

Factsheet 31 May 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 depreciated slightly. Artificial Intelligence (AI) dominated the market's focus following NVIDIA's first-quarter report that blew away expectations.
- The explosion in demand for AI hardware is pointing toward potentially significant revenue growth for software companies.
- In ARK's view, deflation is a more significant risk than inflation, with commodity prices and leading economic indicators falling.

Fund Highlights

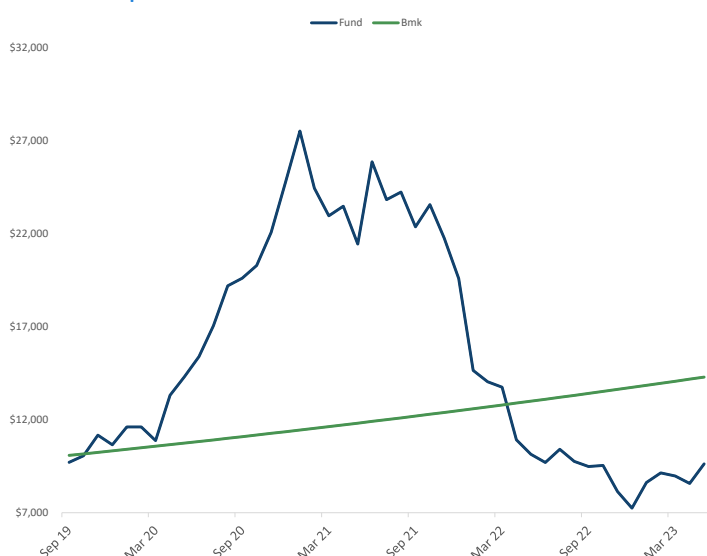
- NVIDIA Corporation's blow-out numbers and forward guidance stoked a boom in all things AI-related.
- The top contributors include Tesla (TSLA), CRISPR Therapeutics (CRSP), Exact Sciences (EXAS), Twilio (TWLO), and UiPath (PATH).
- The top detractors include Teladoc (TDOC), 2U (TWOU), PagerDuty (PD), Invitae (NVTA), and Cerus (CERS).

Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale ¹	15.30%	6.77%	0.66%	
Retail ³	12.34%	5.29%	-5.09%	-12.39%
KiwiSaver ³	12.43%	5.33%	-5.09%	
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.

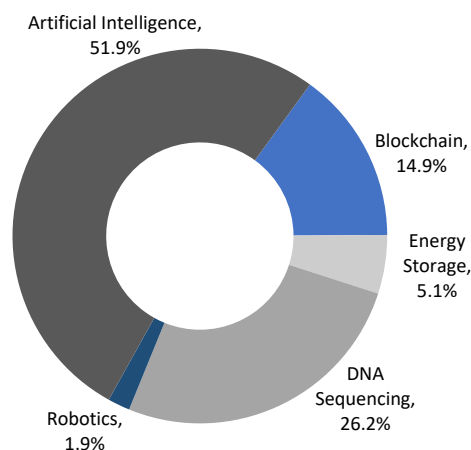
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

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	17.7	Molecular Diagnostics	3.4
Digital Media	13.5	Energy Storage	3.2
E-Commerce	8.8	Social Platforms	2.3
Gene Therapy	8.0	Bioinformatics	2.0
Instrumentation	7.5	Autonomous Vehicles	1.2
Big Data & Machine Learning	7.4	3D Printing	1.1
Blockchain & P2P	5.8	Development of Infrastructure	1.0
Internet of Things	5.4	Targeted Therapeutics	1.0
Mobile	5.3	Robotics	0.9
Beyond DNA	3.8	Next Generation Oncology	0.7

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors Inc	9.30	United States
Roku Inc	7.20	United States
Zoom Video	7.02	United States
Square Inc. Class A	5.53	United States
Coinbase Global Inc	5.51	United States
UiPath Inc	4.74	United States
Crispr Therapeutics Ag	4.07	Switzerland
Draftkings Inc	4.00	United States
Twilio Inc. Class A	3.99	United States
Exact Sciences Corporation	3.78	United States

Market Commentary (source: ARK Investment Management LLC)

Artificial Intelligence (AI) dominated the market’s focus following NVIDIA’s first-quarter report that blew away expectations. In what could be “winner take most” opportunities, those focused on activating AI with strong proprietary data and distribution advantages should be best positioned to capitalize on AI use cases and reap the dramatic productivity gains associated with the promise of generative AI. Relative to the MSCI World Index, the Technology, Communication Services, and Consumer Discretionary sectors outperformed in May, while the Energy, Materials, 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.

In ARK’s view, deflation is a more significant risk than inflation, with commodity prices and leading economic indicators falling. If ARK is correct in their assessment that growth, inflation, or both will surprise on the low side of expectations, scarce double-digit growth opportunities should be rewarded accordingly. The adoption of new technologies typically accelerates as concerned businesses and consumers change their behaviour more rapidly than otherwise would be the case, giving new leadership an opportunity to surface in the equity market. ARK believes the coronavirus crisis and Russia’s invasion of Ukraine have transformed the world significantly and permanently, suggesting that many innovation-driven strategies and stocks could be productive holdings during the next five to ten years.

Fund Commentary

The top contributors include Tesla (TSLA), CRISPR Therapeutics (CRSP), Exact Sciences (EXAS), Twilio (TWLO), and UiPath (PATH). Tesla shares rallied following a positive response to the company’s annual shareholder meeting and the company reaffirmed its promise to deliver its first Cybertrucks this year. CRISPR Therapeutics shares rallied on the back of strong first quarter results. The Swiss biotech reported \$100 million in revenue from its collaboration with Vertex Pharmaceuticals ahead of a potential FDA review for the gene-editing therapy exa-cel. Exact Sciences delivered a first quarter earnings beat, causing its shares to appreciate. The company posted revenue growth of 24% year-over-year. It also expects to turn free cash flow positive during 2023, ahead of the previous target of 2024.

The top detractors include Teladoc (TDOC), 2U (TWOU), PagerDuty (PD), Invitae (NVTA), and Cerus (CERS). Shares of Teladoc traded down on relatively little company-specific news. ARK believes Teladoc's focus on data science at scale across multiple care categories (e.g., acute, ambulatory, and chronic settings) will offer the broadest, most entrenched care package in the virtual healthcare market. 2U missed its first quarter earnings and faces some regulatory uncertainty. In ARK’s view, 2U’s cloud infrastructure offers the best online education platform in the US and perhaps the world. ARK believes that its acquisition of edX, a massive online course provider created by Harvard and MIT, will be game-changing. PagerDuty shares traded down on relatively little company-specific news. PagerDuty is a SaaS company that helps companies manage alerts and ensure high service quality and uptime.

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	\$57.6m
	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

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor’s objectives, financial situation or needs and is not intended to constitute personal financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on nikkoam.co.nz