

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)	-17.91	-34.04	-33.72	-40.62	15.36	19.79	12.80
Fund distribution return (net)	0.00	0.00	0.00	0.00	0.13	0.09	0.07
Total Fund return (net)	-17.91	-34.04	-33.72	-40.62	15.49	19.88	12.88
MSCI All Countries World Index*	-1.87	2.89	4.00	23.31	12.21	16.75	12.56

Source: BNP Paribas. 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:

- There were no contributors to absolute performance this month, given innovation stocks were disproportionately punished during the January market sell-off.

Key detractors from absolute performance:

- Amidst the market rotation, shares of **Roku** detracted as bearish analyst reports emerged and as the head of its Platform business announced his departure. ARK maintains very high conviction and is focused on Roku's potential to increase the monetization of its user base.
- **Unity** traded lower after experiencing a large increase in its stock price through to November 2021. Despite the drawdown during the month, Unity announced interesting developments including a partnership with Hyundai Motor to design and build a metaverse roadmap.
- **Coinbase** underperformed during a period of raised volatility in the cryptocurrency markets that carried over from December. Based on 2021 numbers, Coinbase represents roughly 10% of the overall crypto market spot trading. ARK believes that Coinbase will continue to capture trading volume market share, as product innovation is likely to increase the number and stickiness of users on the platform.
- After posting a very solid year of performance in 2021, **Tesla** traded lower as the electric vehicle market broadly depreciated and based on Tesla's comments concerning

the potential for supply chain issues to persist. However, Tesla beat both top- and bottom-line earnings estimates for the fourth quarter, and the shift from fuel-powered to electric vehicles continues to be profound.

- **Shopify** detracted from performance as investment sentiment weighed on its price and as Shopify appeared to be shifting its fulfilment centre strategy in the US. Shopify later clarified that such new programs should not reduce network capacity. Founded in 2004, Shopify has built the leading "retail operating system" with a comprehensive product suite and partner ecosystem for merchants to seamlessly build and manage omnichannel businesses.

Top 10 Holdings – Underlying Fund*

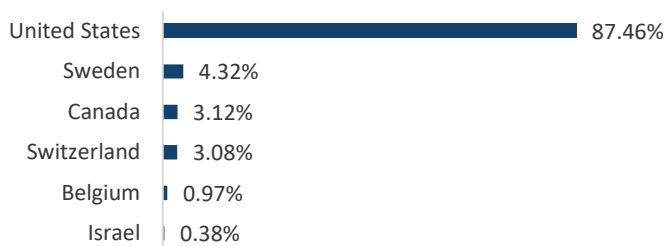
Security Name	% of Fund
Tesla Motors, Inc.	8.85
Roku Inc	6.26
Zoom Video Communications Inc	6.18
Teladoc Health, Inc.	5.92
Coinbase Global Inc	5.04
Unity Software Inc	4.82
Exact Sciences Corporation	4.53
Spotify Technology Sa	4.32
Intellia Therapeutics Inc	4.28
Block, Inc. Class A	3.96

*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	15.93
Digital Media	15.08
Gene Therapy	7.71
E-Commerce	7.44
Big Data & Machine Learning	7.20
Blockchain & P2P	5.55
Molecular Diagnostics	5.54
Instrumentation	5.51
Internet of Things	5.48
Mobile	5.20
Bioinformatics	4.15
Energy Storage	3.05
Beyond DNA	2.67
3D Printing	2.44
Social Platforms	2.02
Autonomous Vehicles	1.73
Robotics	1.04
Development of Infrastructure	0.94
Targeted Therapeutics	0.38
Next Generation Oncology	0.24
Stem Cells	0.00
Space Exploration	0.00

Country Exposure – Underlying Fund*



Market Outlook

Broad-based global equity indices, as measured by the MSCI World Index, depreciated significantly in January as macro headwinds hurt consumer and investor confidence. Consumer sentiment, as measured by the University of Michigan, dropped below a level last seen during the depths of the COVID-19 pandemic. Innovation stocks were punished disproportionately, as investors continued to fear high inflation and interest rates. Contrary to mainstream views, ARK believe this environment has pushed innovation stocks into deep value territory in the context of our five-year investment time horizon. Importantly, most so-called broad based innovation benchmarks are dominated by several mega-cap stocks that, in ARK’s view, have steered risk-averse investors into crowded trades that miss the most important emerging growth stocks in the disruptive innovation space.

Relative to the MSCI World Index, the energy, financials, and consumer staples sectors outperformed in January, while the information technology, consumer discretionary, and health care sectors lagged. During 2021, many broad-based market indices scaled to record highs as investors rotated from

growth stocks toward “value” and defensive stocks, including FAANGS. Yet some of the largest beneficiaries of the benchmark rotation to cyclicals during the past eleven months, 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.

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.

Key Facts

Responsible Entity Yarra Investment Management Limited	Buy/Sell Spread 0.25%/0.25%
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 160.21 million Minimum Investment AUD 10,000

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

Contact Us

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