

Factsheet 31 March 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

- As investors feared high inflation and interest rates, consumer sentiment dropped below a level last seen during the depths of the coronavirus pandemic.
- Innovation stocks remained volatile, swinging dramatically from declines during the first half of the month to a strong rally in the second half of the month.
- 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 their portfolios for trading opportunities during what could be a volatile period.

Fund Highlights

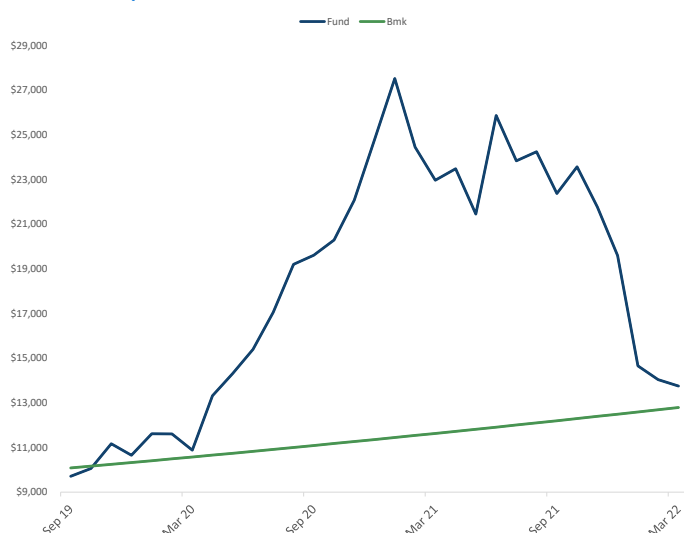
- The fund posted a negative return over the month and quarter.
- The top contributors include Tesla (TSLA), Block (SQ), Signify Health (SGFY), Robinhood Markets (HOOD), and 2U (TWOU), while detractors included UiPath (PATH), Intellia Therapeutics (NTLA), Invitae (NVTA), Roku (ROKU), and Zoom Video Communications (ZM).

Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale ¹	-7.78%	-30.18%	-43.50%	-
Retail ³	-2.05%	-29.84%	-40.15%	-
KiwiSaver ³	-2.04%	-29.98%	-40.23%	-
Benchmark ²	0.80%	2.41%	10.00%	-
NASDAQ-100	1.65%	-10.04%	14.93%	-

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.

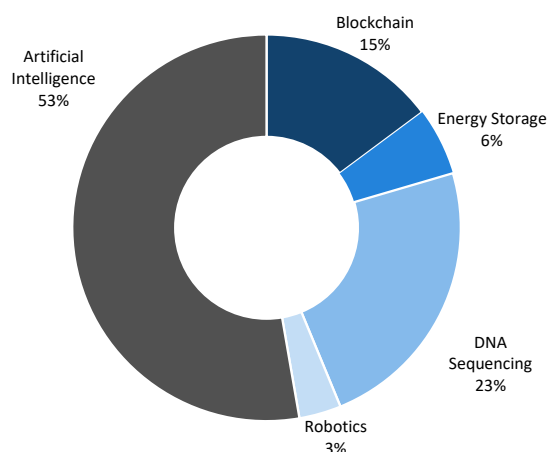
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

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*)

	%		%
Digital Media	15.2	Molecular Diagnostics	4.9
Cloud Computing	14.5	Social Platforms	3.0
E-Commerce	7.8	3D Printing	2.9
Gene Therapy	7.6	Energy Storage	2.9
Blockchain & P2P	7.0	Beyond DNA	2.5
Mobile	6.4	Autonomous Vehicles	1.8
Big Data & Machine Learning	6.2	Dev. of Infrastructure	0.9
Instrumentation	5.3	Robotics	0.5
Bioinformatics	4.9	Targeted Therapeutics	0.3
Internet of Things	4.9	Next Generation Oncology	0.2

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors, Inc.	8.95	US
Coinbase Global Inc.	6.22	US
Roku Inc.	6.07	US
Teladoc Health, Inc..	5.84	US
Zoom Video Comms Inc.	5.54	US
Square Inc. Class A	5.27	US
Unity Software Inc.	4.61	US
Exact Sciences Corp	4.00	US
Spotify Technology	3.82	Sweden
Twilio, Inc.	3.81	US

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes appreciated in March despite macro headwinds that hurt consumer and investor confidence. As investors feared high inflation and interest rates, consumer sentiment dropped below a level last seen during the depths of the coronavirus pandemic. Innovation stocks, particularly those outside the broad-based indexes, remained volatile, swinging dramatically from declines during the first half of the month to a strong rally in the second half of the month. Importantly, most broad-based indexes 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 opportunities in the disruptive innovation space. Contrary to mainstream views, ARK believes this environment has pushed innovation stocks into deep value territory in the context of their five-year investment time horizon. 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 their portfolios for trading opportunities during what could be a volatile period. During the past thirteen months, many broad-based market indexes scaled to record highs as investors rotated from growth stocks toward “value” and defensive stocks, including FAANGS. Yet some of the largest beneficiaries of the benchmark rotation to cyclicals during the past thirteen 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.

Fund Commentary

The top contributors include Tesla (TSLA), Block (SQ), Signify Health (SGFY), Robinhood Markets (HOOD), and 2U (TWOU). TSLA rallied sharply in the latter half of the month. ARK believes the rise in oil prices will accelerate the shift toward electric vehicles. Tesla opened its fourth Gigafactory in Berlin, which should help the company meet growing demand. Shares of Block, a leader in digital wallets, appreciated after a series of positive analyst ratings and upgrades. Analysts increased their price target on a positive outlook for Cash App’s Instant Deposit feature, favorable adoption of Cash App amongst the teenage cohort, and continued global expansion of its Square ecosystem. In the fourth quarter earnings report, Signify Health beat revenue expectations and forecasted higher revenues than consensus estimates. Share of the company traded up during the month. Earlier in the month, shares of Robinhood traded up following a media report that the company is beta testing a Stock Loan Income Program that will enable customers to lend and earn on shares in their portfolio. Aligned with the company’s new and aggressive roadmap, the feature could boost both engagement and monetization of the brokerage’s securities lending business.

The top detractors include UiPath (PATH), Intellia Therapeutics (NTLA), Invitae (NVTA), Roku (ROKU), and Zoom Video Communications (ZM). Shares of UiPath fell more than 25% on the last day of March after the company reported fourth-quarter earnings that beat Wall Street estimates but cut forward guidance. ARK maintains high conviction in UiPath’s ability to integrate Robotic Process Automation (RPA) into many business processes across large enterprises around the world. Intellia released data demonstrating the efficacy of its gene editing therapy for the treatment of transthyretin-related hereditary amyloidosis (hATTR), including an average 93% reduction in the concentration of the mutant protein among the trial subjects—a significant improvement over existing hATTR therapies. The results were very positive but underwhelmed Wall Street, causing shares to trade down. Shares of Invitae, a developer of clinical-grade molecular diagnostics tests for a wide variety of applications, depreciated during the month on little company specific news. ARK maintains high conviction in Invitae’s platform. ROKU traded sideways during the month as some analysts lowered price targets after February’s earnings call, while positive news of the multi-year extension of its distribution agreement with Amazon led to a pop in performance. ZM also detracted from performance during 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 KiwiSaver: 1.25% refer to PDS for more details	4 September 2019	\$61.9m
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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