Factsheet 31 July 2020

NIKKO AM ARK DISRUPTIVE INNOVATION FUND

Market Overview

- During July, broad-based global equity indexes - as measured by the MSCI World – appreciated meaningfully, primarily because of “better than feared” earnings, particularly in the innovation space. Reinforcing the positive sentiment were upside surprises in housing, autos, capital spending, and other cyclical indicators.
- Relative to the MSCI World Index, Materials, Consumer Discretionary, and Utilities outperformed, while Energy, Financial Services, and Real Estate underperformed.

Fund Highlights

- The fund benefited from sizeable moves in Tesla (TSLA), Square (SQ), Roku (ROKU), 2U (TWOU), and Pinterest (PINS).
- Detracting from performance were Intellia Therapeutics (NTLA), Slack (WORK), Compugen (CGEN), Stratasys (SSYS), and Seres Therapeutics (MCRB).

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

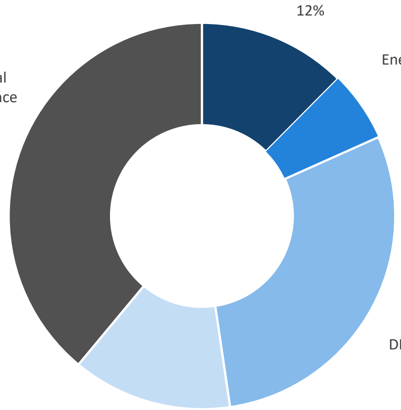
The fund aims to achieve an absolute return of 10% per annum over a rolling five year period before fees, expenses and taxes.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Retail[1]	10.78%	28.08%				
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

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Nikko Asset Management

Portfolio Composition (Underlying Fund*)

	%		%
E-Commerce	11.91	Bioinformatics	3.51
Cloud Computing	10.80	Beyond DNA	3.10
Gene Therapy	8.95	Targeted Therapeutics	2.99
Big Data & Machine Learning	8.39	Energy Storage	2.75
3D Printing	7.00	Social Platforms	2.67
Molecular Diagnostics	6.68	Autonomous Vehicles	2.26
Digital Media	6.05	Next Generation Oncology	1.72
Internet of Things	5.25	Space Exploration	1.19
Robotics	5.17	Development of Infrastructure	0.86
Instrumentation	4.16	Blockchain & P2P	0.51
Mobile	4.04	Stem Cells	0.01

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors, Inc.	8.45%	US
Square, Inc. Class A	8.01%	US
Roku Inc	6.34%	US
Crispr Therapeutics Ag	5.94%	Switzerland
Invitae Corp	5.87%	US
2U, Inc.	4.55%	US
Lendingtree Inc	3.54%	US
Zillow Group, Inc. Class C	3.52%	US
Proto Labs, Inc.	3.15%	US
Slack Technologies Inc	3.01%	US

Market Commentary (source: ARK Investment Management LLC)

During July, broad-based global equity indexes - as measured by the MSCI World – appreciated meaningfully, primarily because of "better than feared" earnings, particularly in the innovation space. Reinforcing the positive sentiment were upside surprises in housing, autos, capital spending, and other cyclical indicators. Importantly, much like policymakers around the world, the Fed left investors with no doubt that it will err on the side of ease than risk a relapse into recession given the resurgence of COVID-19 related "hot spots", and Congress began debating the next round of fiscal policy measures to support the economy until a vaccine is available. Because fiscal and monetary policymakers have responded with record-breaking measures to "flatten the curve" and slow the spread of COVID-19, fears of an extended global recession have dissipated, giving way to early concerns about "how much is too much". In this presidential election year, US policymakers have been particularly active which may explain why the dollar declined more than 5% last month. As Treasury yields declined, the 10-year yield slipped nearly twice as much as the three-month bill rate, -13 bp and -6 bp, respectively, flattening the yield curve.

Relative to the MSCI World Index, Materials, Consumer Discretionary, and Utilities outperformed, while Energy, Financial Services, and Real Estate underperformed.

Because the panic has peaked and most countries have "bent the curve", curbing the spread of COVID-19, the equity market as measured by the MSCI World has recovered more than half of this year's loss. Growth stocks, particularly those associated with companies solving problems created by the coronavirus, have outperformed value stocks significantly, perhaps because of fears of a relapse into recession and because of the "creative destruction" that innovation is fomenting in traditional value sectors like financial services, energy, and industrials. That said, cyclical sectors should benefit as producers scramble to catch up with consumer demand. The consumer saving rate in the US has continued at record-breaking levels, 34% in April and 24% in May, and 19% in June, likely mirroring high rates in the rest of the world and suggesting that pent-up demand will support the recovery now underway. Indeed, given the record-breaking drawdown in retail inventories during the second quarter, businesses seem to have been caught off guard and could cause a much stronger than expected V-shaped recovery during the next year.

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 on 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 and after tumultuous times.

Fund Commentary

The fund benefited from sizeable moves in Tesla (TSLA), Square (SQ), Roku (ROKU), 2U (TWOU), and Pinterest (PINS). Tesla posted a profitable second quarter, beating earnings expectations and setting the stock up for potential S&P 500 inclusion. Elon Musk also tweeted that Tesla would be open to licensing software and supplying battery powertrains to competitors. Tesla continues to lead the industry in autonomous electric cars as the transition for traditional automakers has been made more difficult by COVID-19. Square (SQ) appreciated in July as the investor community started to appreciate the potential of Cash App, which is profiting from a change in consumer preferences towards digital banking experiences. In July, Square acquired Stitch Labs, an operations management platform, to further build out its seller ecosystem. Pinterest (PINS) traded up after reporting better than expected second quarter revenue and user growth. In a rough ad market, Pinterest was able to grow revenues 4% year over year to $272 million. The big surprise this quarter was Pinterest's accelerated user growth. Pinterest grew international users 49% year over year to 321 million, which helped drive total users up 39% to 416 million.

Detracting from performance were Intellia Therapeutics (NTLA), Slack (WORK), Compugen (CGEN), Stratasys (SSYS), and Seres Therapeutics (MCRB). Intellia Therapeutics (NTLA) was down perhaps because of COVID-19 delays on clinical trial recruitment and IND enabling activities. Slack (WORK) declined following downgrades from Goldman Sachs and Wedbush on competitive concerns from Microsoft. Stratasys's stock traded down because management teams from 3D printing peers Materialise and Proto Labs estimated a slow global recovery.

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	$19.2m

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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