

Factsheet 31 August 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 August, broad-based global equity indexes continued to appreciate, even though the Delta variant of the coronavirus and supply chain shortages put some economic activity on hold, and higher gasoline/food prices hurt consumer confidence.
- The Communication Services, Technology, and Financials sectors outperformed on balance, while the Energy, Materials, and Consumer Discretionary sectors lagged. Overall, the recent trend toward cyclical and value stocks continued to reverse. We believe that valuations have reset, and investors are beginning to discount the risks to traditional industries as inventories rebuild and disruptive technologies begin to take market share.

Fund Highlights

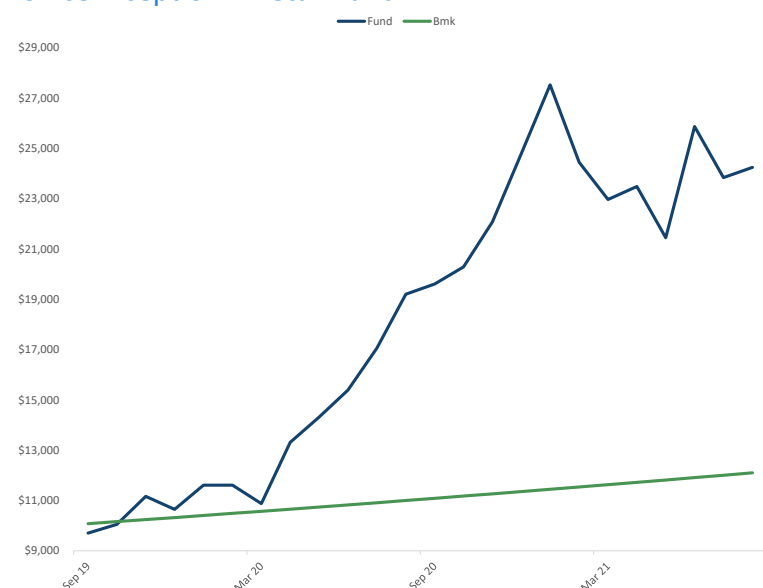
- The fund returned 1.90% for August, 0.18% ahead of the benchmark of 0.80%
- The largest contributors to performance include Unity Software (U), Editas Medicine (EDIT), Tesla (TSLA), Palantir Technologies (PLTR), and Square (SQ).
- The largest detractors from performance include Roku (ROKU), Zoom Video Communications (ZM), Zillow (Z), 2U (TWOU), and Twitter (TWTR).

Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale ¹	1.90%	12.70%		
Retail ³	1.72%	13.04%	26.29%	
KiwiSaver ³	1.73%	13.12%		
Benchmark ²	0.80%	2.41%	10.00%	
NASDAQ-100	3.16%	17.44%	23.89%	

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 unit price.

Since Inception – Retail Fund



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.

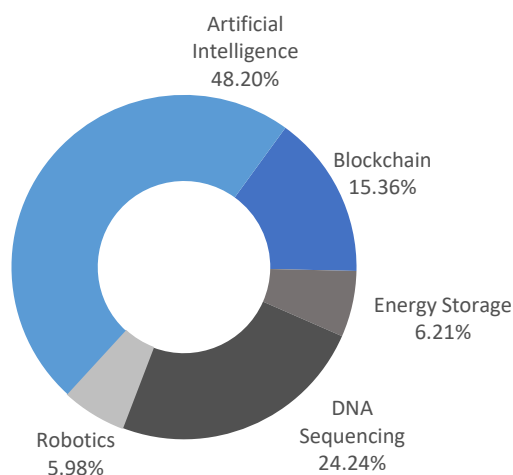
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

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.



