

Factsheet 31 October 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

- Relative to the MSCI World Index, the Energy, Industrials, and Financial Services sectors outperformed in October, while the Communication Services, Real Estate, and Consumer Discretionary 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 Highlights

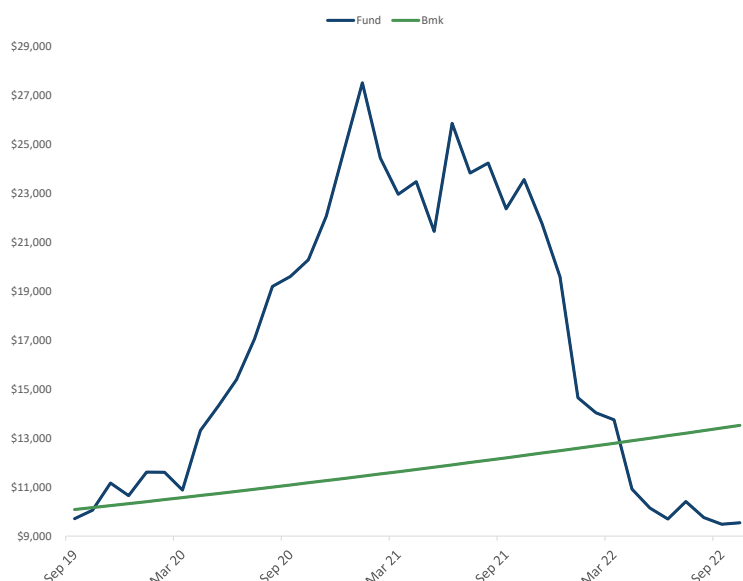
- The fund returned -0.64% over the month of October.
- The top contributors for October included Zoom Video Communications (ZM), Shopify (SHOP) and Roblox Corp (RBLX).
- The top detractors included Tesla (TSLA), CRISPR Therapeutics (CRSP) and TuSimple Holdings (TSP).

## Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale <sup>1</sup>	-0.64%	-7.40%	-59.81%	-
Retail <sup>3</sup>	0.58%	-8.37%	-59.53%	-1.74%
KiwiSaver <sup>3</sup>	0.60%	-8.42%	-59.72%	-
Benchmark <sup>2</sup>	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<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.

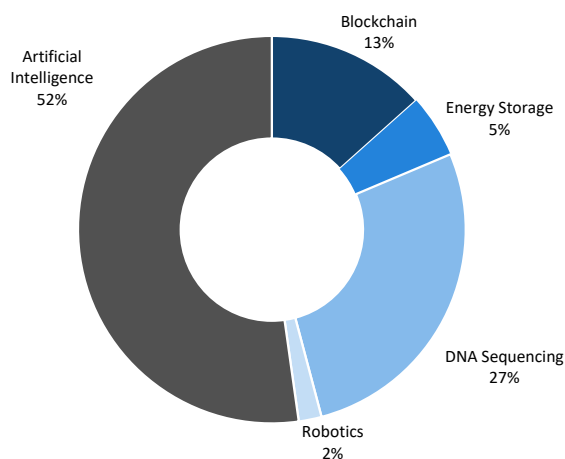
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

## 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	19.5	Molecular Diagnostics	4.3
Digital Media	13.1	Bioinformatics	2.8
Gene Therapy	9.8	Energy Storage	2.7
E-Commerce	8.7	Social Platforms	2.1
Instrumentation	6.3	Autonomous Vehicles	1.7
Mobile	5.6	3D Printing	1.5
Big Data & Machine Learning	5.6	Dev. of Infrastructure	0.8
Internet of Things	5.0	Targeted Therapeutics	0.7
Beyond DNA	4.8	Robotics	0.4
Blockchain & P2P	4.7		

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

	%	Country
Zoom Video Comms	8.91	US
Tesla Motors Inc	8.09	US
Roku Inc	7.25	US
Crispr Therapeutics	4.63	Switzerland
Square Inc.	4.63	US
Exact Sciences Corporation	4.34	US
Teladoc Health Inc	4.23	US
Shopify Inc	4.22	CA
Uipath Inc	4.11	US
Intellia Therapeutics Inc	4.63	US

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

In October, broad-based global equity indexes rallied, as investors weighed a worsening global recession and a potential Fed pivot. If the Fed missteps and the economy falls further into recession, companies in the disruptive innovation space should offer scarce growth opportunities, especially as businesses and consumers seek solutions that solve problems, drive efficiencies, and reduce costs, benefiting their share prices. Relative to the MSCI World Index, the Energy, Industrials, and Financial Services sectors outperformed in October, while the Communication Services, Real Estate, and Consumer Discretionary 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 Zoom Video Communications (ZM), Shopify (SHOP) and Roblox Corp (RBLX). Shares of Zoom rallied on relatively little company-specific news. ARK maintains high conviction in Zoom and its potential to become a leading communications platform for enterprise-to-enterprise communication. Shares of Shopify rallied following third quarter earnings beat. The company also provided strong guidance through the end of the year. Shopify is a leading provider of software that makes it easy for any business to list their inventory online and seamlessly sell through their own site, Amazon, Instagram, eBay, and other channels. Shares of Roblox traded up after the company posted its strongest usage stats (e.g., bookings, hours engaged, daily active users) in nearly a year. Roblox develops and operates an online entertainment platform for customers worldwide, and ARK believes it will continue to serve as one of the primary sources of entertainment for younger generations.

The top detractors include Tesla (TSLA), CRISPR Therapeutics (CRSP) and TuSimple Holdings (TSP). Shares of Tesla lowered after third quarter deliveries were lower than expected and Tesla noted that future deliveries could be impacted due to supply chain and logistical issues. Musk announced that Tesla is developing a vehicle that will sell at roughly half the price of the Model 3 and Model Y, which ARK believes could be its purpose-built robotaxi. Shares of CRISPR traded down amid a broader selloff impacting gene editing growth names. Shares of TuSimple depreciated after the company announced that it fired CEO Xiaodi Hou and reports that the self-driving truck company is facing a series of federal probes linked to its ties with China-backed Hydron Inc.

#### 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 KiwiSaver: 1.25% refer to PDS for more details	4 September 2019	\$51.3m

**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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