

Factsheet 30 September 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 depreciated during the month.
- Relative to the MSCI World Index, the Energy, Financial Services, and Communication Services sectors outperformed in September, while the Technology, Real Estate, and Utilities sectors lagged.
- Interest rate futures are pricing in a slowdown or recession and potentially one more rate hike before interest rates start to decline.
- The Federal Funds Target Rate has surged 22-fold in the last year, a faster pace than all previous tightening cycles.

Fund Highlights

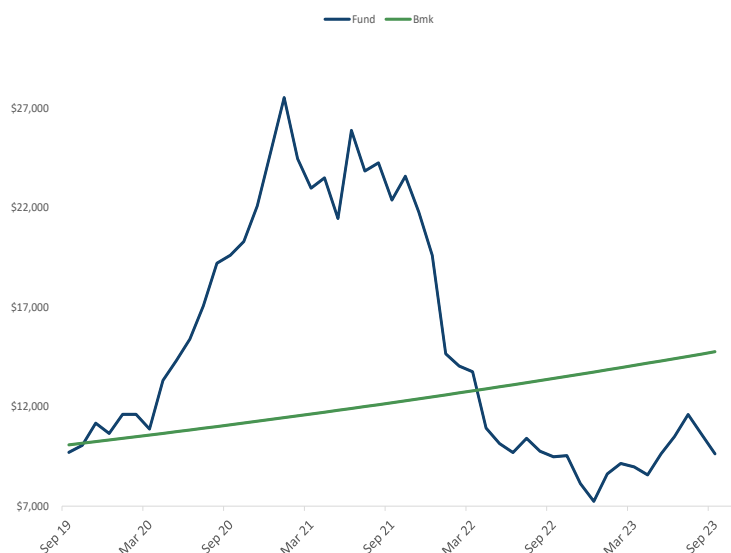
- Fund performance was -10.41% for the month, well below its benchmark of -0.80%.
- The top three contributors include UiPath (PATH), Palantir (PLTR), Roblox (RBLX).
- The top three detractors Block (SQ), Roku (ROKU), Ginkgo Bioworks (DNA).

Performance

	One month	Three months	One year	Three years (p.a.)
Wholesale ¹	-10.41%	-7.61%	3.26%	
Retail ³	-9.28%	-8.29%	1.51%	-21.11%
KiwiSaver ³	-9.32%	-8.32%	1.57%	
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 Cumulative Performance \$10,000 invested^{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.

Overview

The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies.

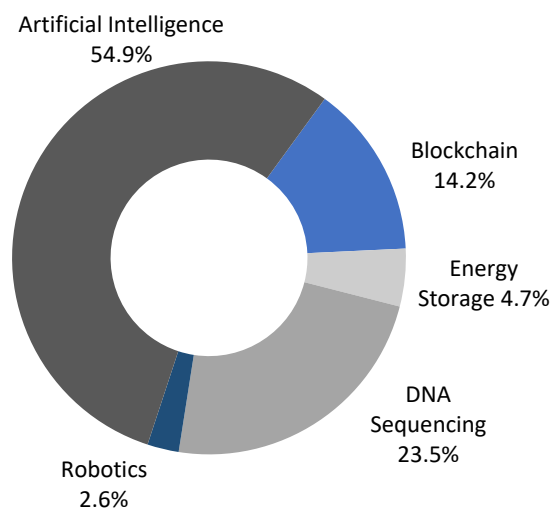
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

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	17.4	Social Platforms	3.2
Digital Media	15.3	Energy Storage	2.8
Big Data & Machine Learning	7.6	Molecular Diagnostics	2.4
E-Commerce	7.3	Robotics	2.2
Blockchain & P2P	6.9	Next Generation Oncology	1.9
Gene Therapy	6.6	Bioinformatics	1.7
Instrumentation	6.0	Targeted Therapeutics	1.1
Mobile	5.5	Autonomous Vehicles	1.1
Internet of Things	5.1	Development of Infrastructure	0.9
Beyond DNA	4.6	3D Printing	0.4

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors	8.32	United States
Roku	7.92	United States
Zoom Video	7.71	United States
Coinbase	6.50	United States
UiPath	4.50	United States
Square	4.42	United States
Draftkings	4.38	United States
Twilio	3.81	United States
Unity Software	3.51	United States
Roblox	3.40	United States

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes depreciated during the month. Relative to the MSCI World Index, the Energy, Financial Services, and Communication Services sectors outperformed in September, while the Technology, Real Estate, and Utilities sectors lagged. Recent economic data and comments from the US Federal Reserve (Fed) appear to have tempered investors’ previous expectations of interest rate declines. Now, interest rate futures are pricing in a slowdown or recession and potentially one more rate hike before interest rates start to decline. Should an economic slowdown evolve into a hard landing, the slope of interest rate declines could steepen. ARK believes additional rate hikes will exacerbate this fragile situation and create strains at regional banking and in commercial real estate. While the Fed is determined to squelch inflation by increasing interest rates, the bond market has been signalling that it could be making a major mistake. In ARK’s view, the Fed is making decisions based on lagging indicators—employment and headline inflation—and ignoring leading indicators that are telegraphing recession and/or price deflation.

Innovation is a potential source of good deflation, as learning curves can cut costs and increase productivity. If ARK is correct in their assessment that growth, inflation, or both will surprise on the low side of expectations, scarce double-digit growth opportunities should be rewarded accordingly. The adoption of new technologies typically accelerates during tumultuous times as concerned businesses and consumers change their behaviour much more rapidly than otherwise would be the case. As a result, stocks of innovation-oriented companies have historically performed better and emerged as new market leaders toward the end of a bear market.

Fund Commentary

The top contributors include **UiPath (PATH)**, **Palantir (PLTR)**, **Roblox (RBLX)**. UiPath shares appreciated after the company posted an earnings beat in the second quarter, delivering non-GAAP EPS of \$0.09 and year-over-year revenue growth of 18.6%. UiPath Inc. provides an end-to-end automation platform that offers a range of robotic process automation (RPA) solutions. Palantir shares saw gains after the company secured a \$250 million contract with the U.S. Army to conduct research and development services in the area of artificial intelligence and machine learning. Earlier in the month, Palantir entered into an enterprise agreement with Babcock International Group to strengthen the latter’s digital defense capabilities through Palantir AIP. Roblox shares rallied on the back of a bullish investor pitch. Roblox provides a creator-first digital entertainment platform and a 3D engine, both of which allow third-party developers around the world to create games and experiences for users.

The top detractors include **Block (SQ)**, **Roku (ROKU)**, **Ginkgo Bioworks (DNA)**. Block shares dipped after the company disclosed that the CEO of Square, Alyssa Henry, will depart on October 2nd. Jack Dorsey will step in to manage the seller ecosystem division. Shares of Roku slipped following an analyst downgrade which cited concerns over valuation and slowing revenue growth. Roku is a connected television (CTV) operating system and hardware provider that distributes various streaming platforms to millions of households globally. Shares of Ginkgo Bioworks and other genome names detracted from performance as part of a greater market rotation out of the sector this month. Ginkgo Bioworks announced a partnership with Factorial Biotechnologies to develop a novel enzyme for use in Factorial’s single-cell next-generation sequencing library prep kit.

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	\$60.1m

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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