

# Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 31 May 2024

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 due to a less-hawkish press conference by Fed Chair Jerome Powell after the FOMC meeting, as well as to the expectations of a rate cut before the end of the year.
- Relative to the MSCI World Index, the Information Technology, Utilities, and Communication Services sectors outperformed on balance in May, while the Energy and Consumer Discretionary sectors lagged.

## Fund Highlights

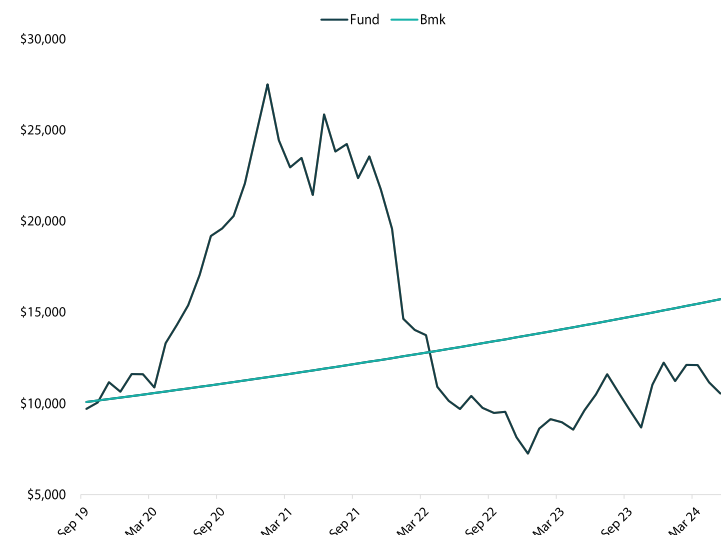
- The strategy returned -4.15% for the month, trailing the benchmark return of 0.80%.
- Key contributors for the month include Robinhood (HOOD), Coinbase (COIN), Twist Bioscience (TWST).
- Key detractors for the month include UiPath (PATH), Unity Software (U), Block (SQ).

## Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)
<b>Wholesale<sup>1</sup></b>	-4.15%	-13.75%	7.86%	-20.34%	
<b>Benchmark<sup>2</sup></b>	0.80%	2.41%	10.00%	10.00%	
<b>Retail<sup>3</sup></b>	-5.47%	-12.96%	9.58%	-21.07%	
<b>KiwiSaver<sup>3</sup></b>	-5.50%	-13.06%	9.64%	-21.15%	
<b>NASDAQ<sup>4</sup></b>	2.35%	1.95%	27.72%	17.67%	

1. Returns are before tax and before the deduction of fees and including tax credits (if any).
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.
4. NASDAQ-100 Notional Net Total Return Index Unhedged in NZD.

## 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.



## Overview

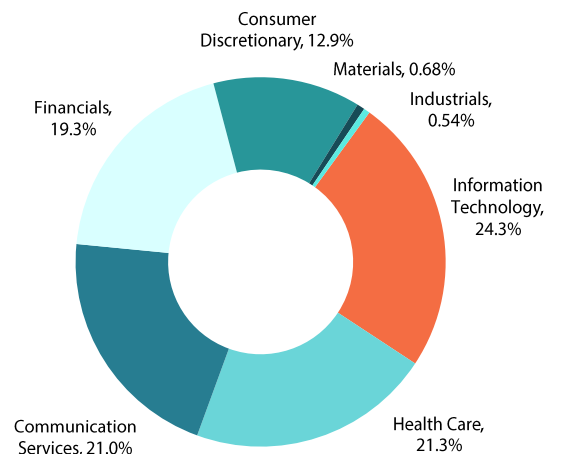
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic 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.

## Sector Weights\*

\*Weights based on Manager's model portfolio, which may vary from the actual portfolio and does not factor in cash positions.



## Technology Composition (Underlying Fund\*)

	(%)		(%)
Intelligent Devices	20.9	Adaptive Robotics	2.6
Next Gen Cloud	13.7	Advanced Battery	1.6
Neural Networks	11.3	3D Printing	0.3
Digital Wallets	10.7	Reusable Rockets	0.0
Autonomous Mobility	9.4		
Precision Therapies	9.0		
Multiomic Technologies	7.7		
Cryptocurrencies	5.5		
Smart Contracts	4.3		
Programmable Biology	3.0		

## Top 10 Holdings (Underlying Fund\*)

	(%)	
Tesla	8.97	United States
Coinbase Global	7.00	United States
Roku	6.22	United States
Block	5.38	United States
Roblox	4.95	United States
Robinhood Markets	4.81	United States
Zoom Video Communications	4.16	United States
Palantir Technologies	4.07	United States
Shopify	3.46	Canada
Meta Platforms	3.39	United States

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

Broad-based global equity indexes appreciated during the month due to a less-hawkish press conference by Fed Chair Jerome Powell after the FOMC meeting, as well as to the expectations of a rate cut before the end of the year. Importantly, the Fed began to communicate that employment gains would not derail the decline in interest rates and that inflation is the much more important policy gauge. While the consensus forecast is for a soft landing, ARK still expects that a loss of pricing power will force corporations into employment cutbacks and a harder-than-expected landing. Indeed, the US economy seems to have been in a rolling recession, depressing sectors like housing, autos, and commercial real estate while inventories continue to build.

