Monthly Report – Apr 2020

The Nanuk New World Fund is a long only equity fund generating its returns from investments in a universe of listed equities exposed to the broad theme of environmental sustainability. The Fund invests globally in companies involved in clean energy, energy efficiency, agriculture, water, waste management, recycling, pollution control and advanced manufacturing and materials. All of these industries are undergoing significant changes as the world tries to reconcile economic growth with longer term sustainability and are a potentially rich and ongoing source of investment returns.

The Fund seeks to hold a globally diversified, yet relatively concentrated, portfolio of positions that align with Nanuk's views on security valuation and the evolving trends within these industries. The Fund aims to achieve long term capital appreciation and outperformance of traditional global equity indices while reducing volatility of returns and risk of capital loss through appropriate diversification and risk management strategies.

Performance Summary[1] (AUD)

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	Since Inception p.a.[1]
Fund Return (%)	**1.1**	**(5.1)**	**4.1**	**6.1**	**11.0**	**11.8**
FTSE EOAS Return[2] (%)	3.4	(6.2)	4.7	9.0	10.3	10.7
Value Added (%)	(2.4)	1.0	(0.7)	(2.8)	0.7	1.1
MSCI ACWI Return[3] (%)	3.5	(6.5)	2.2	7.3	9.2	8.0
Value Added (%)	(2.4)	1.4	1.9	(1.2)	1.8	3.8

Fund Commentary

The Fund returned 1.1% in April, underperforming its benchmark, the FTSE Environmental Opportunities All Share Total Return Index, by 2.4% and traditional global equity indices such as the MSCI All Country Total Net Return Index by a similar amount.

Most global equity markets performed strongly during the month in local currency terms but the Fund's reported return was offset by the strengthening of the Australian dollar.

The Fund's relative performance to a large degree reflected the approach taken in March and outlined in last month's investor report of reducing exposure to companies at risk of higher than average earnings impairment as a result of the significant economic contraction being experienced globally and to increase exposure to companies better positioned to continue operations in the current environment and through a recovery period, with holdings in many of the latter underperforming during the rise in equity markets during the month. This included sectors such as utilities, healthcare technology, information services and industrial gases.

Notes (1) Inception date 2 November 2015 (2) FTSE Environmental Opportunities All Share Total Return Index in Australian dollars (3) MSCI ACWI return is the MSCI All Countries World Index Total Return Net Index in Australian dollars

The significant positive contributors to Fund performance were primarily technology companies and companies with more cyclical end markets. The best performing stocks during the month included UK online grocery business Ocado, a global leader in automated online fulfilment technology which it is contracted to provide to several large retail businesses around the world, Amazon, which has experienced strong demand growth across both its retail and cloud services businesses and Nuance Communications, a leader in conversational artificial intelligence focused on the healthcare sector. The Fund also benefited from the performance of several companies with more cyclical end markets such as automotive components supplier Lear Corporation and Finnish paper and packaging capital equipment business Valmet, and pleasingly from the strong performance of recent additions to the Fund including electronic design and testing equipment leader Keysight Technologies, diagnostic solutions business Perkin Elmer and storage and memory manufacturer Micron Technologies.

Whilst the underperformance during the month was disappointing the behaviour of the portfolio was consistent with its current risk characteristics and predicted volatility and beta. With the benefit of hindsight it may have been beneficial in the short term to have had greater exposure to more cyclical companies and higher beta stocks during this period, however we have remained cautious about adding these types of positions given the dramatic declines in economic activity around the world and significant uncertainty about the timing and nature of the eventual recovery. This remains the case today, particularly given the rise in equity prices over the last month and the now less attractive prospective returns. An update of our global equity return forecasts is provided in the market commentary below.

The focus remains on identifying opportunities to buy companies that are likely to benefit from an acceleration of sustainability related technology trends as a result of the enormous economic disruption and consequent efforts to stimulate economic activity and inevitable changes in business practices and consumer behaviour.

