Factsheet 31 August 2020

NIKKO AM ARK DISRUPTIVE INNOVATION FUND

Market Overview

- During August, broad-based global equity indexes appreciated meaningfully once again, 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.
- 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

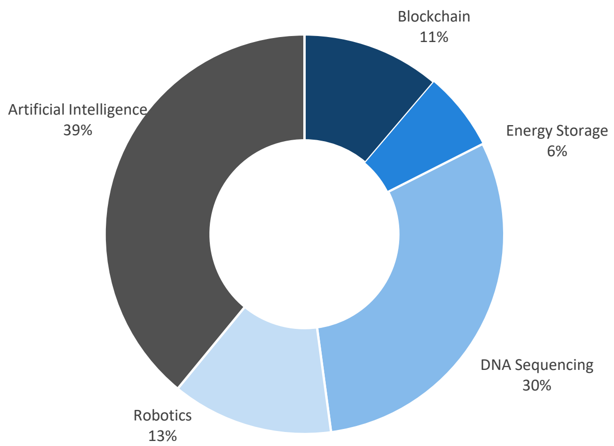
The fund aims to achieve an absolute return of 10% per annum over a rolling five year period before fees, expenses and taxes.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Retail[1]	12.60%	34.12%	92.02%			
Benchmark[2]	0.80%	2.41%	10.00%			

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*)

	%		%
Cloud Computing	11.01	Robotics	4.02
E-Commerce	10.33	Instrumentation	3.72
Gene Therapy	8.52	Energy Storage	3.34
3D Printing	8.02	Targeted Therpeutics	3.02
Big Data & Machine Learning	7.58	Social Platforms	2.06
Molecular Diagnostics	6.59	Autonomous Vehicles	1.95
Digital Media	6.08	Next Generation Oncology	1.71
Internet of Things	5.64	Development of Infrastructure	1.04
Beyond DNA	4.75	Space Exploration	1.03
Mobile	4.67	Blockchain & P2P	0.89
Bioinformatics	4.04		

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors, Inc.	10.25%	US
Square, Inc. Class A	6.11%	US
Invitae Corp	5.94%	US
Roku Inc	5.49%	US
Crispr Therapeutics Ag	5.22%	Switzerland
2U, Inc.	3.68%	US
Proto Labs, Inc.	3.51%	US
Slack Technologies Inc	3.08%	US
Zillow Group, Inc. Class C	3.05%	US
Editas Medicine Inc	2.72%	US

Market Commentary (source: ARK Investment Management LLC)

During August, broad-based global equity indexes appreciated meaningfully once again, 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. Chairman Powell announced an intensified focus on employment indicators and suggested an asymmetric response to inflation indicators. Specifically, given the long period of time that inflation has hovered below its 2% target, the Fed will not react immediately to readings above 2% yet, if inflation were to rise and then drop back below the 2% target, the Fed would respond in short order. Because fiscal and monetary policy makers 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 continued to decline in July. While Treasury yields stabilized at the short end of the curve, the 10-year yield backed up 18bp to 0.71%, steepening the yield curve fairly significantly at this low level of rates, a positive cue for the cyclical outlook.

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 recovered to an all-time high in August. Growth stocks, particularly those associated with companies solving problems created by the coronavirus, have outperformed value stocks significantly. That said, cyclical sectors should benefit as producers scramble to catch up with consumer demand. The consumer saving rate in the US dropped from a record high 34% in April but is still more than twice as high than the 8% recorded in March. Indeed, given the record-breaking drawdown in inventories during the second quarter, businesses seem to have been caught off guard and are scrambling to catch up, pointing to 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), Seres Therapeutics (MCRB), Square (SQ), Invitae (NVTA), and Materialise (MTLS). Tesla's stock rose following news of its five to one stock split. ARK's most recent research demonstrates that Tesla could profitably launch a ride-hailing network with human drivers ahead of releasing fully autonomous functionality. ARK is updating the bear case stock price target to reflect this new research. Seres Therapeutics (MCRB) rose to new highs following the announcement of positive top line results for its phase 3 microbiome therapeutic, SER-109 for C. Difficile Infection (CDI). The company will meet with the Food and Drug Association (FDA) to discuss possible product approval from this pivotal trial and serves as validation of the Seres' microbiome therapeutics platform. Square (SQ) appreciated after posting stronger than expected second quarter earnings and on reports that Cash App’s payment volume rebounded from weakness in early August. Also surprising, Cash App’s monthly active users (MAUs) doubled in only 18 months, from 15 million in December 2018 to 30 million as of June 30.

Detracting from performance were 2U (TWOU), LendingTree (TREE), Pure Storage (PSTG), Illumina (ILMN), and Cerus (CERS). 2U (TWOU) depreciated after it announced a $300 million secondary. Pure Storage (PSTG) underperformed likely because management guided towards sequentially flat revenue growth and slightly negative operating cash flow for the third quarter of 2020. Shares of Illumina (ILMN) fell after the company announced a 25% year-over-year revenue decline brought on by COVID-19. Management elaborated that while clinical volumes increased throughout the second quarter, the research market remained sluggish. Investors also seemed disappointed to hear that NGS still is not taking share of COVID-19 diagnostic testing despite Illumina's more optimistic commentary from earlier in 2020. Finally, Illumina announced a price cut to its NovaSeq reagents, lowering whole genome sequencing costs from $1,000 to $600.

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	$24.7m

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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