

This is marketing communication.

# Nikko AM ARK Disruptive Innovation Fund

## April 2024 Supplementary Information

### Top 10 Holdings Commentary

#### Tesla Inc

Tesla is a leader in electric vehicles (EVs), autonomy, and artificial intelligence (AI)

EVs: Our thesis on Tesla is supported by our thesis on the growth of the EV market, driven by Wright's Law, as the costs to build electric vehicles decline with scale, and improving technology. ARK's research suggests that electric vehicle sales will scale 33% at an annual rate during the next seven years, from roughly 10 million in 2023 to 74 million in 2030, as detailed in our big ideas report (<https://www.ark-invest.com/big-ideas-2024>). Tesla's superior drivetrain efficiency and vertical integration should allow it to lead the industry in reducing costs. In our view, Tesla is still the leader in EVs by a wide margin across range, performance, safety, and, importantly, technology – in particular its focus to achieve full autonomy through the company's full-self driving (FSD) software. Tesla has been able to lower costs and stoke demand while many traditional auto companies continue to give up on electric vehicles, which could cement their future extinction as they tie their fate to legacy gas-powered vehicles.

Autonomy: Thanks to free trials given in April, Tesla FSD usage has shot up to roughly 9 million miles per day, from 2-3 million previously, giving Tesla a significant data advantage relative to competitors. At 9 million miles per day, Tesla's run rate in acquiring data is ~600x that of Waymo. Robotaxis will completely transform Tesla's business model from one-off vehicle sales to a recurring revenue stream, turning every car into an AI-powered cash flow generating machine.

AI: Tesla more than doubled its compute resources quarter over quarter and continues to invest in its AI infrastructure. Given the flurry of AI advances over the past year, which should benefit autonomous driving as a whole, combined with Elon Musk's confirmation that Tesla is no longer constrained by compute for Artificial Intelligence (AI) training, we are confident in Tesla's ability to deliver on a robotaxi service.

To that point, over our 5-year investment timeline, we believe a prospective robotaxi business could be a meaningful driver of value to Tesla, representing ~2/3 of Tesla's enterprise value in 2027 (<https://ark-invest.com/articles/valuation-models/arks-tesla-price-target-2027>).

In response to the current environment, while many wall street analysts are concerned over a slowdown in EV adoption, we

believe this is a short-sighted view as outlined in our recently published thread on X: (<https://twitter.com/skorusARK/status/1770489249801880048>).

Please look out for our updated open-sourced Tesla valuation model in the coming weeks, which will further detail all of our key assumptions and thoughts.

#### Coinbase Global Inc.

Founded in 2012, Coinbase has attracted 100+ million users to crypto, and ARK believes it has become one of the most trusted onramps into digital assets. Coinbase provides pure-play exposure to the digital asset opportunity, an asset class ARK expects to grow to \$25 trillion in total value by 2030 based on our latest research in Big Ideas 2024.

In the long-term, Coinbase is focused on building a primary financial account that is tightly integrated with the digital assets ecosystem. To that end, Coinbase demonstrates an impressive pace of innovation that sets it apart from its competition. The company recently launched both US and international derivatives products that regularly cross \$1 billion in daily volumes. Additionally, their Ethereum scaling solution, Base, helps to lower costs and increase throughput when transacting on public blockchains and is now generating high margin transaction fees that directly accrue to Coinbase. We believe that such product rollouts will continue to drive new users to the platform, strengthen customer stickiness and deepen network effects.

Coinbase has also demonstrated operational excellence, managing the business throughout several highly volatile market cycles and navigating a challenging regulatory landscape that position it well for future institutional adoption. Supportive of this is Coinbase's success in landing BlackRock as a partner for its institutional business and being named as the primary custodian for a majority of US Bitcoin ETFs. Lastly, we believe that the downfall of FTX and the recent instability at Binance can clear the way for Coinbase to be the dominant crypto exchange provider.

#### Block, Inc.

With its vast two-sided ecosystem of consumers and merchants, Block provides the purest exposure to ARK Invest's digital wallet thesis. We believe Block's next leg of growth will come from the

tighter integration of its Cash App customer base with its Square merchant ecosystem, as detailed in ARK's 2024 Big Ideas report. By internalizing the movement of money from consumer to merchant, merchant to employees, and employees—turned consumers—back to merchants, Block can 1) save money on payment processing fees via closed-loop payments, 2) improve the consumer commerce experience with granular loyalty programs and targeted advertising, and 3) better serve merchants with end-to-end visibility over their operations, finances, and consumer demand. We estimate that Square serves over 3.5 million merchants in the US, or 25% of addressable businesses, and we estimate that Cash App penetrates over 18% of the US population with 56 million monthly active users. With such scale, Block, in our view, will remain a leader in the digital wallet space over our investment horizon.

### **Roku, Inc.**

As detailed in our 2024 Big Ideas report, our investment thesis on Roku hinges on the material disconnect we see between viewership and advertising spend on connected TV (CTV) devices. In just two years, streaming's share of overall TV consumption increased more than 10 percentage points to 39% as of July 2023, surpassing the shares of cable and broadcast, respectively. Ad spend on connected TV (CTV) is following eyeballs and is likely to grow 17% in real terms at an annual rate, from \$25 billion in 2023 to \$73 billion in 2030. If so, ad spend on CTV should surpass that on linear TV in 2027.

