

NIKKO AM ARK GLOBAL DISRUPTIVE INNOVATION FUND

Fund Update

Fund Performance (%) AUD

	1 Mth	3 Mths	6 Mths	1 Yr	2 Yrs p.a.	3 Yrs p.a.	Since Inception p.a.
Fund growth return (net)	-17.11	-19.97	-20.59	-63.43	-45.87	-13.67	-8.73
Fund distribution return (net)	0.00	0.00	0.00	0.00	0.00	0.06	0.05
Total Fund return (net)	-17.11	-19.97	-20.59	-63.43	-45.87	-13.61	-8.69
MSCI All Countries World Index*	-5.13	4.07	3.71	-12.48	4.93	5.26	6.93

Source: Citi. Total Fund net returns are post fees, pre tax using redemption prices and assume reinvestment of distributions. Fund growth return is the change in redemption prices over the period. Fund distribution return equals Total Fund minus Fund growth return. Past performance is not an indicator of future performance. Inception date: August 2018.

*Reference Index shown for illustrative purposes only: MSCI All Countries World Index (with net dividends reinvested) expressed in Australian dollars (unhedged).

The Fund underperformed broad based global equities during the month (net).

Key contributors to absolute performance:

- **Exact Sciences** rose after its competitor, Guardant Health, published disappointing topline data for a blood-based cancer drug test.
- **PagerDuty** rallied after the company issued better than expected guidance in its third quarter results, citing a 31% YoY revenue growth. PagerDuty is a SaaS company that helps companies manage alerts and ensure high service quality as well as uptime.
- **UiPath** rallied on the back of a third quarter earnings beat. The company reported YoY revenue growth and improved gross margins from more disciplined capital allocation and cost management. UiPath provides a suite of robotic process automation (RPA) products that automates complex processes under specified compliance and governance standards.
- **Schrodinger** rallied after announcing its acquisition of Nimbus Lakshmi, a subsidiary of Nimbus Therapeutics. ARK believes this acquisition will create more business opportunities for Schrodinger as the two have collaborated on various projects in the past, it would also further Nimbus' existing and future drug discovery programs.
- **Prime Medicine** rallied on the back of relatively little company-specific news. Prime Medicine is a biotech firm that owns the intellectual property around "prime editing".

Key detractors from absolute performance:

- **Tesla** declined as sell-side price targets were lowered based on concerns about demand and amid worries that CEO Elon Musk's recent purchase of Twitter could create an ongoing distraction.

- **Roku** declined on relatively little specific company news. ARK believes Roku is a dominant player in the connected TV space, and that it continues to operate the most successful independent TV OS in the U.S.
- **Intellia Therapeutics** declined as several sell side analysts slightly reduced their price target for the company of late.
- **Unity** declined on relatively little specific company news. ARK maintains high conviction in Unity as the real-time 2D and 3D engine platform is well positioned to capture meaningful revenue as the digital landscape shift to a never-ending immersive space.
- **CRISPR Therapeutics** declined on relatively little company specific news amid a broader selloff impacting gene editing growth names.

Top 10 Holdings – Underlying Fund*

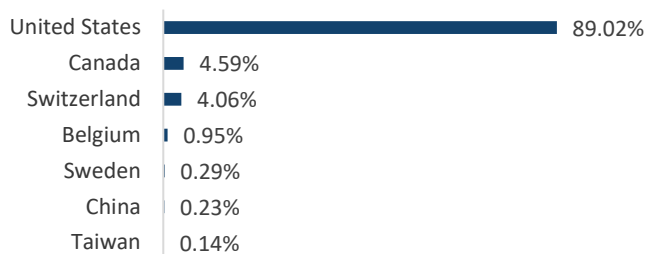
Security Name	% of Fund
Zoom Video Communications	9.37
Roku	6.98
Tesla	6.41
Exact Sciences Corporation	6.28
Block	6.18
UiPath	4.90
Shopify	4.59
Teladoc Health	4.24
CRISPR Therapeutics	4.06
Unity Software	3.98

*The Fund invests in the Nikko AM ARK Disruptive Innovation Fund (Underlying Fund), a sub-fund of the Nikko AM Global Umbrella Fund. The Underlying Fund is an open-ended investment company (Company) established under Luxembourg law as a 'société d'investissement à capital variable' (SICAV).

