

Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 29 February 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 February, major stock markets rose from the end of the previous month, buoyed mainly by semiconductors and related companies on the back of expectations for artificial intelligence and solid performance.
- Relative to the MSCI World Index, the Consumer Discretionary, Information Technology, and Industrials sectors outperformed on balance in February, while Utilities and Consumer Staples sectors lagged.

Fund Highlights

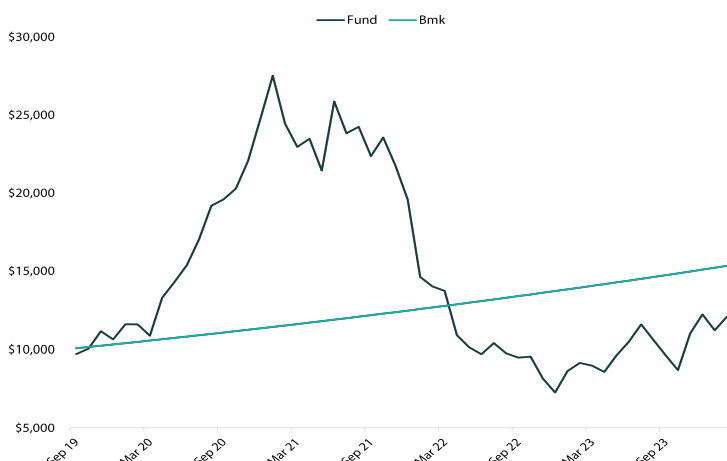
- The strategy returned 12.25% for the month, well ahead of its benchmark return of 0.80%.
- The key contributors for the month include Coinbase (COIN), Robinhood (HOOD), Palantir (PLTR).
- The key detractors for the month include Roku (ROKU), Teladoc (TDOC), Twilio (TWLO).

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)
Wholesale¹	12.25%	12.30%	33.51%	-20.52%	
Benchmark²	0.80%	2.41%	10.00%	10.00%	
Retail³	7.89%	9.85%	32.56%	-20.86%	
KiwiSaver³	7.95%	9.92%	32.84%	-20.83%	
NASDAQ⁴	6.40%	14.64%	53.70%	19.21%	

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

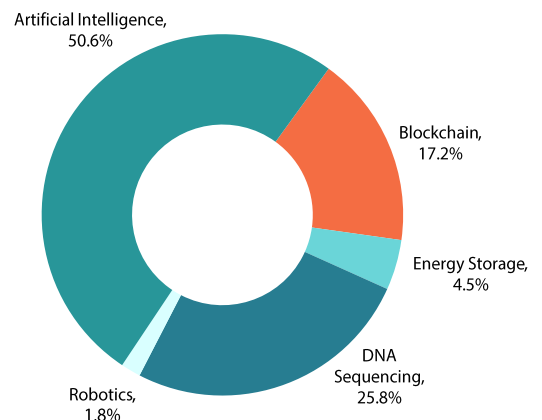
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic 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	13.5	Social Platforms	3.8
Cloud Computing	12.5	Next Generation Oncology	3.6
Big Data & Machine	9.1	Energy Storage	2.7
Blockchain & P2P	9.1	Targeted Therapeutics	2.2
E-Commerce	8.1	Bioinformatics	2.0
Gene Therapy	7.4	Robotics	1.5
Mobile	6.2	Molecular Diagnostics	1.4
Instrumentation	5.9	Autonomous Vehicles	0.9
Internet of Things	4.6	Development of Infrastructure	0.8
Beyond DNA	4.3	3D Printing	0.3

Top 10 Holdings (Underlying Fund*)

	(%)	
Coinbase Global	8.23	United States
Tesla Motors	8.05	United States
Block	6.48	United States
Roku	5.95	United States
Zoom Video Communications	4.67	United States
Crispr Therapeutics	4.17	Switzerland
Robinhood Markets	3.89	United States
Palantir Technologies	3.63	United States
Draftkings	3.60	United States
Roblox	3.57	United States

Market Commentary (source: ARK Investment Management LLC)

In February, major stock markets rose from the end of the previous month, buoyed mainly by semiconductors and related companies on the back of expectations for artificial intelligence and solid performance. Relative to the MSCI World Index, the Consumer Discretionary, Information Technology, and Industrials sectors outperformed on balance in February, while the Utilities 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 -39 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), Palantir (PLTR).

On the back of crypto asset appreciation and volatility, Coinbase reported 50% year-over-year growth in net revenue for the fourth quarter of 2023. Robinhood reported strong fourth quarter earnings with 24% year-over-year growth in revenue, beating Wall Street estimates. The company also reported a substantial \$4.6B in net deposit inflows for the fourth quarter of 2023, with \$1.3 billion of this amount coming from brokerage account transfers from its competitors. Palantir was a contributor to the fund after the company reported their fourth quarter earnings. US Commercial revenue grew 70% year-over-year, a significant acceleration from 33% year-over-year growth last quarter, driven by the success of Palantir's AIP bootcamps. The company exceeded their original goal of holding 500 bootcamps in 2023, having held 560 in total, as enterprises continue to search for a comprehensive and flexible platform through which they can integrate AI into their businesses.

Key detractors for the month include Roku (ROKU), Teladoc (TDOC), Twilio (TWLO).

Roku was a detractor from the fund this month following the announcement of its fourth quarter earnings, compounded by news of a giant retail chain acquiring connected TV competitor Vizio. Roku's total revenue for 2023 grew 11% year-over-year, and total active accounts reached 80 million, surpassing the subscriber count of the six largest traditional pay-TV providers in the US combined. While the acquisition of Vizio will decrease shelf space for Roku TVs at the retailer, we believe that Roku is well-diversified in its distribution channel. Shares of Teladoc detracted from performance this month after the company reported fourth-quarter results, including single digit quarterly and annual revenue growth and guidance of single-digit growth for the first quarter and full year, all of which were lower than expected. Twilio detracted from fund performance after the company reported their fourth quarter earnings. Quarterly revenue grew 5% year-over-year, similar to last quarter. Twilio's management is also conducting an operational review of Segment, their customer data platform, which they say is growing below their expectations.

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:	\$73.6m
KiwiSaver:	1.25%, refer to PDS for more details.				
Hedging:	Any foreign currency exposure is unhedged.				

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