

Factsheet 28 February 2022

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

- Broad-based global equity indexes depreciated in February as macro headwinds hurt consumer and investor confidence. Consumer sentiment continued to drop below a level last seen during the depths of the coronavirus pandemic.
- Contrary to mainstream views, ARK believes this environment has pushed innovation stocks into deep value territory in the context of ARK's five-year investment time horizon. Importantly, most so-called broad based innovation benchmarks are dominated by several mega-cap stocks that, in ARK's view, have steered risk-averse investors into crowded trades that miss the most important emerging growth stocks in the disruptive innovation space.

Fund Highlights

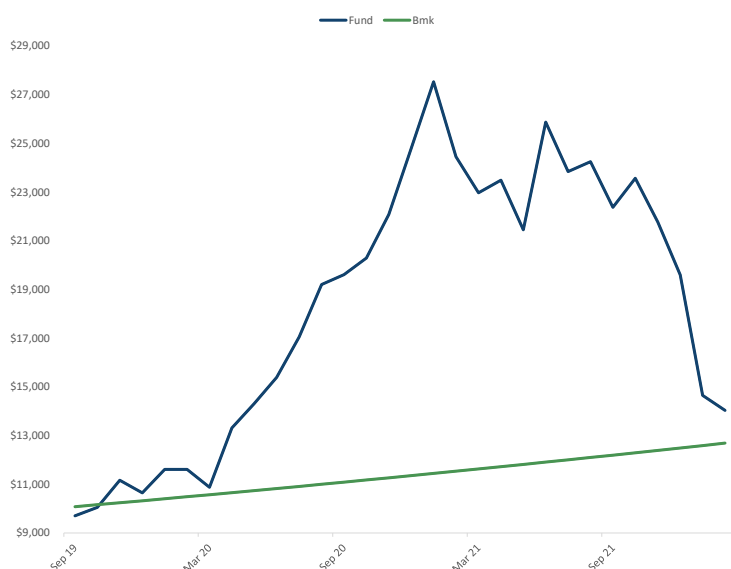
- The fund posted a negative return over the month.
- The top contributors include Block (SQ), Intellia Therapeutics (NTLA), DraftKings (DKNG) and Exact Sciences (EXAS).
- The top detractors include Spotify Technologies (SPOT), Zoom Video Communications (ZM), Shopify (SHOP), Roku (ROKU), and Tesla (TSLA).

Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale ¹	-9.09%	-32.53%	-41.54%	-
Retail ³	-4.20%	-35.51%	-42.60%	-
KiwiSaver ³	-4.30%	-35.66%	-42.49%	-
Benchmark ²	0.80%	2.41%	10.00%	-
NASDAQ-100	-7.19%	-10.98%	18.85%	-

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^{3,2}



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.

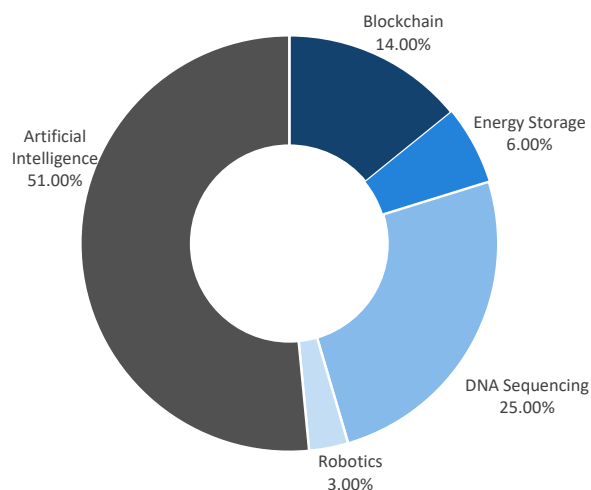
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

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	15.6	Bioinformatics	4.5
Cloud Computing	14.7	Energy Storage	3.1
Gene Therapy	8.1	3D Printing	2.7
E-Commerce	7.4	Beyond DNA	2.5
Big Data & Machine Learning	6.2	Autonomous Vehicles	1.7
Blockchain & P2P	6.2	Social Platforms	1.6
Instrumentation	6.1	Dev. Of Infrastructure	0.9
Molecular Diagnostics	5.7	Robotics	0.6
Mobile	5.5	Targeted Therapeutics	0.3
Internet of Things	5.4	Next Generation Oncology	0.2

