

Factsheet 30 November 2020

NIKKO AM ARK DISRUPTIVE INNOVATION STRATEGY

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

- During November, as V-shaped recovery surprises multiplied around the world, broad-based global equity indexes rebounded significantly after a few months of consolidation. While political gridlock hindered the next phase of stimulus in the US, monetary policies around the world remained supportive as the number of European and US coronavirus cases/fatalities surged, calling into question the sustainability of global economic growth.
- Since the bottom of the market during the coronavirus crisis, growth stocks particularly those associated with companies solving problems created by the pandemic have outperformed value stocks significantly. This divergence could be a function of fears of a relapse into recession and the “creative destruction” that innovation is fomenting in traditional value sectors like financial services, energy, and industrials.

Fund Highlights

- The portfolio benefited from sizeable moves in Tesla (TSLA), Roku (ROKU), Slack Technologies (WORK), CRISPR Therapeutics (CRSP), and Square (SQ). In November, news broke that Tesla will be added to the S&P 500 later this year.
- Detracting from performance were LendingTree (TREE), 2U (TWOU), Editas Medicine (EDIT), Tencent (700 HK), and Exact Sciences (EXAS). LendingTree (TREE) traded down after it missed analysts' revenue estimates for the third quarter and its fourth quarter outlook missed expectations.

Performance

	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Wholesale ¹	-	-	-			
Benchmark ²	0.80%	2.41%	10.00%			
Retail ³	8.79%	14.98%	97.71%			
KiwiSaver	-	-	-			

1. Returns are before tax and before the deduction of fees.

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.

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.



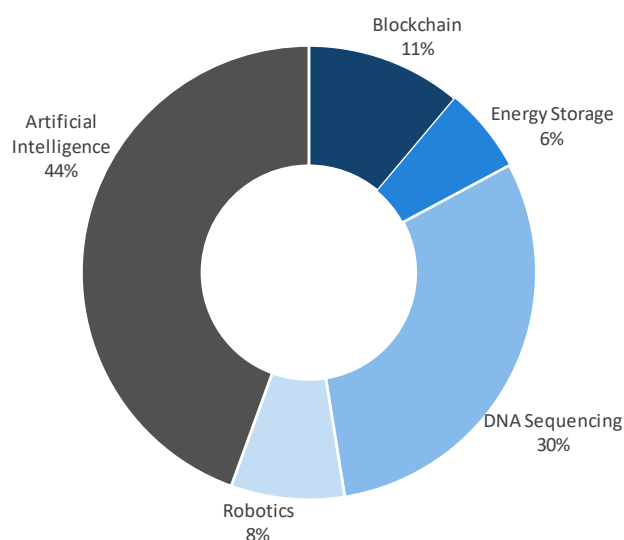
ARK's transparent research approach is highly differentiated, seeking to capitalise on insights across multiple mediums.

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*)

	%		%
Cloud Computing	13.27	Energy Storage	2.84
E-Commerce	9.94	Instrumentation	2.30
Gene Therapy	9.23	Targeted Therapeutics	2.21
Digital Media	9.20	Autonomous Vehicles	1.99
Molecular Diagnostics	8.43	Robotics	1.48
Big Data & Machine Learning	6.96	Next Generation Oncology	1.42
Mobile	6.48	Social Platforms	1.38
3D Printing	6.14	Blockchain & P2P	1.27
Internet of Things	5.00	Development of Infrastructure	0.87
Beyond DNA	4.56	Space Exploration	0.87
Bioinformatics	4.17		

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors, Inc.	9.17	US
Invitae Corp	6.92	US
Roku Inc	6.77	US
Crispr Therapeutics Ag	5.97	Switzerland
Square, Inc. Class A	5.59	US
Slack Technologies Inc	4.23	US
Teladoc Health, Inc.	4.02	US
Spotify Technology Sa	2.78	Sweden
Proto Labs, Inc.	2.77	US
Pure Storage Inc	2.70	US

Market Commentary (source: ARK Investment Management LLC)

During November, as V-shaped recovery surprises multiplied around the world, broad-based global equity indexes rebounded significantly after a few months of consolidation. While political gridlock hindered the next phase of stimulus in the US, monetary policies around the world remained supportive as the number of European and US coronavirus cases/fatalities surged, calling into question the sustainability of global economic growth. As a result, the US Treasury yield curve began to flatten once again, suggesting that bond investors are anticipating slower real GDP growth, lower inflation, or both. Both the 10-year Treasury bond yield and the 90-day Treasury bill rate slipped slightly.

Since the bottom of the market during the coronavirus crisis, growth stocks - particularly those associated with companies solving problems created by the pandemic - have outperformed value stocks significantly. This divergence could be a function of fears of a relapse into recession and the “creative destruction” that innovation is fomenting in traditional value sectors like financial services, energy, and industrials.

That said, cyclical sectors around the world are beginning to benefit as producers continue to catch up with consumer demand and as significant capital spending declines in energy and other disrupted industries curb supply and support prices. The consumer saving rate in the US dropped from a record high 34% in April but still is 13.6%, more than 50% above the 8% recorded in March, suggesting that pent-up demand will continue to support the recovery now underway. Indeed, given the record-breaking drawdown in US inventories during the second quarter and continued liquidation in the third quarter, businesses still are scrambling, pointing to a continued V-shaped recovery in the US and Asia during the next year. At the same time, companies like Exxon are writing down fixed assets and cutting capital spending, pointing to a resurgence of oil prices if the V-shaped recovery continues apace.

As the coronavirus (COVID-19) strengthened its grip on the globe this year, we have been 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, cost-effective, faster, and/or creative. As a result, innovation takes root and typically gains significant market share during and after tumultuous times.

Fund Commentary

The portfolio benefited from sizeable moves in Tesla (TSLA), Roku (ROKU), Slack Technologies (WORK), CRISPR Therapeutics (CRSP), and Square (SQ). In November, news broke that Tesla will be added to the S&P 500 later this year. Later in the month, Tesla received approval to sell the Model Y in China and announced it would start producing chargers locally in China as well. China's auto sales rose 12.5% in October, the fourth straight monthly gain, boosting Chinese auto stocks in November. Tesla has a 15.9% share of Chinese electric vehicle sales as of the trailing twelve months leading to October, while BYD has 12% and BAIC has 6%. Roku (ROKU) traded higher in the month following rumors that it was close to nearing a deal with AT&T for HBO Max. The company also added Apple Airplay, a feature long requested by users. Roku continues to benefit from the pandemic-driven linear TV advertising shift. Slack (WORK) traded higher following reports that it would be acquired by Salesforce. The deal closed in early December for \$28 billion. Square (SQ) traded up in November following strong third quarter earnings. Cash App continued to post triple-digit year-over-year growth numbers and generated 174% and 212% more revenue (excluding Bitcoin) and gross profit than last year.

Detracting from performance were LendingTree (TREE), 2U (TWOU), Editas Medicine (EDIT), Tencent (700 HK), and Exact Sciences (EXAS). LendingTree (TREE) traded down after it missed analysts' revenue estimates for the third quarter and its fourth quarter outlook missed expectations. 2U (TWOU) was negatively impacted by expectations that students would “return to school” after the availability of a coronavirus vaccine. We believe this is a misunderstanding of the trends driving 2U's business. Tencent (700.HK) traded down given US-China tension, Beijing's crackdown on Jack Ma, as well as new tech company regulations

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 KiwiSaver: 1.25% refer to PDS for more details	4 September 2019	\$38.2m

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).

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