

Factsheet 31 October 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 October broad-based global equity indexes – as measured by the MSCI World – rebounded following a tough September when the market reacted to supply chain shortages and a slowdown in China.
- The US 10-year Treasury bond yield pushed briefly above 1.65%.
- We believe some investors are beginning to focus on inventory build-ups not at companies but in consumer households during the coronavirus crisis. Once concerns about an inventory correction become more widespread, fears should shift from inflation to deflation and slower growth.

## Fund Highlights

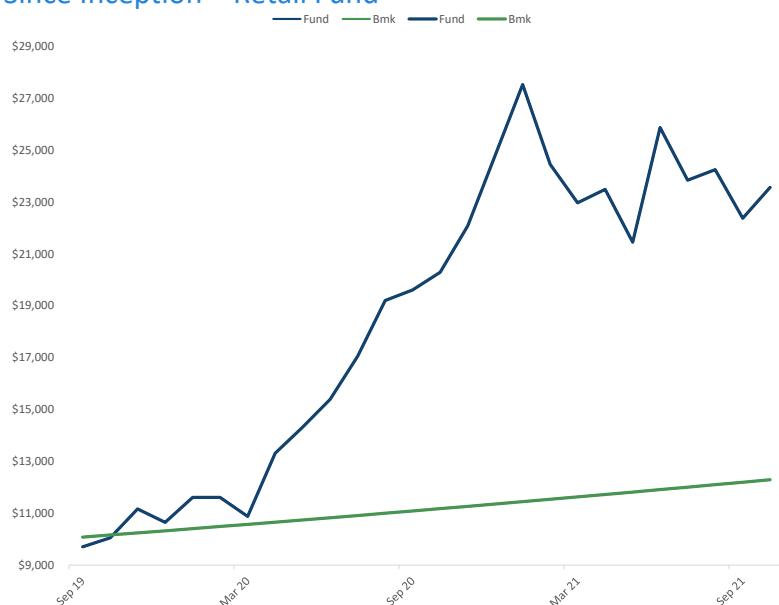
- The fund returned 5.54% for the month.
- Top contributors include Tesla (TSLA), Coinbase Global (COIN), Spotify Technology (SPOT), Teladoc Health (TDOC), and Unity Software (U).
- Detractors include CRISPR Therapeutics (CRSP), Twitter (TWTR), Invitae (NVTA), Twilio (TWLO), and Robinhood Markets (HOOD).

## Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale <sup>1</sup>	5.54%	0.38%	13.26%	
Retail <sup>3</sup>	5.34%	-1.13%	16.14%	
KiwiSaver <sup>3</sup>	5.36%	-1.12%	8.32%	
Benchmark <sup>2</sup>	0.80%	2.41%	9.45%	
NASDAQ-100	3.90%	3.39%	33.03%	

- Returns are before tax and before the deduction of fees.
- Absolute return of 10% per annum. No fees, expenses or taxes.
- Returns are before tax and after the deduction of fees and expenses and including tax credits (if any). Based on unit price.

## Since Inception – Retail Fund<sup>3,2</sup>



## 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.

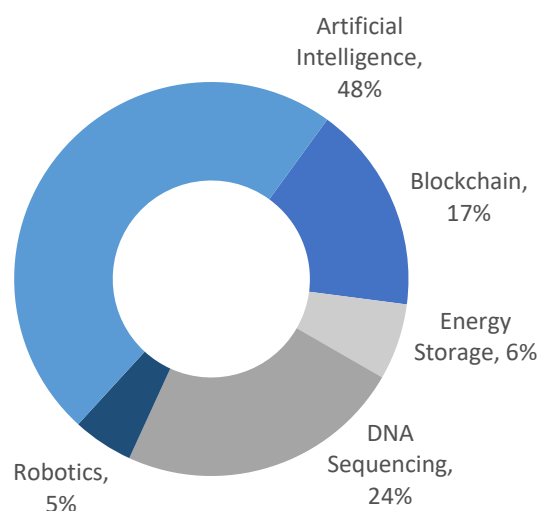
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

## Objective

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

## 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\*)

	%		%
Digital Media	14.08	Energy Storage	3.21
Cloud Computing	12.77	3D Printing	2.95
E-Commerce	10.52	Beyond DNA	2.64
Big Data & Machine Learning	7.02	Autonomous Vehicles	2.06
Blockchain & P2P	6.54	Social Platforms	1.99
Gene Therapy	6.25	Targeted Therapeutics	1.08
Molecular Diagnostics	5.57	Space Exploration	1.06
Internet of Things	5.30	Development of Infrastructure	0.99
Instrumentation	5.25	Robotics	0.96
Mobile	4.96	Next Generation Oncology	0.64
Bioinformatics	4.17		

