

Factsheet 31 July 2022

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

- Broad-based global equity indexes appreciated in July as US real GDP contracted sequentially - a technical recession - driving a rotation into growth. If the economy continues to move into recession, shares of companies in the disruptive innovation space offering scarce growth opportunities and improving fundamentals should benefit, especially as businesses and consumers seek solutions that solve problems, drive efficiencies, and reduce costs.

Fund Highlights

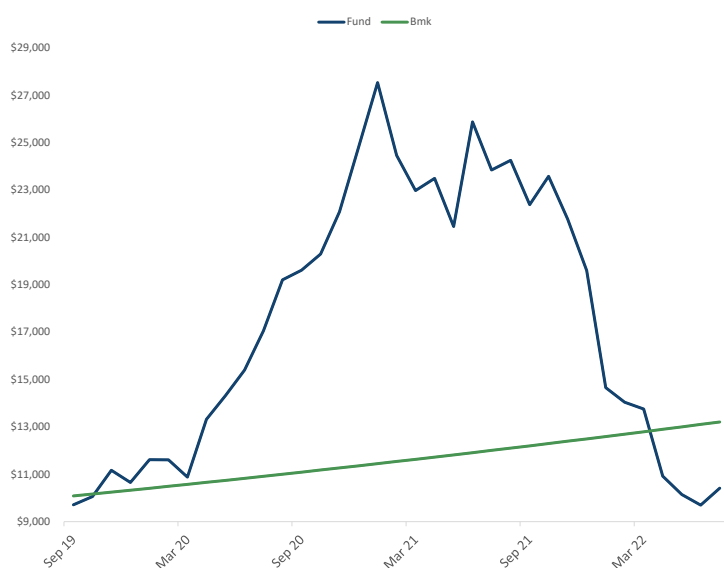
- The fund posted a positive return over the month.
- The top contributors include Tesla (TSLA), CRISPR Therapeutics (CRSP), and Intellia Therapeutics (NTLA).
- The top detractors include Roku (ROKU), Zoom Video Communications (ZM), and Invitae (NVTA).

Performance

	One month	Three months	One Year	Three Years (p.a.)
Wholesale ¹	9.36%	-3.08%	-56.43%	
Retail ³	7.36%	-4.67%	-56.33%	
KiwiSaver ³	7.42%	-4.70%	-56.51%	
Benchmark ²	0.80%	2.41%	10.00%	

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 price in unit price.

Since Inception – Retail Fund^{3,2}



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.

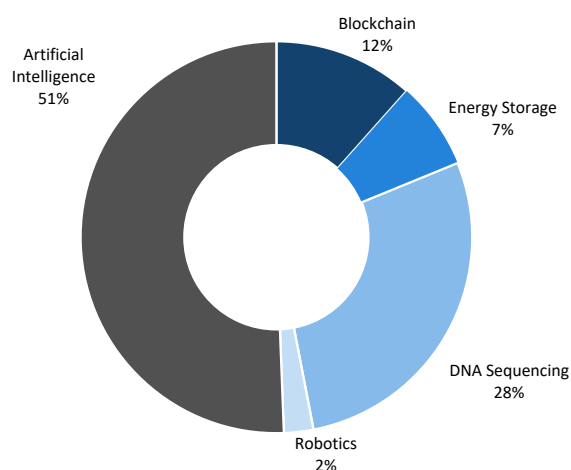
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

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*)

	%		%
Cloud Computing	17.1	Molecular Diagnostics	3.8
Digital Media	12.7	Blockchain & P2P	3.6
Gene Therapy	11.3	Energy Storage	3.5
E-Commerce	8.0	Autonomous Vehicles	2.7
Instrumentation	6.1	3D Printing	1.8
Big Data & Machine Learning	6.0	Social Platforms	1.7
Internet of Things	5.7	Dev. of Infrastructure	1.1
Bioinformatics	5.1	Robotics	0.6
Mobile	4.9	Targeted Therapeutics	0.4
Beyond DNA	4.0		

