

Factsheet 31 July 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 July, broad-based global equity indexes continued to appreciate as many economies began to reopen in response to successful vaccination rollouts.
- Relative to the MSCI World Index, the Health Care, Real Estate, and Technology sectors outperformed on balance, while the Energy, Financials, and Consumer Discretionary sectors lagged.

Fund Highlights

- The largest contributors to performance include LendingClub (LC), Tesla (TSLA), Veracyte (VCYT), DocuSign (DOCU), and Shopify (SHOP).
- The largest detractors from performance include CRISPR Therapeutics (CRSP), Seres Therapeutics (MCRB), TuSimple (TSP), Spotify (SPOT), and Invitae (NVTA).

Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale ¹	-8.46%	1.40%		
Retail ³	-7.86%	1.50%	39.80%	
KiwiSaver ³	-7.87%	1.54%		
Benchmark ²	0.80%	2.41%	10.00%	
NASDAQ-100	2.91%	11.07%	31.15%	

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 unit price.

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.

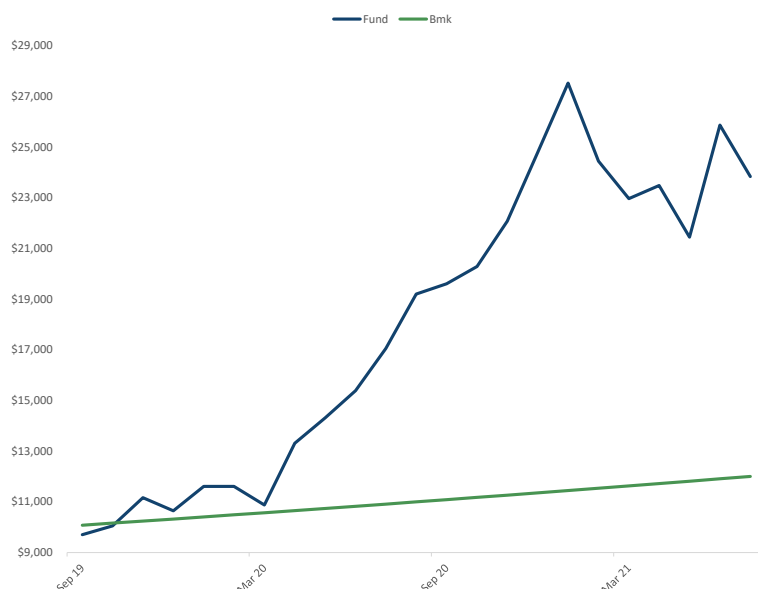
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies.

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

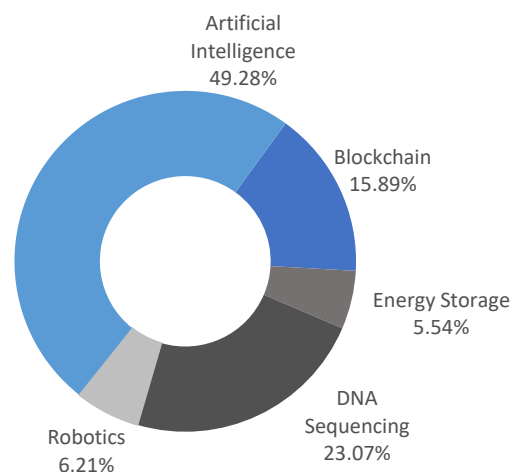
The fund aims to achieve an absolute return of 10% per annum over a rolling five year period before fees, expenses and taxes.

Since Inception – Retail Fund



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	13.58	Energy Storage	3.10
Digital Media	13.00	3D Printing	3.02
E-Commerce	10.99	Bioinformatics	2.92
Gene Therapy	7.00	Beyond DNA	1.96
Big Data & Machine Learning	6.59	Robotics	1.95
Molecular Diagnostics	5.34	Autonomous Vehicles	1.49
Instrumentation	5.25	Targeted Therapeutics	1.34
Internet of Things	5.23	Space Exploration	1.24
Blockchain & P2P	4.90	Development of Infrastructure	0.95
Social Platforms	3.28	Next Generation Oncology	0.74

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Inc	9.54	US
Roku Inc	5.75	US
Teladoc Health Inc	5.52	US
Square Inc	5.10	US
Coinbase Global Inc	4.33	US
Zoom Video Communications	4.15	US
Unity Software Inc	4.09	US
Twilio Inc	3.71	US
Shopify Inc	3.54	CA
Spotify Technology SA	3.52	Sweden

Market Commentary (source: ARK Investment Management LLC)

During July, broad-based global equity indexes continued to appreciate as many economies began to reopen in response to successful vaccination rollouts. Relative to the MSCI World Index, the Health Care, Real Estate, and Technology sectors outperformed on balance, while the Energy, Financials, and Consumer Discretionary sectors lagged. Overall, the recent trend toward cyclicals continued to reverse. We believe that valuations have reset, and investors are beginning to discount the risks to traditional industries as disruptive technologies begin to take market share. In our view, the coronavirus crisis transformed the world significantly and permanently, suggesting that many innovation-driven stocks could be productive holdings during the next five to ten years.

Fund Commentary

The largest contributors to performance include LendingClub (LC), Tesla (TSLA), Veracyte (VCYT), DocuSign (DOCU), and Shopify (SHOP). LC traded up following the company's second-quarter earnings report, blowing out consensus expectations. The company posted sequential revenue growth of 93%, driven by higher origination fees and net interest income. TSLA beat both top-and bottom-line expectations for second-quarter earnings while improving its automotive gross margin excluding regulatory credits year over year. Gigafactory Shanghai is now the primary export hub of high-quality vehicles. Additionally, Tesla announced an AI Day this August, which we expect could highlight self-driving advancements. VCYT traded up after the company's second quarter earnings report that featured top- and bottom-line beats. ARK considers Veracyte an industry leader in evidence-driven molecular diagnostics and prognosis. SHOP appreciated as the company rolled out new initiatives, such as an NFT program, and posted healthy quarterly earnings. Subscription solutions continue to experience rapid growth as more merchants join Shopify's platform.

The largest detractors from performance include CRISPR Therapeutics (CRSP), Seres Therapeutics (MCRB), TuSimple (TSP), Spotify (SPOT), and Invitae (NVTA). CRISPR Therapeutics was impacted by the broader market pullback in gene editing stocks, which caused shares to detract from performance during the month. ARK remains excited by CRISPR's pipeline and is looking forward to its rich catalyst year, including three read-outs in the company's oncology programs. Shares of Seres Therapeutics, a microbiome therapeutics company, gapped down after announcing that its phase 2b study evaluating a donor-derived microbiome therapeutic in patients with mild-to-moderate ulcerative colitis (UC) did not meet its primary endpoint. Going forward, the company will focus on using a consortium of multiple bacterial strains for UC, as opposed to donor-derived therapies. TSP gave back its strong performance from the prior month. ARK believes the company is well-positioned in the autonomous trucking industry. By our estimates, autonomous electric trucks could reduce the cost of manually-driven diesel trucks from 12 cents per ton mile to 3 cents, undercutting the cost of rail. Broader market forces caused NVTA to trade down on relatively little news during the month. ARK maintains high conviction in Invitae, especially in its collaboration with Pacific Biosciences of California (PACB) to develop a production-scale HiFi sequencing platform.

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: 1.30%, refer PDS for more details	4 September 2019	\$104.8m
	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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