

*A long only global equities fund generating returns from investments in a universe of listed equities exposed to the broad themes of environmental sustainability and resource efficiency*

## October 2021 Monthly Fund Update

### Performance Summary

The Fund was down 2.1% in October, lagging traditional global equities indices, such as the MSCI All Country World Net Total Return Index, by 3.2% and the Fund's environmental equities Reference Index, the FTSE Environmental Opportunities All Share Total Return Index, by 6.9%.

As discussed below, global equities indices performed strongly during October, however the Australian dollar appreciated by 4% against the US dollar during the month, reducing the reported Australian dollar denominated returns of the Fund.

The relative underperformance of the Fund was attributable to the combined effect of several factors. Large cap growth stocks, in which the Fund is underweight relative to the broader market, outperformed, and smaller and mid capitalisation stocks, in which the Fund is overweight relative to the broader market, underperformed. Additionally, Japanese equities, in which the Fund is overweight relative to the broader market, notably underperformed during October.

At a stock level the Fund's performance was impacted by the partial reversal of recent gains in several of the Fund's larger positions as well as companies that reported weaker than anticipated Q3 results or slowing growth resulting from supply chain disruptions in the semiconductor and automotive industries, normalisation of COVID induced demand and cost pressures from rising commodity, labour and freight prices.

The resultant underperformance and unusually low ratio of winners to losers during the months was disappointing and in contrast to the Fund's outperformance during the 21Q2 earnings season. This short term underperformance has reversed in early November and month to date the Fund has recovered the majority of its relative underperformance against traditional global equities indices in October.

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	SI p.a. <sup>1</sup>
Fund Return (%)	(2.1)	20.4	29.0	13.9	17.1	16.4	14.1
Global Equities <sup>2</sup> (%)	1.1	20.0	28.3	14.9	15.2	15.0	11.5
Value Added (%)	(3.2)	0.5	0.7	(1.0)	1.9	1.3	2.6
Environmental Equities <sup>3</sup> (%)	4.7	20.9	36.6	26.7	25.4	20.8	17.2
Value Added (%)	(6.9)	(0.5)	(7.5)	(12.7)	(8.3)	(4.4)	(3.1)

*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. Past performance is not indicative of future performance.*

### Key Contributors to Fund Performance



**Pearson PLC** (-14%) offers digital education products. The company has a new management team pursuing a new strategy as it seeks to transition towards digital solutions and away from its legacy print business. The stock underperformed following its Q3 report.



**Gentherm Incorporated** (-9%), a supplier of energy efficient heating and cooling systems to the automotive sector, reported weaker than anticipated sales and profits in Q3 as supply chain disruptions - most recently attributable to temporary closures of Malaysian semiconductor packaging factories related to a rise in COVID cases in that country - continued to delay a recovery in global auto production.



**GN Store Nord A/S** (-12%) makes professional grade headphones and hearing aids. Its shares fell after it reported lower than expected Q3 results and reduced its revenue guidance in response to ongoing supply chain disruptions.



**Garmin Ltd.** (-9%) has been a significant positive contributor to the Fund in 2021 and again reported Q3 results that were significant above consensus forecasts. However the stock fell after the result, possibly reflecting expectations of a more significant beat or the risk of pandemic driven demand for its personal fitness products abating.



**Carlisle Companies** (+12%) provides a range of energy efficient building products. Its shares rose following a strong Q3 earnings result and its commentary about structural demand growth for its insulation and barrier products

### New Investments



**Azure Power** is a leading solar farm developer and independent power producer (IPP) in India. The company has approximately 2GW of operational solar PV generating capacity and a development pipeline of over 5GW some of which is awaiting final approval before construction. Currently the company's operational assets are delivering a free cash flow yield to shareholders of around 5%, with room for substantial growth as installed capacity increases.



**Rackspace Technology** is a leading multi-cloud technology services company working with all the leading cloud providers as well as customers' own private cloud data centres. The company helps clients with their cloud migration, then to manage and deploy new services on the cloud. Cloud computing provides massive efficiency gains for an organization's IT spend due to greater scale and utilization along with improved security.

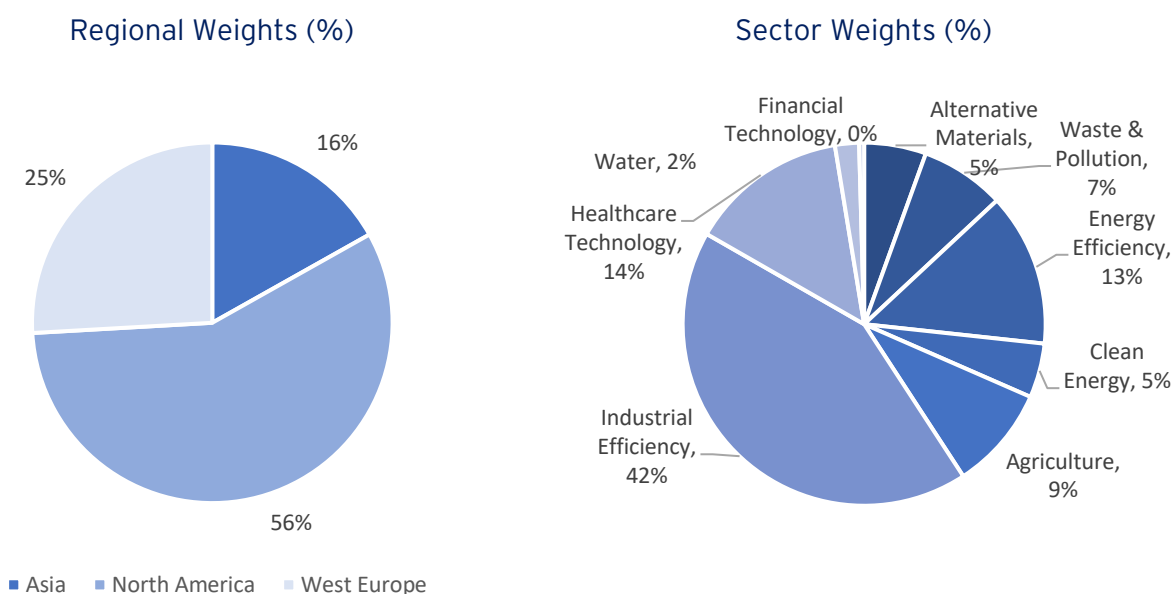
### Exited Positions and Other Portfolio Changes

