

Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 30 June 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

- Major stock markets rose in June compared to the previous month, driven by some large-cap stocks, on the back of the view that the inflation rate has resumed its downward trend.
- By sector, Technology, Communication Services, and Consumer Discretionary sectors outperformed on balance in June, while the Utilities, Materials, and Industrials sectors lagged.

Fund Highlights

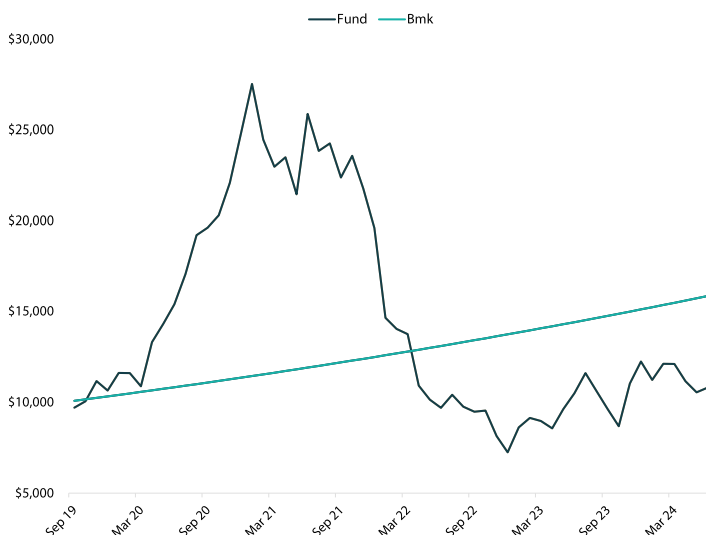
- The fund posted a positive return for the month but fell behind the benchmark for the quarter.
- Key contributors for the month include Tesla (TSLA), Palantir (PLTR) and Roblox (RBLX).
- Key detractors for the month include 10X Genomics (TXG), Moderna (MRNA) and Unity Software (U).

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)
Wholesale¹	4.43%	-9.95%	5.18%	-24.11%	
Benchmark²	0.80%	2.41%	10.00%	10.00%	
Retail³	2.44%	-10.77%	2.94%	-25.25%	
KiwiSaver³	2.45%	-10.87%	2.96%	-25.35%	
NASDAQ⁴	6.96%	5.93%	31.36%	16.36%	

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

Since Inception Cumulative Performance, \$10,000 Invested^{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.



Overview

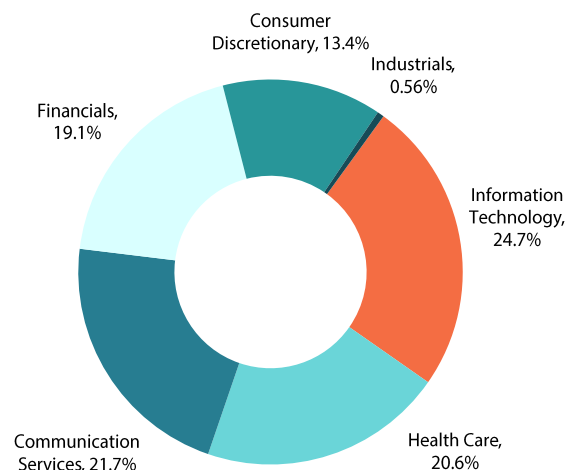
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic 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	21.7	Adaptive Robotics	2.4
Next Gen Cloud	13.6	Advanced Battery	1.6
Neural Networks	11.6	3D Printing	0.3
Digital Wallets	10.9	Reusable Rockets	0.0
Autonomous Mobility	9.6		
Precision Therapies	8.3		
Multiomic Technologies	7.3		
Cryptocurrencies	5.3		
Smart Contracts	4.2		
Programmable Biology	3.1		

Top 10 Holdings (Underlying Fund*)

	(%)	Country
Tesla Motors	9.27	United States
Coinbase Global	6.65	United States
Roku	6.34	United States
Roblox	5.35	United States
Block	5.27	United States
Robinhood Markets	5.17	United States
Palantir Technologies	4.60	United States
Zoom Video Communications	3.84	United States
Shopify	3.83	Canada
Meta Platforms Inc	3.57	United States

Market Commentary (source: ARK Investment Management LLC)

Major stock markets rose in June compared to the previous month, driven by some large-cap stocks, on the back of the view that the inflation rate has resumed its downward trend. By sector, Technology, Communication Services, and Consumer Discretionary sectors outperformed on balance in June, while the Utilities, Materials, and Industrials sectors lagged. Some of the largest beneficiaries of the rotation to cyclical, 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.

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. In response, the potential growth in ARK's Five Innovation Platforms could play an outsized role in pulling the economy out of recession, salvaging corporate margins as inflation gives way to deflation in many sectors.

Fund Commentary

Key contributors for the month include **Tesla (TSLA)**, **Palantir (PLTR)** and **Roblox (RBLX)**.

Shares of Tesla contributed to performance during the month on the back of several pieces of company-specific news. Some notable events include shareholders re-approving Elon Musk's 2018 pay package during the annual shareholder meeting. Tesla released Full-Self-Driving (FSD) v12.4 to limited customers, removing the steering wheel nag and enabling limited hands-free rides. Additionally, Tesla reportedly began testing FSD in China and announced that two Optimus humanoid robots are now working autonomously in the factory. Palantir contributed positively to the fund this month. At the end of May, it was reported that Palantir won an additional \$480M contract with the Department of Defence. It was also announced that Palantir would supply data management solutions for Starlab, a commercial space station. Roblox contributed positively to the fund this month after a sell-off following its first-quarter earnings results. Additionally, management has hinted at experimenting with AI creation tools for developers.

Key detractors for the month include **10X Genomics (TXG)**, **Moderna (MRNA)** and **Unity Software (U)**.

10X genomics was a detractor to the fund this month, despite beginning the commercial shipment of its new Xenium Prime 5K Pan-Tissue and Pathways panel, which features new enhancements. Moderna detracted from the fund this month after its RSV vaccine proved about 50% effective after 18 months, trailing rival shots. Moreover, at the ASCO conference, Moderna presented encouraging data showing its mRNA-4157 vaccine in combination with Merck's KEYTRUDA, reduced the risk of cancer spreading or death in high-risk melanoma patients. Unity was a detractor this month as the stock continued to decline given the recent management turnover. Despite management turnover, Unity remains the premier game engine for developers.

Key Fund Facts

Estimated annual fund charges (incl. GST)		Distribution:	Generally does not distribute.	Strategy Launch:	September 2019
Retail:	1.30% 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).	Strategy size:	\$52.4m
KiwiSaver:	1.25%, refer to PDS for more details.				
Hedging:	Any foreign currency exposure is unhedged.				

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