

ARK GLOBAL DISRUPTIVE INNOVATION FUND

Net returns as at 31 October 2023

	1 month	3 months	6 months	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception*
Fund growth return	-9.36	-25.65	2.12	-5.05	-40.23	-23.46	-1.19	-3.81
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.04
Total Fund return [‡]	-9.36	-25.65	2.12	-5.05	-40.23	-23.46	-1.14	-3.77
MSCI All Countries World Index [^]	-1.13	-3.81	2.36	11.60	2.43	10.43	9.92	8.55

Past performance is not a reliable indicator of future performance. Taxes payable by investors have not been taken into account. The figures shown have been provided for illustrative purposes – they are unaudited and subject to change. The total returns shown are prepared on an exit to exit basis – they include all ongoing fees and expenses and assume reinvestment of all distributions.

* Inception date of the ARK Global Disruptive Innovation Fund: August 2018.

‡ 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.

[^] Reference Index shown for illustrative purposes only: MSCI All Countries World Index (with net dividends reinvested) expressed in Australian Dollars (unhedged).

Portfolio review

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

Key contributors to absolute performance:

- **Roblox** rallied following an analyst's decision to upgrade the stock from "Hold" to "Buy", noting a potential path to a 20% upside. Roblox provides a creator-first digital entertainment platform and a 3D engine, both of which allow third-party developers around the world to create games and experiences for users.
- **Coinbase** received a boost amid news that the company received a license to expand its digital payment token services in Singapore. Moreover, the rally in the greater crypto market gave the stock an additional uplift.
- **Pinterest** shares soared after the social network reported third-quarter results that topped expectations. Revenues hit double-digit growth to rise to \$763 million and global monthly active users rose by 8%.
- **Spotify** rallied after the company posted strong third quarter results. There was a 10.6% year-over-year growth in revenue, and a 26% year-over-year increase in monthly active users. ARK is optimistic that Spotify will persist in expanding its market share within the music streaming industry.

Key detractors from absolute performance:

- **Tesla** shares were sold off following the release of its third-quarter earnings, coupled with industry

speculations regarding a potential slowdown in electric vehicle (EV) sales. Tesla fell short of expectations on both revenue and profit fronts, attributing the decrease in vehicle production and deliveries to scheduled downtimes for factory updates. Despite these challenges, Tesla maintains its outlook for full-year deliveries, aiming for 1.8 million vehicles. ARK's research suggests that as EV prices come down thanks to battery cost declines, EV sales will grow from roughly 8 million units in 2022 to 60 million units in 2027. Tesla's superior drivetrain efficiency and vertical integration should allow it to lead the industry when it comes to cost reduction.

- **Roku** shares fell as a Wall Street analyst cut the company's estimates and price target, citing a potential reduction in media and entertainment spend in Q4 due to the ongoing Hollywood strike.
- **Zoom** declined on relatively little company specific news. Zoom also highlighted its updated AI roadmap at its annual Zoomtopia conference, announcing new products for document collaboration and AI-assisted contact center.
- **Unity** traded down following the abrupt resignation of CEO and Chairman, John Riccitiello. James Whitehurst was appointed interim CEO, President, and a member of the Board. Additionally, Roelof Botha, the lead Independent Director of the Unity Board, has taken on the role of Chairman.

Market outlook

In October, major stock markets experienced a decline, attributed to various factors including the uptick in bond yields in the United States, turmoil in the Middle East, and financial results announcements by some major companies that pushed down stock prices.

The Federal Reserve (Fed) is trying to curb inflation by raising interest rates, but the bond market suggests the Fed may be making a mistake. From March 2021 to July 2023, the U.S. Treasury yield curve (the difference in yield between 10-year and 2-year bonds) flattened by 267 basis points, from +159 basis points to -108 basis points. Although the yield curve has steepened since July 2023, and long-term interest rates have risen relative to short-term interest rates, the yield curve is still inverted. This dynamic movement seems to suggest that both the real GDP growth rate and the inflation rate may be lower than expected. ARK believes the Fed is ignoring leading indicators of recession and price deflation and basing its decisions on lagging indicators of unemployment and headline inflation. Although it is not as bad as the financial crisis, it is thought that the economy may end up in a slightly more difficult position than a weak one. Cyclical indicators such as housing, autos, and inventories have been under recession-like pressure for nearly two years, and the U.S. economy may be in a rolling recession.

Innovation is a potential "good" deflationary force, where learning curves lead to lower costs and higher productivity, resulting in lower prices. ARK believes that many companies have increased dividends by utilizing their balance sheets to buy back their own shares in response to the requests of short-term and risk-averse shareholders seeking immediate profits and dividends. Doing so can constrain investment and leave them unprepared for the potential disintermediation that comes with disruptive innovation. ARK believes that prices may be forced to drop in order to clear inventories of aging products and services and deal with ballooning debts, leading to "bad" deflation.

If Ark's predictions that GDP growth, inflation, or both are lower than expected are correct, the rare double-digit growth companies will be rewarded accordingly. The penetration of new technologies accelerates during recessions, as businesses and consumers change their behaviors and habits more quickly than in normal times. As a result, companies rooted in innovation historically outperform and emerge as new market leaders at the end of bear markets. ARK believes the coronavirus pandemic and Russia's invasion of Ukraine have profoundly and permanently changed the world, and we expect many innovation-related strategies and stocks to be profitable over the next five to ten years.

Ark believes that the "wall of worry" bodes well for stocks in the innovation sector. Those who compare today to the tech and telecom bubbles seem to forget that the

strongest bull markets are those that overcome significant challenges. In 1999 there were no walls and no challenges in the market, but this time, the walls are much higher.

Top 10 holdings (underlying Fund*)

Security Name	% of Fund
Coinbase Global Inc	7.8
Zoom Video Communications Inc	7.7
Roku Inc	7.7
Tesla Inc	7.5
Block Inc	4.9
DraftKings Inc	4.8
UiPath Inc	4.7
ROBLOX Corp	4.4
Twilio Inc	3.9
Unity Software Inc	3.4

* 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*)

Element	Exposure (%)
Cloud Computing	17.1
Digital Media	15.5
Blockchain & P2P	7.9
Big Data & Machine Learning	7.7
E-Commerce	7.4
Gene Therapy	6.3
Instrumentation	5.9
Mobile	5.8
Internet of Things	4.6
Beyond DNA	4.0
Social Platforms	3.8
Energy Storage	2.5
Molecular Diagnostics	2.4
Robotics	2.1
Next Generation Oncology	2.0
Bioinformatics	1.8
Autonomous Vehicles	1.0
Targeted Therapeutics	0.9
Development of Infrastructure	0.8
3D Printing	0.5

Sector exposure (underlying Fund*)

Element	Exposure (%)
Information Technology	30.9
Health Care	20.7
Communication Services	17.0
Financials	15.3
Consumer Discretionary	12.9
Materials	2.2
Industrials	1.0

Features

Investment objective	The Fund aims to achieve a target average total return (before fees, expenses and taxes) of 10% to 15% per annum over a rolling five year period.	
Recommended investment time frame	7+ years	
Fund inception	August 2018	
Fund size	A\$49.6 mn as at 31 October 2023	
APIR code	NIK1854AU	
Estimated management cost	1.35% p.a.	
Buy/sell spread	+/- 0.20%	
Platform availability	Asgard BT Panarama Hub24 Macquarie Wrap Mason Stevens Netwealth	OneVue Praemium uXchange Wealth02

Applications and contacts

Investment into the ARK Global Disruptive Innovation Fund can be made by Australian resident investors only.

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