

## ARK GLOBAL DISRUPTIVE INNOVATION FUND

### Net returns as at 31 May 2024

	1 month	3 months	6 months	1 year	2 years p.a.	3 years p.a.	5 years p.a.	Since inception* p.a.
Ark Global Disruptive Innovation Fund <sup>‡</sup>	-3.19	-15.47	-4.77	5.41	3.63	-22.12	2.09	-0.54
Growth return <sup>#</sup>	-3.19	-15.47	-4.77	5.41	3.63	-22.12	2.05	-0.58
Distribution return <sup>#</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.04
MSCI All Countries World Index <sup>^</sup>	1.60	1.62	13.76	20.23	15.91	10.56	12.58	10.90

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.

<sup>‡</sup>Effective April 2023, the Fund was renamed from the Nikko AM Ark Global Disruptive Innovation Fund to the Ark Global Disruptive Innovation Fund. There was no change to the Fund's investment team, philosophy or process. The Fund gains exposure to global equities by investing 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).

<sup>#</sup>Growth returns are measured by the movement in the Fund's unit price, ex-distribution. Distribution return is the proportion of the total return which is paid to unitholders by way of distribution. It does not include distribution amounts deemed as capital distributions.

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

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

### Portfolio review

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

Key contributors to absolute performance:

- **Robinhood** reported strong first quarter earnings, beating revenue estimates on the back of strong crypto volumes on the platform. Later in the month, the company announced a \$1 billion share repurchase program.
- **Coinbase** appreciated after the company reported strong first quarter earnings with revenue growing 72% quarter-over-quarter and adjusted EBITDA exceeding the 2023 total. In addition, the US House of Representatives passed the crypto-friendly Financial Innovation and Technology for the 21st Century Act or "FIT 21" bill during the month. The bill now awaits approval in the Senate.
- **Twist Bioscience** reported strong fiscal second-quarter financial results. Revenue increased 25% year-over-year, as orders for the quarter reached a record level. Significant blanket purchase orders contributed to the 45% increase in orders. Additionally, the company announced the launch of Multiplexed Gene Fragments to enable high-throughput screening applications. The company also launched a new Pharmacogenomics Beta Program featuring its target enrichment technology to advance personalized medicine in collaboration with Oxford Nanopore.

- **Pinterest** rallied as the company reported strong first quarter earnings with revenue beating estimates. Management attributed this success to a broad advertiser demand for the company's lower-funnel ad tools, monetization from third-party ad demand through Amazon and Google, and the platform's allure to younger demographics.
- Shares of **Teradyne** contributed to performance during the month as part of a broad market rally for semiconductor stocks. During the month, it received a rating upgrade from an analyst to Buy from Neutral, citing an expected recovery in the company's system on a chip and robotics segments.

Key detractors from absolute performance:

- **UiPath** traded down as the company unexpectedly lowered their full-year guidance for revenue, ARR, and operating income, citing a combination of macroeconomic headwinds and sales execution challenges. The company also announced the current CEO, Rob Enslin, will leave the company, and that founder and former CEO Daniel Dines will return to the role. We believe that while UiPath faces short-term headwinds in revenue growth, in the upcoming years they will be major beneficiaries of generative AI, as large language models will need the reliable, deterministic automation tools UiPath provides to perform complex tasks in the real world.
- **Unity** traded down as total revenue for the first quarter was down 8% year-over-year. In leadership

changes, Unity announced the appointment of Matthew Bromberg as the new President and CEO, and the resignation of Marc Whitten as the Company's Chief Product and Technology Officer.

- **Block** traded down despite reporting strong first quarter earnings, beating estimates for both net revenue and adjusted EBITDA. Management also raised its full-year guidance for gross profit and adjusted EBITDA. While several catalysts including the merging of BNPL and Cash Card present compelling growth opportunities for Block's Cash App division, we believe investors remain sceptical of Square given its decelerating growth and the pessimistic macro-outlook.
- **10X Genomics** traded down this month after German Federal Patent Court ruled in favor of NanoString Technologies' German subsidiary in its patent dispute. 10X Genomics also reported first-quarter earnings, in which the company reported lower than expected revenue.
- **Shopify** share fell during the month. The company reported first quarter earnings and guided to 'high-teens' revenue growth in the second quarter on a year-over-year basis, missing consensus of around 20% year-over-year.

## Market outlook

Broad-based global equity indexes appreciated during the month due to a less-hawkish press conference by Fed Chair Jerome Powell after the FOMC meeting, as well as to the expectations of a rate cut before the end of the year. Importantly, the Fed began to communicate that employment gains would not derail the decline in interest rates and that inflation is the much more important policy gauge. While the consensus forecast is for a soft landing, ARK still expects that a loss of pricing power will force corporations into employment cutbacks and a harder-than-expected landing. Indeed, the US economy seems to have been in a rolling recession, depressing sectors like housing, autos, and commercial real estate while inventories continue to build.

Relative to the MSCI World Index, the Information Technology, Utilities, and Communication Services sectors outperformed on balance in May, while the Energy and Consumer Discretionary 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.

## Top 10 holdings (underlying Fund\*)

Security Name	% of Fund
Tesla Inc	9.5
Coinbase Global Inc	7.4
Roku Inc	6.5
Block Inc	5.7
ROBLOX Corp	5.3
Robinhood Markets Inc	5.0
Zoom Video Communications Inc	4.4
Palantir Technologies Inc	4.3
Shopify Inc	3.7
Meta Platforms Inc	3.6

## Sector exposure (underlying Fund\*)

Element	Exposure (%)
Information Technology	24.3
Health Care	21.3
Communication Services	21.0
Financials	19.3
Consumer Discretionary	12.9
Materials	0.7
Industrials	0.5

## Portfolio composition (underlying Fund\*)

Element	Exposure (%)
Intelligent Devices	20.9
Next Gen Cloud	13.7
Neural Networks	11.3
Digital Wallets	10.7
Autonomous Mobility	9.4
Precision Therapies	9.0
Multiomic Technologies	7.7
Cryptocurrencies	5.5
Smart Contracts	4.3
Programmable Biology	3.0
Adaptive Robotics	2.6
Advanced Battery Technologies	1.6
3D Printing	0.3
Reusable Rockets	0.0

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## Features

<b>Investment objective</b>	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.	
<b>Recommended investment time frame</b>	7+ years	
<b>Fund inception</b>	August 2018	
<b>Fund size</b>	A\$44.7 mn as at 31 May 2024	
<b>APIR code</b>	NIK1854AU	
<b>Estimated management cost</b>	1.35% p.a.	
<b>Buy/sell spread</b>	+/- 0.20%	
<b>Platform availability</b>	Asgard BT Panarama Hub24 Macquarie Wrap Mason Stevens Netwealth	OneVue Praemium uXchange Wealth02

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## Applications and contacts

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

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