

Factsheet 31 January 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 indexes¹ depreciated significantly in January as macro headwinds hurt consumer and investor confidence. Consumer sentiment dropped 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.

Fund Highlights

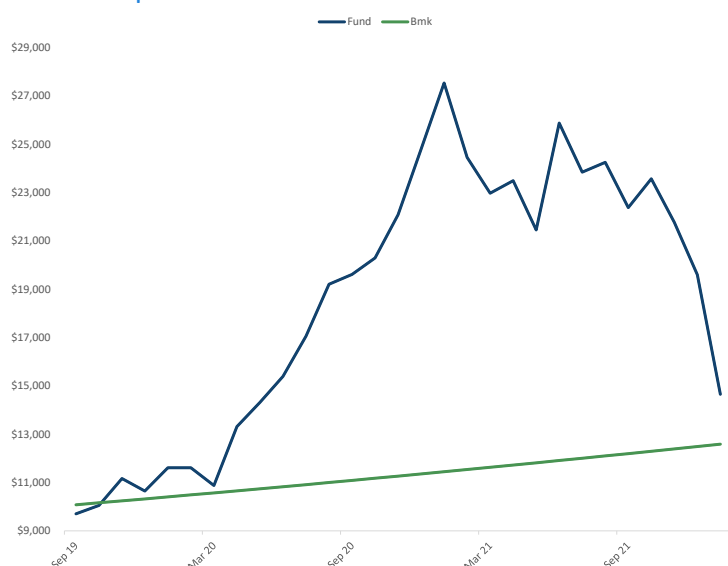
- The fund posted a negative return over the month.
- Top contributors include Organovo Holdings (ONVO), NanoString Technologies (NSTG), Stratasys (SSYS), PagerDuty (PD), and 3D Systems (DDD). Importantly, we note that the contributors during this month were companies that were flat to down less than the broader portfolio during a steep market selloff
- The top detractors include Roku (ROKU), Unity (U), Coinbase Global (COIN), Tesla (TSLA), and Shopify (SHOP).

Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale ¹	-16.72%	-32.35%	-39.85%	
Retail ³	-25.23%	-37.83%	-46.77%	
KiwiSaver ³	-25.31%	-37.91%	-46.64%	
Benchmark ²	0.80%	2.41%	10.00%	
NASDAQ-100	-4.64%	2.63%	26.85%	

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.

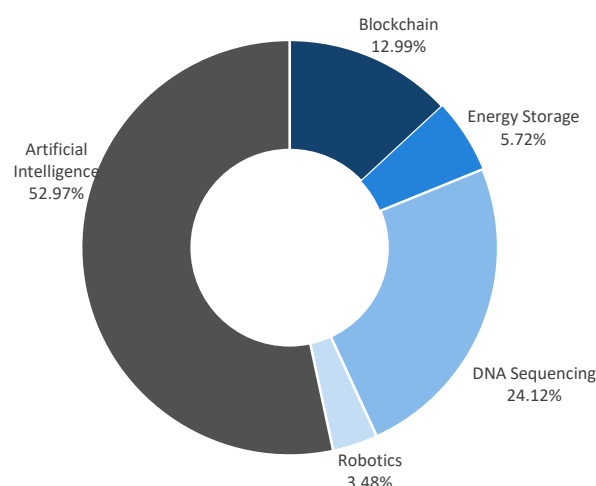
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

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.



¹ As measured by the MSCI World.

Portfolio Composition (Underlying Fund*)

	%	%	
Cloud Computing	15.9	Bioinformatics	4.2
Digital Media	15.1	Energy Storage	3.0
Gene Therapy	7.7	Beyond DNA	2.7
E-Commerce	7.4	3D Printing	2.4
Big Data & Machine Learning	7.2	Social Platforms	2.0
Blockchain & P2P	5.5	Autonomous Vehicles	1.7
Molecular Diagnostics	5.5	Robotics	1.0
Instrumentation	5.5	Dev. of Infrastructure	0.9
Internet of Things	5.5	Targeted Therapeutics	0.4
Mobile	5.2	Next Generation Oncology	0.2