Market Commentary

Evidence of the success of coronavirus containment measures and tentative steps towards the lifting of restrictions saw global equity markets continue their record breaking recovery that began last month. The MSCI All Country World Total Net Return Index rose 10.7% in April, finishing the month up 28% from its low on 23rd March.

There were considerable divergences in performance regionally and across sectors. The US equity market outperformed with the US S&P 500 Index up 12.7% and the tech heavy Nasdaq Composite Index up 15.4%. European and Asian equities lagged, with Europe's Stoxx 50 Index up 5.1%, Japan's Nikkei 225 Index up 6.7% and Hong Kong's Hang Seng Index up 4.4%.

There was a strong recovery during the month in many of the sectors that had been most heavily impacted during February and March, including areas such as Retail, Health Services, Tourism and Hospitality and cyclical sectors such as the Automotive industry and Mining. The Energy sector (i.e. Oil & Gas) also outperformed, nothwithstanding a brief but spectacular collapse in month forward oil prices to substantially negative prices that reflected the current global oversupply, declining demand and limited available storage. Financials continued to underperform as banks took substantial provisions for expected credit losses and Utilities underperformed in the 'risk on' environment.

Environmental equities performed in line with broader traditional global equity indices, with the Fund's benchmark, the FTSE Environmental Opportunities All Share Total Return Index, up 10.6%. Environmental equities underexposure to outperforming sectors such as Energy and Retail was balanced by the continued underperformance of other sectors such as Financials. The overweight exposures to underperforming sectors such as Utilities was offset by the strong performance of companies involved in the automotive sector (notably Tesla, which was up 49% over the month) and industrial automation and robotics.

As discussed in last month's report, our global equity medium term return forecasting framework indicated a prospective 7 year nominal USD return of approximately 9% at the end of March, slightly above expected long term global equity returns of 8-8.5%. For reference the forecast medium term return at the start of the year was 4.7% and it was in excess of 10% when markets bottomed in mid-March. At the end of April the forecast medium term return was around 6.5%, once again below its long term average although still representing a relatively normal longer term premium over currently very low 'risk free' government bond yields. This could be interpreted to indicate that the market is now pricing a relatively normal level of uncertainty and volatility which is somewhat at odds with our view of the current economic outlook and elevated market volatility.

Industry Commentary

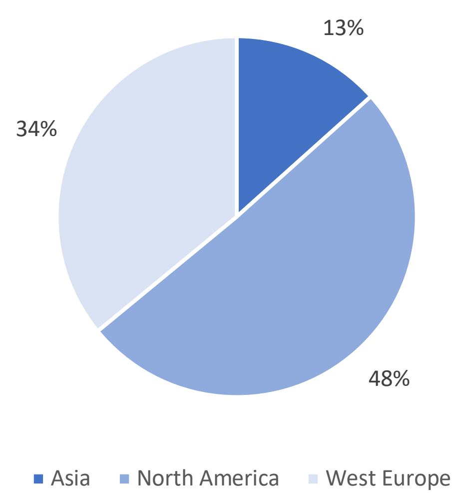
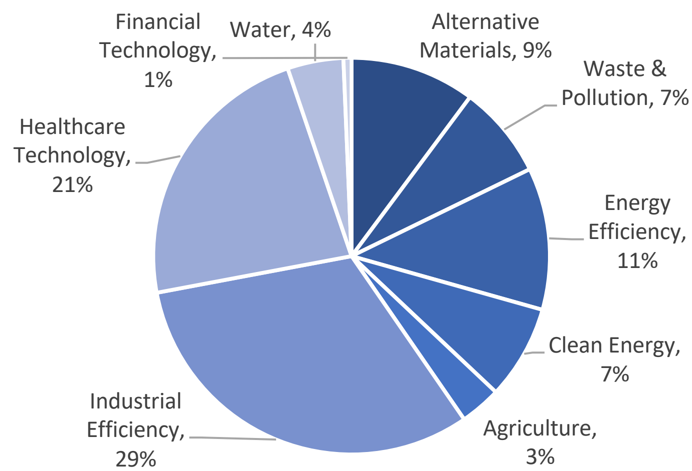
It is too soon to know for certain what impact the current economic challenges will have on the development of the sustainable technologies that are the focus of the New World investment strategy, but both history and recent evidence suggest it is likely to accelerate many of the sustainability related transitions already underway and give new impetus to several important, nascent technology shifts.