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors Inc	9.36	US
Roku Inc	6.28	US
Teladoc Health Inc	6.20	US
Zoom Video Comms	6.11	US
Coinbase Global Inc	5.53	US
Unity Software Inc	5.43	US
Block, Inc	5.10	US
Intellia Therapeutics Inc	4.79	US
Exact Sciences Corp	4.70	US
Uipath Inc	4.07	US

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes depreciated in February as macro headwinds hurt consumer and investor confidence. Consumer sentiment continued to drop below a level last seen during the depths of the coronavirus pandemic. Innovation stocks were punished disproportionately, as investors continued to fear high inflation and interest rates. Contrary to mainstream views, ARK believes this environment has pushed innovation stocks into deep value territory in the context of ARK’s five-year investment time horizon. Importantly, most so-called broad based innovation benchmarks are dominated by several mega-cap stocks that, in ARK’s view, have steered risk-averse investors into crowded trades that miss the most important emerging growth stocks in the disruptive innovation space. In ARK’s view, the odds of a recession have increased meaningfully following Russia’s invasion of Ukraine, because oil prices – while inflationary in the short-term – have become an onerous regressive tax on consumers. As a result, the US Federal Reserve could take a more dovish approach to future interest rate hikes. ARK cannot predict how this war will unfold and affect the markets but will monitor the portfolios closely during what could be a volatile period.

Fund Commentary

The top contributors include Block (SQ), Intellia Therapeutics (NTLA), DraftKings (DKNG) and Exact Sciences (EXAS). Shares of Block gapped up in response to the company’s fourth quarter earnings. Block’s solid performance assuaged analysts’ concerns that, in the absence of COVID-19 government stimulus, the momentum in Cash App, Block’s consumer-focused digital wallet, would slow down considerably. Block’s management also noted continued strong momentum in January and February, citing 21% growth in Cash App’s gross profit on a year-over-year and 73% two-year-annualized basis. NTLA traded up during the month as investors looked forward to the update on drug candidate NTLA-2001, potentially the first curative treatment for ATTR amyloidosis. Additionally, Intellia acquired Rewrite Therapeutics, a biotech company focused on advancing novel DNA writing technologies. Shares of DraftKings traded down mid-month after the company reported fourth quarter earnings and provided full year EBITDA guidance that missed analysts’ consensus expectations. According to management, if it were to stop investing in states as they open up for mobile sports betting, DraftKings could reach EBITDA profitability by the fourth quarter. With a 32% share of total handle for mobile sports betting in states where it operates today and a 20% share of gross revenue for iGaming, DraftKings seems likely to find continued success as the legalization of mobile sports betting expands from the 17 states today. DraftKings’ decision to invest aggressively in its media business, NFT marketplace, and social features should increase customer engagement, retention, and monetization.

The top detractors include Spotify Technologies (SPOT), Zoom Video Communications (ZM), Shopify (SHOP), Roku (ROKU), and Tesla (TSLA). Shares of Spotify traded down after the company reported fourth quarter earnings. Although revenues grew 24% year-over-year and user growth met management’s 18% growth expectation, monthly active user (MAU) guidance for the first quarter fell short of analyst expectations. Zoom reported fourth quarter results that beat Wall Streets’ expectations, but guidance came in below expectations. ARK believes broadening enterprise expansion will drive growth as companies shift to a hybrid working model. SHOP traded down after Shopify reported fourth quarter results. Analysts criticized decelerating gross merchandise value growth, softer than expected guidance, and increased investment spend for 2022. ARK believes Shopify is uniquely positioned as an operating system for merchants to sell direct-to-consumer, across marketplaces, and social media platforms. TSLA traded down alongside the broader market. Investors digested two recalls during the month; both were resolved by over-the-air software updates, which leads ARK to view the term “recall” as too strong. Oil prices rallied following Russia’s invasion of Ukraine. ARK believes that higher oil prices place an onerous tax on the consumer, which may accelerate the transition to electric vehicles.

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	\$64m
	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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