

NANUK NEW WORLD FUND



Monthly Report - November 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 Summary¹ (AUD)

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	Since Inception p.a. ¹
Fund Return (%)	6.4	4.8	4.1	15.0	9.0	12.5
Global Equities ² (%)	7.1	6.0	5.6	13.8	10.1	9.7
Value Added (%)	(0.6)	(1.2)	(1.4)	1.2	(1.1)	2.8
Environmental Equities ³ (%)	10.9	25.1	24.9	26.5	16.0	15.7
Value Added (%)	(4.5)	(20.3)	(20.7)	(11.5)	(7.0)	(3.2)

Fund Commentary

The Fund gained 6.4% during November, lagging traditional global equities benchmarks such as the MSCI All Country World Net Total Return Index by 0.6% and lagging the Fund's environmental equities reference index, the FTSE Environmental Opportunities All Share Total Return Index, by 4.5%.

The Fund's performance was impacted by the performance of more defensive sectors during a

month in which equity markets surged. Positions in more cyclical and economically sensitive areas outperformed and the major contributors to the Fund's performance included Paris listed engineering and technology consultancy Alten SA, leading memory and data storage manufacturer Micron and Austrian company Lenzing, a global leader in high performance wood-based fibres. The best performers also included semiconductor capital

Notes (1) Inception date 2 November 2015 (2) Global Equities return is the MSCI All Countries World Index Total Return Net Index in Australian dollars (3) Environmental Equities refers to the FTSE Environmental Opportunities All Share Total Return Index which is identified as the reference index for the Fund, providing a reasonable, yet approximate, reference index for the Fund's area of focus.

equipment leader Advanced Materials, and AI powered speech recognition firm Nuance Communications, which rose 35% after announcing medium-term targets significantly above market expectations.

Strong performance in these areas was offset by exposures to more defensive areas like healthcare, waste management, rail and utilities that underperformed during the month and the weaker performance of stocks that had benefitted earlier in the year from COVID related changes in demand or consumer behaviour such as PerkinElmer, Nihon Kohden and Ocado Group.

The Fund exited its position in Varian Medical Systems, which had accepted a takeover offer from Siemens Healthineers, also a holding of the Fund, and entered a new position in forestry products business West Fraser Timber, which is benefitting from strong timber pricing in North America. The Fund increased its positions in Siemens Healthineers, which had underperformed following the acquisition announcement and subsequent capital raising, and in Garmin Ltd, which reported another strong result. Positions in Air Liquide and Microsoft were both reduced after performing strongly during the year to date.

Market Commentary

Global markets surged during November on the prospect of imminent deployment of COVID-19 vaccines following the announcement of high levels of efficacy in Phase 3 trials by Pfizer and Moderna, as well as receding uncertainty in the US where efforts to contest the result of the Presidential election failed to gain any traction in the courts. Programs for the mass deployment of the new vaccines have been announced and, indeed, mass vaccination began in the UK on 9th December.

Equity markets rose across the board, with the MSCI All Country World Net Total Return Index up 12.3% in US dollar terms. The US S&P 500 Index rose 10.8%, Hong Kong's Hang Seng Index by 9.3%, Japan's Nikkei 225 Index by 15% and Europe's Stoxx 50 by 18.1%. Environmental equities, as represented by the Fund's reference index, the FTSE Environmental Opportunities All Share Total Return Index, out-performed significantly, rising 16.3%. The outperformance of environmental equities was led by Tesla, which represents around 8% of the index and was up 46% during the month on confirmation it was to be added to the S&P 500. Other electric vehicle stocks also performed strongly,

with NIO shares up 65%, as well as selected renewable energy, semiconductor and industrial automation stocks - reflecting a combination of policy announcements and the potential for a vaccine led recovery in economic activity.

Industry Commentary

In recent days the European Union ratified its plans to achieve a 55% reduction in greenhouse gas emissions by 2030 compared to 1990 levels, a substantial raising of its formal ambitions. A proposed 60% reduction failed to gain support but the target still places the EU ahead of much of the world. Meanwhile the UK, a recent leader in the low carbon transition which already has a more ambitious 68% reduction target by 2030, unveiled a ten-point plan for a 'green industrial revolution' and announced GBP 4 billion of additional funding and incentives to accelerate emissions reductions. The most notable feature is to ban sales of internal combustion engine cars from 2030 and even hybrids from 2035, supported by subsidies for EV infrastructure, car purchases and battery production. The plan also features support for decarbonisation of buildings, low carbon hydrogen production, offshore wind and nuclear generation, zero emission aviation and shipping and carbon capture and storage. New Zealand's Parliament declared an official Climate Emergency, accompanied by multiple measures ranging from an immediate requirement for all government vehicle purchases to be electric or hybrid, to a commitment to making the government carbon neutral by 2025 and a national 2050 net zero emissions target.