Portfolio Composition (Underlying Fund*)

	%		%
Digital Media	13.51	Energy Storage	3.12
Cloud Computing	12.71	3D Printing	2.95
E-Commerce	10.02	Social Platforms	2.75
Gene Therapy	7.37	Autonomous Vehicles	2.13
Big Data & Machine Learning	6.90	Beyond DNA	2.13
Molecular Diagnostics	5.62	Robotics	1.76
Mobile	5.55	Targeted Therapeutics	1.58
Blockchain & P2P	5.34	Space Exploration	1.27
Instrumentation	5.19	Development of Infrastructure	0.96
Internet of Things	5.16	Next Generation Oncology	0.71
Bioinformatics	3.27		

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Inc	9.69	US
Teladoc Health Inc	5.19	US
Roku Inc	5.16	US
Unity Software Inc	4.67	US
Coinbase Global Inc	4.58	US
Square Inc	4.04	US
Invitae Corp	3.57	US
Spotify Technology	3.48	Sweden
Twilio Inc	3.44	US
Shopify Inc	3.33	CA

Market Commentary (source: ARK Investment Management LLC)

During August, broad-based global equity indexes continued to appreciate even though the Delta variant of the coronavirus and supply chain shortages put some economic activity on hold, and higher gasoline/food prices hurt consumer confidence. The US 10-year Treasury bond yield stabilized around 1.30%, well below the 1.74% peak posted at the end of March. In other words, the bond market does not seem to be corroborating the fears of inflation that have dominated headlines. The US Senate passed a \$1 trillion infrastructure bill after months of negotiations. ARK believes the \$3.5 trillion budget resolution passed by the House of Representatives will not pass the Senate. With midterm election campaigns in the early stages, narrow majorities in both Houses of Congress are likely to prevent the passage of unpopular and onerous tax measures. Meanwhile, monetary policy also is likely to be benign in its impact on equity markets.

The Communication Services, Technology, and Financials sectors outperformed on balance, while the Energy, Materials, and Consumer Discretionary sectors lagged. Overall, the recent trend toward cyclical and value stocks continued to reverse. We believe that valuations have reset, and investors are beginning to discount the risks to traditional industries as inventories rebuild and disruptive technologies begin to take market share. In our view, the coronavirus crisis transformed the world significantly and permanently, suggesting that many innovation-driven stocks could be productive holdings during the next five to ten years. The tug-of-war between growth and value stocks has been driven largely by economic statistics and short-term, tactical trading, not by fundamentals.

Fund Commentary

The largest contributors to performance include Unity Software (U), Editas Medicine (EDIT), Tesla (TSLA), Palantir Technologies (PLTR), and Square (SQ). U rallied following second-quarter earnings, where the company exceeded consensus expectations (for revenue and profitability) and provided more favourable forward guidance. Additionally, Unity acquired OTO, an AI-focused platform that can potentially be leveraged by Unity to create safer gaming environments with both voice and text chat. EDIT appreciated likely in response to the overall rally in the gene-editing sector. The rise could also have been because of Moderna's (MRNA) earnings call, Stéphane Bancel, CEO, announced that the company may be looking to add gene-editing technology via M&A. TSLA appreciated after the company's highly anticipated, inaugural AI day showcased Tesla's ground-breaking progress in the vision for autonomous driving and its best-in-class training supercomputer. SQ appreciated modestly as investors weighed the synergies of the AfterPay acquisition and the prospects of the Buy Now Pay Later (BNPL) space. In ARK's view, Square also had a great second-quarter earnings report that significantly beat analyst revenue ex-bitcoin estimates and showed strong business fundamentals for its CashApp.

The largest detractors from performance include Roku (ROKU), Zoom Video Communications (ZM), Zillow (Z), 2U (TWOU), and Twitter (TWTR). ROKU declined after the company's second-quarter earnings report showed slower user growth, which the CEO attributed to local economies reopening. ARK maintains high conviction in Roku being well-positioned to take advantage of the shift from traditional TV services to streaming. ZM fell steeply after the company provided a soft outlook in the eyes of many sell-side analysts. Though shares may be experiencing a post-COVID sentiment shock, ARK believes that Zoom's rapidly expanding product portfolio will be essential in a post-COVID world. Zillow posted strong second-quarter revenue growth and gross profit margins. Z depreciated, however, due to a miss on EPS, coupled with potential signs of the housing market slowing down in the future. TWTR depreciated on relatively little news, reversing partially the strong gains from the prior three months. ARK remains bullish on Twitter due to its network effects, live video network strategy, and product development.

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: 1.30%, refer PDS for more details	4 September 2019	\$107.3m
	KiwiSaver: 1.25% refer to PDS for more details		
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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