

Factsheet 31 January 2020

NIKKO AM ARK DISRUPTIVE INNOVATION FUND

Market Overview

- During January, the broad-based global equity indexes - as measured by the MSCI World – continued to advance until giving back returns at the end of the month due to the Coronavirus outbreak. Businesses found two more reasons to be cautious, holding back on inventory accumulation and capital spending, while consumer spending, especially in the US, was firm.
- Relative to the MSCI World Index, Utilities, Information Technology and Real Estate all outperformed, while Energy, Materials, and Financial Services lagged.

Fund Highlights

- The portfolio benefited from sizeable moves in Tesla (TSLA), Square (SQ), Invitae (NVTX), Compugen (CGEN), and MercadoLibre (MELI).
- Detracting from performance were Illumina (ILMN), CRISPR Therapeutics (CRSP), 2U (TWOU), Intellia Therapeutics (NTLA), and Stratasys (SSYS)

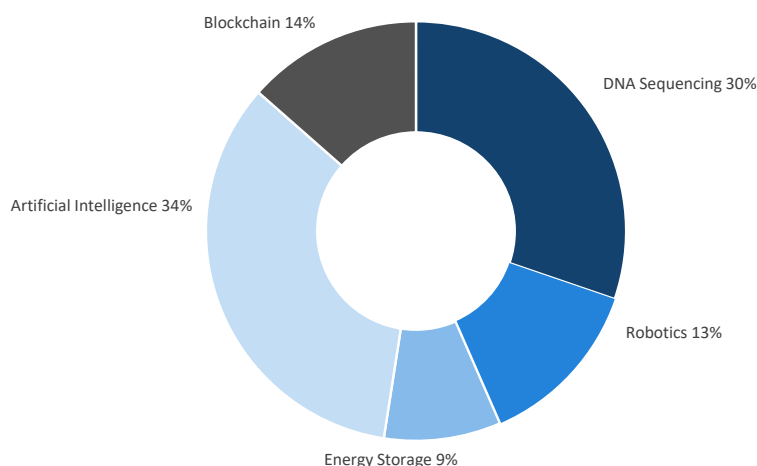
Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Retail ¹	9.04%	15.50%				
Benchmark ²	0.80%	2.41				

1. Returns are before tax and after the deduction of fees and expenses and including tax credits (if any). Based on change in unit price.

2. Absolute return of 10% per annum. No fees, expenses or 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

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.

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.

Portfolio Composition (Underlying Fund*)

	%		%
E-Commerce	11.77%	Bioinformatics	4.04%
Gene Therapy	11.55%	Beyond DNA	3.04%
3D Printing	9.37%	Energy Storage	2.95%
Big Data & Machine Learning	8.97%	Targeted Therapeutics	2.68%
Instrumentation	7.69%	Mobile	2.49%
Molecular Diagnostics	6.70%	Social Platforms	1.98%
Cloud Computing	5.28%	Blockchain & P2P	1.44%
Internet of Things	5.02%	Development of Infrastructure	1.10%
Digital Media	4.47%	Next Generation Oncology	0.75%
Autonomous Vehicles	4.45%	Stem Cells	0.01%
Robotics	4.26%		

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors, Inc.	10.30%	US
Square, Inc. Class A	7.56%	US
Illumina, Inc.	6.72%	US
Invitae Corp	5.50%	US
Crispr Therapeutics Ag	4.60%	Switzerland
Stratasys Ltd	3.70%	US
Editas Medicine Inc	3.37%	US
2U, Inc.	3.25%	US
Roku Inc	3.01%	US
Nanostring Technologies Inc	2.98%	US

Market Commentary (source: ARK Investment Management LLC)

During January, the broad-based global equity indexes - as measured by the MSCI World – continued to advance until giving back returns at the end of the month due to the coronavirus outbreak. Businesses found two more reasons to be cautious, holding back on inventory accumulation and capital spending, while consumer spending, especially in the US, was firm. The market seemed to be discounting a cyclical rebound as businesses address inventory shortages, especially given the disruption in Asian supply chains.

Relative to the MSCI World Index, Utilities, Information Technology and Real Estate all outperformed, while Energy, Materials, and Financial Services lagged.

We believe that as the economy reaccelerates, productivity gains should offset the impact of accelerated wage gains in the developed world and China, limiting inflation, while the combination of tax reform and deregulation in the US continues to boost returns on invested capital. Meanwhile, monetary easing moves combined with income tax and tariff cuts should breathe new life not only into China and the AsiaPacific region but also into Europe and North America. As a result, interest rates should turn up, the increase in long rates probably lagging that in short rates as inflation continues to surprise on the low side of expectations, causing a flatter if not inverted yield curve over time.

Fund Commentary

The Portfolio benefited from sizeable moves in Tesla (TSLA), Square (SQ), Invitae (NVTA), Compugen (CGEN), and Mercadolibre (MELI). Tesla beat fourth quarter earnings and revenue expectations and announced plans to increase deliveries from 367,000 in 2019 to more than 500,000 vehicles in 2020. Elon Musk also said that Tesla would deliver the Model Y this quarter, ahead of expectations, and reiterated that the Berlin Gigafactory will start production in 2021. At the end of January, Tesla signed battery supply agreements for its Shanghai plant with both LG Chem and CATL. In January, Square (SQ) started to charge sellers a 1.5% fee for instant-transfers, a policy that was seen favourably by several analysts who in turn increased their ratings of the company. Furthermore, Square announced a partnership with UPS which increases the value proposition of Square’s e-commerce and omnichannel offering to merchants. In addition, Square won a patent for a fiat-to-crypto payment technology while Square Crypto unveiled its first product, the Lightning Developer Kit. The Lightning Network is a second layer Bitcoin solution enabling rapid and low-cost transactions, including microtransactions. Over the last month, Square received price upgrades from Bank of America, Stephens, Bernstein, and KBW. Credit Suisse initiated its coverage of Square with an outperform rating.

Detracting from performance were Illumina (ILMN), CRISPR Therapeutics (CRSP), 2U (TWOU), Intellia Therapeutics (NTLA), and Stratasys (SSYS). CRISPR (CRSP) underperformed as investors took profits after the stock’s significant rally during the fourth quarter in response to preliminary data which suggested that a patient with sickle cell disease was cured in a clinical trial conducted in conjunction with Vertex Pharmaceuticals (VRTX). Shares of Illumina (ILMN) traded down after it guided towards a slowdown in its microarray business, largely a function of a deceleration in direct-to-consumer genotyping. Illumina also gave an annual revenue growth guidance range of 9-11%, lower than many analysts’ expectations. That said, Illumina’s breakthrough in high-resolution optics was encouraging and could become important in sequencing a whole human genome for \$100.

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: 1.33%, refer PDS for more details	4 September 2019	\$0.254m
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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