An area of recent rapid changes in policy and regulation has been the use of natural gas in buildings, a major source of emissions from the real estate sector. France's ecology minister proposed a ban on installing natural gas heating in new buildings, starting in 2021. This follows recent announcements in California where San Francisco and a number of other Californian cities including Oakland and San Jose have prohibited gas connections to newly constructed buildings. The decarbonisation of buildings is a longer-term theme to which the Fund is exposed through providers of low and medium voltage electric equipment and systems such as Schneider Electric. To achieve the carbon neutrality and emissions reductions targets being embraced in Europe and elsewhere it is inevitable that similar legislation is introduced on a more widespread basis, promoting electrification of heating and other energy needs such as cooking.

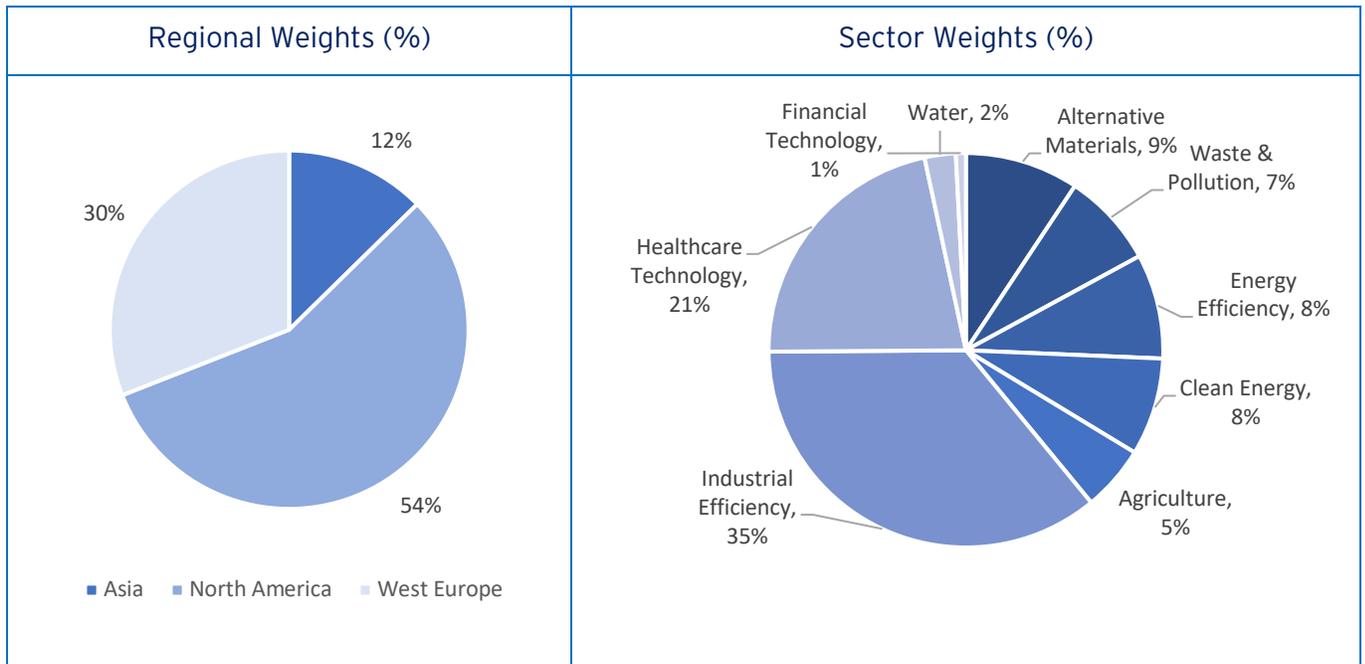
The UK's ban on the sale of internal combustion engines coincided with announcement of substantial incremental investments in vehicle electrification from major auto manufacturers. Volkswagen announced an increase in its EV investment plan by from €60b to €73b by 2025, while General Motors increases its investment from \$18b to \$25b over the same timeframe. VWs investment is aimed at accelerating the development of a compact EV that will cost less than €30,000 and will complement the recently released VW Golf sized ID.3 and its larger ID.4 and ID.5 SUV siblings. General Motors itself is planning to release 30 electric models by 2025, including models under the \$35,000 price point seen as indicative of the mass market. In the heavy-duty truck sector, Volvo said it plans to begin volume production of electric trucks in 2022, on the way to a 100% fossil-free product line by 2050, if not before.

The renewable energy sector saw records broken during November, with India setting a new record low price for the development of solar projects in a recent 1GW tender process that yielded bids to provide electricity at less than 3c/kWh. Continued price declines and ramping emission reduction ambitions have led Bloomberg New Energy Finance to bring forward its forecast of the first year of 200GW of global solar installations from beyond 2030 to 2022. The offshore wind sector continued to set records with financial close of the largest ever project, a £5.5b, 2.4GW development in the UK (with a planned third phase may add a further 1.2GW).

In Australia, the climate energy regulator forecast the country was on track to install 2.9GW of new solar generation capacity this year, up from 2.2GW last year. Although the coronavirus epidemic is preventing installations in Victoria, elsewhere people working from home are seeing quicker paybacks for residential solar as their power use better matches the timing of solar generation. Also in Australia, Western Australia announced A\$100m in funding to build a 100MW battery storage project on the site of a decommissioned oil refinery north of Perth.