Portfolio Composition – Underlying Fund*

	Exposure (%)
Cloud Computing	20.90
Digital Media	12.46
E-Commerce	9.68
Gene Therapy	8.42
Instrumentation	7.85
Big Data & Machine Learning	6.17
Molecular Diagnostics	5.36
Mobile	5.33
Beyond DNA	4.37
Internet of Things	4.08
Blockchain & P2P	3.83
Bioinformatics	2.41
Energy Storage	2.35
Social Platforms	1.79
3D Printing	1.47
Autonomous Vehicles	0.82
Robotics	0.80
Targeted Therapeutics	0.74
Development of Infrastructure	0.66
Next Generation Oncology	0.52
Stem Cells	0.00

Country Exposure – Underlying Fund*



Market Outlook

Broad-based global equity indexes (as measured by the MSCI World) declined in December. Fear of the future is palpable these days, but crisis historically has created opportunities. According to the latest BofA Fund Manager Survey, cash levels have not been this high since the 9/11 crisis in 2001, and investors are overweight bonds for the first time since April 2009. In December, the CBOE equity put/call ratio surged above 2.0 (The Chicago Board Options Exchange’s (CBOE) Equity Put/Call Ratio hit 2.03 on December 21st, 2022), the highest level on record, surpassing the ratios in both the tech and telecom bubble and the Global Financial Crisis. In hindsight, both of those times were terrific opportunities to put funds to work in highly differentiated ways. To the extent investors have reserves of cash to put to work, ARK believes that this time will be no different and that innovation strategies will be prime beneficiaries when equity markets recover.

Relative to the MSCI World Index, the Utility, Health Care, and Consumer Staples sectors outperformed in December, while the Consumer Discretionary, Technology, and Communication Services 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 ARK’s 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.

Dominating most broad-based indexes, several mega-cap stocks seem to have lured risk-averse benchmark-sensitive investors into crowded trades and away from emerging growth opportunities centered on disruptive innovation. In ARK’s view, investors in broad-based equity indexes seem to be shorting truly disruptive innovation, perhaps inadvertently and, if history is any guide, to their detriment. As a result, they could be missing investment opportunities, specifically in companies that invest aggressively at the expense of short-term profits. While controversial and volatile in the short term, companies focused on innovation that solves problems and disrupts legacy industries have the potential to surprise on the upside with significant exponential growth trajectories. In ARK’s view, active management will play a crucial role during the next five to ten years as some disruptive companies win and others lose in winner-take-most markets.

Since March 2021, the yield curve (as measured by the difference between yields on the 10-year Treasury bond and the 2-year Treasury note) has flattened 212 basis points, from 159 to -53 basis points, suggesting that if the Federal Reserve does not pull back its rate increases, both real growth and inflation may further surprise on the low side of expectations. US consumer sentiment (as of December 2022, measured by the University of Michigan) remains at levels last seen during the coronavirus pandemic, the 2008-2009 Global Financial Crisis, and the early 1980s when the economy suffered two recessions and inflation and interest rates hit double digits. Meanwhile, the consumer savings rate collapsed to 2.4%, its second-lowest level since 1959 (the consumer savings rate dropped to 2.1% in July 2005), suggesting that consumers do not have the means for significant real consumption growth.

In ARK’s view, inventories have piled up and long-term inflation fears are overblown. The price of gold, copper, and lumber, three commodities that led the rise in broad based inflation, have broken down and are flat or down on a year-over-year basis. The price of oil remains an outlier, but its price has fallen 35% since the peak in March. During the past year, in response to supply bottlenecks caused by the COVID crisis and Russia’s invasion of Ukraine, companies appear to have double- and triple-ordered goods to satisfy stronger-than-expected demand growth that now is diminishing. The combination of geopolitical forces and inventory hoarding pushed US consumer price inflation—a lagging indicator of inflation—to 7.1% on a year-over-year basis, a rate that ARK believes deflationary forces—good, bad, and cyclical—are beginning to unwind.

Innovation is the source of good deflation, as learning curves cut costs and increase productivity. Yet, Ark believe many companies have catered to the short-term-oriented, risk-averse shareholders and have satisfied demands for profits/dividends “now”. As a result, many have leveraged their balance sheets to buy back stock, bolster earnings, and increase dividends. In so doing, many have curtailed investments in innovation and could be ill-prepared for the impact of disintermediation associated with disruptive innovation. Saddled with aging products and services, they could be forced to cut prices to clear unwanted inventories and service debt, causing bad deflation.

