faster, and/or creative. As a result, innovation takes root and typically gains significant market share during and after tumultuous times.

## Fund Commentary

The fund benefited benefited from sizeable moves in Tesla (TSLA), Teladoc (TDOC), Roku (ROKU), Stratasys (SSYS), and Proto Labs (PRLB). In early January Tesla's fourth quarter deliveries of 180,570 cars surpassed expectations of roughly 174,000, putting full year vehicle numbers just shy of the 500,000 goal, at 499,550. Tesla also benefitted from positive electric vehicle sentiment after the Georgia runoff election confirmed a Blue sweep in the US Congress. Later in the month, Tesla missed earnings expectations while revenue and cash flow figures were received positively by the street. Roku (ROKU) traded up in the month after announcing that it would expand further into Latin America. Roku inked a partnership with Philco to bring a Philco/Roku branded TV to consumers in Brazil. We believe that international expansion is critical to the future growth of Roku and are happy to see management taking a more aggressive approach.

Detracting from performance were Editas (EDIT), Nintendo (7974 JP), Iovance (IOVA), Intercontinental Exchange (ICE), and Shopify (SHOP). Editas Medicine (EDIT) depreciated this month after the announcement that its chief scientific officer (CSO), Charles Albright was pursuing another opportunity. The company disclosed that its Investigational New Drug (IND) application for EDIT-301 for the treatment of sickle cell disease (SCD) was cleared, however it is on a partial hold for the efficacy portion of the trial because it needs to develop an improved potency assay. Iovance Biotherapeutics (IOVA) depreciated this month potentially because of perceived sustained clinical trial disruption due to COVID-19 and potential constraints with manufacturing and scalability for its tumour infiltrating lymphocytes (TILs), especially during these turbulent times.

## Key Fund Facts

| | | | |
|---|---|---|---|
| **Distributions:** Generally does not distribute | **Estimated annual fund charges (Incl. GST)** | **Strategy Launch** | **Strategy size** |
| **Hedging:** Any foreign currency exposure is unhedged. | Retail: 1.33%, refer PDS for more details<br>KiwiSaver: 1.25% refer to PDS for more details | 4 September 2019 | $75.9m |

**Investment Manager** *The fund invests in the Nikko AM ARK Disruptive Innovation Fund (the **Underlying Fund)**, a sub-fund of the Nikko AM Global Umbrella Fund - an open-ended investment company established under Luxembourg law as a société d'investissement à capital variable (SICAV).

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