

Factsheet 30 April 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 significantly in April as macro headwinds hurt consumer, business, and investor confidence. The broad selloff was one of the worst months for technology-related stocks since 2008. The odds of a recession appear to have increased meaningfully after Russia's invasion of Ukraine.
- ARK believes many companies have catered to the short-term-oriented, risk-averse shareholders and have satisfied demands for profits/dividends "now". In doing so many have curtailed investments in innovation.

Fund Highlights

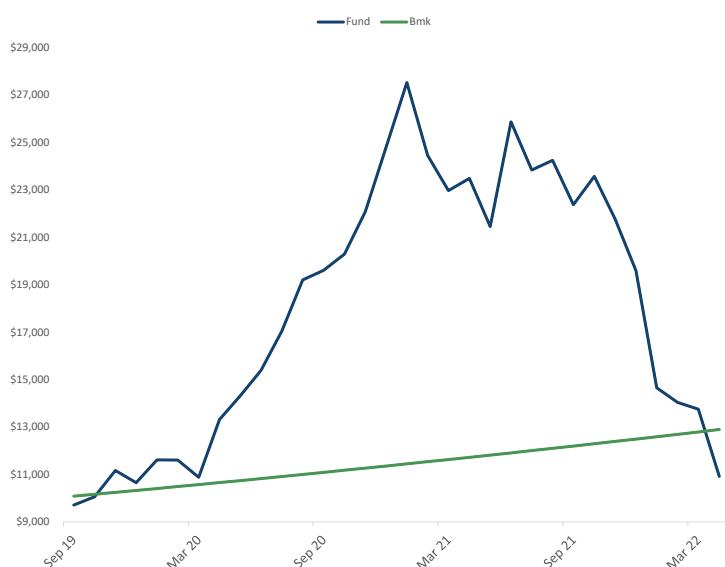
- The fund posted a negative return over -21.03% for the month of April.
- The top detractors include Teladoc Health, Coinbase, Tesla, Unity Software and Roku.
- The top contributors include Twitter, Skillz, LendingClub, Organovo Holdings, and Iovance Biotherapeutics.

Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale ¹	-21.03%	-33.80%	-54.42%	-
Retail ³	-20.58%	-25.48%	-53.51%	-
KiwiSaver ³	-20.71%	-25.67%	-53.66%	-
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 in 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.

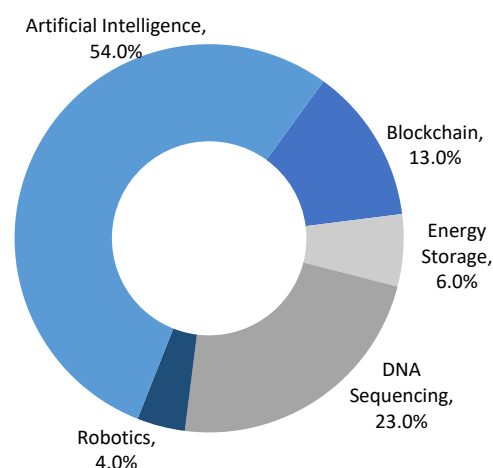
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

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*)

	%		%
Cloud Computing	16.3	Social Platforms	4.1
Digital Media	14.7	Bioinformatics	3.9
Gene Therapy	7.7	3D Printing	3.1
E-Commerce	7.1	Energy Storage	3.0
Big Data & Machine Learning	6.4	Beyond DNA	2.5
Blockchain & P2P	6.0	Autonomous Vehicles	2.0
Mobile	5.7	Development of Infrastructure	0.9
Instrumentation	5.5	Robotics	0.6
Molecular Diagnostics	5.0	Targeted Therapeutics	0.3
Internet of Things	5.0	Next Generation Oncology	0.3

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors, Inc.	8.51	US
Zoom Video Comm	6.42	US
Roku Inc	6.14	US
Square Inc. Class A	5.28	US
Coinbase Global Inc	5.03	US
Exact Sciences Corporation	4.16	US
Unity Software Inc	4.16	US
Teladoc Health Inc	3.79	US
Twilio Inc. Class A	3.66	US
Crispr Therapeutics Ag	3.66	Switzerland