If Ark are correct in our assessment that growth, inflation, or both will surprise on the low side of expectations, scarce double-digit growth opportunities should be rewarded accordingly. The adoption of new technologies typically accelerates as concerned businesses and consumers change their behaviour much more rapidly than otherwise would be the case, giving new leadership

an opportunity to surface in the equity market. We believe the coronavirus crisis and Russia’s invasion of Ukraine have transformed the world significantly and permanently, suggesting that many innovation-driven strategies and stocks could be productive holdings during the next five to ten years.

In ARK’s view, the wall of worry built on the back of high multiple stocks bodes well for equities in the innovation space. The strongest bull markets do climb a wall of worry, a fact that those making comparisons to the tech and telecom bubble seem to forget. No wall of worry existed or tested the equity market in 1999. This time around, the wall of worry has scaled to enormous heights..

guarantee, future performance. Information about the Funds, including the relevant PDSs, should not be construed as an offer to any jurisdiction other than in Australia. With the exception of some Funds that may be offered in New Zealand from time to time (as disclosed in the relevant PDS), we will not accept applications from any person who is not resident in Australia or New Zealand. The Funds are not intended to be sold to any US Persons as defined in Regulation S of the US federal securities laws and have not been registered under the U.S. Securities Act of 1933, as amended.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. Holdings may change by the time you receive this report. Future portfolio holdings may not be profitable. The information should not be deemed representative of future characteristics for the strategy. There can be no assurance that any targets stated in this document can be achieved. Please be advised that any targets shown are subject to change at any time and are current as of the date of this document only. Targets are objectives and should not be construed as providing any assurance or guarantee as to the results that may be realized in the future from investments in any asset or asset class described herein. If any of the assumptions used do not prove to be true, results may vary substantially. These targets are being shown for informational purposes only.

© Yarra Capital Management, 2022.

Key Facts

Responsible Entity Yarra Investment Management Limited	Buy/Sell Spread 0.20%/0.20%
APIR Code NIK1854AU	Management Cost 1.35% p.a.
Investment Adviser ARK Investment Management LLC	Distribution Frequency Annual [^]
Asset Allocation (via Underlying Fund) Global Equity (Min 90%, Max 100%) Cash (Min 0%, Max 10%)	Fund Size AUD 47.5 million Minimum Investment AUD 10,000

[^]We expect annual income distributions to be minimal or nil at times.

Contact Us

Yarra Investment Management Limited
Level 11 Macquarie House
167 Macquarie Street Sydney NSW 2000, Australia
Phone: 1800 251 589
Fax: +61 2 8072 6304
Email: investor@yarracm.com

Important Information

Yarra Investment Management Limited ABN 34 002 542 038, AFSL 229664 (YIML) is the issuer and responsible entity of units in the Nikko AM ARK Global Disruptive Innovation Fund ARSN 627 341 744 (Fund). YIML is not licensed to provide personal financial product advice to retail clients. The information provided contains general financial product advice only. The advice has been prepared without taking into account your personal objectives, financial situation or particular needs. Therefore, before acting on any advice, you should consider the appropriateness of the advice in light of your own or your client’s objectives, financial situation or needs. Prior to investing in any of the Funds, you should obtain and consider the Product Disclosure Statement (PDS) and the Target Market Determination (‘TMD’) for the relevant Fund by contacting our Investor Services team on 1800 251 589 or from our website at www.yarracm.com/pdsupdates.

The information set out has been prepared in good faith and while YIML and its related bodies corporate (together, the “Yarra Capital Management Group”) reasonably believe the information and opinions to be current, accurate, or reasonably held at the time of publication, to the maximum extent permitted by law, the Yarra Capital Management Group: (a) makes no warranty as to the content’s accuracy or reliability; and (b) accepts no liability for any direct or indirect loss or damage arising from any errors, omissions, or information that is not up to date. No part of this material may, without the Yarra Capital Management Group’s prior written consent be copied, photocopied, duplicated, adapted, linked to or used to create derivative works in any form by any means. YIML manages each of the Funds and will receive fees as set out in each PDS. To the extent that any content set out in this document discusses market activity, macroeconomic views, industry or sector trends, such statements should be construed as general advice only. Any references to specific securities are not intended to be a recommendation to buy, sell, or hold such securities. Past performance is not an indication of, and does not