NANUK NEW WORLD FUND

NANUK ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

Monthly Report – April 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	3 Months	1 Year	2 Years p.a.	3 Years p.a.	Since Inception p.a.[1]
Fund Return (%)	**5.9**	**13.9**	**8.2**	**14.6**	**17.0**	**14.1**
Benchmark Return[2] (%)	5.0	13.9	13.4	13.2	16.0	12.4
Value Added (%)	0.8	(0.0)	(5.2)	1.4	1.1	1.6
MSCI ACWI Return[3] (%)	4.3	11.3	12.7	12.9	14.4	9.7
Value Added (%)	1.5	2.6	(4.5)	1.7	2.6	4.4

Fund commentary

The Fund returned 5.9% in the month of April, outperforming its FTSE-Russell Environmental Opportunities benchmark by 0.8% and the broader MSCI All Country World Index by 1.5% during the month. The April result saw the Fund returning 19.5% over the first four months of 2019, outperforming its benchmark by 1.4% and the MSCI ACWI by 3.5%. Fund performance contributions were diverse during the month, with the top 10 contributors coming from 9 different industries, including several companies which reported solid quarterly results. The largest contributor was Carlisle Companies Inc., a US industrial conglomerate, which delivered another double-digit earnings beat following its strong result in Q4, discussed in a previous report. Other material performance contributions came from solar

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 inverter manufacturer SolarEdge, Austrian sustainable textiles manufacturer Lenzing, and wind turbine manufacturer Siemens-Gamesa which continues to benefit from industry growth and stable pricing. Elsewhere, semiconductor and collaborative robotics leader Teradyne reported strong demand for test equipment related to optical sensors and 5G wireless components, as well as 35% year on year growth in its collaborative robotics business and Microsoft reported a strong quarterly result that included 74% year on year growth in its Azure cloud business.

The main detractors during the month came from two areas, Japanese high-speed rail operators and US Healthcare Technology, these being somewhat defensive sectors which had notably outperformed over the past year. The Fund provides diversified global exposure to the broad themes of environmental sustainability and resource efficiency which comprises a mix of more stable and defensive industries such as waste management and healthcare with selective investment in companies benefitting from growth and changing industry dynamics across a wide range of technologies.

At the end of April the Fund's largest sector exposures are in the industrial internet of things, building energy efficiency, high speed rail, advanced and sustainable materials, waste management, health technology and the wind energy sector.

Market commentary

Global equity markets continued their exceptionally strong start to 2019, with the MSCI All Country World Total Return Index rising 3.4% in US dollar terms. The strength in equity markets was broad based, supported by strong performance of industrial stocks amid apparent progress in US-China trade talks and reduced expectations for interest rate rises in the US. The S&P 500 reached a new record high, finished the month up 3.9%. Hong Kong's Hang Seng Index rose 2.2%, Japan's Nikkei 225 Index rose 5.0% and Europe's Stoxx 50 Index rose 4.9%. Environmental equities out-performed modestly, with the Fund's benchmark - the FTSE Environmental Opportunities All Share Total Return Index - up 4.1% in US dollar terms.

Industry commentary

The challenges of investing in the automotive sector were highlighted again during April. The transition towards electrified, autonomous and networked transport continues at a rapid pace. Global technology leaders continue to invest heavily in the space, but many of the businesses leading these transitions continue to face significant challenges.

Uber, which is planning to IPO in May, raised US$1 billion for the development of its autonomous driving technology from Softbank's Vision Fund, Toyota and Denso, valuing this division at over US$7 billion. Waymo, Google's self-driving technology company, announced that it has chosen a site in Detroit where it plans to mass produce autonomous vehicles. Meanwhile, Apple has recruited Tesla's VP of Engineering – which follows the recruitment of a senior Tesla designer in December. Finally Tesla announced a sweeping new vision to become a global leader in mobility services with over one million 'fully self-driving' ('FSD') Tesla's on the road in 2020 and a ride-sharing service that will allow Tesla owners to put their vehicles into a network of autonomous 'robotaxis'. Tesla CEO Elon Musk has claimed that the hardware enabling Tesla's FSD technology is included in all its cars produced today and that improvements in software will enable FSD to be rolled out within a year. The claims, not surprisingly, were met with some scepticism by analysts who foresaw the need for Tesla to continue raising capital amid weakening near term demand growth and continued losses.

