

Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 31 March 2024

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

- In March, major stock markets rose from the end of the previous month due to perceived continued dovish stance of the US Federal Reserve and expectations of interest rate cuts in Europe.
- Relative to the MSCI World Index, the Energy, Materials, Utilities, and Financials sectors outperformed on balance in March.
- Consumer Discretionary, Information Technology, and Consumer Staples sectors lagged.

Fund Highlights

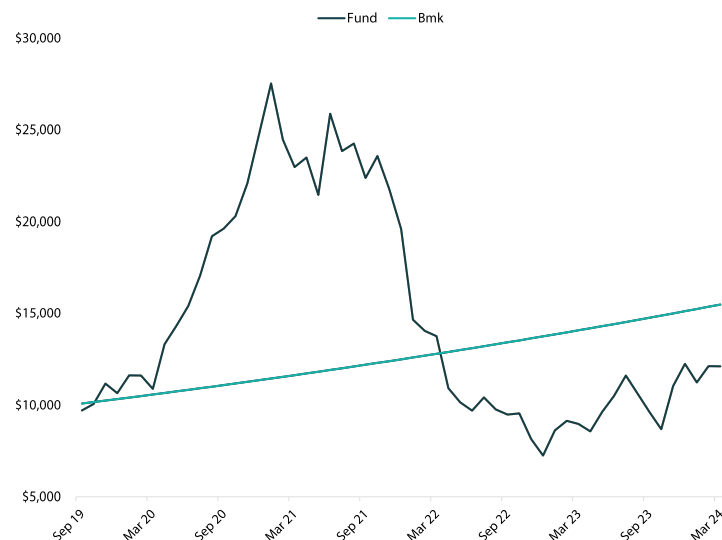
- The strategy return was flat for the month, lagging the benchmark return of 0.80%.
- Key contributors for the month include Coinbase (COIN), Robinhood (HOOD), Block (SQ).
- Key detractors for the month include Tesla (TSLA), CRISPR Therapeutics (CRSP), Recursion Pharmaceuticals (RXRX).

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)
Wholesale¹	0.03%	1.90%	31.64%	-19.27%	
Benchmark²	0.80%	2.41%	10.00%	10.00%	
Retail³	-0.07%	-1.12%	35.00%	-19.22%	
KiwiSaver³	-0.07%	-1.13%	35.30%	-19.27%	
NASDAQ⁴	2.94%	15.27%	45.94%	18.39%	

1. Returns are before tax and before the deduction of fees and including tax credits (if any).
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

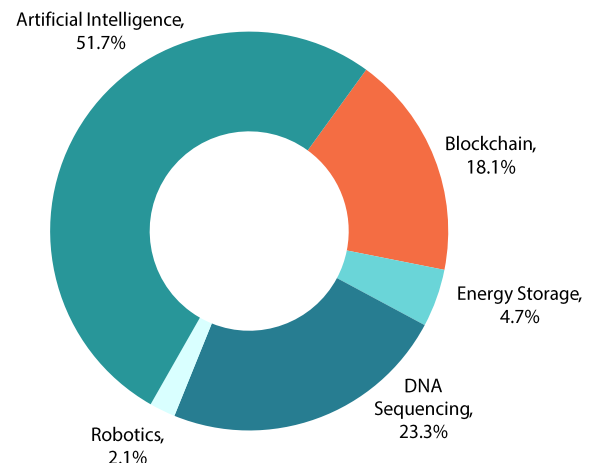
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic 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*)

	(%)		(%)
Digital Media	14.2	Beyond DNA	3.7
Cloud Computing	11.8	Next Generation	3.1
Blockchain & P2P	9.7	Energy Storage	2.8
Big Data & Machine Learning	9.2	Targeted Therapeutics	2.5
E-Commerce	8.4	Robotics	1.8
Mobile	6.6	Bioinformatics	1.6
Gene Therapy	6.3	Molecular Diagnostics	1.6
Instrumentation	5.3	Autonomous Vehicles	1.0
Internet of Things	4.8	Development of	0.9
Social Platforms	4.3	3D Printing	0.3

Top 10 Holdings (Underlying Fund*)

	(%)	
Tesla Motors	8.26	United States
Coinbase Global	8.25	United States
Block	6.63	United States
Roku	6.36	United States
Zoom Video Communications	4.43	United States
Robinhood Markets	4.37	United States
Roblox	3.86	United States
Draftkings	3.70	United States
Crispr Therapeutics	3.48	Switzerland
Palantir Technologies	3.42	United States

Market Commentary (source: ARK Investment Management LLC)

In March, major stock markets rose from the end of the previous month, due to the perceived continued dovish stance of the US Federal Reserve and expectations of interest rate cuts in Europe. On a yen basis, the markets rose more due to the added boost from the yen's depreciation. Relative to the MSCI World Index, the Energy, Materials, Utilities, and Financials sectors outperformed on balance in March, while the Consumer Discretionary, Information Technology, and Consumer Staples sectors lagged. While the Fed is focused on squelching inflation with higher interest rates, the bond market has been signalling trouble ahead. From March 2021 to July 2023, the yield curve inverted from +159 basis points to -108 basis points, hitting the steepest levels since the early 1980s when the Fed was fighting double-digit inflation. Since July 2023, the yield curve has entered a bear steepening, with long-term rates increasing relative to short-term rates, lessening the inversion to basis points and suggesting that both real growth and inflation could surprise on the low side of expectations. 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.

Fund Commentary

Key contributors for the month include Coinbase (COIN), Robinhood (HOOD), Block (SQ).

Coinbase was a contributor to the fund this month, benefiting from continued strength across crypto markets. Bitcoin broke through \$70,000 and set a new all-time high in March. Robinhood was a contributor to the fund this month. The company benefited from a positive research report and was supported by continued strength across cryptocurrencies. In addition, Robinhood unveiled a new credit card offering competitive with other premium cards in the US. Block was a contributor to the fund this month, also benefiting from continued strength across crypto markets.

Key detractors for the month include Tesla (TSLA), CRISPR Therapeutics (CRSP), Recursion Pharmaceuticals (RXRX).

Shares of Tesla detracted from performance during the month amid Wall Street concerns over a slowdown in global EV adoption and on the back of several pieces of company specific news. Some notable events include suspension of operations for one week at its Berlin facility following an arson attack, and an analyst downgrade over concerns that price cuts are having a diminishing effect on demand. Separately, at the end of the month, Elon Musk announced that Tesla, no longer limited by computing power for Artificial Intelligence training, will allow for biweekly software updates to its Full-Self Driving (FSD) feature and offer a one-month free trial to all US-capable cars. CRISPR Therapeutics was a detractor from the fund this on no company specific news. Recursion Pharmaceuticals detracted from the fund this month, after the company reported fourth-quarter results at the end of February, including a decline in revenues on a year-over-year basis, which management attributed to lumpiness in milestone payments.

Key Fund Facts

Estimated annual fund charges (incl. GST)		Distribution:	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:	\$73.0m
KiwiSaver:	1.25%, refer to PDS for more details.				
Hedging:	Any foreign currency exposure is unhedged.				

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