

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)	7.22	27.33	56.29	119.60	70.39	-	42.71
Fund distribution return (net)	0.00	0.00	0.00	0.49	0.19	-	0.14
Total Fund return (net)	7.22	27.33	56.29	120.09	70.58	-	42.85
MSCI All Countries World Index*	-0.08	6.52	10.65	5.90	15.88	-	8.66

Source: Nikko AM Australia, 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 outperformed broad based global equities during the month (net).

Key contributors to absolute performance:

- Gene editing stocks rose in December following a plethora of presentations at the American Society of Hematology's Annual Meeting (ASH). Shares of **Editas Medicine** surged in December after the company presented encouraging data on its pre-clinical, off the shelf, allogeneic iNK cells and the manufacturing and development process for its sickle cell and beta thalassemia programs. **CRISPR Therapeutics** rose in December after the company presented compelling data from its gene editing program CTX-001 for sickle cell and beta thalassemia at the annual ASH meeting. Shares of **Intellia Therapeutics** appreciated in December after the company presented pre-clinical data on its CRISPR/Cas9 TCR-T cell treatment for Acute Myeloid Leukemia (AML). In December, the company also announced the achievement of normal Alpha-1 Antitrypsin protein levels in non-human primates.
- Tesla** and **Roku** also contributed to performance.

Key detractors from absolute performance:

- Invitae** underperformed in December most likely because the share lockup expiry date for ArcherDx shareholders occurred earlier in the month. Given Invitae's year-to-date outperformance, we think there could be downward pressure on the stock until Invitae's next corporate update during the JP Morgan Healthcare Conference in early January.
- Seres Therapeutics** declined slightly in December after strong performance in the last few quarters, we believe that investors may be worried about clinical trial slowdowns because of new imposed restrictions for COVID-19.
- Veracyte** depreciated in December following a period of outperformance in October and November. Since Veracyte's

prognostic tests utilise tissue biopsies, investors may be concerned about near-term testing volume growth since many patients still are unable to undergo tissue biopsies in the wake of COVID-19.

- Zoom** and **Splunk** also detracted from performance.

Top 10 Holdings – Underlying Fund*

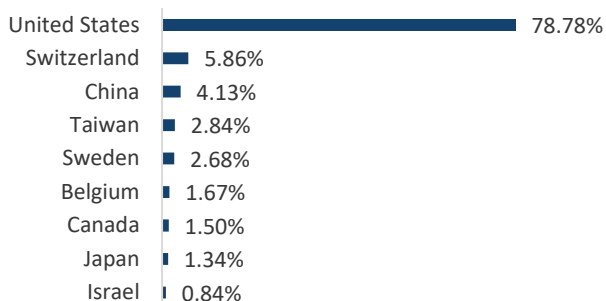
Security Name	% of Fund
Tesla Motors, Inc.	9.68
Roku Inc	6.84
CRISPR Therapeutics Ag	5.86
Square, Inc. Class A	5.15
Invitae Corp	4.55
Teladoc Health, Inc.	4.28
Editas Medicine Inc	3.02
Pure Storage Inc	2.98
Zillow Group, Inc. Class C	2.90
Proto Labs, Inc.	2.72

*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 (%)
E-Commerce	10.58
Cloud Computing	9.97
Gene Therapy	9.95
Digital Media	8.92
Mobile	7.46
Big Data & Machine Learning	7.45
3D Printing	6.16
Molecular Diagnostics	6.14
Internet of Things	5.32
Beyond DNA	4.43
Bioinformatics	4.35
Energy Storage	3.10
Targeted Therapeutics	2.87
Autonomous Vehicles	2.67
Instrumentation	2.58
Robotics	1.64
Blockchain & P2P	1.61
Social Platforms	1.53
Next Generation Oncology	1.36
Development of Infrastructure	0.95
Space Exploration	0.95
Stem Cells	0.00

Country Exposure – Underlying Fund*



Market Outlook

During December, as V-shaped recovery surprises multiplied around the world, broad-based global equity indices - as measured by the MSCI World – continued to rebound after a few months of consolidation. While political gridlock hindered the next phase of fiscal stimulus in the US, monetary policies around the world remained supportive as the number of European and US COVID-19 cases/fatalities surged, calling into question the sustainability of global economic growth.

Relative to the MSCI World Index, materials, technology and consumer discretionary outperformed, while utilities, real estate and industrials lagged.

Since the bottom of the market during the COVID-19 crisis, growth stocks - particularly those associated with companies solving problems created by the pandemic - have outperformed value stocks significantly. This divergence could be a function of fears of a relapse into recession and the “creative destruction” that innovation is fomenting in traditional value sectors such as financial services, energy and industrials.

That said, cyclical sectors around the world are beginning to benefit as producers continue to catch up with consumer demand and as significant capital spending declines in energy and other disrupted industries curb supply and support prices. The consumer saving rate in the US dropped from a record high 34%

in April but still is 12.9%, more than 50% above the 8% recorded in March, suggesting that pent-up demand will continue to support the recovery now underway. Indeed, given the continued liquidation in US inventories, businesses still are scrambling, pointing to a continued V-shaped recovery in the US and Asia during the next year. At the same time, companies like Exxon are writing down fixed assets and cutting capital spending, pointing to a resurgence of oil prices if the V-shaped recovery continues apace.

As COVID-19 strengthened its grip on the globe this past year, it was pleasing to see government policymakers were laser-focused on cushioning the blow and on partnering with companies offering innovative solutions to the problems the disease is causing. During times of fear, uncertainty, and doubt, businesses and consumers are more willing to change their behaviour and seek innovative products and services that are more productive, cost-effective, faster and/or creative. As a result, innovation can take root and typically gains significant market share during and after tumultuous times.

Key Facts

Responsible Entity Nikko Asset Management Australia 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 198.5 million
	Minimum Investment AUD 10,000

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

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