

Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 31 August 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, Healthcare and Consumer Staples sectors outperformed on balance in August, while the Energy, Consumer Discretionary, and Information Technology sectors lagged.

Fund Highlights

- The fund fell over the month and lagged its benchmark return.
- Key contributors for the month include Roku (ROKU), Shopify (SHOP) and Palantir (PLTR).
- Key detractors for the month include Coinbase (COIN), Tesla (TSLA) and Twist Bioscience (TWST).

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)
Wholesale¹	-4.61%	4.57%	2.13%	-22.30%	
Benchmark²	0.80%	2.41%	10.00%	10.00%	10.00%
Retail³	-4.25%	2.59%	1.97%	-23.58%	1.59%
KiwiSaver³	-4.31%	2.55%	1.94%	-23.69%	
NASDAQ⁴	-3.58%	4.05%	21.15%	13.02%	21.46%

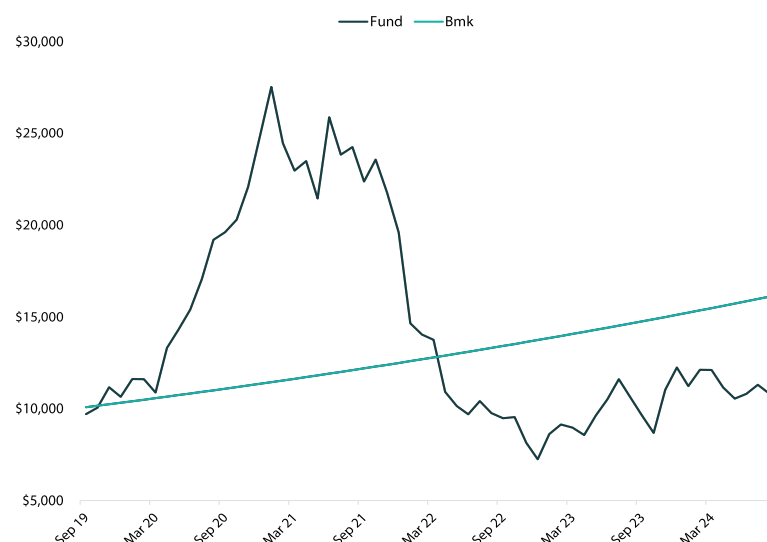
1. Returns are before tax and before the deduction of fees and including tax credits (if any).

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

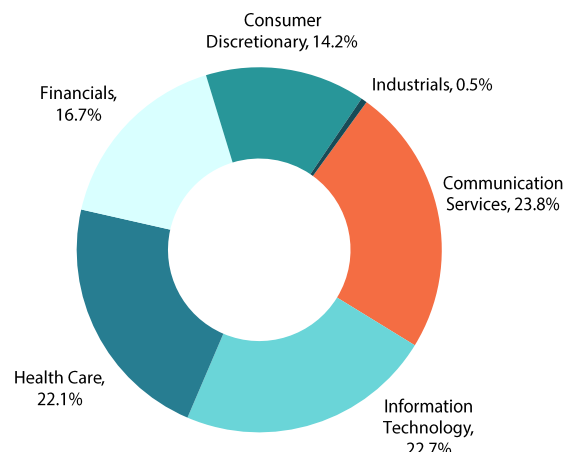
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic 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	20.44	Adaptive Robotics	2.33
Next Gen Cloud	15.51	Advanced Battery	1.61
Digital Wallets	13.58	Reusable Rockets	0.00
Neural Networks	10.57	3D Printing	0.00
Multiomic Technologies	9.31		
Precision Therapies	8.81		
Autonomous Mobility	8.79		
Cryptocurrencies	3.84		
Smart Contracts	2.64		
Programmable Biology	2.56		

Top 10 Holdings (Underlying Fund*)

	(%)	Country
Tesla Motors	8.55	United States
Roku	6.92	United States
Roblox	6.44	United States
Palantir Technologies	5.62	United States
Coinbase Global	5.61	United States
Shopify	4.90	Canada
Block	4.65	United States
Robinhood Markets	4.45	United States
Meta Platforms	3.94	United States
10X Genomics	3.27	United States

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, Healthcare and Consumer Staples sectors outperformed on balance in August, while the Energy, Consumer Discretionary, and Information Technology 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 **Roku (ROKU)**, **Shopify (SHOP)** and **Palantir (PLTR)**.

Roku's stock contributed to the fund's performance in August due to several positive developments. In its second-quarter report, the company reported growth in total net revenue and added 2 million net streaming households, bringing the total to 83.6 million. Additionally, Roku achieved positive adjusted EBITDA for the fourth consecutive quarter, demonstrating effective cost management and operational efficiency. Shopify contributed to the fund this month after the company reported second-quarter earnings. Shopify reported revenue growth that beat management's guidance from last quarter. Palantir contributed to the fund in August after posting strong second-quarter earnings results. Management also raised their full-year guidance for revenue growth. In an environment where many AI tools are still in the prototyping stage, and customers are confused about which products are worth the investment, Palantir appears to offer real value and production-quality solutions that can meaningfully impact their top line.

Key detractors for the month include **Coinbase (COIN)**, **Tesla (TSLA)** and **Twist Bioscience (TWST)**.

Coinbase was a detractor to the fund this month, largely tracking the decline in the price of Bitcoin over the course of the month. Shares of Tesla detracted from performance during the month as part of a broad-market sell-off on rumours of an unwinding of the carry trade financed with borrowed yen, along with Wall Street concerns about a slowdown in global EV adoption. During the month, the company's Full-Self Driving (FSD) v12.5 was widely released to FSD customers ahead of the company's robotaxi event in October. Twist Bioscience detracted from the fund this month despite reporting encouraging financial results. Revenue beat guidance and gross margins expanded. That said, the stock responded negatively during a difficult day for the overall market.

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:	\$50m
KiwiSaver:	1.25%, refer to PDS for more details.				
Hedging:	Any foreign currency exposure is unhedged.				

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