### Top 10 Holdings (Underlying Fund\*)

	%	Country
Tesla Motors, Inc.	9.85	US
Teladoc Health, Inc.	6.42	US
Coinbase Global Inc	5.85	US
Unity Software Inc	5.20	US
Roku Inc	5.01	US
Spotify Technology Sa	4.14	Sweden
Zoom Communications Inc	4.06	US
Square, Inc.	3.92	US
Invitae Corp	3.58	US
Zillow Group, Inc.	3.18	US

### Market Commentary (source: ARK Investment Management LLC)

During October, broad-based global equity indexes – as measured by the MSCI World – rebounded following a tough September when the market reacted to supply chain shortages and a slowdown in China. The US 10-year Treasury bond yield pushed briefly above 1.65%, though still below the 1.74% peak posted at the end of March. Additionally, the 20 and 30-year yields inverted, contradicting fears of inflation that have dominated the headlines. On Capitol Hill, midterm election campaigns are in the early stages, and narrow majorities in both Houses of Congress are likely to prevent the passage of unpopular and onerous tax measures. Meanwhile, monetary policy also is likely to remain benign in its impact on equity markets, particularly if our outlook for inventories and inflation is correct. Relative to the MSCI World Index, the Consumer Discretionary, Energy, and Technology sectors outperformed on balance, while the more defensive sectors - Communication Services, Consumer Staples, and Health Care - lagged. Overall, cyclicals outperformed. The tug-of-war between growth and value stocks during the last nine months has been driven largely by uncertainty and tactical trading. We believe some investors are beginning to focus on inventory build-ups not at companies but in consumer households during the coronavirus crisis. Once concerns about an inventory correction become more widespread, fears should shift from inflation to deflation and slower growth.

### Fund Commentary

The fund returned 5.54% for the month. Top contributors include Tesla (TSLA), Coinbase Global (COIN), Spotify Technology (SPOT), Teladoc Health (TDOC), and Unity Software (U). Tesla crossed a one trillion dollar market valuation after a momentum in sales, a positive earnings release, and Hertz announced a 100,000 vehicle order. COIN appreciated following a plan to launch a peer-to-peer non-fungible token (NFT) marketplace, which will broaden its crypto-focused product suite. Additionally, the direct deposit feature should reduce friction with converting fiat currencies into cryptoassets, enabling decentralised finance (DeFi) and NFT application. SPOT rallied as earnings beat revenue expectations. Spotify also partnered with Shopify to add merchandise to artists’ profiles. Total visits for Teladoc accelerated, helping beat expectations. Additionally, management raised forward guidance. Unity Software unveiled Unity Metacast, a new platform. The UFC, the leading mixed martial arts organisation, will collaborate on researching and developing potential applications.

Detractors include CRISPR Therapeutics (CRSP), Twitter (TWTR), Invitae (NVT), Twilio (TWLO), and Robinhood Markets (HOOD). Shares of CRSP slid after the company announced updated results from the early-stage trial of its CAR-T cell therapy CTX110. ARK maintains conviction in CRISPR and its initiatives. TWTR depreciated after earnings showed a deceleration in US user growth and concerns of potential market saturation. However, the results showed limited impact from the Apple iOS update. Invitae announced a partnership with Outcomes4Me, however, traded down on general sentiment in the genomics space. In ARK’s view, Invitae is likely to become the central provider of molecular diagnostics due largely to its cost competitiveness. TWLO slid after the company guided to a weaker-than-expected forecasts for the fourth quarter and announced the departure of COO George Hu. HOOD fell after the company posted a third-quarter revenue miss and due to headwinds which may impact the fourth quarter. ARK maintains high conviction in Robinhood’s long-term growth opportunity especially given its product excellence, strong brand, and network effects.

### Key Fund Facts

<b>Distributions:</b> Generally does not distribute	<b>Estimated annual fund charges (Incl. GST)</b>	<b>Strategy Launch</b>	<b>Strategy size</b>
<b>Hedging:</b> Any foreign currency exposure is unhedged.	Retail: 1.30%, refer PDS for more details	4 September 2019	\$104.6m
	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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