

Factsheet 28 February 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 pulled back following the release of higher than expected inflation reports in the US and Europe and a tighter than expected US labour market. Federal Reserve members ratcheted up hawkish commentary.
- Almost all major sectors within the MSCI World Index performed negatively in February, the Technology sector performed the best during the month and finished flat. 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

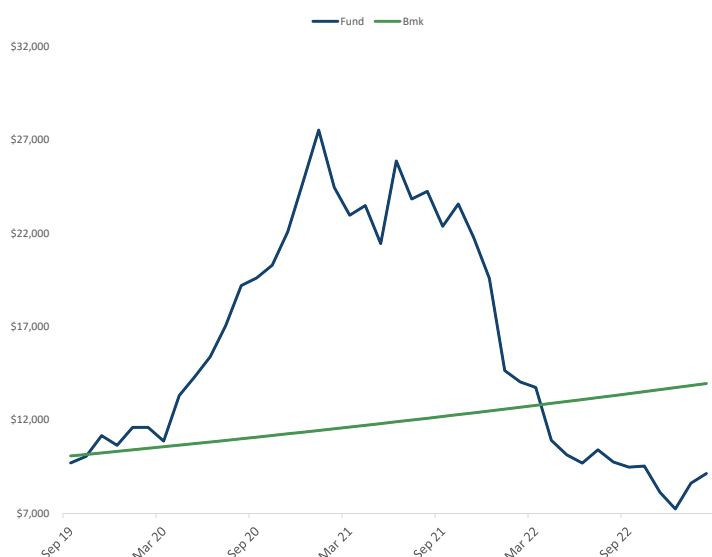
- The fund posted a return of 3.38% over the month of February.
- The top contributors include Tesla Inc (TSLA), Roku Inc (ROKU), DraftKings Inc (DKNG), Coinbase Global Inc (COIN) and Twilio Inc (TWLO).
- The top detractors include Shopify Inc (SHOP), Unity Software Inc (U), Twist Bioscience Corp (TWST), Ginkgo Bioworks Holdings Inc. (DNA) and Exact Sciences Corp (EXAS).

Performance

| | One month | Three months | One Year | Three Years (p.a.) |
|------------------------|-----------|--------------|----------|--------------------|
| Wholesale ¹ | 3.38% | 6.22% | -35.69% | |
| Retail ³ | 6.03% | 12.33% | -34.87% | -7.65% |
| KiwiSaver ³ | 6.09% | 12.45% | -35.04% | |
| 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.

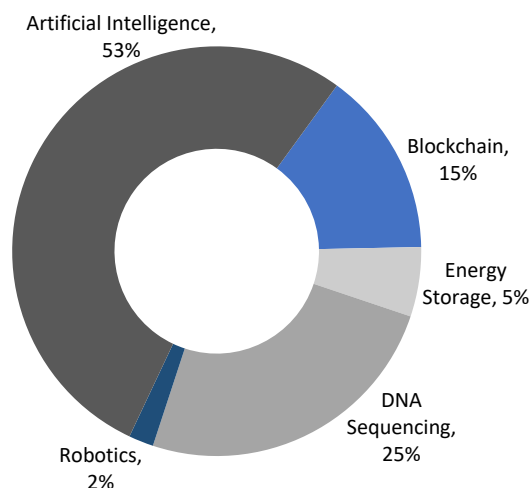
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

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 | 18.4 | Beyond DNA | 3.4 |
| Digital Media | 13.9 | Energy Storage | 3.4 |
| E-Commerce | 9.4 | Bioinformatics | 2.2 |
| Gene Therapy | 7.9 | Social Platforms | 1.9 |
| Instrumentation | 7.0 | Autonomous Vehicles | 1.1 |
| Big Data & Machine Learning | 6.4 | 3D Printing | 1.1 |
| Internet of Things | 5.7 | Development of Infrastructure | 1.0 |
| Mobile | 5.5 | Robotics | 0.8 |
| Blockchain & P2P | 5.2 | Targeted Therapeutics | 0.6 |
| Molecular Diagnostics | 4.5 | Next Generation Oncology | 0.4 |

