NANUK NEW WORLD FUND

NANUK
ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

Monthly Report – November 2019

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 (%)	**2.8**	**31.9**	**27.0**	**11.5**	**17.4**	**14.7**
Benchmark Return[2] (%)	4.3	32.0	28.2	11.8	17.4	13.6
Value Added (%)	(1.5)	(0.1)	(1.2)	(0.3)	(0.0)	1.1
MSCI ACWI Return[3] (%)	4.3	27.3	22.7	12.4	15.3	10.7
Value Added (%)	(1.6)	4.6	4.3	(0.9)	2.1	3.9

Fund commentary

The Fund was up 2.8% in November, but lagged its benchmark, the FTSE Environmental Opportunities All Share Total Return Index by 1.5% and broader global indices such as the MSCI All Country World Total Return Index by 1.6%.

The underperformance against the Fund's benchmark was driven primarily by the strong performance of global industrial and technology stocks in the index but not owned by the Fund which have outperformed in recent months - during which there have been rising expectations of a partial resolution to the ongoing US-China trade dispute.

The main contributors to the Fund's positive return were the strong performance of the Fund's holdings in diagnostic technology businesses such as Varian Medical Systems and Siemens Healthineers, the performance of industrial businesses such as Roper Technologies, Danaher Corporation and Air Liquide and the performance of technology companies such as Broadcom, Hexagon and Skyworks Solutions.

Notes (1) Inception date 2 November 2015 (2) Benchmark return is the 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 major detractors from performance during the month were the Fund's positions in solar companies SunRun and SolarEdge and sustainable textiles business Lenzing. SunRun, which develops, owns and operates small scale solar systems in the US, fell after lowering its volume guidance due to labour shortages in an otherwise favourable environment of low interest rates and strong customer demand. The stock fell further when peer SunPower completed an equity raise, despite SunRun maintaining positive cash flow and initiating a share buyback. SolarEdge has been a strong contributor to the Fund's return this year as the stock has more than doubled. The Fund's holding has been significantly reduced but still detracted from returns as the share price reversed some of its recent outperformance.

Lenzing, which produces viscose staple fibres (VSF) from wood including a range of high-end sustainable textiles used by fashion houses such as H&M and Zara, reported a continued cyclical deterioration within its more commoditized VSF division and issued conservative guidance for 2020 earnings. VSF prices are significantly below their prior record lows and there is already evidence of capacity reduction in a market with underlying volume growth of ~5-6%. The Fund has maintained its position in anticipation of a cyclical recovery in VSF as well as growth once Lenzing's new factories for its high margin proprietary products come onstream in 2022

Market Commentary

Global equities indices rose during November with the MSCI Country All World Total Return Index up 2.4%. The US market led the way with the US S&P 500 Index rising 3.4%. Europe's Stoxx 50 Index rose 2.8% and Japan's Nikkei 225 Index rose 1.6%. Hong Kong's Hang Seng Index fell 2.1% as political unrest continued in Hong Kong. Environmental equities performed in line with broader global benchmarks, with the FTSE Environmental Opportunities All Share Index rising by 2.4% in US dollar terms and 4.3% in Australian dollar terms.

Industry Commentary

2019 has been a landmark year for global environmental policy as ambitious climate change related commitments continue to gather momentum around the world. November saw New Zealand's parliament pass climate change legislation that targets 'net zero' greenhouse gas emissions by 2050 and a significant reduction in the country's methane emissions. The legislation, which will see the establishment of an independent Climate Change Commission to advise the government on how to achieve its targets, received bipartisan support. 2050 net zero carbon emission targets have been adopted into law in the UK and France this year and it is widely expected that the EU will adopt a similar policy that is currently under discussion. Laggards on climate policy such as Australia will soon feel pressure to respond with France's foreign minister making clear during the month that a planned free trade deal with Australia was contingent on Australia adopting highly ambitious action on climate change. The ramifications of these policies will be profound and extend well beyond the electricity and road transport sectors that have been the primary focus on environmental legislation in recent decades.

Companies in the airline industry, a standout in terms of pollution when compared to other modes of transport, are already pre-empting these changes and adopting equivalent targets of their own. November saw Qantas announce its commitment to achieving zero net carbon emissions by 2050 and Europe's leading carrier easyJet announced that it would operate net zero carbon flights across its entire network commencing immediately. This is to be achieved through purchasing carbon offsets for all its jet fuel use but longer term the industry is likely to adopt more efficient planes and develop sustainable or low carbon fuels. The Fund has already benefitted from the early stages of this transition and the increasing usage of composite materials used to reduce the weight of commercial aircraft through its investment in carbon fibre leader

Hexcel Corporation which was exited earlier this year.

