NANUK NEW WORLD FUND

NANUK ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

Monthly Report – April 2021

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 (%)	**2.2**	**12.0**	**24.6**	**13.9**	**11.9**	**15.8**
Global Equities[2] (%)	2.9	9.0	23.5	12.3	12.5	13.6
Value Added (%)	(0.7)	3.0	1.0	1.5	(0.5)	2.2
Environmental Equities[3] (%)	1.7	6.0	43.9	22.8	19.6	18.6
Value Added (%)	0.5	6.0	(19.3)	(8.9)	(7.6)	(2.9)

Fund Commentary

The Fund returned 2.2% in April, underperforming traditional global equities indices such as the MSCI All Country World Net Total Return Index by 0.7% but outperforming environmental equities indices such as the FTSE Environmental Opportunities All Share Index (EOAS) by 0.5%.

The major positive contributors to the Fund's return were Carlisle Companies Incorporated and Nuance Communications. Carlisle, a multi-industrial business with a strong position in insulation products for commercial buildings,

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.

rose as the recovery from COVID saw it report a strong Q1 result and upgrade 2021 guidance. Nuance, a developer of speech recognition software for the healthcare industry, announced an agreed deal to be acquired by Microsoft. Nuance's shares had more than doubled in the prior year, perhaps contributing to a relatively low acquisition premium of 16%.

The major detractor was Intel Corporation which fell 10% after releasing a Q1 earnings announcement that reflected its continued competitive struggles following four months during which its shares had rallied strongly on the appointment of a new CEO to turn around the company's fortunes. The Fund's positions in North American freight rail businesses Canadian National Railways and Canadian Pacific Railways both fell after the former announced a competing bid to trump the latter's proposal to acquire US competitor Kansas City Southern.

The Fund entered a new position in Cognizant Technology Solutions. Cognizant is a leading technology consultancy, with a workforce of almost 300,000, and is a competitor of another fund holding, Accenture. These businesses are currently experiencing strong growth supporting the clients' digital transitions. Cognizant's shares have under-performed despite this favourable backdrop due to a five year run of missteps during which the company has faced challenges with key stakeholders, including regulators, employees, customers and shareholders. This has left the shares trading at a significant valuation discount that implies continued execution challenges. Management has been largely replaced with external hires, including the CEO and CFO.

The Fund exited the remainder of its position in Finnish pulp and paper technology and automation company Valmet, which has performed strongly in recent months. The Fund also exited its position in Chinese natural gas distribution network owner ENN Energy following changes to the Fund's positive and negative (exclusionary) screening frameworks. Previously the Fund has been permitted to invest in companies involved in natural gas distribution on the basis that natural gas has been substituting for more polluting alternatives such as biomass and coal, particularly in emerging nations. The new framework reflects developments over the last decade that significantly mitigate the need for natural gas, the use of which is clearly not aligned with full decarbonisation in coming decades. Details of the Fund's negative screening framework are noted in Nanuk's Responsible and Sustainable Investment Statement, which is available on Nanuk's website HERE.

Market Commentary

Global equities markets rallied strongly in April, with the MSCI All Country World Net Total Return Index rising 4.4% in US dollar terms. Regional performance was somewhat varied. The US' S&P 500 Index continued to reach record highs as it rose 5.2% and Europe's Stoxx 50 Index was up 1.4% (3.8% in US dollar terms). In Asia Hong Kong's Hang Seng Index was up 1.2% while Japan's Nikkei 225 Index fell 1.3%. Commodities performed strongly, with Copper reaching a record all time high prices on the LME and soft commodities such as corn and wheat also rising significantly, raising concerns about input price pressure for many businesses.

Environmental equities, as represented by the FTSE Environmental Opportunities All Share Total Return Index, underperformed as industrial stocks and utilities, collectively representing a large proportion of the index, underperformed the broader market and areas of the market to which the index has little exposure, such as materials and the large-cap US technology stocks, outperformed.

The Australian dollar strengthened versus the US dollar during the month, slightly reducing the Fund's reported Australian dollar denominated returns.

