

Factsheet 31 May 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 were generally flat in May despite macro headwinds that hurt consumer, business, and investor confidence. Innovation stocks remained volatile, swinging dramatically from declines during the first half of the month to a rally in the second.
- If the market remains volatile and the economy continues to slow down, shares of companies in the disruptive innovation space offering scarce growth opportunities and improving fundamentals should benefit.

## Fund Highlights

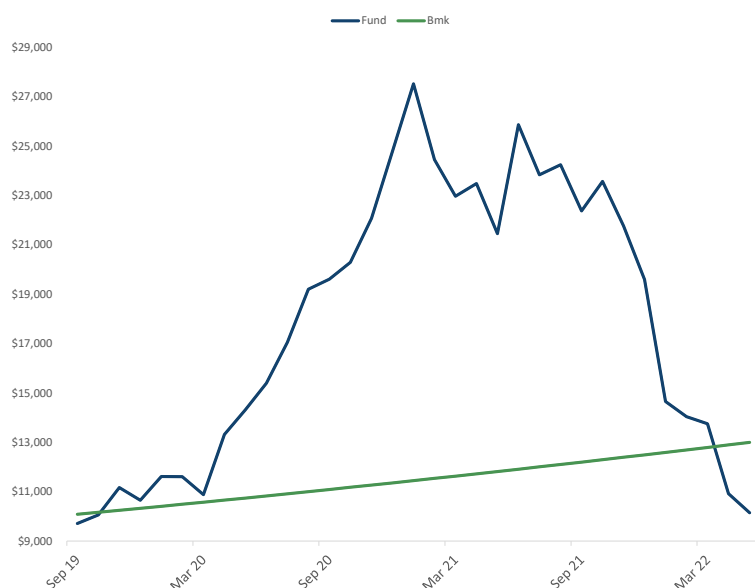
- The fund posted a negative return over -6.33% for the month of May.
- The top contributors include CRISPR Therapeutics (CRSP), Zoom Video Communications (ZM), Spotify Technology (SPOT), Twist Bioscience (TWST), and Ginkgo Bioworks (DNA).
- The top detractors include Unity Software (U), Coinbase (COIN), Tesla (TSLA), Block (SQ), and Invitae (NVTX).

## Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale <sup>1</sup>	-6.33%	-31.79%	-53.43%	-
Retail <sup>3</sup>	-7.12%	-27.75%	-52.72%	-
KiwiSaver <sup>3</sup>	-7.18%	-27.90%	-52.90%	-
Benchmark <sup>2</sup>	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 net asset value in unit price.

## Since Inception – Retail Fund<sup>3,2</sup>



## 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.

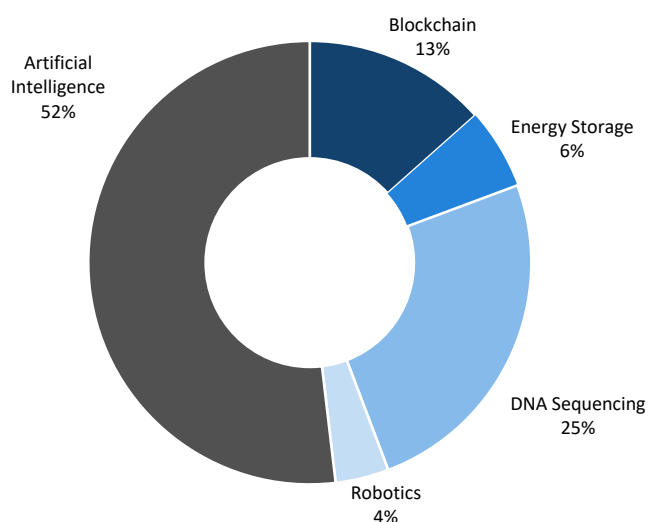
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

## 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	18.1	Molecular Diagnostics	4.3
Digital Media	13.7	3D Printing	3.3
Gene Therapy	8.7	Beyond DNA	3.3
E-Commerce	7.7	Energy Storage	2.9
Instrumentation	5.9	Autonomous Vehicles	2.1
Big Data & Machine Learning	5.8	Social Platforms	1.2
Blockchain & P2P	5.7	Development of Infrastructure	0.9
Mobile	5.5	Robotics	0.6
Internet of Things	5.3	Targeted Therapeutics	0.3
Bioinformatics	4.5	Next Generation Oncology	0.2

