NANUK NEW WORLD FUND

NANUK ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

Monthly Report – February 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 (%)	**0.5**	**2.5**	**6.6**	**12.6**	**9.1**	**14.7**
Global Equities[2] (%)	1.4	1.5	8.5	11.5	10.5	12.4
Value Added (%)	(0.9)	1.0	(1.9)	1.1	(1.4)	2.3
Environmental Equities[3] (%)	(2.9)	(0.7)	25.4	22.7	17.0	18.0
Value Added (%)	3.3	3.2	(18.8)	(10.1)	(7.9)	(3.3)

Fund Commentary

The Fund returned 0.5% during February, outperforming its environmental equities reference index, the FTSE Environmental Opportunities All Share Total Return Index by 3.3% but lagging traditional global equities benchmarks such as the MSCI All Country World Net Total Return Index by 0.9%.

Variations in sector performance played a significant role during the month, with more cyclical and economically sensitive areas like energy, financials and the hard-hit leisure and travel sectors outperforming. The Fund's underperformance relative to traditional benchmarks during the month can be more than accounted for by its underweight positions in these sectors which are substantially underrepresented in the Fund's environmental

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.

sustainability and resource efficiency focused investment universe. The Fund benefitted from its exposure to the semiconductor, automotive, rail and textile industries.

The major contributors during the month were the Fund's positions in Intel Corporation, CDW Corporation and Garmin. Semiconductor capital equipment provider Applied Materials and memory semiconductor manufacturer Micron Technologies also performed strongly as the semiconductor industry globally struggles to meet strong demand, in particular from the automotive sector where major manufacturers have had to delay production schedules due to component shortages. The Fund's positions in automotive component suppliers Lear Corporation and Denso, both beneficiaries of increasing vehicle electrification, contributed positively during the month. Other notable contributors included sustainable textile manufacturer Lenzing and sleep apnoea implant manufacturer Inspire Medical.

The major underperformers during the month included PerkinElmer and TomTom. PerkinElmer is a diagnostics company whose earnings, as well as shares, roughly doubled during the pandemic thanks to a successful COVID test. The fund has significantly reduced its position in the stock in recent months. TomTom's shares reversed some of their gains in the prior month after reporting an anticipated return to positive cash flow but a cautious outlook for the ongoing recovery in the automotive sector into which it sells its navigation technology.

The Fund entered two new positions during the month, Mimecast and McAfee. Both are involved in digital security. Accenture estimates cybercrime costs consumers and businesses two trillion dollars a year and rising. The Fund's new positions are in Mimecast, a cloud-native provider of email security and related services to business, and McAfee, which is focused on consumer security software. The fund also exited its position in Ocado Plc. Ocado is an online supermarket and online order fulfilment technology business and its stock has performed very well during the pandemic.

Market Commentary

February saw strong returns across global equity markets. The MSCI All Country World Net Total Return index was up 2.3% in US dollar terms. The US' S&P500 Index rose 2.5%, Europe's Stoxx 50 Index climbed 4.5%, Japan's Nikkei 225 Index increased by 4.7% and Hong Kong's Hang Seng Index was up by 2.5%. Strong performance coincided with continued positive news of COVID vaccine roll-outs and efficacy in jurisdictions as varied as Israel, the UK and the US and rising expectations of significant stimulus measures being passed by US Congress.

Environmental equities underperformed significantly during the month, with the Fund's reference index, the FTSE Environmental Opportunities All Share Total Return index down 2.0% in US dollar terms. This reflected a significant but only fractional retracement of the index's dramatic out-performance during the second half of 2020. Evidence had been mounting of stretched valuations in sustainability themed equities. For example, Bloomberg noted in that in the month of January 2021 alone, clean energy companies raised more money through equity offerings than in any year prior to 2020. There has also been a proliferation of clean technology focused "SPACs", Special Purpose Acquisition Companies, raising significant amounts of capital with little more than vague plans to purchase companies involved in these areas.

February also saw increasing discussion of rising interest rates, as the US 10-year treasury yield climbed by 35bps to a post-pandemic high of 1.4%. While still extremely low by historical standards, higher rates are likely to disproportionately impact the valuations of stocks for which the majority of earnings are anticipated well into the future, and also impact the economics of capital-intensive long-life assets such as renewable energy projects.

Industry Commentary

The prominent sustainable technology debate during February focused on the role of renewable energy in a power crisis in the US state of Texas, which suffered rolling blackouts as it sought to cope with freezing temperatures. Amid multiple hypothermia fatalities across the state, Texas Governor Greg Abbott appeared on Fox News to blame wind energy and particularly the Green New Deal, a package to expand sustainable energy which has not even been seriously proposed for legislation, let alone implemented.

In reality the crisis reflected a general failure to prepare for cold weather. The Federal Energy Regulatory Commission warned Texas was under-prepared after a similar wave of coldinduced blackouts in 2011, and the CEO of the ironically named Electric Reliability Council of Texas (ERCOT), Texas' grid operator, confirmed that all types of generation were affected during the recent event. Wind generation accounts for around 20% of electricity generation in Texas, similar to the level of coal generation and well below the contribution of natural gas generation which accounts for nearly half of the total. Gas generation was the source most impacted by the cold weather which saw fuel shortages as ill-prepared gas networks froze up. Local problems were exacerbated by the structure of the Texas grid, which is independent from other power grids in the US and therefore could not draw upon generation from other regions, and by a deregulated structure that has not encouraged investment in technologies that would enable occasional operation during extreme events such as this one.