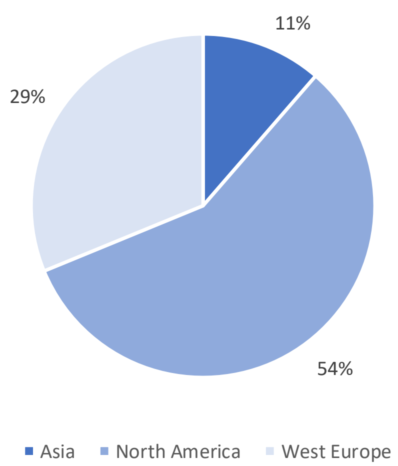
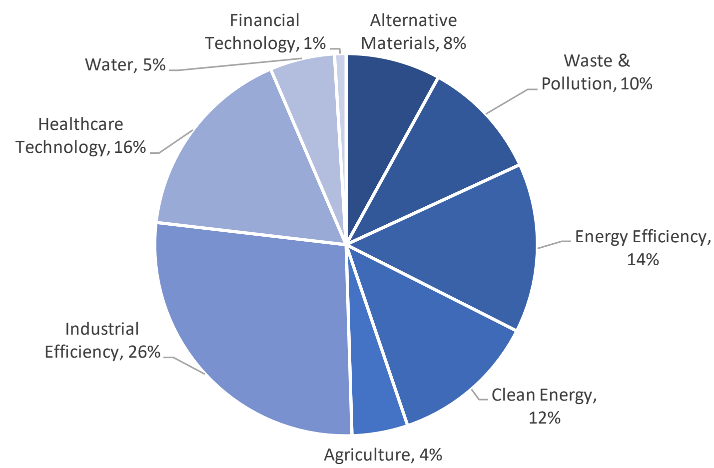
Another area that will be increasingly impacted by these changes is the oil & gas industry. The imminent challenges presented by the electrification of road transport have been evident for some time but the scope of change required to achieve net zero 2050 targets will necessarily impact on the use of natural gas and the universal use of oil derived products in industrial and chemical processes. The European Investment Bank provided a clear indication of future policy direction when it announced during the month that it would cease funding fossil fuel projects by 2021, including those that employ the traditional use of natural gas – in other words, they will no longer be willing to fund traditional gas fired power generation which until recently has been widely seen as a natural, more environmentally friendly replacement for coal generation. Natural gas's role as a 'transitional technology' towards a fully decarbonized economy is increasingly being questioned.

Oil & Gas major Shell continued its acquisition spree in renewable energy businesses as it seeks to reposition itself as the world's largest electricity company. In November Shell announced the acquisition of French floating offshore wind developer EOLFI and the acquisition of a minority stake in off-grid solar system business d.light.

At the same time the challenges of investing in renewable technologies was highlighted by the decline of two of the global leaders of less than a decade ago. SunPower, which produces what have for the past decade been widely regarded as the best high efficiency solar panels available, finally announced that it will divest its manufacturing operations to focus on its customer facing solar solutions business which provides residential systems to third party installers and completes commercial systems for larger customers. Its manufacturing business, which has struggled to compete against lower cost Asian manufacturers using less efficient but substantially cheaper technology, will be separately listed. Oil & Gas major Total acquired a majority stake in SunPower in 2011, but has seen its value decline significantly in recent years. Private Germany company Enercon, one of the top five wind turbine manufacturers globally, announced it was shedding 3,000 jobs in the face of significant losses as wind installations in its home market, where it has been a dominant player for decades, slow. The Fund has profited over the past couple of years from investments in its larger competitors Vestas and Siemens Gamesa who have benefitted through increasing scale as the industry has consolidated and grown outside of Europe and in the offshore wind market.

Tesla was back in the headlines in November through the release of its 'CyberTruck' electric pickup. The launch of the controversially styled vehicle didn't all go to plan but Tesla has already received over 250,000 'orders' based on $100 refundable deposits. The vehicle is due to enter production in 2021.

Meanwhile the automotive industry's massive pivot towards electrification continues. Volkswagen announced an acceleration of its investment in electrification of vehicles and autonomous driving technologies. Its new budget totals €60 billion, up from a previously announced €44 billion. Volkswagen plans to have 70 electric vehicle models available in 2025. Meanwhile BMW announced it now has orders for more than €10 billion of lithium ion battery cells from Chinese and Korean manufacturers Contemporary Amperex Technology Co (CATL) and Samsung SDI. BMW plans to have 25 electrified models available in 2023, with more than half of them fully electric. The challenges faced by automakers of meeting these enormous investments in new technologies whilst facing declining volumes in existing markets were highlighted by announcements from Mercedes parent company Daimler and Audi who announced almost 20,000 job cuts. Germany announced an increase to its existing cash incentives for electric vehicles in an effort to accelerate adoption which is falling behind the trajectory required to meet its target of having 10 million EVs on its roads by 2030.

Regional Weights (%)	Sector Weights (%)
	

Top 10 Holdings as at 30 November 2019

Security Name	Weight (%)	Country	Sector
Carlisle Companies Incorporated	3.9	UNITED STATES	Energy Efficiency
Waste Management, Inc.	3.3	UNITED STATES	Waste & Pollution
Lear Corporation	3.1	UNITED STATES	Energy Efficiency
Microsoft Corporation	3.1	UNITED STATES	Industrial Efficiency
RELX PLC	3.0	UNITED KINGDOM	Healthcare Technology
SolarEdge Technologies, Inc.	2.8	UNITED STATES	Clean Energy
Air Liquide SA	2.8	FRANCE	Alternative Materials
Sunrun Inc.	2.7	UNITED STATES	Clean Energy
Republic Services, Inc.	2.7	UNITED STATES	Waste & Pollution
West Japan Railway Company	2.5	JAPAN	Industrial Efficiency

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 Nov 2019)*	AUD 222.0m		

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