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors Inc	8.63	US
Roku Inc	6.10	US
Zoom Video Comms	6.03	US
Teladoc Health Inc	5.77	US
Coinbase Global Inc	4.91	US
Unity Software Inc	4.70	US
Exact Sciences Corp	4.42	US
Spotify Technology Sa	4.21	Sweden
Intellia Therapeutics Inc	4.17	US
Square Inc. Class A	3.86	US

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes depreciated significantly in January as macro headwinds hurt consumer and investor confidence. Consumer sentiment dropped 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, we believe this environment has pushed innovation stocks into deep value territory in the context of our five-year investment time horizon. Importantly, most so-called broad based innovation benchmarks are dominated by several mega-cap stocks that, in our view, have steered risk-averse investors into crowded trades that miss the most important emerging growth stocks in the disruptive innovation space.

Fund Commentary

The top contributors include Organovo Holdings (ONVO), NanoString Technologies (NSTG), Stratasys (SSYS), PagerDuty (PD), and 3D Systems (DDD). Importantly, we note that the contributors during this month were companies that were flat to down less than the broader portfolio during a steep market selloff. Shares of Organovo Holdings ended the month down modestly, though the portfolio impact was muted due to the stock’s smaller weight. Earlier in the month, Organovo filed counterclaims in a patent lawsuit against Cellink and asserted that Cellink may owe significant license fees and royalties to Organovo. Nanostring traded down during the month, though with limited impact on the portfolio, after announcing preliminary financial and operational highlights for the fourth quarter and full year 2021. The company benefited from record orders of its Digital Spatial Profiler systems during the fourth quarter, which was an 80% growth compared to the fourth quarter in 2020. Stratasys had a lighter drawdown in its stock price relative to the broader innovation markets. Stratasys is leading the global shift to additive manufacturing with innovative 3D printing solutions for industries such as aerospace, automotive, consumer products and healthcare. Shares of PagerDuty, a SaaS company that helps clients manage alerts and ensure high service quality and uptime, remained relatively flat during a month with limited company-specific news. In ARK’s view, PagerDuty has a data advantage when it comes to automation and a light network effect in that they can see an upstream outage at one customer and proactively respond downstream for other customers. 3D Systems only detracted minimally from the portfolio due to its modest weight. The company develops, manufactures, and markets 3D printers, print materials, software, haptic devices, scanners, and virtual surgical simulators.

The top detractors include Roku (ROKU), Unity (U), Coinbase Global (COIN), Tesla (TSLA), and Shopify (SHOP). Amidst the market rotation, shares of Roku detracted as bearish analyst reports emerged and as the head of its Platform business announced his departure. ARK maintains very high conviction in Roku and is focused on the company’s potential to increase the monetization of its user base. Unity traded down after experiencing a large increase in its stock price through November 2021. Despite the drawdown during the month, Unity announced interesting developments including a partnership with Hyundai Motor to design and build a metaverse roadmap. Coinbase traded down during a period of raised volatility in the cryptocurrency markets that carried over from December. Based on 2021 numbers, Coinbase represents roughly 10% of the overall crypto market spot trading. ARK believes that Coinbase will continue to capture trading volume market share, as product innovation is likely to increase the number and stickiness of users on the platform. After posting a very solid year of performance in 2021, TSLA traded down as the electric vehicle market broadly depreciated and based on Tesla’s comments concerning the potential for supply chain issues to persist. However, Tesla beat both top- and bottom-line earnings estimates for the fourth quarter, and the shift from gas-powered to electric vehicles continues to be profound. ARK maintains very high conviction in Tesla. Shopify detracted from performance as investment sentiment weighed on its price and as Shopify appeared to be shifting its fulfillment center strategy in the United States. Later in the month, Shopify clarified that such new programs should not reduce network capacity. Founded in 2004, Shopify has built the leading “retail operating system” with a comprehensive product suite and partner ecosystem for merchants to seamlessly build and manage omnichannel businesses.

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 KiwiSaver: 1.25% refer to PDS for more details	4 September 2019	\$70.6m

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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