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes depreciated significantly in April as macro headwinds hurt consumer, business, and investor confidence. The broad selloff was one of the worst months for technology-related stocks since 2008. Relative to the global equity indexes the Consumer Staples, Energy, and Utilities sectors outperformed in April, while the Communication Services, Consumer Discretionary, and Technology sectors lagged. Some of the largest beneficiaries of the rotation to cyclicals during the past fourteen months—Energy and Financial Services—could be disrupted significantly during the next five years. In ARK’s view, autonomous electric vehicles and digital wallets—including blockchain technologies, cryptocurrencies, and decentralized financial services (DeFi) – will disrupt and disintermediate both Energy and Financial Services. In ARK’s view, long-term inflation fears have been overblown because the US economy contracted during the first quarter and inventories piled up. At the same time, the war in Ukraine and policy restraint in China put the brakes on the other two major economies in the world. In the last year businesses and consumers seemingly overreacted to supply chain bottlenecks of goods and labour by building “inventories”. In the short term, along with other geopolitical forces, this hoarding has pushed US consumer price inflation to 8.6% on a year-over-year basis, a rate that ARK believes deflationary forces – good, bad, and cyclical – are likely to unwind during the next year. Innovation is the source of good deflation, as learning curves cut costs and increase productivity. Yet, ARK believes many companies have catered to the short-term-oriented, risk-averse shareholders and have satisfied demands for profits/dividends “now”. As a result, many have leveraged their balance sheets to buy back stock, bolster earnings, and increase dividends. In so doing, many have curtailed investments in innovation and could be ill-prepared for the impact of disintermediation associated with disruptive innovation. Saddled with aging products and services, they could be forced to cut prices to clear unwanted inventories and service debt, causing bad deflation.

Fund Commentary

The top contributors include Twitter (TWTR), Skillz (SKLZ), LendingClub (LC), Organovo Holdings (ONVO), and Iovance Biotherapeutics (IOVA). TWTR traded up meaningfully during the month after Elon Musk disclosed a significant stake which evolved into, pending approval, an outright purchase of the company. Musk is a visionary entrepreneur and an active Twitter user whose appointment to its Board of Directors could benefit the company in unexpected ways. Shares of Skillz, LendingClub, Organovo Holdings, and Iovance detracted from performance, though they had smaller impacts than the other portfolio holdings in what proved to be a difficult month for markets.

The top detractors include Teladoc Health (TDOC), Coinbase (COIN), Tesla (TSLA), Unity Software (U), and Roku (ROKU). Shares of Teladoc, the largest, global digital health platform, fell significantly after its quarterly earnings report. For perspective, the last time Teladoc traded at these levels, the company had 1/6th the visit volume, 1/2 the number of paid members, 1/5 the annual revenue, and was cashflow negative. Today, 1 in 6 Americans is a full Teladoc member and the company is cashflow positive. ARK believes the primary reason for the sudden stock decline was Teladoc’s 25% reduction in 2022 adjusted EBITDA guidance owing to a decrease in marketing yield in one of Teladoc’s DTC mental health channels. ARK’s five-year thesis for Teladoc is built around the company’s transition from a general telehealth provider to a B2B enterprise solution for whole-person healthcare. COIN traded down alongside crypto markets. ARK believes Coinbase has emerged as the premier regulatory-compliant cryptocurrency exchange and should be a prime beneficiary as the opportunity for cryptoassets evolves. TSLA detracted from performance despite a strong earnings report that featured record deliveries and operating margin. The company unveiled plans to produce a steering-wheel-less and pedal-less robotaxi vehicle in 2024, a much stronger commitment to robotaxi commercialization than the company has made to date. U sold off alongside the broader market. ARK believes the market is missing the long-term opportunity for Unity’s gaming engine outside of gaming, such as digital twins and simulations with industrial industries. Roku reported first-quarter earnings that beat revenue expectations but indicated a slowdown in account growth. The market reacted positively to the report but shares were down over the month.

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	\$49.8m
	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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