

Factsheet 31 December 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 December global equity markets continued to rebound. While political gridlock hindered the next phase of fiscal 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.
- Relative to the MSCI World Index, Materials, Technology, and Consumer Discretionary outperformed, while Utilities, Real Estate, and Industrials lagged.

Fund Highlights

- The fund benefited from sizeable moves in Editas (EDIT), Tesla (TSLA), CRISPR (CRSP), Intellia (NTLA) and Roku (ROKU).
- Detracting from performance were Invitae (NVTA), Zoom (ZM), Seres (MCRB), Veracyte (VCYT), and Splunk (SPLK).

Performance

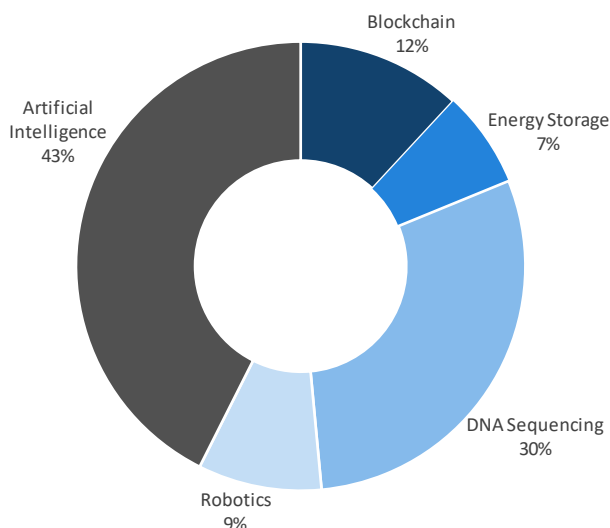
	One month	Three months	One year	Three years (p.a)	Five years (p.a)	Ten years (p.a)
Retail ³	12.30%	26.45%	132.81%			
KiwiSaver	9.30%	-	-			

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*)

Top 10 Holdings (Underlying Fund*)

Portfolio Composition (Underlying Fund*)		Top 10 Holdings (Underlying Fund*)	
	%		Country
E-Commerce	10.58	Tesla Motors, Inc.	US
Cloud Computing	9.97	Roku Inc	US
Gene Therapy	9.95	Crispr Therapeutics Ag	Switzerland
Digital Media	8.92	Square, Inc. Class A	US
Mobile	7.46	Invitae Corp	US
Big Data & Machine Learning	7.45	Teladoc Health, Inc.	US
3D Printing	6.16	Editas Medicine Inc	US
Molecular Diagnostics	6.14	Pure Storage Inc	US
Internet of Things	5.32	Zillow Group, Inc. Class C	US
Beyond DNA	4.43	Proto Labs, Inc.	US
Bioinformatics	4.35		

Market Commentary (source: ARK Investment Management LLC)

During December global equity markets continued to rebound. While political gridlock hindered the next phase of fiscal 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.

Unlike in November, the US Treasury yield curve steepened, suggesting that bond investors are anticipating slower GDP growth, higher inflation, or both. The 10-year Treasury bond yield increased while the 90-day Treasury bill rate slipped slightly.

Relative to the MSCI World Index, Materials, Technology, and Consumer Discretionary outperformed, while Utilities, Real Estate, and Industrials lagged.

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 12.9%, 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 continued liquidation in US inventories, 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 fund benefited from sizeable moves in Editas (EDIT), Tesla (TSLA), CRISPR (CRSP), Intellia (NTLA) and Roku (ROKU). Gene editing stocks rose in December following a plethora of presentations at the American Society of Hematology’s Annual Meeting (ASH). Shares of Editas Medicine (Edit) surged up in December after the company presented encouraging data on its pre-clinical, off the shelf, allogeneic iNK cells and the manufacturing and development process for its sickle cell and beta thalassemia programs. CRISPR Therapeutics (CRSP) rose in December after the company presented compelling data from its gene editing program CTX-001 for sickle cell and beta thalassemia at the annual ASH meeting. Shares of Intellia Therapeutics (NTLA) appreciated in December after the company presented pre-clinical data on its CRISPR/Cas9 TCR-T cell treatment for Acute Myeloid Leukemia (AML). In December, the company also announced the achievement of normal Alpha-1 Antitrypsin protein levels in non-human primates.

Detracting from performance were Invitae (NVTA), Zoom (ZM), Seres (MCRB), Veracyte (VCYT), and Splunk (SPLK). Invitae (NVTA) underperformed in December most likely because the share lockup expiry date for ArcherDx shareholders occurred earlier this month. Given Invitae’s year-to-date outperformance, we think there could be downward pressure on the stock until Invitae’s next corporate update during the JP Morgan Healthcare Conference in early January. Seres Therapeutics declined slightly in December after strong performance in the last few quarters, we believe that investors may be worried about clinical trial slowdowns because of new imposed restrictions for COVID-19. Veracyte (VCYT) depreciated this month following a period of outperformance in October and November. Since Veracyte’s prognostic tests utilize tissue biopsies, investors may be concerned about near-term testing volume growth since many patients still are unable to undergo tissue biopsies in the wake of COVID-19.

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	\$53.1m
	KiwiSaver: 1.25% refer to PDS for more details		

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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