

Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 31 July 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 even as the U.S. Federal Reserve (Fed) refrained from committing to the timing and pace of future rate cuts.
- Relative to the MSCI World Index, the Real Estate, Utilities, and Financial Services sectors outperformed on balance in July, while the Technology, Communication Services, and Consumer Discretionary sectors lagged.

Fund Highlights

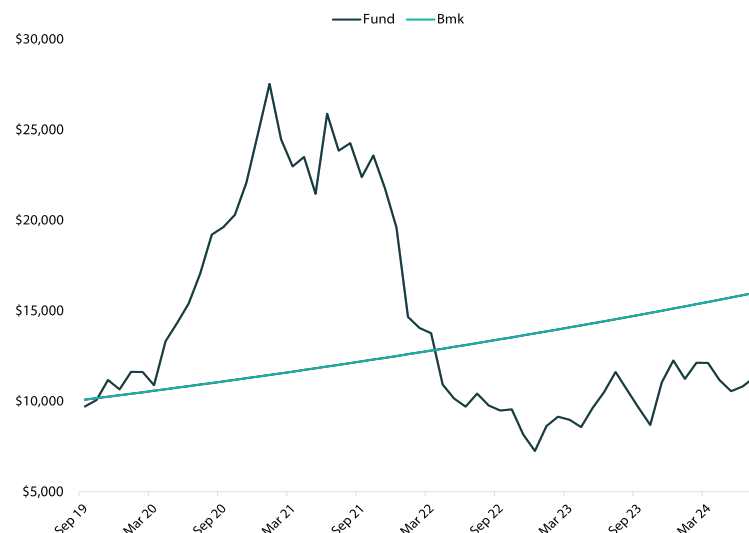
- The fund posted a positive return for the month, outperforming its benchmark.
- Key contributors for the month include Tesla (TSLA), Roblox (RBLX) and Beam Therapeutics (BEAM).
- Key detractors for the month include Pinterest (PINS), Robinhood (HOOD) and Shopify (SHOP).

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)
Wholesale¹	4.97%	5.07%	-2.27%	-20.57%	
Benchmark²	0.80%	2.41%	10.00%	10.00%	
Retail³	4.59%	1.28%	-2.62%	-22.03%	
KiwiSaver³	4.61%	1.28%	-2.64%	-22.12%	
NASDAQ⁴	0.90%	10.46%	29.36%	15.60%	

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^{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

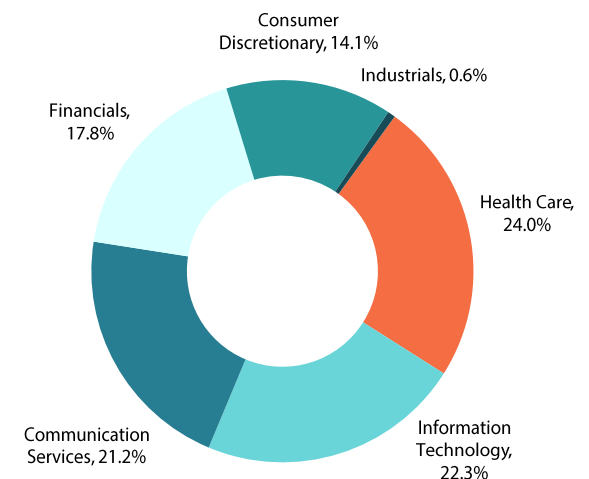
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic 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	18.85	Adaptive Robotics	2.29
Next Gen Cloud	15.38	Advanced Battery Tech	1.75
Digital Wallets	13.12	3D Printing	0.40
Precision Therapies	10.68	Reusable Rockets	0.00
Neural Networks	9.60		
Autonomous Mobility	9.16		
Multimic Technologies	7.94		
Cryptocurrencies	4.31		
Programmable Biology	3.43		
Smart Contracts	3.09		

Top 10 Holdings (Underlying Fund*)

	(%)	Country
Tesla Motors	8.81	United States
Coinbase Global	6.42	United States
Roku	5.91	United States
Roblox	5.71	United States
Block	4.83	United States
Palantir Technologies	4.59	United States
Robinhood Markets	4.20	United States
Shopify	3.99	Canada
Meta Platforms	3.23	United States
Crispr Therapeutics	3.12	Switzerland

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes appreciated during the month even as the U.S. Federal Reserve (Fed) refrained from committing to the timing and pace of future rate cuts. Relative to the MSCI World Index, the Real Estate, Utilities, and Financial Services sectors outperformed on balance in July, while the Technology, Communication Services, 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.

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. 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.

Fund Commentary

Key contributors for the month include **Tesla (TSLA)**, **Roblox (RBLX)** and **Beam Therapeutics (BEAM)**.

Shares of Tesla contributed to performance during the month after the company reported better-than-expected second quarter vehicle deliveries and record stationary energy deployments. Later in the month, the stock returned some gains after Tesla delayed its robotaxi event from August to October due to design changes to its upcoming Cybercab and reported second-quarter earnings that missed analysts' profit expectations. Separately, the company released a major update to its Full-Self Driving software (FSD), v12.5.1, with future updates expected to integrate the highway and city driving software stacks into a single end-to-end solution. Roblox - market research firm released stronger-than-consensus estimates for Roblox bookings, daily active users, and engagement hours earlier in the month. Shares continued to perform well into strong second quarter earnings announced in August. Beam Therapeutics contributed to the fund this month despite the company announcing a transition in the role of Chief Financial Officer.

Key detractors for the month include **Pinterest (PINS)**, **Robinhood (HOOD)** and **Shopify (SHOP)**.

Pinterest detracted from the fund this month after reporting second quarter earnings. While the company slightly beat revenue expectations, the third quarter guidance fell short of consensus, indicating further growth deceleration. Management pointed to tougher year-over-year comps and an FX headwind as guidance headwinds. Shares of Robinhood detracted from the fund this month on the back of mixed cryptocurrency performance. While Bitcoin ended the month flat, the price of Ethereum decreased during the period. Shopify detracted from the fund this month on the back of general weakness across e-commerce stocks.

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 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).	Strategy size:	\$56.1m
Hedging:				

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