

Nikko AM ARK Disruptive Innovation Strategy

Monthly Update 31 October 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 declined during the month due to a revision of the optimistic inflation outlook and a drop in expectations of a significant interest rate cut.
- Relative to the MSCI World Index, the Communication Services, Financial Services, and Energy sectors outperformed on balance in October, while the Materials, Health Care, and Consumer Staples sectors lagged.

Fund Highlights

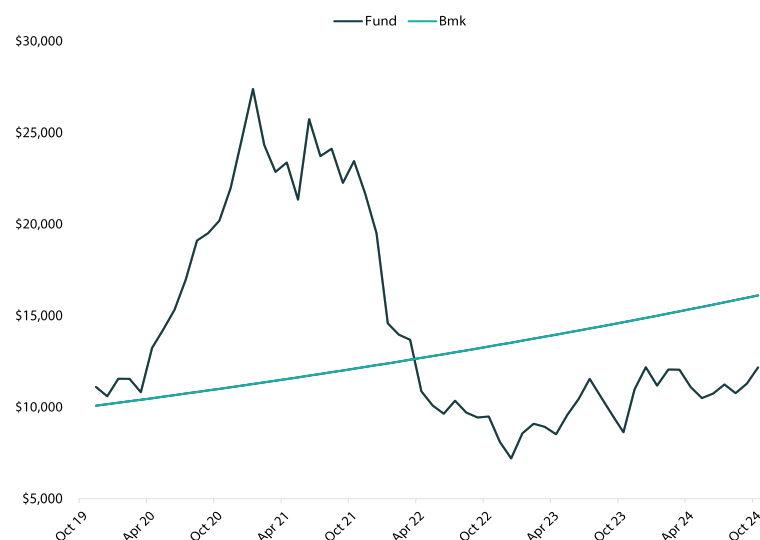
- The fund returned 4.41% over the month, well ahead of the benchmark return of 0.80%.
- Key contributors for the month include Roblox (RBLX), Palantir (PLTR) and SoFi Technologies (SOFI).
- Key detractors for the month include Tesla (TSLA), Teradyne (TER) and Intellia Therapeutics (NTLA).

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)
Wholesale¹	4.41%	3.71%	34.50%	-19.70%	
Retail³	7.85%	8.31%	41.06%	-19.62%	4.01%
KiwiSaver³	7.89%	8.31%	41.28%	-19.72%	
Benchmark²	0.80%	2.41%	10.00%	10.00%	10.00%
NASDAQ⁴	6.01%	2.56%	35.47%	15.29%	22.16%

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

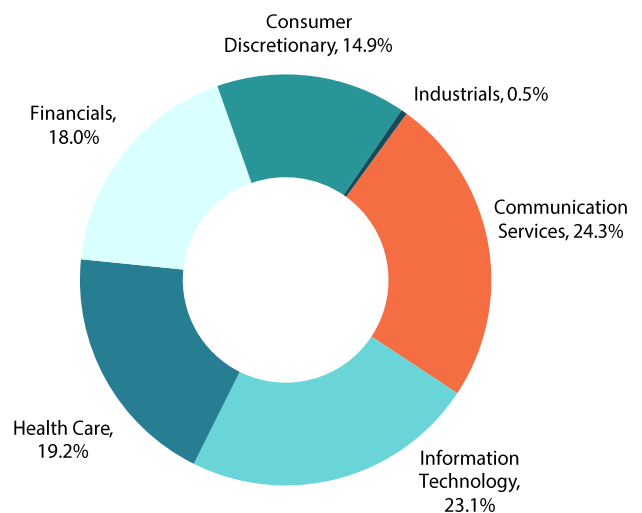
The fund provides access to a global share portfolio that offers thematic exposure to disruptive innovation across a number of sectors and geographies. Disruptive innovation is caused by the introduction of new technologically enabled products or services that permanently change an industry or economic 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	21.00	Adaptive Robotics	1.96
Next Gen Cloud	16.60	Advanced Battery	1.55
Digital Wallets	13.78	Reusable Rockets	0.00
Neural Networks	11.26	3D Printing	0.00
Autonomous Mobility	9.04		
Multiomic Technologies	8.52		
Precision Therapies	6.71		
Cryptocurrencies	4.26		
Smart Contracts	3.06		
Programmable Biology	2.26		

Top 10 Holdings (Underlying Fund*)

	(%)	Country
Tesla Motors	8.96	United States
Roblox	7.30	United States
Palantir Technologies	6.74	United States
Coinbase Global	6.59	United States
Roku	6.39	United States
Block	4.85	United States
Shopify	4.61	Canada
Meta Platforms	4.28	United States
Robinhood Markets	4.17	United States
Draftkings	2.87	United States

Market Commentary (source: ARK Investment Management LLC)

Broad-based global equity indexes declined during the month due to a revision of the optimistic inflation outlook and a drop in expectations of a significant interest rate cut. Relative to the MSCI World Index, the Communication Services, Financial Services, and Energy sectors outperformed on balance in October, while the Materials, Health Care, and Consumer Staples 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. Many global company bellwethers have corroborated the weakness in economic activity, reporting declines in revenues on a year-over-year basis in their most recent quarters.

Fund Commentary

Key contributors for the month include **Roblox (RBLX)**, **Palantir (PLTR)** and **SoFi Technologies (SOFI)**.

Shares of Roblox contributed to fund performance this month after reporting a strong third-quarter report where daily active users (DAUs) increased year-over-year, hours played were higher, and bookings experienced strong growth. Shares of Palantir contributed to fund performance this month on relatively little company-specific news. The rise in share price follows September's announcement that Palantir would be included in the S&P500 and August's announcement of encouraging second-quarter earnings results. Palantir also announced a partnership with L3Harris in October, to accelerate L3Harris' digital transformation. Shares of SoFi Technologies contributed to the fund this month. The company entered into a \$2 billion agreement with Fortress Investment Group to expand its loan platform business capabilities. SoFi also reported strong third-quarter earnings, with adjusted net revenue growing year-over-year and beating Wall Street expectations.

Key detractors for the month include **Tesla (TSLA)**, **Teradyne (TER)** and **Intellia Therapeutics (NTLA)**

Shares of Tesla detracted from performance during the month after third-quarter vehicle deliveries missed estimates, and the "We, Robot" event unveiling the Cybercab robotaxi disappointed analysts with limited details. The company regained some losses when it later reported better-than-expected third-quarter profitability, driven by record-low vehicle costs, additional revenue recognition for Full Self-Driving software, and significant growth in energy storage and services. Shares of Teradyne detracted from performance during the month despite better-than-expected third-quarter results, as management issued a cautious outlook due to challenges in the automotive and industrial markets. Shares of Intellia detracted from performance this month after the company released data from its Phase 2 trials for NTLA-2002, an in-vivo CRISPR-Cas9 therapy for hereditary angioedema (HAE).

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:	\$50.6m
KiwiSaver:	1.25%, refer to PDS for more details.				
Hedging:	Any foreign currency exposure is unhedged.				

Contact Us

www.nikkoam.co.nz | nzenquiries@nikkoam.com

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