In the midst of the current global pandemic and economic disruption we continue to see significant announcements across the major sustainable technologies. Some brief examples from renewable energy follow.

April saw a new record low price for solar generation, this time in the UAE where a contracted offtake price of $13.5 per MWh (1.3c/kWh) was bid in the auction to build a new 2 gigawatt solar PV project in partnership with the Abu Dhabi Power Corporation. Whilst this project will benefit from low land and grid connection costs, the current period of disruption is also highly likely to drive down the cost of solar equipment as demand falls whilst manufacturers continue to invest in expanding capacity with lower cost and higher efficiency technologies. Indicative of these plans was the announcement by Chinese company GCL Solar of a phased plan to increase its solar module manufacturing capacity from 7.2 GW per annum to 60GW, equivalent to roughly half of the total global market today. This comes after aggressive expansion plans were announced in recent months by the largest manufacturers of solar modules and cells LONGi Green Energy Technology and Tongwei.

Longer term planning in the offshore wind industry appears largely unaffected by the current crisis. In February Taiwan announced a significant escalation of its plans to develop offshore wind generation, adding 10GW, to be developed between 2026 and 2035, to the existing plan to develop 5.5GW by 2025. The plans make Taiwan one of the largest offshore wind markets globally. French oil giant Total, which has invested heavily in recent time in renewable energy and a range of clean energy technologies, announced its first offshore wind investment – in a 96MW floating offshore wind farm in Wales. The project is intended to demonstrate the viability of floating offshore structures using oil and gas technology which, once proven, will substantially expand the potential for offshore wind.

In the aftermath of the global financial crisis economic stimulus packages such as the $800 billion American Recovery and Reinvestment Act (ARRA) were directed disproportionately towards infrastructure and technologies that aligned with longer term environmental objectives – towards areas like smart grids and grid infrastructure, energy efficiency upgrades, environmental restoration and sustainable transport solutions. These measures assisted in the expansion of industries such as solar and wind that have enabled them to achieve cost competitiveness and within a decade supersede traditional solutions in a way that had previously been considered unlikely or impossible. The strong environmental policy stance with the EU is likely to ensure that this happens again there and even in the US the necessity for bipartisan agreement for any stimulus bills will likely result in similar outcomes.

Regional Weights (%)	Sector Weights (%)
	

Top 10 Holdings as at 30 April 2020

Security Name	Weight (%)	Country	Sector
Air Liquide SA	4.1	FRANCE	Alternative Materials
Microsoft Corporation	3.7	UNITED STATES	Industrial Efficiency
Carlisle Companies Incorporated	3.6	UNITED STATES	Energy Efficiency
Wolters Kluwer NV	3.4	NETHERLANDS	Healthcare Technology
Waste Management, Inc.	3.1	UNITED STATES	Waste & Pollution
Varian Medical Systems, Inc.	2.8	UNITED STATES	Healthcare Technology
Siemens Healthineers AG	2.7	GERMANY	Healthcare Technology
PerkinElmer, Inc.	2.6	UNITED STATES	Healthcare Technology
Capgemini SE	2.5	FRANCE	Industrial Efficiency
Republic Services, Inc.	2.3	UNITED STATES	Waste & Pollution

Fund Details

Fund Name	Nanuk New World Fund	Currency	AUD
Type	Global Equity	Subscriptions	Daily
Domicile	Australia	Minimum Subscription	AUD 50,000
Responsible Entity	EQT Responsible Entity Services Ltd	Redemptions	Daily
Administrator & Custodian	RBC Investor Services Trust	Notice period	1 Day
Inception	2 November 2015	Buy-Sell spread	0.25%
Management Fee	0.8%	Total management costs	1.2%
AUM *(30 Apr 2020)*	AUD 245.1m		

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