The auto sector as a whole is struggling with weak volumes, but some of these challenges are specific to providers of autonomous driving and EVs technologies. The upfront investment and the profitability of providing these technologies is proving more challenging than some suppliers appear to have anticipated. In April there were profit warnings from Aptiv, the leading supplier of electrical architecture and active safety systems that are key to delivering autonomous driving, Veoneer, a recently listed provider of active safety systems and Umicore, the leading supplier of cathode materials to manufacturers of lithium-ion batteries for EVs. Veoneer, like Tesla, will be raising new capital to fund its growth amidst this tougher environment.

The improving economic case supporting vehicle electrification was highlighted by Bloomberg New Energy Finance which estimates that electric passenger vehicles will become cheaper than comparable internal combustion vehicles in Europe by 2022 (previously 2024) driven by larger than expected falls in battery prices. Elsewhere, Paris announced that its bus fleet would be 100% electric by 2025, a statement accompanied with initial orders for 800 electric buses to be delivered by 2022. While exposure to the automotive sector has been reduced over the past year, the Fund continues to hold positions in Continental and Lear, both leading tier-one automotive suppliers with strong positions in electrical architecture.

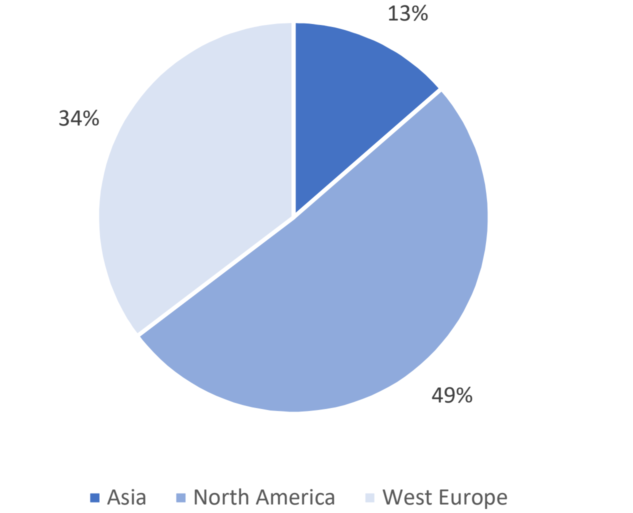
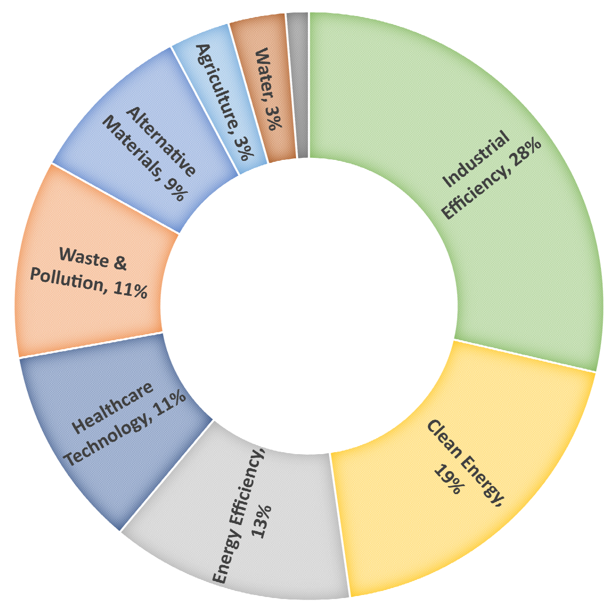
The automotive sector also saw significant announcements in relation to advanced manufacturing technology. BMW Group and long-standing technology partner Microsoft (a Fund investment) launched the "Open Manufacturing Platform", an initiative aimed at driving collaboration between manufacturing companies to develop industrial IoT (internet of things) and smart factory solutions using open source components and industrial standards. BMW already has over 3,000 machines, robots and autonomous transport systems connected via its IoT platform which is built on Microsoft's Azure cloud, IoT and artificial intelligence capabilities. In a similar move, Volkswagen announced that it has teamed up with Amazon Web Services to link its 122 manufacturing plants, machines and systems to improve its production and processes. Its platform, called the "Volkswagen Industrial Cloud", will utilise Amazon's machine learning analytics and will likely be made available to other industrial companies. The Fund holds a position in Amazon, primarily based on the growth in its globally dominant Amazon Web Services ('AWS') cloud platform which is a 'backbone' for much of the nascent industrial internet of things. Amazon's AWS business, the dominant source of profits for the company, reported year on year growth of 42% in the first quarter of 2019.

