NANUK NEW WORLD FUND

NANUK ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

Monthly Report – February 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 (%)	**6.6**	**7.7**	**2.6**	**15.8**	**16.2**	**12.6**
Benchmark Return[2] (%)	6.8	7.5	6.5	14.1	15.0	10.9
Value Added (%)	**(0.2)**	**0.2**	**(3.9)**	**1.7**	**1.2**	**1.6**
MSCI ACWI Return[3] (%)	5.2	5.7	8.6	12.8	13.0	8.3
Value Added (%)	**1.4**	**2.0**	**(6.0)**	**3.0**	**3.2**	**4.2**

Industry commentary

February witnessed further strong evidence of accelerating change in the automotive and energy sectors. In the automotive sector, Korea's Hyundai motor unveiled its latest five year investment plan in which investment will rise to $40 billion, 58% higher than its preceding plan. Of this, $13 billion is earmarked for future technologies including vehicle autonomy and mobility services. In Europe, Bosch announced plans to invest $4 billion through 2020 to develop autonomous driving technologies, while Daimler and BMW announced a €1b increase in investment in their joint effort on autonomous driving and mobility.

Elsewhere in Europe, Porsche announced a €6b investment plan in e-mobility by 2022, to be led by an electric version of its best-selling model, the

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

Macan SUV. Porsche expects half of its models to be electric by 2025. Germany's largest automaker, Volkswagen, raised its volume target for its first EV platform by 50%, from 10 to 15 million vehicles. The modular platform (called MEB) will launch next year and will be made available to other auto manufacturers. France's Renault, meanwhile, released notable findings from a survey of over 3,000 operators of small commercial fleets: 50% of the operators expect their fleets to be fully electric within a decade, and 66% within two decades. The primary motivating factor for adopting new technologies was business imperative, with 56% of respondents citing efficiency or cost savings. Only 14% cited sustainability as a motivating factor.

Amazon (a Fund investment) is also emerging as a major investor in mobility, reflecting its massive and growing requirements for delivery of its products. Amazon announced a $700m investment in Rivian, a private developer of electric trucks, and formed part of a $500m funding round in Aurora Innovations, a developer of autonomous driving technology. The near-term focus on autonomous delivery solutions was also highlighted by Softbank's $940 million investment in Nuro to accelerate the development of that company's autonomous delivery vehicles. Nuro is already testing autonomous delivery services in Arizona in partnership with supermarket chain Krogers.

The auto industry also benefitted from policy support, with France and Germany announcing €1.75b of subsidies for construction of EV battery factories on their soil. The Indian government meanwhile approved a scheme to spend $1.4 billion to subsidise sales of electric and hybrid vehicles as part of efforts to curb pollution and reduce dependency on fossil fuels.

The renewable energy industry saw noteworthy progress from an unusual source in the form of Google's AI division, DeepMind. The application of DeepMind's machine learning algorithms to historical meteorological data has allowed better prediction of local weather conditions up to 36 hours in advance and has delivered a 20% increase in the value of output from a 700MW fleet of wind farms. The primary value driver was the ability to bid the farms' power in advance, which is more valuable to the grid than unpredictable power. Vestas, the global leader in wind turbine generators (a Fund investment) acquired similar capabilities with its $100 million acquisition of IBM offshoot Utopus Insights last year. In Solar, German developer EnBW announced its plans to develop the nation's largest solar project, notably on a subsidy-free basis.

2019 is likely to be a breakout year for large scale battery energy storage, with global installations expected to double. Already this year we have seen the announcement of a number of record-breaking projects. The Arizona Public Service commission announced the development of a 100MW/400MWh project, the first of 950MW of storage to be developed by 2025. Texas approved the development of what will be the largest storage project to date with a 495MW project attached to a new solar farm of the same size. Ironically the project is being developed to provide more reliable power to the oil & gas industry in the Permian Basin, where electricity supply is restricted by lack of grid infrastructure.