Top 10 Holdings (Underlying Fund*)

	%	Country
Tesla Motors Inc	9.91	US
Zoom Video Comms	7.63	US
Roku Inc	6.39	US
Crispr Therapeutics	5.88	Switzerland
Square Inc.	4.89	US
Teladoc Health Inc	4.45	US
Intellia Therapeutics Inc	4.42	US
Uipath Inc	4.07	US
Exact Sciences Corporation	3.98	US
Unity Software	3.57	US

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes appreciated in July as US Real GDP contracted sequentially - a technical recession - driving a rotation into growth. If the economy continues to move into recession, shares of companies in the disruptive innovation space offering scarce growth opportunities and improving fundamentals should benefit, especially as businesses and consumers seek solutions that solve problems, drive efficiencies, and reduce costs. Relative to the MSCI World Index, the Consumer Discretionary, Information Technology, and Industrials sectors outperformed in July. Reversing a trend, the cyclical and value-oriented sectors underperformed their growth-oriented counterparts. Some of the largest beneficiaries of the rotation to cyclicals during the past eighteen months – Energy and Financial Services – could be disrupted significantly during the next five years. In ARK’s view, autonomous electric vehicles and digital wallets – including blockchain technologies, cryptocurrencies, and decentralized financial services (DeFi) – will disrupt and disintermediate both Energy and Financial Services.

Fund Commentary

The fund posted a positive return over the month. The top contributors include Tesla (TSLA), CRISPR Therapeutics (CRSP), and Intellia Therapeutics (NTLA). Shares of Tesla rose in early July after it was announced that the company sold 78K of its Chinese-produced vehicles in June. That figure represents a 142% leap from May and a 135% jump from 2021. Shares rallied in the following weeks, likely benefiting from stronger than expected profits. On the earnings call, Musk said that the company aims to produce 40,000 vehicles a week by the end of this year. Shares of CRISPR Therapeutics and Intellia Therapeutics traded up alongside what ARK believes was a meaningful market rotation into growth stocks led by the biotech segment. Biotech stocks generally are considered “high growth” and tend to perform better in a subdued interest rate environment. ARK also believes we may be seeing the beginning of a new trend of M&A consolidation in the biotech sector that contributes to investor confidence amid continued COVID opportunities.

The top detractors include Roku (ROKU), Zoom Video Communications (ZM), and Invitae (NVTA). Shares of Roku fell after the company missed both revenue and earnings estimates in its second quarter report. Management withdrew full-year revenue guidance, citing a slowdown in the growth of advertising budgets and a pullback in consumer discretionary spending, and lowered guidance for third quarter revenue growth to 3% on a year-over-year basis. Despite the disappointing quarter and weak guidance, ARK believes Roku’s long-term growth story remains intact, particularly because consumers continue to adopt CTV and abandon linear TV. During the second quarter, Roku’s total active accounts increased to 63 million, or 15% on a year-over-year basis, an acceleration from 14% in the first quarter. Total hours streamed also grew 19% year-over-year to 21 billion, while average platform revenue per user increased 21% to \$44.10 on a trailing twelve-month basis. Shares of Zoom traded down on relatively little company-specific news. Zoom is a leader in cloud communications, providing solutions for video conferencing, voice, and chat worldwide. In ARK’s view, Zoom offers the premier video conferencing software in a world moving from legacy, on-prem hardware to cloud-based software, disrupting the traditional enterprise communication stack. Shares of Invitae traded down after the company announced a major strategic realignment and corporate restructuring. Invitae’s current COO, Kenneth D. Knight, previously VP at Amazon (AMZN), will replace Sean George as CEO. Randy Scott, Invitae’s co-founder and former CEO, will take an active role as Chairman of the Board, and co-founder Sean George will remain on the Board. Importantly, the company will continue integrating its robust suite of digital services into its testing menu to create product experiences that, in ARK’s view, no other firm can replicate.

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	\$52m
	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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