Factsheet 30 April 2020

# NIKKO AM ARK DISRUPTIVE INNOVATION FUND

## Market Overview

- During April, broad-based global equity indexes - as measured by the MSCI World – rebounded from the coronavirus crisis at the fastest monthly rate since 2009. While fiscal and monetary policy makers were responding with record-breaking measures to “flatten the curve” and slow the spread of COVID-19, fears of a global recession - if not depression - began to dissipate.
- According to the CBOE volatility index, after spiking to closing levels above those hit during the global financial crisis in 2008, volatility in the equity markets dropped by more than half. Meanwhile, US Treasury yields stabilized, the 10-year yield in the mid to high 60 basis point (bp) range and the 90-day rate just below 10 bp, flattening the yield curve slightly.

## Fund Highlights

- The portfolio benefited from sizeable moves in Tesla (TSLA), Roku (ROKU), Compugen (CGEN), Square (SQ), and LendingTree (TREE).
- Detracting from performance were Aerovironment (AVAV), Lending Club (LC), Organovo (ONVO), Teladoc (TDOC), and Iridium (IRDM).

## 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

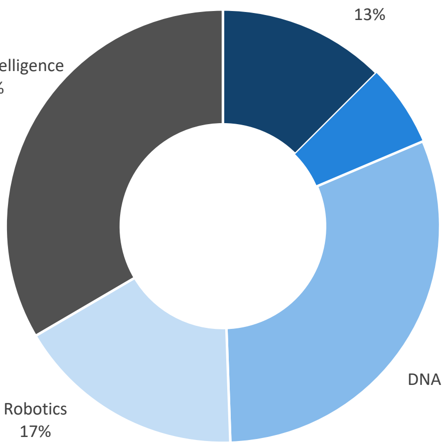
The fund aims to achieve an absolute return of 10% per annum over a rolling five year period before fees, expenses and taxes.

## Performance

| | One month | Three months | One year | Three years (p.a) | Five years (p.a) | Ten years (p.a) |
|---|---|---|---|---|---|---|
| Retail[1] | 22.41% | 14.65% | | | | |
| 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

## Portfolio Composition (Underlying Fund*)

| | % | | % |
|---|---|---|---|
| E-Commerce | 11.70 | Mobile | 3.61 |
| 3D Printing | 10.57 | Energy Storage | 2.96 |
| Big Data & Machine Learning | 8.31 | Beyond DNA | 2.87 |
| Gene Therapy | 8.09 | Targeted Therpeutics | 2.57 |
| Cloud Computing | 7.62 | Social Platforms | 2.33 |
| Instrumentation | 7.43 | Autonomous Vehicles | 2.17 |
| Molecular Diagnostics | 6.24 | Next Generation Oncology | 1.45 |
| Robotics | 5.57 | Space Exploration | 0.94 |
| Internet of Things | 5.47 | Development of Infrastructure | 0.93 |
| Bioinformatics | 4.45 | Blockchain & P2P | 0.84 |
| Digital Media | 3.90 | Stem Cells | 0.01 |

## Top 10 Holdings (Underlying Fund*)

| | % | Country |
|---|---|---|
| Tesla Motors, Inc. | 9.09% | US |
| Square, Inc. Class A | 7.13% | US |
| Illumina, Inc. | 6.09% | US |
| Invitae Corp | 5.34% | US |
| Roku Inc | 4.77% | US |
| Crispr Therapeutics Ag | 4.52% | Switzerland |
| 2U, Inc. | 4.28% | US |
| Proto Labs, Inc. | 3.93% | US |
| Zillow Group, Inc. Class C | 3.67% | US |
| Lendingtree Inc | 3.63% | US |

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

During April, broad-based global equity indexes - as measured by the MSCI World – rebounded from the coronavirus crisis at the fastest monthly rate since 2009. While fiscal and monetary policy makers were responding with record-breaking measures to "flatten the curve" and slow the spread of COVID-19, fears of a global recession - if not depression - began to dissipate. According to the CBOE VIX, after spiking to closing levels above those hit during the global financial crisis in 2008, volatility in the equity markets dropped by more than half. Meanwhile, US Treasury yields stabilized, the 10-year yield in the mid to high 60 basis point (bp) range and the 90-day rate just below 10 bp, flattening the yield curve slightly.

Relative to the broader equity index, Consumer Discretionary, Energy, and Materials outperformed, while Utilities, Consumer Staples, and Financial Services lagged.

While the panic seems to have peaked, the equity market could remain choppy in a so-called bottoming process. In our view, the markets discounted a significant amount of bad news and may have overdone it in March. If anything, the stock rout highlighted the seriousness of COVID-19, not only galvanizing the government policymakers around the world into sweeping moves to mitigate and reverse its impact on the global economy but also impressing upon individuals and businesses the importance of contributing to the solution with social distancing and better hygiene. Meanwhile, while terrible for oil producers, the drop in oil prices ultimately will result in a significant increase in purchasing power for most consumers and businesses, as was the case in early 2016. In addition, now that the consumer saving rate in the US has soared to a record breaking 13%+, likely mirroring rates in the rest of the world, pent-up consumer demand should support the recovery, potentially catching businesses off guard and scrambling to catch up.

As the coronavirus (COVID-19) strengthened its grip on the globe, we are gratified that government policymakers were laser-focused on cushioning the blow and partnering with companies offering innovative solutions to the problems the disease is causing. During times of fear, uncertainty, and doubt, businesses and consumers are more willing to change their behavior and seek innovative products and services that are more productive, cheaper, faster, and/or more creative. As a result, innovation takes root and typically gains significant market share during tumultuous times. The pandemic was one of those times. Now, in many regions of the world, starting with China, it's time to get back to work.

## Fund Commentary

The fund benefited from sizeable moves in Tesla (TSLA), Roku (ROKU), Compugen (CGEN), Square (SQ), and LendingTree (TREE). Tesla (TSLA) exceeded first quarter expectations thanks to much higher than anticipated auto margins in China. Tesla reported earnings per share of $1.24, well above the loss expected. The US Treasury approved Square (SQ) to distribute Paycheck Protection Program (PPP) payments in the next $310 billion round. Square enables businesses to receive PPP funds from the Small Business Administration (SBA) in days, while traditional banks can take weeks. Importantly, by approving Square and other Fintech companies for PPP distribution, the Treasury is validating the 'Fintech' space. LendingTree (TREE) announced that the demand for credit - including credit cards, personal loans, and business loans - has dropped 60-80% while inquiries about mortgages and insurance have held up relatively well. To connect small businesses with SBA-approved PPP lenders, it has launched another lending marketplace.

Detracting from performance were Aerovironment (AVAV), Lending Club (LC), Organovo (ONVO), Teladoc (TDOC), and Iridium (IRDM). While funding-related uncertainties may have contributed to a decline in Aerovironment's (AVAV) stock price, its unmanned aerial systems added roughly $13 million in global contracts. LendingClub (LC) reacted to concerns about bad loans in an economically challenging environment. In response, the company cut ~30% of its workforce and reduced compensation for top management. These moves should increase the odds that regulators will approve its acquisition of Radius Bank. Shares of Organovo (ONVO) languished after management terminated its proposed merger with Tarveda.

## 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 | $0.512m |

**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).

## Contact Us

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