The trend of major resource companies increasing their focus on sustainability continued. Oil giant Shell, which last month announced the acquisition of grid management software start-up AutoGrid, bought the German distributed energy leader Sonnen. Sonnen, which also operates in Australia, provides residential and small commercial customers with battery-based energy systems, typically integrated with solar. Sonnen's unique business model facilitates the sale of electricity between its customers (the 'Sonnen Community'), maximising the usage and value of their assets to meet round the clock demand. In a clear indication of Shell's focus on a future of distribution power generation and storage it also purchased Limejump, a 'virtual power plant' operator which manages distributed generation and storage assets on an aggregated basis. French oil giant Total announced plans to co-invest in offshore wind farms in France with Danish offshore wind leader Orsted. Rio Tinto used its 2018 earnings to boast its portfolio is fossil fuel free for the first time in 60 years, after divesting its last coal assets. Glencore, the miner most exposed to coal, which comprises its most profitable division, under pressure to reduce this exposure promised to limit output at current levels.

Market commentary

Global equities continued to rally in February, with the MSCI All Country World Total Return Index (ACWI) rising by 2.7% in US dollar terms. Continuing the trend in January, strength was broad based across regions. Europe's Stoxx 50 index rose 4.4%, the US S&P 500 index was up 3.0%, while in Asia the Nikkei 225 rose 2.9% and the Hang Seng 2.5%. The standout move was in mainland Chinese equities, with the Shanghai Shenzhen Composite Index up 14.6% as economic leading indicators and government efforts to stimulate the economy pointed to an end in the recent slowing of the Chinese economy. Despite this, near-term economic data remained generally weak: PMIs are below 50 in China, Japan and Europe, and in the US at its lowest level in over 2 years. Environmental equities out-performed traditional global equity benchmarks, supported by the relatively strong performance of manufacturing and industrial companies, healthcare technology and electronic technology. The Fund's benchmark, the FTSE Environment Opportunities All Share Index, rose 4.2% in US dollar terms and 6.8% in Australian dollar terms.

Fund commentary

The Fund returned 6.6% in February, broadly in line with its benchmark but ahead of traditional global indices. Key contributions came from companies that reported strong annual results, with the Fund benefitting in particular from companies whose results reflected strong management capabilities. These included Indutrade, a Swedish firm that develops and markets high-tech components, systems and services that improve the efficiency of industrial processes, and Carlisle, a US manufacturer of insulation and related construction materials, electric connectors and fluid dispensing products. These companies have a focus and track record of growing both organically and through acquisition at high rates of return on capital. Indutrade has a unique model of making large numbers of small acquisitions, as many as ten a year, with sales as low as $10m. This has enabled it to grow revenue at double digits since its IPO in 2005 while maintaining a return on equity in excess of 20%. Its 2018 report showed a 30% increase in earnings per share, an impressive performance for a European industrial business in a slowing EU economy. Carlisle is a little earlier in the diversification of its portfolio of businesses, currently dominated by its construction materials business which is highly profitable but is impacted by end-market cyclicality as well as raw material volatility. It had under-performed in 2018 due to a confluence of adverse raw materials and mixed execution, but is back on track with a 18'Q4 result 20% ahead of expectations and a well-timed opportunistic buyback in its own shares.

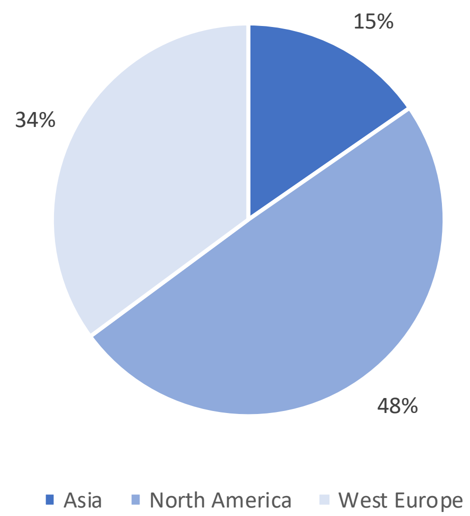
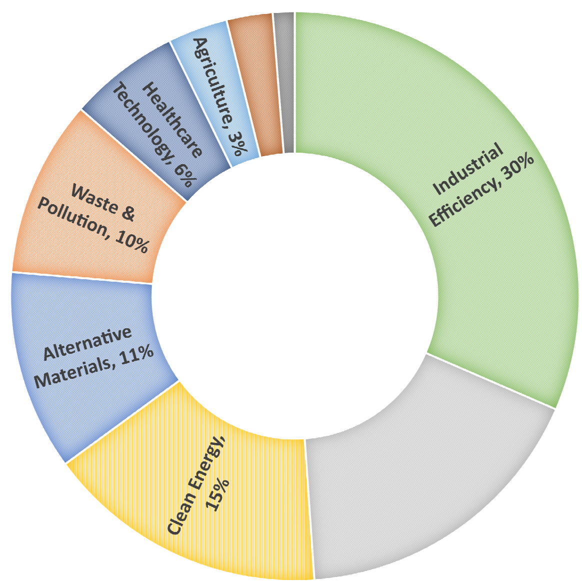
From a sector perspective the most noteworthy Fund impact came from several small positions in electronics components and semiconductors. The market is starting to look past the impact of slowing smartphone sales which has dominated news flow in 2018. Attention is now being placed on the growth opportunities offered by the transition to 5G network technology which will see many tens of billions of dollars invested in infrastructure, components and software to deliver an order in magnitude improvement in connectivity speed for mobile devices and enable many new connectivity applications, not lead in autonomous driving. The Fund has exposure to growth in 5G investment through holdings in companies like communication component supplier Skyworks Solutions and network hardware and software leader Cisco. In the wind sector the anticipated recovery in order volumes is playing out, with outperformance evident in the results of industry leaders Vestas and Siemens Gamesa, both Fund investments.

