

Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 30 November 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

- Broad-based global equity indexes (as measured by the MSCI World) rallied sharply during the month as expectations for further rate hikes fell alongside inflation.
- Relative to the MSCI World Index, Information Technology, Real Estate, and Consumer Discretionary sectors outperformed on balance, while the Energy, Consumer Staples, and Health Care sectors lagged.

Fund Highlights

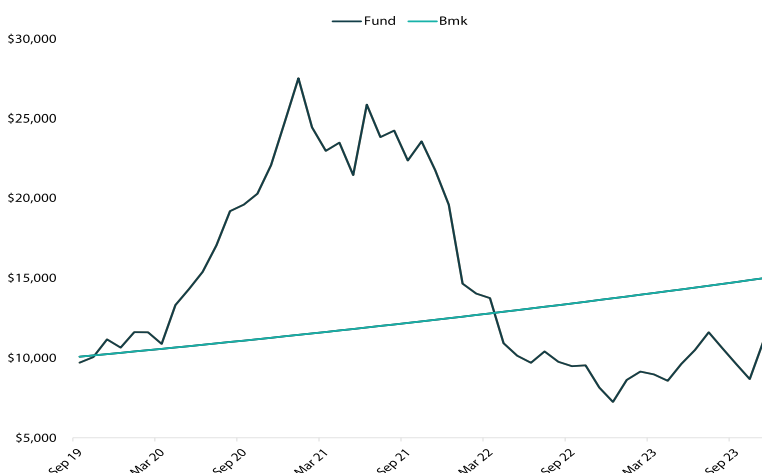
- The strategy returned 22.15% for the month of November, well ahead of its benchmark of 0.80%.
- The top contributors include Roku (ROKU), Coinbase (COIN) and Block (SQ).
- The top detractors include 2U Inc (TWOU), Robinhood (HOOD) and Ginkgo Bioworks (DNA).

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)
Wholesale¹	22.15%	0.83%	26.28%	-20.32%	
Benchmark²	0.80%	2.41%	10.00%	10.00%	
Retail³	27.14%	3.96%	35.55%	-20.65%	
KiwiSaver³	27.37%	4.02%	35.90%	-21.33%	
NASDAQ⁴	4.73%	-0.37%	35.14%	14.72%	

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^{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

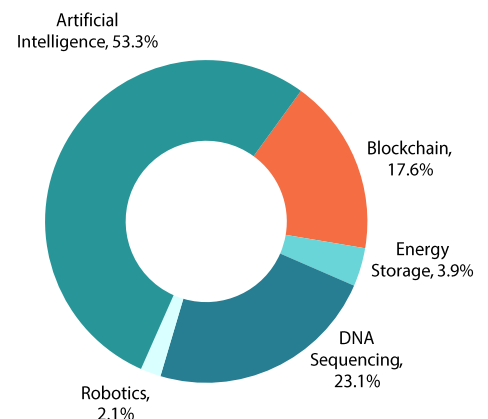
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic 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	15.5	Social Platforms	3.3
Digital Media	15.3	Next Generation Oncology	2.7
Blockchain & P2P	9.2	Energy Storage	2.4
E-Commerce	8.4	Molecular Diagnostics	2.0
Big Data & Machine Learning	8.1	Robotics	1.7
Gene Therapy	6.7	Targeted Therapeutics	1.5
Instrumentation	6.0	Bioinformatics	1.3
Mobile	5.6	Autonomous Vehicles	0.7
Internet of Things	4.8	Development of Infrastructure	0.7
Beyond DNA	3.6	3D Printing	0.4

Top 10 Holdings (Underlying Fund*)

	(%)	
Coinbase	9.22	United States
Roku	9.15	United States
Tesla Motors	7.12	United States
Zoom Video Communications	6.60	United States
Square	5.81	United States
Uipath	4.51	United States
Roblox	3.99	United States
Draftkings	3.98	United States
Crispr Therapeutics	3.69	Switzerland
Twilio	3.63	United States

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes (as measured by the MSCI World) rallied sharply during the month as expectations for further rate hikes fell alongside inflation. Contrary to consensus expectations, ARK expects an economic landing somewhat harder than soft, though not as severe as that associated with the Financial Crisis. The US economy seems to have been in rolling recessions, as cyclically sensitive indicators like housing, autos, and inventories have been under recession-like pressure for nearly two years.

Relative to the MSCI World Index, Information Technology, Real Estate, and Consumer Discretionary sectors outperformed on balance in November, while the Energy, Consumer Staples, and Health Care sectors lagged. 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.

Stocks of innovation-oriented companies have historically performed better and emerged as new market leaders toward the end of a bear market. Provocative proofs of concept from artificial intelligence (AI) generally and ChatGPT specifically are a case in point. Increased demand for AI hardware is pointing toward a significant acceleration in software revenue growth.

Fund Commentary

The top contributors include Roku (ROKU), Coinbase (COIN) and Block (SQ). Roku reported strong third quarter results, growing revenue by 20% year-over-year and beating Wall Street estimates. Coinbase's performance was largely driven by overall crypto strength, with Bitcoin and Ethereum up in November. Block was a contributor to the fund this month. Block reported third quarter earnings, beating Wall Street expectations on both revenue and earnings per share. Now reinstated as the Head of Square at Block, Jack Dorsey committed to reaching the Rule of 40 in 2026 with at least mid-teens gross profit growth and mid-twenties adjusted operating income margin. Dorsey also committed to further collaboration between Square and Cash App.

The top detractors include 2U Inc (TWOU), Robinhood (HOOD) and Ginkgo Bioworks (DNA). Shares of 2U detracted during the month after the company reported disappointing third quarter results that included a significant setback in its computer coding offerings, a casualty perhaps of ChatGPT and other AI breakthroughs. Later in the month, Christopher Paucsek stood down as CEO and was replaced by current CFO Paul Lalljie, effective immediately. Robinhood detracted from performance after reporting third quarter earnings. Revenue grew 29% year-over-year, a deceleration from the second quarter's 53% year-over-year growth. Robinhood announced that it will launch brokerage operations in the UK and crypto trading in the EU in the coming weeks. Ginkgo detracted from performance this month. Shares traded lower during the month after reporting third quarter earnings. The company beat revenue expectations, but the net loss came lower than expected.

Key Fund Facts

Estimated annual fund charges (incl. GST)		Distributions:	Generally does not distribute.	Strategy Launch:	September 2019
Retail:	1.30% 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).	Strategy size:	\$67.3m
KiwiSaver:	1.25%, refer to PDS for more details.				
Hedging:	Any foreign currency exposure is unhedged.				

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