

Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 30 September 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 as the FED cut interest rates sharply by 50 basis points and expectations of a soft landing for the U.S. economy increased.
- Relative to the MSCI World Index, the Consumer Discretionary, Utilities, and Material sectors outperformed on balance in September, while the Energy and Health Care sectors lagged.

Fund Highlights

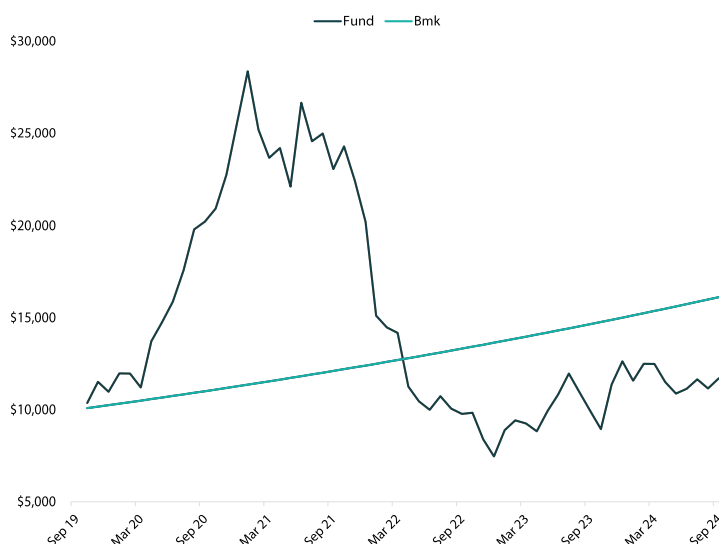
- The fund returned 4.12% over the month, well ahead of the benchmark return of 0.80%.
- Key contributors for the month include Tesla (TSLA), Palantir (PLTR) and Robinhood (HOOD).
- Key detractors for the month include Beam Therapeutics (BEAM), Moderna (MRNA) and Coinbase (COIN).

Performance

| | One month | Three months | One year | Three years (p.a.) | Five years (p.a.) |
|------------------------------|-----------|--------------|----------|--------------------|-------------------|
| Wholesale¹ | 4.12% | 4.26% | 18.70% | -19.42% | |
| Retail³ | 4.88% | 5.03% | 17.88% | -20.25% | 3.18% |
| KiwiSaver³ | 4.91% | 5.02% | 17.93% | -20.35% | |
| Benchmark² | 0.80% | 2.41% | 10.00% | 10.00% | 10.00% |
| NASDAQ⁴ | 0.34% | -2.39% | 29.17% | 14.52% | 21.22% |

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

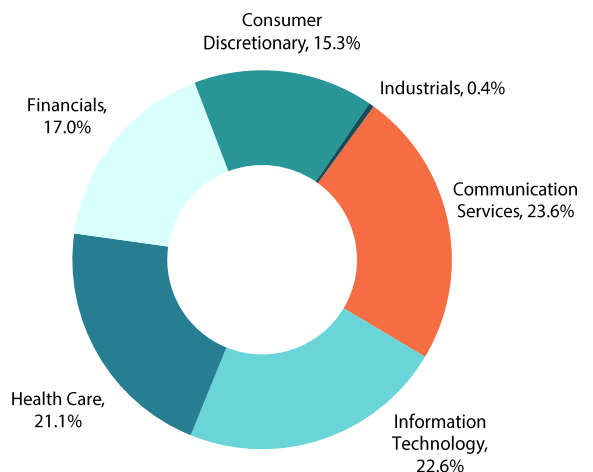
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic 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 | 20.77 | Adaptive Robotics | 2.14 |
| Next Gen Cloud | 15.63 | Advanced Battery | 1.59 |
| Digital Wallets | 13.74 | Reusable Rockets | 0.00 |
| Neural Networks | 10.66 | 3D Printing | 0.00 |
| Autonomous Mobility | 9.40 | | |
| Multiomic Technologies | 9.24 | | |
| Precision Therapies | 7.71 | | |
| Cryptocurrencies | 3.94 | | |
| Smart Contracts | 2.74 | | |
| Programmable Biology | 2.46 | | |

Top 10 Holdings (Underlying Fund*)

| | (%) | Country |
|-----------------------|------|---------------|
| Tesla Motors | 9.45 | United States |
| Roku | 7.32 | United States |
| Roblox | 6.12 | United States |
| Palantir Technologies | 6.08 | United States |
| Coinbase Global | 5.90 | United States |
| Shopify | 4.72 | Canada |
| Robinhood Markets | 4.72 | United States |
| Block | 4.52 | United States |
| Meta Platforms | 4.13 | United States |
| Draftkings | 3.12 | United States |

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes appreciated during the month as the FED cut interest rates sharply by 50 basis points and expectations of a soft landing for the U.S. economy increased. Relative to the MSCI World Index, the Consumer Discretionary, Utilities, and Material sectors outperformed on balance in September, while the Energy and Health Care 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 that will perpetuate the rolling recession that began in the spring of 2022 when the Fed embarked on a 22-fold increase in interest rates. In response, housing, autos, commercial real estate, and capital spending have capitulated as inventories continue to build.

Fund Commentary

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

Shares of Tesla contributed to performance during the month ahead of the October robotaxi event and analysts' forecasts of better-than-expected third quarter vehicle deliveries. During the month, the company's AI team released its roadmap for Full Self-Driving software updates from now through the first quarter of 2025, achieving all September milestones by month's end. Palantir was a contributor to the fund this month following the announcement that it would join the S&P500. Later in the month, Palantir was also awarded a \$100M extension to its Maven Smart System contract with the US military. Shares of Robinhood contributed to the fund this month. Robinhood reported its August 2024 metrics this month, with equity trading volume increasing year-over-year.

Key detractors for the month include **Beam Therapeutics (BEAM), Moderna (MRNA) and Coinbase (COIN).**

Shares of Beam Therapeutics detracted from performance during this month following a broad market pull back in the genome space on no company specific news. Shares of Moderna detracted from performance this month after the company announced further revenue guidance reduction, cutting five early-stage pipelines and a delay in filing for its individualized neoantigen therapy for melanoma. Moderna also announced that Health Canada approved its updated COVID-19 vaccine, SpikeVAX, and entered a joint agreement with Cenra Healthcare to help market Moderna's mRNA respiratory vaccine portfolio in Taiwan. Shares of Coinbase detracted from performance during the month as global digital assets exchange volumes were muted relative to August levels, despite digital asset prices rising modestly.

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: | \$49.2m |
| KiwiSaver: | 1.25%, refer to PDS for more details. | | | | |
| Hedging: | Any foreign currency exposure is unhedged. | | | | |

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