Amongst sustainability themes, alternative protein production is also gaining prominence as it offers the promise of order of magnitude reductions in environmental impact compared to animal-based food production. Beyond Meat has led the way among listed companies. Since its IPO in 2019 the company's sales have risen from \$87m (in 2018) to a forecast level of over \$400m in 2020. The company is valued today at around US\$9 billion, a challenging price to pay for a business that is reliant on substantial cost reduction to support the continuation of its early growth and is facing increasing competition. As in other sectors, incumbents are working hard to shift their product portfolios towards more sustainable options. November saw consumer goods giant Unilever set a target of €1b in plant-based food revenue by 2025. Kellogg, another leader in this sector, and owner of the US's leading plant-based food brand, Morningstar Farms, recently launched a new brand, Incogmeato, to compete with next generation brands like Beyond Meat which aim to more closely mimic animal based meat than legacy plant based foods. McDonald's also announced plans to offer a 'McPlant' burger, starting next year.

In the corporate sector, fossil fuel giants continue to pivot to renewable energy. Spain's Repsol, which had already committed to a 2050 net-zero target, announced plans to add 12GW of renewable energy capacity over the next decade. Equinor, Norway's national oil company, expanded its 2050 net zero pledge to include emissions from its products by 2050, after earlier focusing on emissions only in its operations. Iberdrola, Spain's leading utility, said it would triple its renewable power generation by the end of 2030, with €75 billion of investment by 2025 alone, and Italian renewable energy giant Enel pledged to invest €160 billion by 2030 to triple its renewable energy capacity and expand investment in its regulated electricity networks business. November also saw AustralianSuper join the 2050 net zero bandwagon, aiming for net zero emissions in its \$200 billion investment portfolio by that date.



Top 10 Holdings as at 30 Nov 2020

Security Name	Weight (%)	Country	Sector
Intel Corporation	4.8	UNITED STATES	Industrial Efficiency
Waste Management, Inc.	4.3	UNITED STATES	Waste & Pollution
Siemens Healthineers AG	4.2	GERMANY	Healthcare Technology
Keysight Technologies Inc	3.9	UNITED STATES	Industrial Efficiency
Carlisle Companies Incorporated	3.8	UNITED STATES	Energy Efficiency
Air Liquide SA	3.1	FRANCE	Alternative Materials
Wolters Kluwer NV	3.0	NETHERLANDS	Healthcare Technology
Garmin Ltd.	2.8	UNITED STATES	Healthcare Technology
3M Company	2.7	UNITED STATES	Alternative Materials
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	2.5	UNITED STATES	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	Equity Trustees Ltd	Redemptions	Daily
Administrator & Custodian	Citi	Notice period	1 Day
Inception	2 November 2015	Buy-Sell spread	0.25%
Total management costs	1.2%	AUM (30 Nov 2020)	AUD 316.7m

Contact Details

Investment Manager	Administrator
Nanuk Asset Management Pty Ltd Level 23, Australia Square, 264 George Street Sydney NSW 2000, Australia Tel: +61 2 9258 1600 Fax: +61 2 9258 1699 Email: contact@nanukasset.com www.nanukasset.com	RBC Investor Services Trust - Registry Operations GPO Box 4471 Sydney NSW 2001 Tel: +61 2 8262 5000

Legal Notice

This publication is prepared by Nanuk Asset Management Pty Ltd ('Nanuk') (AFS Licence no. 432119) for wholesale clients only. The information contained in this publication is of a general nature only, does not take into account the objectives, financial situation or needs of any particular person and is not to be taken into account as containing any personal investment advice or recommendation. Before making an investment decision, you should consider whether the investment is appropriate in light of those matters. While this publication has been prepared with all reasonable care, no responsibility or liability is accepted for any errors, omissions or misstatements however caused. No warranty is provided as to the accuracy, reliability and completeness of the information in this publication and you rely on this information at your own risk. Any prospective yields or forecasts referred to in this publication constitute estimates which have been calculated by Nanuk's investment team based on Nanuk's investment processes and research. To the extent permitted by law, all liability to any person relying on the information contained in this publication is disclaimed in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. Any past performance information in the publication is not a reliable indicator of future performance. This publication should not be construed as an offer to sell or the solicitation of an offer to buy any financial services or financial products. This document is confidential, is intended only for the person to whom it has been delivered and under no circumstance may a copy be shown, copied, transmitted or otherwise given to any person other than the authorised recipient. Performance results are shown for illustration and discussion purposes only.

*Equity Trustees Limited ('EQT') (ABN 46 004 031 298) AFSL 240975 is the Responsible Entity for the **Nanuk New World Fund**. This publication has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. **We do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain.** Past performance should not be taken as an indicator of future performance. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should obtain a copy of the product disclosure statement before making a decision about whether to invest in this product.*