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Nikko Asset Management

Factsheet 31 March 2021

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 March, broad-based global equity indexes - as measured by the MSCI World – continued to appreciate as confidence in the V-shape increased.
- The passing of additional fiscal stimulus in the US along with easy global monetary policies paints a supportive backdrop for global equity markets.
- The US yield curve continued to steepen as the 10-year Treasury bond yield crossed 1.7%, suggesting bond investors are anticipating higher nominal GDP growth.
- Utilities, Consumer Staples, and Industrials outperformed for the month, while Technology, Communication Services, and Energy lagged. This rotation from growth and into value is encouraging because it signals a broadening bull market, whereas a narrowing market would be cause for concern.

Fund Highlights

- The portfolio benefited from sizeable moves in Intellia (NTLA), LendingClub (LC), Pacific Biosciences (PACB), Seres Therapeutics (MCRB), and Iridium (IRDM).
- Detracting from performance were Teladoc (TDOC), Roku (ROKU), Baidu (BIDU), Zillow (Z), and Spotify (SPOT).

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.

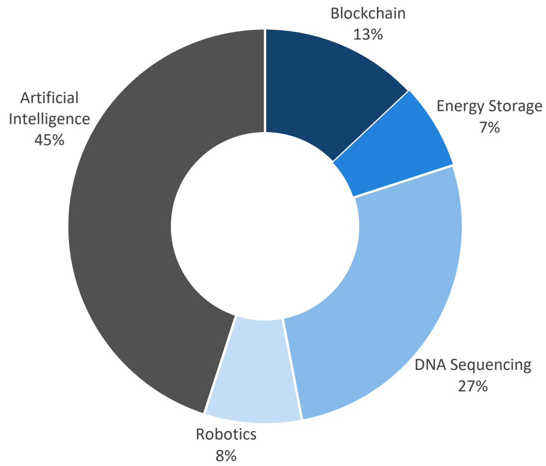
Performance

	One month	Three months	One Year	Three Years (p.a.)
Retail[3]	-6.06%	-7.35%	111.21%	
KiwiSaver[3]	-5.74%	-7.01%		
NASDAQ-100	5.11%	4.50%	42.83%	
Wholesale[1]	-4.58%	-1.48%		
Benchmark[2]	0.80%	2.41%		

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



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Portfolio Composition (Underlying Fund*)

	%		%
E-Commerce	11.73	Beyond DNA	3.44
Cloud Computing	11.05	Energy Storage	3.19
Digital Media	9.62	Autonomous Vehicles	2.92
Big Data & Machine Learning	7.82	Targeted Therapeutics	2.67
Gene Therapy	7.30	Social Platforms	2.60
Mobile	7.26	Robotics	1.88
Molecular Diagnostics	6.28	Blockchain & P2P	1.20
3D Printing	5.38	Next Generation Oncology	1.06
Internet of Things	4.90	Space Exploration	1.03
Bioinformatics	3.90	Development of Infrastructure	0.96
Instrumentation	3.81		

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors, Inc.	9.67%	US
Square, Inc. Class A	6.49%	US
Teladoc Health, Inc.	5.77%	US
Roku Inc.	5.22%	US
Invitae Corp.	4.32%	US
Crispr Therapeutics AG	3.74%	Switzerland
Zillow Group, Inc. Class C	3.55%	US
Baidu Inc.	3.30%	China
Spotify Technology SA	3.00%	Sweden
Intellia Therapeutics Inc.	2.83%	US

Market Commentary (source: ARK Investment Management LLC)

During March, broad-based global equity indexes - as measured by the MSCI World – continued to appreciate as confidence in the V-shape increased. The passing of additional fiscal stimulus in the US along with easy global monetary policies paints a supportive backdrop for global equity markets. The US yield curve continued to steepen as the 10-year Treasury bond yield crossed 1.7%, suggesting bond investors are anticipating higher nominal GDP growth. Relative to the MSCI World Index, Utilities, Consumer Staples, and Industrials outperformed on balance for the month, while Technology, Communication Services, and Energy lagged. This rotation from growth and into value is encouraging because it signals a broadening bull market, whereas a narrowing market would be cause for concern.

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 the “creative destruction” that innovation is fomenting in traditional value sectors like Financial Services, Energy, and Industrials.

That said, cyclical equities around the world now are benefiting as producers catch up with consumer and housing demand, and as significant capital spending declines in energy and other disrupted industries curb supply, supporting prices. The consumer saving rate in the US dropped from a record high 34% in April but, thanks to another round of fiscal stimulus, still tops 20%, more than double the 8% recorded last year at this time, suggesting that pent-up demand will continue to support the recovery now underway. Indeed, given the low level of inventories relative to sales in the US, businesses still are scrambling to catch up, causing supply chain management issues, but still pointing to a V-shaped recovery in the US and Asia during the next year. At the same time, companies in the cross-hairs of disruptive innovation like Exxon are writing down fixed assets and cutting capital spending, causing a surge in oil prices as the V-shaped recovery continues to gain traction.

As the coronavirus (COVID-19) strengthened its grip around 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 Intellia (NTLA), LendingClub (LC), Pacific Biosciences (PACB), Seres Therapeutics (MCRB), and Iridium (IRDM). Intellia Therapeutics (NTLA) rose after Bluebird Bio (BLUE) determined that its sickle cell gene therapy was likely not the cause of a patient's acute myeloid leukemia (AML) diagnosis, which caused a general rally for the gene-editing stocks. In addition, Intellia presented promising pre-clinical data at the Keystone eSymposium on in vivo CRISPR editing of the bone marrow and new data on its expanded base editing capabilities. Pacific Biosciences rose likely because of investor excitement around the hiring of veteran executives Mark Van Oene and Peter Fromen as well as a transformational $900 million investment from SoftBank earlier in the first quarter. Additionally, we believe PacBio’s collaboration with Invitae (NVTA) will accelerate both parties’ dominance in the clinical whole-genome sequencing market. Seres Therapeutics (MCRB) rose potentially in advance of its Phase 2 data readout for its ulcerative colitis trial, which is expected before year-end 2021.

Detracting from performance were Teladoc (TDOC), Roku (ROKU), Baidu (BIDU), Zillow (Z), and Spotify (SPOT). Teladoc underperformed likely because the stronger-than-expected COVID-19 recovery was interpreted by investors as a negative for Teladoc’s virtual care business. We do not believe Teladoc is a ‘stay-at-home' stock, but rather a leader in the digitalization of healthcare. Additionally, competitive noise from companies such as Talkspace, Hims & Hers (HIMS), and Amazon could have caused a broadening out of investment in the healthcare information technology space. Roku (ROKU) traded down in the month after MoffettNathanson lowered its price target from $410 to $360 on valuation concerns. MoffettNathanson also believes Roku’s recent push into original programming will be an “expensive” one. Zillow (Z) saw a ~35% drawdown from its peak in the month, which we believe is unrelated to its fundamentals. The stock is hurt by the broader rotation out of growth and technology stocks and likely also impacted by the concern that raising interest rates would dampen housing market strength.

Key Fund Facts

	Estimated annual fund charges (Incl. GST)	Strategy Launch	Strategy size
Distributions: Generally does not distribute			
Hedging: Any foreign currency exposure is unhedged.	Retail: 1.33%, refer PDS for more details	4 September 2019	$88.0m
	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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