With 81.3 million active accounts globally, Roku is the #1 CTV platform by many measures: the Roku operating system (OS) was the #1 selling TV OS in the US and Mexico in the first quarter of this year. The Roku Channel was a top-three channel on the Roku platform by both reach and engagement hours, and Nielsen reported that The Roku Channel was 1.3% of total U.S. TV viewing in March 2024.

Though digital advertising continues to experience material economic headwinds, we believe that Roku's position as the dominant CTV platform ensures the company's position as a winner in the secular trend from linear TV to streaming.

### **Zoom Video Communications**

The enterprise communications market is being disrupted by modern, cloud-native software solutions. As companies shift towards decentralized workforces and hybrid work environments, high quality video and audio communication tools are essential.

Zoom remains a best-in-class video conferencing solution based on call quality and ease of use, and has successfully introduced a portfolio of other communication products, such as Zoom Phone and Zoom Rooms. While its success during COVID has created a beachhead from which it can expand into a holistic enterprise communications platform, it is also facing strong competition from collaboration bundles like Microsoft Office 365 and Google Workspace, coupled with a challenging macro environment.

Zoom's CEO, Eric Yuan, has identified AI products as a key strategic pillar moving forward. We believe these products, including AI chat interfaces during calls, live feedback on sales calls, email drafting, and AI assistants for their contact center product have significant potential to boost the productivity of

knowledge workers, especially those in external-facing sales, marketing, and customer service roles. In 2024, Zoom is planning to launch a document collaboration product that will allow enterprises to create and store additional business knowledge on Zoom which can be leveraged in AI use cases down the line. We expect these AI-focused expansion areas to increase the value of the Zoom platform and will drive increased conversions to paid seats and ARPU growth over time.

### **Robinhood Markets Inc.**

Once a leading retail neobroker, Robinhood is evolving into a comprehensive consumer finance platform, powering retail investing across equities, options, and crypto, high yield savings through its Robinhood Gold subscription offering, self-directed retirement accounts launched January 2023, and the Robinhood Gold credit card launched March 2024. In the past year, Robinhood found tremendous success with inflow-matching promotional campaigns: in its 4Q23 earnings call, management highlighted \$4.6B in net deposit inflows for the quarter, \$1.3B of which were attributable to brokerage account transfers from competitors. In January 2024, Robinhood experienced \$4B in net deposits, the highest monthly figure since management started to provide monthly metrics. Robinhood also recently disclosed that total assets under custody across its retirement products reached \$6 billion, a 50% month-over-month increase from \$4 billion in March, just after hitting \$1 billion in assets at the end of the third quarter of last year. Moreover, Robinhood recently hit 1 million signups for the Robinhood Gold credit card waitlist in less than one month.

Along with its recent launch of brokerage operations in the UK and crypto in the EU, Robinhood is leveraging its best-in-class UI/UX and attractive promotional campaigns across various financial products to become the one-stop shop for young adult consumers.

### **Roblox Corp**

With nearly 71.5 million daily active users (DAUs) and nearly 60 billion annualized hours spent by consumers on the platform, Roblox is one of the most influential forces in gaming and online entertainment today. As a marketplace connecting consumers with experiences developed by third parties ranging from solo developers to entire brands, Roblox, in our view, enabled and accelerated the consumer transition from AAA games to casual experiences dominated by user generated content (UGC). As Roblox continues to expand monetization channels for its creators, such as microtransactions, advertising, and subscriptions, we believe the platform is well positioned to continue taking share of overall gaming hours as a primary destination for both entertainment and virtual socialization.

While Roblox historically served children, the platform's cohort of users aged 13 and over is now 57% of total users as of Q4 2023. We believe "aging up" the platform provides experience diversification for Roblox and can accelerate monetization efforts as it leans into a more mature audience with more spending power, addressable by both advertising and direct commerce channels.

### **DraftKings Inc.**

DraftKings is the leading online sportsbook, iGaming, and daily fantasy sports operator in the US. Since its legalization in 2018,

online sports betting volume in the US and Canada grew at a compound annual rate of 124% to \$116 billion in 2023. As mentioned in Big Ideas 2024, we expect volume to grow to \$462 billion in 2030 at a compound annual rate of 22%.

The US online sportsbook market is dominated by a duopoly between DraftKings and FanDuel. Thanks to legalization and consumer adoption, the winners in online sports betting are pulling away from the pack. As online sports betting surged 35% during 2023, DraftKings and FanDuel offered superior user experiences that helped take share from other sportsbooks. DraftKings and FanDuel grew their share of national deposits to 75% in 2023, while the long tail of sportsbooks lost 8 percentage points of share. While FanDuel historically held the lead against DraftKings, we note that its investments in bringing betting engines in-house enabled DraftKings to offer more betting granularity, particularly within parlay bets. We believe DraftKings' market dominance is evidence of its product and brand superiority, and we believe continued execution by its stellar management team will enable DraftKings to remain the #1 sportsbook operator as the market expands.