The impact of sustainability pressures on other modes of transport was also highlighted during the month. Swedavia, a Swedish airport operator, reported falling passenger numbers while national rail operator SJ cited "climate-smart travel" as driving its record-high passenger volumes. Airbus' CEO Guillaume Faury said the company is working on emission-free air travel, with two electric prototypes under development alongside alternative (bio and synthetic) fuel options. Meanwhile, more than 100 maritime industry executives have lobbied the UN's International Maritime Organisation to impose a speed limit on commercial shipping vessels in order to reduce emissions and protect the environment.

In a significant milestone for renewable energy, US renewable electricity generation surpassed that of coal fired generation for the first time in April. In China the government made important changes to its renewable energy subsidies which it is seeking to eliminate by 2021. Subsidy levels were cut by at least 20-25% at the end of April and will now be determined through competitive tendering. Furthermore, priority will be given to the development of unsubsidised projects. China's National Energy Administration reported the curtailment rate for Wind power in 19Q1 more than halved year on year, from 8.5% to 4%, while Solar's fell from 4.4% to 2.7%. Shaanxi province announced plans for over 2GW of unsubsidised projects across both Solar and Wind. Notably, 600MW of this are projects that sought subsidies unsuccessfully and are proceeding anyway.

Challenges for legacy fossil fuel technologies continue. US utility giant Southern Co reported that its $7 billion "clean coal" project in Kemper, Mississippi, which was abandoned in 2017, is now under federal investigation. The US government had provided almost US$400 million in subsidies for the plant. Meanwhile Duke Energy announced plans to enter litigation after being ordered to clean up six coal ash sites it fears will cost up to US$5 billion to remediate. California saw continued fall-out from the wildfires which pushed utility giant PG&E into bankruptcy. Southern California Edison, another utility, applied to its regulators for its allowed return on equity to rise from 11% to 17% to fund increased investment (including improved fire safety) while investors have increased the risk they associate with its business. PG&E itself outlined plans to manage the risks of sparking wildfires by blacking out as much as one eighth of California for as long as five days when dangerously high winds arise. The implications for critical services are obvious and ultimately the solutions are likely to involve more distributed generation and storage to deliver safe and reliable power.

Finally, the ongoing transition of leading oil and gas producers towards renewable technologies was highlighted by French company Total, which entered a joint venture agreement with Chinese battery manufacturer Tianneng Group. The JV, involving Total battery subsidiary Saft Groupe, will develop and manufacture advanced lithium-ion cells, modules and packs with a specific focus on e-bikes, electric vehicles and energy storage solutions. Saft Groupe was a holding of the Fund at the time of Total's acquisition in 2016.

Regional Weights (%)	Sector Weights (%)
	

Top 10 Holdings as at 30 Apr 2019

Security Name	Weight (%)	Country	Sector
SolarEdge Technologies, Inc.	4.7	UNITED STATES	Clean Energy
Carlisle Companies Incorporated	4.4	UNITED STATES	Energy Efficiency
Waste Management, Inc.	3.6	UNITED STATES	Waste & Pollution
Lenzing AG	3.3	AUSTRIA	Alternative Materials
Accenture Plc Class A	3.3	UNITED STATES	Industrial Efficiency
Siemens Gamesa Renewable Energy, S.A.	3.2	SPAIN	Clean Energy
Microsoft Corporation	2.9	UNITED STATES	Industrial Efficiency
West Japan Railway Company	2.6	JAPAN	Industrial Efficiency
Stericycle, Inc.	2.6	UNITED STATES	Waste & Pollution
Stryker Corporation	2.6	UNITED STATES	Healthcare Technology

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 April 2019)*	AUD 153.7m		

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