During the month the fund exited positions in analytical and diagnostic technology leader **Danaher Corporation**, which serves both medical and environmental markets, and **Inspire Medical Systems**, a leader in implantable sleep apnoea devices. Both stocks had performed and reached price targets, as had electronic and fibre optic connector and sensor manufacturer **Amphenol Corporation**.

### Top 10 Holdings

Security Name	Weight (%)	Country	Sector
Carlisle Companies Incorporated	3.7	UNITED STATES	Energy Efficiency
Cognizant Technology Solutions Corporation Class A	3.6	UNITED STATES	Industrial Efficiency
Ciena Corporation	3.6	UNITED STATES	Industrial Efficiency
Wolters Kluwer NV	3.3	NETHERLANDS	Healthcare Technology
Siemens Healthineers AG	3.1	GERMANY	Healthcare Technology
Alten SA	2.8	FRANCE	Industrial Efficiency
Accton Technology Corp.	2.7	TAIWAN	Industrial Efficiency
Air Liquide SA	2.5	FRANCE	Alternative Materials
International Flavors & Fragrances Inc.	2.5	UNITED STATES	Agriculture
Pearson PLC	2.4	UNITED KINGDOM	Industrial Efficiency

## Portfolio Positioning



## Market Commentary

Global equities rallied sharply during October, with the MSCI All Country World Net Total Return Index appreciating by 5.1% in US dollar terms. There was regional variation, with Japan's Nikkei 225 Index declining by 1.9%, reversing its out-performance during the prior two months. The US' S&P 500 Index led the way with an increase of 6.9%, with the technology focused Nasdaq Composite Index up 7.3%. Europe's Stoxx 50 Index rose 5.0%, while Hong Kong's Hang Seng Index gained 3.3%.

Environmental equities, as represented by the FTSE Environmental Opportunities All Share (EOAS) Total Return Index, out-performed broader global benchmarks, rising by 8.8%. This was primarily led by Tesla which represents approximately 10% of the EOAS index and was up 43% over the month and crossed the US\$1 trillion market capitalisation threshold following the announcement that Hertz would buy 100,000 of its cars in a significant shift towards EVs. Several solar and battery stocks also performed strongly during the month.

## Notable Industry Developments

- Sustainability headlines in October were dominated by the 26th UN Climate Change Conference, or COP26, currently underway in Scotland. A laundry list of public, private and third sector leaders have made speeches and commitments. We will provide a more detailed review of the outcomes from COP26 next month. However, significant progress has been limited by the absence of leaders from major economies, including China and Japan, while US President Joe Biden arrived without having passed the climate change legislation planned to give credibility to American calls to action from other nations. The most significant progress to date at the Conference has been a 100-nation commitment to reduce methane emissions by 30% from 2020 to 2030. India joined other countries in making a net zero commitment, but only by 2070.
- France's government was ordered by a Paris court to lower emissions by 15 million tons of CO<sub>2</sub>e to comply with existing legislation by the end of 2022
- The UK announced a subsidy program for heat pumps, a more energy efficient form of home temperature control. The program is modest, but heat pumps are likely to be an important part of improving building efficiency in both the residential and commercial sectors.
- Car rental giant Hertz made a multi-faceted pivot into EVs, announcing a purchase of 100,000 Tesla vehicles (that Tesla CEO Elon Musk later said was unsigned) and an agreement with Uber to supply EVs to its drivers.
- Foxconn Technology Group, best known as the lead assembler of iPhones, unveiled plans to enter EV manufacturing. As with the iPhone, Foxconn plans to build equipment designed by others, and it has already has a customer, Yulon Motor, which like Foxconn is based in Taiwan.

- Fuel cell manufacturer Bloom Energy signed a notable \$4.5b deal with Korea's SK Group to supply at least 500MW of fuel cell equipment and services over the next 3 years. SK will invest around \$500m in Bloom having also made a \$1.6b investment in its competitor Plug Power earlier this year.
- Rio Tinto announced \$7.5b in decarbonisation investment through 2030 at its first investor day under CEO Jakob Stausholm.
- Fortescue and UK machinery manufacturer JCB Industries publicised a "multi-billion-pound" hydrogen supply purchase agreement, although specific details were scant. New South Wales Treasurer Matt Kean announced an A\$3b state investment in hydrogen at a joint press conference with Fortescue CEO Andrew Forrest.
- A ballot initiative in Maine to build a transmission line to move hydroelectric power from Canada was overwhelmingly defeated. This is illustrative of the non-technical challenges that will become increasingly important to growing adoption of clean energy.

*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 themes of environmental sustainability and resource efficiency. 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.*

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 (31 Oct 2021)	AUD 525.0m

Platform Access  
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