

Factsheet 31 January 2023

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 rallied vigorously in January. The Federal Reserve's preferred measures of inflation and wages both cooled, easing fears of a significant rise in rates from current levels.
- Relative to the MSCI World Index, the Consumer Discretionary, Communication Services, and Materials sectors outperformed in January, while the Health Care, Utility, and Consumer Staples sectors lagged.

Fund Highlights

- The fund posted a solid return of 23.5% over the month of January.
- The top contributors include Roku (ROKU), Tesla (TSLA), Exact Sciences (EXAS), Coinbase (COIN), and Block (SQ).
- The companies that contributed the least to performance include Cerus (CERS) and Prime Medicine (PRME), Organovo (ONVO), XPeng (XPEV), and Iovance Biotherapeutics (IOVA).

Performance

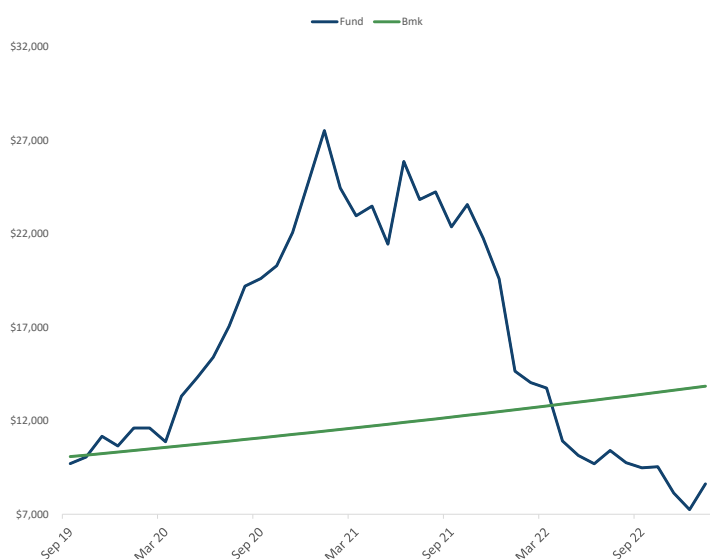
	One month	Three months	One Year	Three Years (p.a.)
Wholesale ¹	23.52%	-4.82%	-43.45%	
Retail ³	19.04%	-9.61%	-41.16%	-9.45%
KiwiSaver ³	19.20%	-9.67%	-41.40%	
Benchmark ²	0.80%	2.41%	10.00%	10.00%

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.

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.

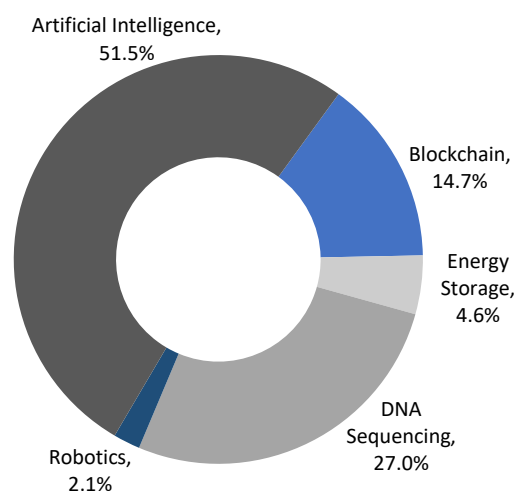
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

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	18.9	Beyond DNA	4.0
Digital Media	13.0	Energy Storage	2.9
E-Commerce	10.0	Bioinformatics	2.4
Gene Therapy	8.2	Social Platforms	1.9
Instrumentation	7.5	3D Printing	1.3
Big Data & Machine Learning	6.1	Autonomous Vehicles	1.0
Mobile	5.5	Development of Infrastructure	0.8
Molecular Diagnostics	4.9	Robotics	0.8
Internet of Things	4.9	Targeted Therapeutics	0.7
Blockchain & P2P	4.7	Next Generation Oncology	0.4

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors Inc	8.68	US
Zoom Video Comms	6.47	US
Roku Inc	5.94	US
Square Inc.	5.81	US
Exact Sciences Corporation	5.72	US
Shopify Inc	4.54	CA
Uipath Inc	4.25	US
Coinbase Global Inc	3.93	US
Teladoc Health Inc	3.76	US
Crispr Therapeutics	3.69	SWI

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes rallied vigorously in January. The Federal Reserve’s preferred measures of inflation and wages both cooled, easing fears of a significant rise in rates from current levels. The Personal Consumption Expenditures Core Price Index, which excludes food and energy, rose 4.4% in December from a year earlier while the Employment Cost Index for the fourth quarter rose 1.0%, slowing from the prior quarter and below expectations. During his press conference on February 1st, Fed Chairman Powell committed to “ongoing increases” but only “a couple more”, signalling that the Fed may be near the end of its tightening cycle. Relative to the MSCI World Index, the Consumer Discretionary, Communication Services, and Materials sectors outperformed in January, while the Health Care, Utility, and Consumer Staples sectors lagged. Some of the largest beneficiaries of the rotation to cyclicals, 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.

Fund Commentary

The top contributors include Roku (ROKU), Tesla (TSLA) and Exact Sciences (EXAS). Roku shares rallied after the company announced it surpassed 70 million active accounts globally, marking a 16% YoY growth. Roku also announced plans to release its own line of TVs this year. ARK believes Roku is a dominant player in the connected TV space, and it continues to operate the most successful independent TV OS in the U.S. Shares of Tesla rallied on the back of strong fourth quarter results, where Elon Musk told investors that Tesla had the ability to produce up to 2 million vehicles this year, assuming no hiccups. On that note, the company confirmed that the Cybertruck is on track to start production later in the year in its Austin, Texas factory. The company also provided an optimistic outlook on profits, citing that hardware-related profits are expected to be accompanied by an acceleration of software-related profits. This aligns with ARK’s thesis on autonomous driving. Lastly, the company is slated to share details on its next generation vehicle, which ARK believes could be a purpose-built robotaxi, during its Investor Day in March. Shares of Exact rallied after guiding to a 28% YoY revenue growth as part of its fourth quarter earnings preview. Full year 2022 revenue, excluding COVID-19 testing, is expected to grow 25% YoY, with 34% and 7% growth in screening and precision oncology revenue, respectively. The company also guided to higher adjusted EBITDA profitability. ARK expects that as Exact’s diagnostic capabilities continue to expand into indications other than colorectal cancer, the company will be well situated to replicate the standard-of-care status Cologuard has achieved in these other testing areas.

The top detractors include Cerus (CERS), Prime Medicine (PRME) and Organovo (ONVO). Shares of Cerus traded down after the company reported earnings and described 2023 as a "bridge year" in which the outlook remains unclear. In ARK’s view, foreign exchange (FX) pressures and inventory issues in the international blood industry are weighing on the short-term outlook. Cerus is a biomedical products company supplying hardware and consumables under its flagship blood transfusion safety brand, INTERCEPT. Shares of Prime Medicine traded down on relatively little company specific news. Prime Medicine is a biotechnology company committed to delivering a new class of differentiated, one-time, curative genetic therapies to address the widest spectrum of diseases. Shares of Organovo traded on relatively little company specific news. Organovo is an early-stage medical laboratory and research company that designs and develops functional, 3D human tissue for medical research and therapeutic applications.

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	\$50.7m
	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).

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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