Industry Commentary

Sustainability news was headlined in April by a global virtual summit featuring leaders from most of the world's key economies. The summit produced mixed results. US President Joe Biden pledged to reduce US greenhouse gas emissions by 50-52% by 2030 relative to a 2005 baseline, double the previous commitment. However, this commitment has no legal force and efforts to enact it into law face a busy legislative agenda including two trillion-dollar stimulus initiatives

Biden is currently also promoting, the American Jobs Plan announced in March and the American Family Plan unveiled during April. The US pledge was matched by a similar ratcheting of previous commitments from Japan, Canada and the UK. Japan increased its 2030 emissions reduction target from 26% to 46% from the country's 2013 level, having also committed last year to achieve net zero emissions by 2050. Canada increased its 2030 target from 36% to a range of 40-45% below its 2005 level. The UK passed into law a new 2035 target to reduce emissions by 78% from 1990 levels, furthering its existing ambition of 68% by 2030. Notably China and India, the other top two carbon emitters alongside the US, did not make any new commitments; nor did Australia. Somewhat encouragingly, the US and China did say they will work together to tackle climate change, which stands in contrast to more strained relations between the two nations in other areas, such as trade.

In early May, Germany's ruling party also announced more ambitious plans to reduce the country's carbon emissions by 65% by 2030 (up from 55%) and 88% by 2040, with a target to reach net zero emissions by 2045, rather than 2050 as initially planned. Germany's CO2 emissions are already 40% below the 1990 level.

Setting these goals is important but is only a first step towards achieving them. New Zealand stands out as one country with ambitious targets (a net zero ambition for 2050 set in 2019) yet to be translated into substantive action. This month, however, the New Zealand government initiated legislation requiring climate change reporting from financial and large corporations. Notably the requirements of banks cover the risks from companies they finance.

Tesla's brief period of dominance as effectively the sole supplier of purpose designed and built premium electric vehicles is fast coming to an end as competitors globally begin to shift quickly towards mass production of competing vehicles. Most of the initial EVs from the likes of Volkswagen and Hyundai have been electrified versions of conventional models designed for internal combustion engines. That is about to change with the release of an increasing number vehicles to be produced on high volume, modular, EV 'platforms' that will support the more efficient production of future ranges of vehicles. During April Toyota was the latest to unveil the first vehicle (an SUV named the bZ4X) from its modular e-TNGA platform for Evs, developed in conjunction with Subaru. Mercedes unveiled the first electric counterpart for its top-of-the-line S-Class, the EQS – the first Mercedes to utilise a platform developed exclusively for electric vehicles. The first vehicles from Hyundai and Kia's e-GMP platform will come this year, as will the first from Renault-Nissan-Mitsubishi's CMF-EV platform. VW's modular MEB platform (to be also used by Ford) is already in production supporting the recently released ID.3 and ID.4 Evs. Stellantis' Peugeot developed e-CMP platform and GM's BEV3 platform, to be shared with Honda, are expected to support Evs due in 2022 and 2023 respectively.

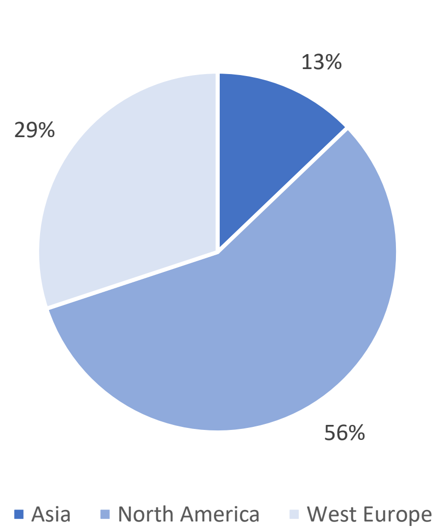
April saw some interesting announcements related to other modes of transport, although without the significant subsidies and incentives that have supported investment in Evs, progress in these areas is at a much earlier stage. April saw Volvo Trucks announce a record order for electric trucks, albeit still a relatively modest 14 units. It also announced a JV with Daimler, the leading global truck manufacturer, to develop fuel-cell trucks with a production target of 2025. In rail, German operator LNVG announced commercial operations of a hydrogen train, manufactured by Alstom, will begin early in 2022. In marine transport, oil major Shell announced a feasibility study for the use of hydrogen in ships.

