

# Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 31 October 2023

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

- Major stock markets in October fell compared to the previous month due to factors such as rising long-term interest rates in the United States, turmoil in the Middle East, and financial results announcements by some major companies that pushed down stock prices.
- It is thought that the economy may end up in a slightly more difficult position than a weak one.
- Cyclical indicators such as housing, autos, and inventories have been under recession-like pressure for nearly two years.

## Fund Highlights

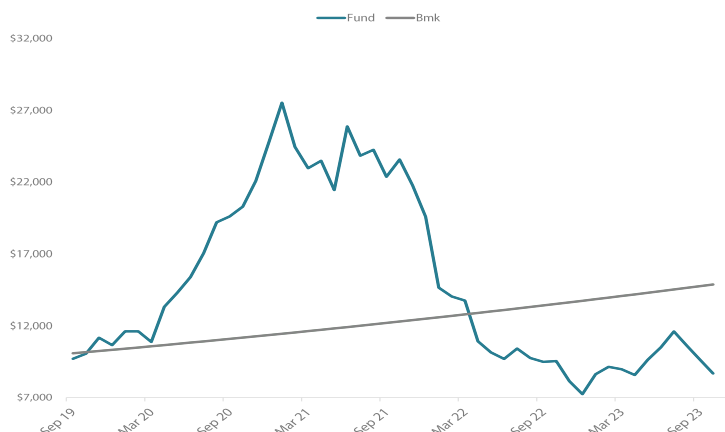
- The strategy returned a negative 7.85% for the month of October.
- The top contributors include Roblox (RBLX), Coinbase (COIN), Pinterest (PINS).
- The top detractors include Tesla (TSLA), Roku (ROKU), Zoom Communications (ZM).

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)
<b>Wholesale<sup>1</sup></b>	-7.85%	-24.64%	-4.23%	-24.17%	
<b>Benchmark<sup>2</sup></b>	0.80%	2.41%	10.00%	9.82%	
<b>Retail<sup>3</sup></b>	-9.87%	-25.23%	-9.03%	-24.66%	
<b>KiwiSaver<sup>3</sup></b>	-9.94%	-25.37%	-9.07%	-26.52%	
<b>NASDAQ<sup>4</sup></b>	1.08%	-2.07%	27.07%	14.59%	

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.
4. NASDAQ-100 Notional Net Total Return Index Unhedged in NZD.

## Since Inception Cumulative Performance, \$10,000 Invested<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.



## Overview

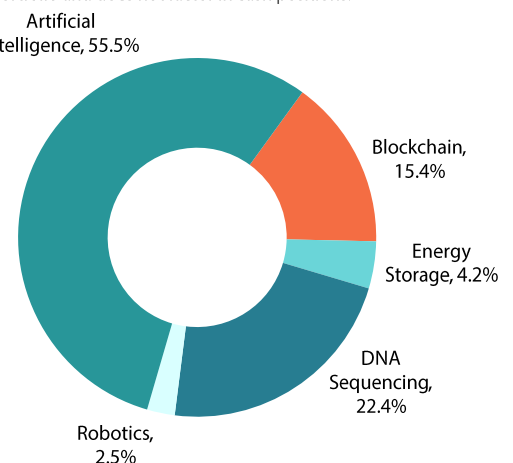
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic 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	17.1	Social Platforms	3.8
Digital Media	15.5	Energy Storage	2.5
Blockchain & P2P	7.9	Molecular Diagnostics	2.4
Big Data & Machine Learning	7.7	Robotics	2.1
E-Commerce	7.4	Next Generation Oncology	2.0
Gene Therapy	6.3	Bioinformatics	1.8
Instrumentation	5.9	Autonomous Vehicles	1.0
Mobile	5.8	Targeted Therapeutics	0.9
Internet of Things	4.6	Development of Infrastructure	0.8
Beyond DNA	4.0	3D Printing	0.5

## Top 10 Holdings (Underlying Fund\*)

	(%)	
Roku	7.49	United States
Coinbase Global	7.48	United States
Zoom Video Communications	7.41	United States
Tesla Motors	7.22	United States
Square	4.75	United States
Draftkings	4.62	United States
Uipath	4.56	United States
Roblox	4.18	United States
Twilio	3.75	United States
Unity Software	3.28	United States

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

Major stock markets in October fell compared to the previous month due to factors such as rising long-term interest rates in the United States, turmoil in the Middle East, and financial results announcements by some major companies that pushed down stock prices. Although it is not as bad as the financial crisis, it is thought that the economy may end up in a slightly more difficult position than a weak one. Cyclical indicators such as housing, autos, and inventories have been under recession-like pressure for nearly two years, and the U.S. economy may be in a rolling recession.

If the fund's predictions that GDP growth, inflation, or both are lower than expected are correct, the rare double-digit growth companies will be rewarded accordingly. The penetration of new technologies accelerates during recessions, as businesses and consumers change their behaviours and habits more quickly than in normal times.

## Fund Commentary

The top contributors include Roblox (RBLX), Coinbase (COIN), Pinterest (PINS). Shares of Roblox rallied after an analyst upgraded the name to 'buy' from 'hold', noting a potential path to a 20% upside. 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. Coinbase shares received a boost amid news that the company received a license to expand its digital payment token services in Singapore. Moreover, the rally in the greater crypto market gave the stock an additional uplift for the month. Pinterest shares soared after the social network reported third-quarter results that handily topped expectations. Revenues hit double-digit growth to rise to \$763 million and global monthly active users rose by 8%. The company also beat profit expectations.

The top detractors include Tesla (TSLA), Roku (ROKU), Zoom Communications (ZM). Shares of Tesla declined following its third quarter earnings as well as industry speculation about a slowdown in EV sales. Tesla missed both top and bottom lines, citing that the decline in vehicle production and delivery was caused by planned downtimes for factory updates. Importantly, Tesla still expects full-year deliveries of 1.8 million vehicles. ARK's research suggests that as EV prices come down thanks to battery cost declines, EV sales will grow from roughly 8 million units in 2022 to 60 million units in 2027. Tesla's superior drivetrain efficiency and vertical integration should allow it to lead the industry in reducing costs. Shares of Roku depreciated as a Wall Street analyst cut the company's estimates and price target, citing a potential reduction in media and entertainment spend in Q4 due to the ongoing Hollywood strike. Shares of Zoom declined on relatively little company specific news. Zoom also highlighted its updated AI roadmap at its annual Zoomtopia conference, announcing new products for document collaboration and AI-assisted contact centre.

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Distributions:</b>	Generally does not distribute.	<b>Strategy Launch:</b>	September 2019
<b>Retail:</b>	1.30% refer to PDS for more details	<b>Investment Manager:</b>	*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).	<b>Strategy size:</b>	\$55.4m
<b>KiwiSaver:</b>	1.25%, refer to PDS for more details.				
<b>Hedging:</b>	Any foreign currency exposure is unhedged.				

## Contact Us

[www.nikkoam.co.nz](http://www.nikkoam.co.nz) | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

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