Relative to the MSCI World Index, the Information Technology, Utilities, and Communication Services sectors outperformed on balance in May, while the Energy and Consumer Discretionary sectors lagged. Some of the largest beneficiaries of the rotation to cyclicals, Energy and Financial Services, could be disrupted significantly during the next five years. In our 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

**Key contributors** for the month include Robinhood (HOOD), Coinbase (COIN), Twist Bioscience (TWST).

Robinhood reported strong first quarter earnings, beating revenue estimates on the back of strong crypto volumes on the platform. Later in the month, the company announced a \$1 billion share repurchase program. Coinbase was a contributor to the fund this month. The company reported strong first quarter earnings with revenue growing 72% quarter-over-quarter and adjusted EBITDA exceeding the 2023 total. In addition, the US House of Representatives passed the crypto-friendly Financial Innovation and Technology for the 21st Century Act or "FIT 21" bill during the month. The bill now awaits approval in the Senate. Twist Bioscience was a contributor to the fund this month after the company reported strong fiscal second-quarter financial results. Revenue increased 25% year-over-year, as orders for the quarter reached a record level. Significant blanket purchase orders contributed to the 45% increase in orders. Additionally, the company announced the launch of Multiplexed Gene Fragments to enable high-throughput screening applications. The company also launched a new Pharmacogenomics Beta Program featuring its target enrichment technology to advance personalized medicine in collaboration with Oxford Nanopore.

**Key detractors** for the month include UiPath (PATH), Unity Software (U), Block (SQ).

UiPath was a detractor from the fund this month after the company reported their first-quarter earnings. The company unexpectedly lowered their full-year guidance for revenue, ARR, and operating income, citing a combination of macroeconomic headwinds and sales execution challenges. The company also announced the current CEO, Rob Enslin, will leave the company, and that founder and former CEO Daniel Dines will return to the role. Unity detracted from the fund this month. Total revenue for the first quarter was down 8% year-over-year. In leadership changes, Unity announced the appointment of Matthew Bromberg as the new President and CEO, and the resignation of Marc Whitten as the Company's Chief Product and Technology Officer. Block was a detractor to the fund this month. The company reported strong first quarter earnings, beating estimates for both net revenue and adjusted EBITDA. Management also raised its full-year guidance for gross profit and adjusted EBITDA. While several catalysts including the merging of BNPL and Cash Card present compelling growth opportunities for Block's Cash App division, we believe investors remain sceptical of Square given its decelerating growth and the pessimistic macro-outlook.

## Key Fund Facts

<b>Estimated annual fund charges (incl. GST)</b>		<b>Distribution:</b>	Generally does not distribute.	<b>Strategy Launch:</b>	September 2019
<b>Retail:</b>	1.30% refer to PDS for more details	<b>Investment Manager:</b>	*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).	<b>Strategy size:</b>	\$50.5m
<b>KiwiSaver:</b>	1.25%, refer to PDS for more details.				
<b>Hedging:</b>	Any foreign currency exposure is unhedged.				

## Contact Us

www.nikkoam.co.nz | [nzenquiries@nikkoam.com](mailto:nzenquiries@nikkoam.com)

This document is issued by Nikko Asset Management New Zealand Limited (Company No. 606057, FSP No. FSP22562), the investment manager of the Nikko AM NZ Investment Scheme, the Nikko AM NZ Wholesale Investment Scheme and the Nikko AM KiwiSaver Scheme. This information is for the use of researchers, financial advisers and wholesale clients. This material has been prepared without taking into account a potential investor's objectives, financial situation or needs and is not intended to constitute financial advice, and must not be relied on as such. Recipients of this document, who are not wholesale investors (in accordance with Schedule 1, Clause 3 Financial Markets Conduct Act 2013), or their duly appointed agent, should consult a Financial Advice Provider and the relevant Product Disclosure Statement. Past performance is not a guarantee of future performance. While we believe the information contained in this presentation is correct at the date of presentation, no warranty of accuracy or reliability is given and no responsibility is accepted for errors or omissions including where provided by a third party. For full details on the fund, please refer to our Product Disclosure Statement on [nikkoam.co.nz](http://nikkoam.co.nz).