Autonomous driving technology also saw some significant announcements during the month. Cruise, General Motors' autonomous driving venture, added Walmart as a strategic investor, building on an existing collaboration with Walmart's home delivery operations. Cruise also revealed plans to operate autonomous taxis in Dubai from 2023. TuSimple, a start-up focused on autonomous trucking, IPO'ed at a valuation of over $8b

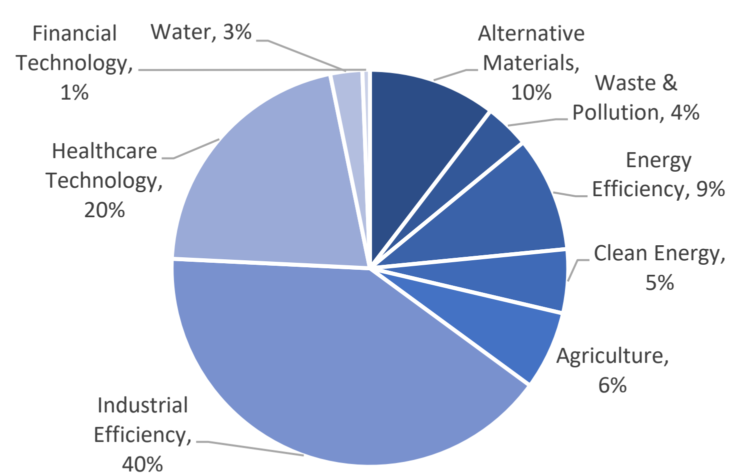
In renewable energy, we have seen continued expansion by oil & gas majors. These companies are keen to grow in sustainable energy and offshore wind offers an opportunity to invest in large scale projects using technology with which they have some familiarity from their offshore oil & gas operations. Europe's leading oil & gas operators have all entered the industry, including Shell, BP, Total, Eni, Repsol and Equinor, which changed its name from Statoil to signal its commitment to diversification. April saw Total expand its offshore wind portfolio to 5.5GW with the purchase of an interest in a Taiwanese project, as well as the first entry into the industry by a US oil major, Chevron, which announced an investment in an offshore wind equipment company. The impact of this increasing competition for offshore wind project development rights and offtake agreements is being seen in significant reductions in expected rates of return on projects to be developed later this decade.

Corporate net zero commitments have become increasingly common in recent months. April saw a notable net zero 2050 commitment from the U.S. Steel Corporation. Many net zero commitments have come from firms with few, if any, direct emissions – for example, in April, advertising agency WPP announced a plan to achieve net zero in just 4 years. However, progress on global emissions depends on heavy emitters such as U.S. Steel following suit and changing high emission industrial processes such as steel and cement manufacturing rather than simply switching electricity suppliers. U.S. Steel did not specify how its 2050 pledge will be met and will need to innovate significantly if it is to do so. In a similar vein, Japanese shipping company Mitui OSK Lines said it was "working" on a 2050 net-zero target, reflecting the technical challenges to delivering a credible plan to achieves this.

Regional Weights (%)



Sector Weights (%)



Top 10 Holdings as at 30 Apr 2021

Security Name	Weight (%)	Country	Sector
Siemens Healthineers AG	4.8	GERMANY	Healthcare Technology
Garmin Ltd.	3.9	UNITED STATES	Healthcare Technology
Air Liquide SA	3.5	FRANCE	Alternative Materials
Carlisle Companies Incorporated	3.5	UNITED STATES	Energy Efficiency
3M Company	3.4	UNITED STATES	Alternative Materials
Wolters Kluwer NV	3.2	NETHERLANDS	Healthcare Technology
Intel Corporation	3.1	UNITED STATES	Industrial Efficiency
Keysight Technologies Inc	2.9	UNITED STATES	Industrial Efficiency
Alten SA	2.7	FRANCE	Industrial Efficiency
Cognizant Technology Solutions Corporation Class A	2.7	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 Apr 2021)*	AUD 426.0m

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