

Factsheet 31 July 2023

# 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 during the month.
- Artificial intelligence (AI) continues to be a focal of the market.
- While the labour market seemed resilient, a number of leading indicators are warning of recession.
- Innovation-driven strategies and stocks could be productive holdings during the next five to ten years.

## Fund Highlights

- The fund posted a solid return for the month of July.
- The top three contributors include Roku (ROKU), Coinbase (COIN), Block (SQ).
- The top three detractors include Roblox (RBLX), Materialise (MTLS), 3D Systems (DDD).

## Performance

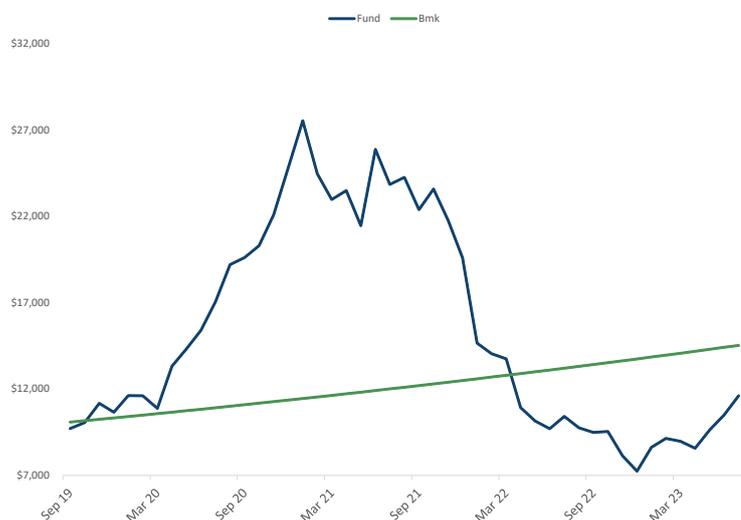
	One month	Three months	One Year	Three Years (p.a.)
Wholesale <sup>1</sup>	12.97%	39.49%	17.68%	
Retail <sup>3</sup>	10.56%	35.44%	11.49%	-12.04%
KiwiSaver <sup>3</sup>	10.63%	35.70%	11.57%	
Benchmark <sup>2</sup>	0.80%	2.41%	10.00%	10.00%

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 change in unit price.

## Since Inception Cumulative Performance \$10,000 invested<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.

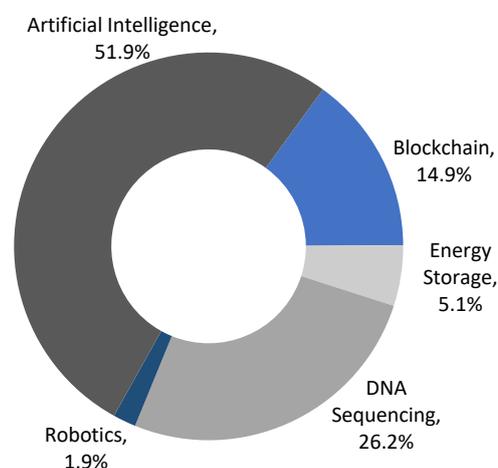
Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic sector by providing greater simplicity, accuracy, customisation and accessibility while driving down costs.

## 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	16.3	Molecular Diagnostics	3.0
Cloud Computing	15.0	Energy Storage	2.6
E-Commerce	8.7	Social Platforms	2.6
Big Data & Machine Learning	7.3	Bioinformatics	2.0
Blockchain & P2P	7.1	Robotics	2.0
Gene Therapy	6.7	Autonomous Vehicles	1.0
Instrumentation	6.6	3D Printing	0.9
Mobile	5.9	Targeted Therapeutics	0.8
Internet of Things	5.3	Development of Infrastructure	0.8
Beyond DNA	4.7	Next Generation Oncology	0.6

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

	%	Country
Roku	9.48	United States
Tesla Motors	7.72	United States
Coinbase Global	6.70	United States
Zoom Video	6.20	United States
Square	6.09	United States
Draftkings	4.18	United States
Unity Software	4.03	United States
Uipath	3.69	United States
Twilio	3.37	United States
Shopify	3.37	Canada

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

Broad-based global equity indexes appreciated during the month. Artificial intelligence (AI) continues to be a focal of the market, thanks to provocative proofs of concepts and ChatGPT specifically. Increased demand for AI hardware is pointing toward a significant acceleration in software revenue growth. ARK estimates that software may generate up to \$8 of revenue for every dollar spent on AI hardware by 2030.

During July, economic data was not as clear-cut. While the labour market seemed resilient, a number of leading indicators are warning of recession: With a strong correlation to Gross Domestic Product (GDP), the US Leading Economic Index (LEI) has dropped for 15 consecutive months, the willingness of banks to lend is plummeting, US consumer sentiment remains at levels last seen during the Global Financial Crisis in 2008-2009 & personal savings rate has collapsed from 9.3% pre-COVID to 4.3%. Interest rate futures are pricing in a slowdown or recession and one or two more rate hikes before interest rates start to decline.

If ARK is correct in their assessment that growth, inflation, or both will surprise on the low side of expectations, scarce double-digit growth opportunities should be rewarded accordingly. The adoption of new technologies typically accelerates during tumultuous times as concerned businesses and consumers change their behaviour much more rapidly than otherwise would be the case. As a result, stocks of innovation-oriented companies have historically performed better and emerged as new market leaders toward the end of a bear market. ARK believes the coronavirus crisis and Russia’s invasion of Ukraine have transformed the world significantly and permanently, suggesting that many innovation-driven strategies and stocks could be productive holdings during the next five to ten years.

### Fund Commentary

The top contributors include Roku (ROKU), Coinbase (COIN) and Block (SQ). Shares of Roku traded up after the company released its second-quarter results. Roku’s platform revenue grew 11% year-over-year, as active accounts increased 16% to 73.5 million and streaming hours jumped 21% to 25.1 billion. Roku's second-quarter results reaffirm ARK’s conviction in its potential to revolutionize digital streaming and displace linear TV incumbents. Moreover, the company also announced a partnership with Shopify to bring shoppable ads to its users earlier in the month. Shares of Coinbase and other crypto-related stocks like Block rallied after the company relisted Ripple’s XRP after a landmark ruling by a U.S. District Court, which states that the coin is not a security in terms of sales to the general public. ARK maintains conviction in Coinbase’s leadership across the crypto ecosystem.

The top detractors include Roblox (RBLX), Materialise (MTLS) and 3D Systems (DDD). Shares of Roblox traded down following relatively little company specific news. Roblox provides a creator-first digital entertainment platform and a 3D engine, both of which allow third-party developers around the world to create games and experiences for users. Materialise shares detracted from performance this month. The company posted its second quarter earnings, with GAAP EPS of -\$0.01 and year-over-year revenue growth of 11.6%. The company also maintained its previous revenue and adjusted EBITDA guidance for the rest of 2023. Shares of 3D Systems continued to trade down after it announced its intention to acquire Stratasys last month. The company is targeting Aug 4th for the completion of talks with Stratasys. ARK continues to monitor these developments closely.

### 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	\$74.1m
	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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