

ARK GLOBAL DISRUPTIVE INNOVATION FUND

Net returns as at 31 March 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.
Fund growth return	-2.11	0.43	24.07	27.15	-5.72	-20.53	2.81	2.05
Fund distribution return	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.04
Total Fund return [‡]	-2.11	0.43	24.07	27.15	-5.72	-20.53	2.85	2.09
MSCI All Countries World Index [^]	2.94	13.16	18.85	26.49	14.56	12.61	12.80	11.50

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:

- Cryptocurrency exchange platform operator **Coinbase Global Inc.** and financial technology conglomerate **Block Inc.**, both benefited from the continued strength across crypto markets. Bitcoin broke through \$70,000 and set a new all-time high in March.
- Shares in financial services company **Robinhood Markets Inc.** traded higher on a positive research report and was supported by continued strength across cryptocurrencies. Robinhood also unveiled a new credit card offering competitive with other premium cards in the US.
- Molecular diagnostics company **Exact Sciences Corp.** shares traded up. The company recently made several significant announcements including the launch of the Riskguard hereditary cancer test in the US. The company also published data on the Cologuard Plus test, which showed superior performance compared to another commercially available test for detecting cancer or precancer. Furthermore, Exact Sciences reported data showing high sensitivity and specificity for the non-endoscopic Oncoguard Esophagus test that is currently in development for the detection of esophageal adenocarcinoma and its precursors, including Barrett's esophagus.

- **Roku Inc.**, a streaming TV distributor, experienced an uptick in its share price as the market reacted to an open market purchase of over \$500K worth of Roku shares by Jeff Blackburn, a board member and former Senior Vice President of Global Media and Entertainment at Amazon. This purchase marked the first insider buy since the company's IPO.

Key detractors from absolute performance:

- **Tesla Inc.** shares were weaker amid Wall Street concerns over a slowdown in global EV adoption and several pieces of company specific news. Some notable events include suspension of operations for one week at its Berlin facility following an arson attack, and an analyst downgrade over concerns that price cuts are having a diminishing effect on demand. Separately, at the end of the month, Elon Musk announced that Tesla, no longer limited by computing power for Artificial Intelligence training, will allow for biweekly software updates to its Full-Self Driving (FSD) feature and offer a one-month free trial to all US-capable cars.
- **CRISPR Therapeutics**, a biotechnology company, saw its stock price decline without any specific news related to the company.
- **Recursion Pharmaceuticals** disappointed the market with its fourth-quarter results reported at the end of February, including a decline in revenues on a year-over-year basis, which management attributed to lumpiness in milestone payments.
- **10X Genomics** shares were down, despite beginning commercial shipments of Chromium GEM-X

products, expanding the Xenium menu with multi-modal cell segmentation kit and immuno-oncology gene panel, and commercially launching Visium HD spatial gene expression assay.

- Ginkgo Bioworks experienced a decline in its share price despite the company benefiting from several strategic partnerships recently. The company announced collaborating with Imagindairy to develop and produce animal-free non-whey dairy proteins. Additionally, Ginkgo Bioworks formed a partnership with AQUA Cultured Foods to optimize alternative seafood production. Finally, the company was awarded DARPA funding to produce proteins for controlling ice in extreme cold weather environments.

Market outlook

In March, major stock markets saw gains due to the perceived continued dovish stance of the FED and expectations of interest rate cuts in Europe. Relative to the MSCI World Index, the Energy, Materials, Utilities, and Financials sectors outperformed on balance, while the Consumer Discretionary, Information Technology, and Consumer Staples sectors lagged.

While the Fed is focused on squelching inflation with higher interest rates, the bond market has been signaling trouble ahead. From March 2021 to July 2023, the yield curve inverted from +159 basis points to -108 basis points, hitting the steepest levels since the early 1980s when the Fed was fighting double-digit inflation. Since July 2023, the yield curve has entered a bear steepening, with long-term rates increasing relative to short-term rates, lessening the inversion to basis points and suggesting that both real growth and inflation could surprise on the low side of expectations. In ARK's view, the Fed is making decisions based on lagging indicators—employment and headline inflation—and ignoring leading indicators that are telegraphing recession and/or price deflation.

Innovation can be a source of good deflation, as learning curves cut costs and increase productivity. Yet, Ark believe many companies have catered to short-term-oriented, risk-averse shareholders, satisfying their demands for immediate profits/dividends. On balance, they have leveraged their balance sheets to buy back stock, bolster earnings, and increase dividends. In so doing, many have curtailed investments and could be ill-prepared for the potential 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.

Top 10 holdings (underlying Fund*)

Security Name	% of Fund
Tesla Inc	8.6
Coinbase Global Inc	8.6
Block Inc	6.9
Roku Inc	6.5
Zoom Video Communications Inc	4.6
Robinhood Markets Inc	4.5
ROBLOX Corp	4.0
DraftKings Inc	3.8
Palantir Technologies Inc	3.6
CRISPR Therapeutics AG	3.5

* 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).

Sector exposure (underlying Fund*)

Element	Exposure (%)
Information Technology	24.7
Health Care	22.5
Financials	20.9
Communication Services	17.3
Consumer Discretionary	12.7
Materials	1.3
Industrials	0.7

Portfolio composition (underlying Fund*)

Element	Exposure (%)
Digital Media	14.2
Cloud Computing	11.8
Blockchain & P2P	9.7
Big Data & Machine Learning	9.2
E-Commerce	8.4
Mobile	6.6
Gene Therapy	6.3
Instrumentation	5.3
Internet of Things	4.8
Social Platforms	4.3
Beyond DNA	3.7
Next Generation Oncology	3.1
Energy Storage	2.8
Targeted Therapeutics	2.5
Robotics	1.8
Bioinformatics	1.6
Molecular Diagnostics	1.6
Autonomous Vehicles	1.0
Development of Infrastructure	0.9
3D Printing	0.3

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\$62.5 mn as at 31 March 2024	
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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