In the automotive sector the march towards EVs continues. Jaguar-Land Rover's new CEO released a strategy update, with the Jaguar brand set to be all electric by 2025. Land Rover has a much less ambitious goal of 60% by 2030. Entrants to the sector continue, with Foxconn, best known as the largest contract manufacturer of the iPhone, announced plans to begin production of an EV by 2023 in partnership with Fisker Inc.

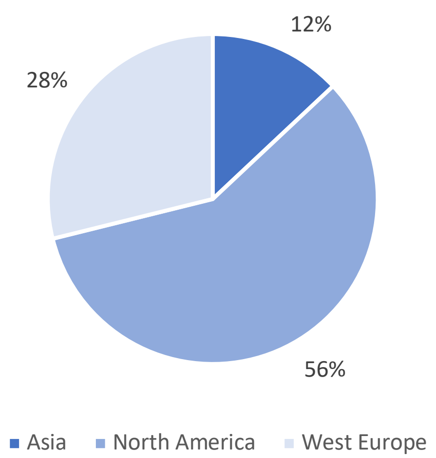
In the electricity sector, the 300MW Big Battery project in Victoria reached financial close. AGL Energy took a A$2.7b charge on expectations of lower wholesale power prices, in part due to the faster than expected declines in renewable energy prices.

We are also seeing rising focus on clean industrial power. Norwegian fertiliser manufacturer Yara ASA is fundraising to convert an ammonia production facility from its natural gas feedstock to renewably generated hydrogen. Startup H2 Green Steel is aiming to do the same for steel production, with economics backed by expectations of rising pricing in Europe's CO_2 emissions market. The Chairman of Japan's Iron and Steel Federation also made a speech on the importance of developing clean steel production processes. Independently, iron ore giant Rio Tinto's new CEO announced plans, which will impact executive compensation, to work with customers to achieve net-zero steelmaking by 2050. BMW announced a deal during the month to procure aluminium refined using solar energy from UAE's Emirates Global Aluminium.

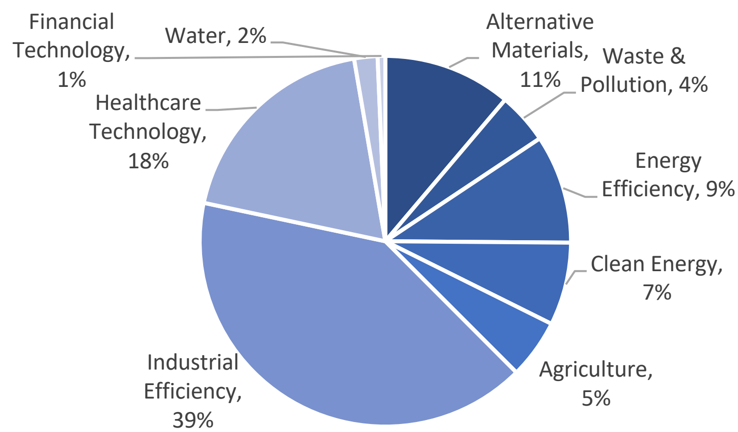
Companies continue to commit to lower emissions, increasingly including indirect emissions. Insurance giant Aviva plc, with assets over $700b, unveiled a 'net zero from investments' target by 2040, while Bank of America made a net zero 2050 pledge. Fossil fuel companies continue to diversify their operations. Sinopec unveiled plans for 1,000 hydrogen fuel stations by 2025. Royal Dutch Shell acquired another virtual power plant operator while Chevron expanded its modest investment in low carbon technology with a $300m venture capital fund. Spanish utility Iberdrola doubled its existing commitment to invest €75b in renewable generation by 2025, to €150b by 2030.

Regulators continue to work to use the financial system to accelerate sustainability. The European Banking Authority has proposed requiring banks to disclose a "Green Asset Ratio" to highlight whether banks' portfolios are sustainable. Beer giant AB InBev signed the largest ever ESG debt facility, whose terms vary depending on progress on the company's sustainability targets. With this deal, 2021 has already seen more ESG linked loans than 2019 and 2020 combined, albeit still a modest $20b. Goldman Sachs issued its first ESG bonds in February and said it has plans for $750b in sustainable financing by 2030. French oil major Total announced it plans to only issue ESG bonds, linked to externally audited climate targets, in the future.

Regional Weights (%)



Sector Weights (%)



Top 10 Holdings as at 28 Feb 2021

Security Name	Weight (%)	Country	Sector
Siemens Healthineers AG	4.5	GERMANY	Healthcare Technology
Intel Corporation	4.3	UNITED STATES	Industrial Efficiency
Garmin Ltd.	4.1	UNITED STATES	Healthcare Technology
Air Liquide SA	3.6	FRANCE	Alternative Materials
3M Company	3.5	UNITED STATES	Alternative Materials
Microsoft Corporation	3.5	UNITED STATES	Industrial Efficiency
Carlisle Companies Incorporated	3.3	UNITED STATES	Energy Efficiency
Keysight Technologies Inc	3.3	UNITED STATES	Industrial Efficiency
Wolters Kluwer NV	2.6	NETHERLANDS	Healthcare Technology
Waste Management, Inc.	2.6	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	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 *(28 Feb 2021)*	AUD 360.1m

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