Top 10 Holdings (Underlying Fund*)

| | % | Country |
|----------------------------|------|---------|
| Tesla Motors Inc | 8.98 | US |
| Roku Inc | 8.18 | US |
| Zoom Video Comms Inc | 7.81 | US |
| Square Inc. | 5.69 | US |
| Exact Sciences Corporation | 4.91 | US |
| Coinbase Global Inc | 4.62 | US |
| Uipath Inc | 4.31 | US |
| Shopify Inc | 4.18 | CA |
| Twilio Inc. | 4.02 | US |
| Draftkings Inc | 3.81 | US |

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes (as measured by the MSCI World) pulled back following the release of higher than expected inflation reports in the US and Europe and a tighter than expected US labour market. Federal Reserve members ratcheted up hawkish commentary. The markets appear to be focused solely on the Fed’s interest rate path, whipsawing with every public appearance.

While the 2022 bear market obscured many disruptive breakthroughs, innovation continued apace thanks to artificial intelligence (AI), genomics, and space exploration, among others. ChatGPT, a version of GPT-3 tuned for conversation dialogue, already scores above the national average on SAT questions, highlighting the power of AI. In the UK, a research hospital used an advanced version of gene editing called base editing to cure a 12-year-old girl with leukemia who had failed dozens of therapies. SpaceX launched 61 Falcon9 rockets, reusing the last one within 21 days, compared to 356 days for the first one. In ARK’s view, companies sacrificing short-term profitability to invest heavily in innovative technologies will enjoy exponential and highly profitable long-term growth opportunities.

Fund Commentary

The top contributors include Tesla Inc (TSLA), ROKU Inc (ROKU) and DraftKings Inc (DKNG). Tesla shares saw gains on signs that recent price cuts are spurring demand for its Model Y. The stock also rallied after Ford announced that it halted production and shipments of its electric F-150 Lightning pickup due to a battery issue. Lastly, the Mexico President held a call with Tesla in anticipation of the announcement of a new plant near Monterrey. This will be one of eight new Gigafactories as part of the company’s goal to produce 20 million vehicles a year by the end of 2030. Roku shares rallied after the company delivered a fourth quarter earnings beat, topping Wall Street expectations. During the quarter active accounts jumped 16% year over year, and streaming hours rose 23% year over year. The company also reaffirmed its commitment to deliver positive adjusted EBITDA in 2024 through a combination of operating expense control and revenue growth. Shares of DraftKings traded up after the company reported fourth-quarter earnings that surpassed analysts’ estimates. Revenue surged 81% year-over-year, and management raised guidance for 2023. Growth in monthly unique players, now at 2.6 million, accelerated from 22% on a year-over-year basis during the third quarter to 31%. The company also increased its take-rate on total betting volume by 1.2 percentage points year-over-year, thanks to increased parlay engagement and improved trade optimizations.

The top detractors include Shopify Inc (SHOP), Unity Software Inc (U) and Twist Bioscience Corp (TWST). Shares of Shopify traded down after the company reported fourth-quarter earnings. Gross merchandise volume (GMV) across Shopify merchants and total revenue grew 13% and 25%, respectively, on a year-over-year basis. Shares of Unity Software traded down after the company’s fourth quarter report. Including recently acquired ironSource, revenue growth was 43% year-over-year and, according to management, will accelerate in the range of 47% to 50% in the first quarter and 47% to 58% for the year, both growth rates lower than consensus expectations. Management explained that the assumptions behind those forecasts are conservative, including no recovery in the mobile gaming market even though it seems to have stabilized. Meanwhile, strong execution has increased non-gaming to 30% of Create revenue. ARK’s conviction remains high that Unity will maintain leadership as the 2D and 3D asset engine and monetization platform of choice for developers across many verticals. Shares of Twist Bioscience traded down after the company issued light fiscal second quarter revenue guidance based on a weaker-than-expected biopharma outlook. Twist left full-year and long-term top guidance intact, based on a 30% growth in quarterly order bookings that should generate revenue in the second half of the year. Historically, Twist has generated about 55-60% of its revenue in the second half. In ARK’s view, Twist Biosciences is the preeminent provider of synthetic biology reagents and tools, particularly oligonucleotides, to the translational research and clinical markets. Its oligo pools have high target-enrichment efficiency that reduces customer operating expenses meaningfully.

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 | \$53.4m |
| | 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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