### Top 10 Holdings (Underlying Fund\*)

	%	Country
Zoom Video Comm	8.49	US
Tesla Motors Inc	8.36	US
Roku Inc	7.85	US
Square Inc. Class A	5.25	US
Coinbase Global Inc	4.70	US
Crispr Therapeutics Ag	4.67	Switzerland
Exact Sciences Corporation	4.37	US
Teladoc Health Inc	4.11	US
Twilio Inc. Class A	3.89	US
Uipath Inc	3.56	US

### Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes were generally flat in May despite macro headwinds that hurt consumer, business, and investor confidence. Innovation stocks, particularly those outside the broad-based indexes, remained volatile, swinging dramatically from declines during the first half of the month to a rally in the second. If the market remains volatile and the economy continues to slow down, shares of companies in the disruptive innovation space offering scarce growth opportunities and improving fundamentals should benefit. Especially as businesses and consumers seek solutions that solve problems, drive efficiencies, and reduce costs. The odds of a global recession appear to have increased meaningfully after Russia’s invasion of Ukraine. Although inflationary in the short term, the rise in oil prices has imposed a highly regressive tax on consumers. Highly dependent on Russia for energy, Europe probably has entered recession, China seems to have erred on the side of restraint, and real GDP in the US declined during the first quarter. Relative to the MSCI World Index, the Energy, Utilities, and Financial sectors outperformed in May, while the Real Estate, Consumer Staples, and Consumer Discretionary sectors lagged.

### Fund Commentary

The top contributors include CRISPR Therapeutics (CRSP), Zoom Video Communications (ZM), Spotify Technology (SPOT), Twist Bioscience (TWST), and Ginkgo Bioworks (DNA). Shares of CRISPR Therapeutics (CRSP) experienced a volatile month after the company missed on earnings and revenue consensus targets, but subsequently rose after speculation that it could be a near-term acquisition target and potentially after news that it appointed a new Chief Medical Officer who will oversee the firm’s global clinical development and regulatory operations. Shares of Zoom Video Communications rallied following the company’s first-quarter earnings report, which included an earnings beat and revenue growth that is up against a difficult year-over-year comparison. ARK believes Zoom is one of the companies disrupting Cisco Systems. Spotify appreciated on relatively little company-specific news. ARK believes Spotify can leverage its dominant music streaming position to expand its product suite effectively. Twist is the preeminent provider of synthetic biology tools, particularly oligonucleotides, to both the translational research and clinical end markets. Twist recently signed a new research collaboration agreement with Astellas Pharma. Shares positively contributed to performance. Ginkgo Bioworks released its first-quarter results where it beat revenue estimates but fell short on EPS estimates. Importantly, the company increased full-year guidance for total revenue stemming from conviction in its biosecurity revenue prospects.

The top detractors include Unity Software (U), Coinbase (COIN), Tesla (TSLA), Block (SQ), and Invitae (NVTA). Shares of Unity Software gapped down after reporting first quarter results, writing down guidance for full-year revenue growth. In line with management’s comments, ARK expects Unity to prioritize the cleaning of its training data and retrain targeting products under Unity Monetization to ensure the aforementioned is a one-time hit rather than a longer-term deterioration. In contrast, management noted that Unity’s Create segment reported continued strong growth of 65% year-over-year with strengthening demand for real-time 3D rendering. Shares of Coinbase traded down following the company’s first quarter earnings and the crash of TerraUSD stablecoin. We believe Coinbase is the premier regulatory-compliant crypto platform and expect the company to diversify its revenue streams into derivatives, yield products, NFTs and others over the medium- to long-term. Tesla shares traded down during the month. As a result of China’s Zero COVID policy, the Shanghai factory was closed and there were opening delays. However, restrictions have begun to ease. Shares of Block and Invitae underwent a period of strong downward pressure during the month. The combination of negative GDP in the first quarter and fears that inflation may not have peaked in March has investors on edge. Volatility could persist until demand destruction and excess inventories make it clear that inflation is not entrenched in the economy.

#### Key Fund Facts

<b>Distributions:</b> Generally does not distribute	<b>Estimated annual fund charges (Incl. GST)</b>	<b>Strategy Launch</b>	<b>Strategy size</b>
<b>Hedging:</b> Any foreign currency exposure is unhedged.	Retail: 1.30% refer PDS for more details	4 September 2019	\$48m
	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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