### **CRISPR Therapeutics**

CRISPR is a commercial stage biotech company. Leveraging the CRISPR/Cas9 genome editing technology that it exclusively licenced from Dr. Emmanuelle Charpentier, the company has been able to develop and commercialize CASGEVY, the first ever genome editing based therapeutics for sickle cell disease and beta thalassemia, as well as establish a plethora of pipelines for indications spanning different areas such as immune-oncology, cardiovascular diseases and rare diseases.

We believe that as CASEGEVY being the first genome editing therapeutics, CRISPR will have advantages receiving reimbursements, setting up treatment centers and accessing patients in different geographical areas, which will eventually result in larger market share for CASEGEVY. Meanwhile, we believe that its pipelines can add enormous value to the firm. For instance, it is developing curative therapies for rare diseases like Duchenne's Muscular Dystrophy and cystic fibrosis, both of which only have maintenance therapy. In total, we believe that with CRISPR is poised for growth with its proof of concept CASEGEVY commercialization as well as its plethora of pipeline, each potentially addressing huge unmet medical needs.

### **Palantir Technologies Inc**

Increasingly, organizations are opting to run data-driven operations on Palantir's platform as opposed to building homegrown solutions that are costly to build and maintain, or buying off the shelf packaged software that don't fit well to their business needs.

Palantir has begun to show accelerated growth in their commercial business, due to the success of their AIP platform and the compelling AIP bootcamps that the company is running to showcase the speed at which they can deploy impactful solutions for customers. As of their Q4 2023 earnings, US Commercial revenue grew 70% year-over-year, a significant acceleration from 33% year-over-year growth last quarter, and the company held 560 AIP bootcamps in 2023, exceeding their initial goal of 500. We believe that Palantir's commercial products are significantly more polished and capable than their competitors, and the traction they're seeing in the US could continue to accelerate commercial revenue as AI becomes increasingly strategically important to enterprises.

Within government, Palantir has faced some headwinds as federal customers seek to avoid vendor lock-in. However, Palantir's core government products are still poised for growth as both militaries and civilian government agencies begin to adopt AI and aggregate their data assets for future use. Palantir has also expanded its potential government revenue streams with Palantir Government Web Services (GWS), which we believe will allow the company to become a broader supplier of tech companies selling into the public sector by helping them more rapidly achieve high levels of information security and compliance. We also observe that the company is now scaling into significant cash flow.

## Important Information

Nikko AM Global Umbrella Fund is an open-ended investment company established in Luxembourg (the "Fund"). This information has been issued by Nikko Asset Management Luxembourg S.A. and is not aimed at or intended to be read by investors in any country in which the Fund is not authorised.

The Fund is registered in multiple jurisdictions and some sub-funds and/or share classes may not be available in all jurisdictions. Please contact Nikko Asset Management Europe Ltd for further information. This material is for information only and is not a recommendation to sell or purchase any investment.

**Any investment in the Fund may only be made on the basis of the current Prospectus and the Key Investor Information Document (KIID), as well as the latest annual or interim reports.** Please refer to the "Risk Factors" for all risks applicable in investing in this Fund. These documents are available from our website [emea.nikkoam.com](http://emea.nikkoam.com) or can be obtained free of charge from the Funds registered office in Luxembourg: Private Business Center 32 – 36, boulevard d'Avranches, L-1160 Luxembourg, Luxembourg. Swiss representative, Swiss paying agent and place of jurisdiction in Switzerland: BNP Paribas, Paris, Zurich Branch, Selnaustrasse 16, 8002 Zurich. Telephone: +41 582 126374

Past performance is not a guide to future performance. Market and currency movements may cause the capital value of shares and income from them to fall as well as rise and you may get back less than you invested.

## Contact Us

### Nikko Asset Management Europe Limited

Level 5, City Tower, 40 Basinghall Street, London, EC2V 5DE  
 United Kingdom  
 Phone: +44 (0)20 7796 9866  
 Email: [EMEAenquiries@nikkoam.com](mailto:EMEAenquiries@nikkoam.com)

### Nikko Asset Management Luxembourg S.A. (German Branch)

Frankfurt Spaces Tower One, Brüsseler Str. 1-3, 60327, Frankfurt am  
 Main, Deutschland  
 Phone: +49 (0) 69 505047 301  
 Email: [EMEAenquiries@nikkoam.com](mailto:EMEAenquiries@nikkoam.com)

Information sources include Bloomberg, Brown Brothers Harriman (Luxembourg) S.C.A., SMBC Nikko Bank (Luxembourg) S.A., Nikko Asset Management Europe, and Nikko Asset Management Co., Ltd. All information as of 30 April 2024.

The copyright and intellectual rights to the index displayed above are the sole property of the index provider.

Authorised and regulated by the Financial Conduct Authority number 122084 and the Commission de Surveillance du Secteur Financier (CSSF) number RCS Luxembourg B 123.103.