At the end of February 2019 the Fund's largest sector exposures are in the industrial internet of things, building energy efficiency, high speed rail, advanced and sustainable materials, industrial automation, waste management, automotive efficiency and the wind energy sector.

Sustainable Development

The activities of companies within Nanuk's proprietary investment universe typically demonstrate a clear connection with the delivery of the UN's Sustainable Development Goals (SDG's) and the 'basic needs' that underpin them. Nanuk utilizes the services of an independent research house to analyse company and portfolio sustainability risk and contributions to the delivery of basic needs which underpin the UN's SDGs – for example, in areas such as food, health, transport, energy and waste.

Mapping of portfolio company activities to basic needs, and then to the UN 17 SDG's, shows the largest contributions are made in the following areas: Affordable & Clean Energy, Sustainable Cities & Communities, No Poverty and Good Health & Wellbeing. At the conclusion of 2018, the Nanuk New World Fund demonstrated higher net SDG contribution, lower sustainability risk and lower carbon risk than representative (traditional) global equity indices.

Regional Weights (%)	Sector Weights (%)
	

Top 10 Holdings as at 28 Feb 2019

Security Name	Weight (%)	Country	Sector
Carlisle Companies Incorporated	4.6	UNITED STATES	Energy Efficiency
Waste Management, Inc.	3.3	UNITED STATES	Waste & Pollution
Siemens Gamesa Renewable Energy, S.A.	3.3	SPAIN	Clean Energy
Accenture Plc Class A	3.3	UNITED STATES	Industrial Efficiency
ABB Ltd.	3.3	SWITZERLAND	Clean Energy
Lenzing AG	3.2	AUSTRIA	Alternative Materials
West Japan Railway Company	2.7	JAPAN	Industrial Efficiency
Central Japan Railway Company	2.5	JAPAN	Industrial Efficiency
Lear Corporation	2.4	UNITED STATES	Energy Efficiency
Stericycle, Inc.	2.2	UNITED STATES	Waste & Pollution

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 *(28 February 2019)*	AUD 139.2m		

Contact Details

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

Legal Notice

Nanuk Asset Management Pty Ltd is an AFS Licensee, (AFS License number 432119). Whilst the information contained in this report has been prepared with all reasonable care, Nanuk Asset Management Pty Ltd (Nanuk) accepts no responsibility or liability for any errors, omissions or misstatements however caused. The information is not a personal advice. This document has been prepared without taking into account of your objectives, financial situation or needs. The fact that shares in a particular company may have been mentioned should not be interpreted as a recommendation to buy, sell or hold that stock. This is general securities information and is not intended to be a securities recommendation. Investors should be aware that past performance is not indicative of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments. Potential investors should seek independent advice as to the suitability of the Fund to their investment needs. The information in this document is intended only for the person or entity to which it has been provided and may contain confidential and/or privileged material. In accepting receipt of the information you agree that you and/or your affiliates, partners, directors, officers and employees, as applicable, will keep all information strictly confidential. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information is prohibited.