NANUK NEW WORLD FUND

NANUK ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

Monthly Report – January 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 (%)	**2.0**	**2.0**	**2.3**	**16.0**	**10.0**	**14.6**
Global Equities[2] (%)	0.1	0.1	2.1	13.6	9.9	11.7
Value Added (%)	1.9	1.9	0.2	2.4	0.2	2.9
Environmental Equities[3] (%)	2.2	2.2	24.7	28.7	17.7	18.7
Value Added (%)	(0.2)	(0.2)	(22.5)	(12.7)	(7.6)	(4.1)

Fund Commentary

The Fund returned 2.0% during January, outperforming traditional global equity indexes such as the MSCI All Country World Net Total Return Index by 1.9% and roughly in line with the Fund's environmental equities Reference Index, the FTSE Environmental Opportunities All Share Total Return Index, which rose 2.2%.

The performance primarily reflected positive stock specific news but also a modest boost from exposure to two stocks that appeared to benefit from the remarkable and widely reported retail investor speculation in heavily shorted stocks, namely Pearson PLC and Keysight Technologies. At the height of 'GameStop mania' these stocks were up about 28% and 14% respectively for the month and we took the opportunity to reduce the positions,

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.

both of which have performed well, at these higher prices.

Key contributors during the month included Austrian sustainable textiles manufacturer Lenzing, leading medical diagnostic equipment business Siemens Healthineers, Intel and Taiwan Semiconductor.

Siemens Healthineers issued a positive profit warning and upgraded its annual guidance due to a combination of increased sales of its COVID testing solution and faster than expected recovery in its base business. Lenzing benefited as multiple brokers noted improving fundamentals in its core VSF (viscose staple fibre) manufacturing business, which is recovering after a savage COVID downturn during which demand in the global apparel market collapsed.

Intel also issued a positive profit warning but more importantly appointed a new CEO, Pat Gelsinger, who stated a new "commitment" to regain semiconductor manufacturing leadership which Intel has squandered in the last ten years. Our thesis for owning Intel relates to both the significant value of its Mobileye autonomous driving technology business and expectations based on recent developments that its manufacturing issues are likely to be addressed through a combination of internal improvements and outsourcing. The new CEO has already announced two senior hires and even the CEO he's replacing bought Intel stock following the news. Delivering this will be a very tall order but, in our view, the strategy was a notable improvement on the prior plan which had verged on managing the longer term decline of the business that has been reflected in its depressed valuation. Intel's challenges are a reflection of the ongoing success of Taiwan Semiconductor who manufacture for Intel's competitors. The Fund's position in Taiwan Semi also contributed positively during January after reporting 2020 profits were up 60% on 2019, along with a record breaking investment plan based on expectations of continued double digit growth into 2023.

The notable underperformer during the month was Nihon Kohden, a Japanese medical equipment manufacturer. The company reported very strong quarterly results flowing from continuing strong demand for patient monitoring systems in Japan and overseas, however, it also announced that three of its sales employees had been arrested and prosecuted on bribery charges related to procurement of equipment by a university hospital. The company acknowledged the seriousness of the matter and has acted quickly to revise its internal systems and controls through an internal investigation.

The Fund exited its positions in Royal Philips and Emcor Group during January. Emcor, which provides construction services, was exited after rallying ~40% as more cyclical stocks recovered as COVID vaccine roll-outs commenced. Philips was exited as evidence of improved competitiveness promised by its management is proving elusive, with visibility impaired by continued heavy portfolio restructuring. The Fund entered two new positions. Assa Abloy is the world leader in building entry solutions, with its growth based on replacing mechanical locks with electronic and automated systems. The Fund has previously held a position in Assa Abloy and has invested again as its return potential appears more attractive after a period of lagging the market. CDW Corp is a distributor of IT hardware, software, and services, to over 250,000 mostly small and medium sized enterprises. It offers these customers IT expertise they lack the scale to achieve internally, while offering its over 1,000 vendor partners a cost-effective way to sell to a fragmented customer base. The company is the leader in its segment and has been able to benefit from many of the technology mega trends that have aided its better known partners and suppliers.

Market Commentary

January saw mixed performance across global equity markets. The MSCI All Country World Net Total Return Index returned -0.5% in US dollar terms, with the US' S&P500 falling 1.1% and Europe's Stoxx 50 down 2.0%. However, Asian markets fared better, with Japan's Nikkei 226 up 0.8% and Hong Kong's Hang Seng index up 3.9%.

As mentioned in last month's report, Democrats regained control of the US Senate following run-off elections in Georgia on January 6. President Biden is currently negotiating with Senators of both parties on a $1.9t stimulus package. Yields on the US 10-year treasury rose by about 20 basis points, from 90 to 110, following the election results and may have contributed to the short term pull back in US equities.

Environmental equities, as represented by the FTSE Environmental Opportunities, also benefited from expectations of more environmentally friendly policy during the Biden administration, which took office on 20th

January, rising 3.5% following the run-off election.

Industry commentary

Given the jump in environmental technology related stocks following the Democrats' victory in Georgia, some comment on the incoming Biden administration is warranted. President Biden set a clear tone in his inaugural address, stating "A cry for survival comes from the planet itself, a cry that can't be any more desperate or any more clear". However, despite his strong intentions and the Democrats' apparently controlling position, his power to make sweeping changes is constrained.

First, his majority is thin. The Senate is split 50:50; Democrats' majority is due to Vice President Kamala Harris acting as a tie breaker. The 50 Democrats include two from coal states, Jon Tester of Montana and Joe Manchin of West Virginia. In 2010, Manchin released a campaign video in which he shot a climate change bill with a hunting rifle. It may not be a coincidence that Biden banned the sale of oil leases on federal land but did not ban leases for coal.

Second, he has other urgent priorities: a pandemic, a recession, and a constitutional crisis after the US Capital was over-run by an armed mob on 6th January, with multiple fatalities, which will shortly be litigated in the second impeachment trial of Donald Trump. It is notable that Biden's $1.9t stimulus bill is not focused on climate change. Biden expects to propose a second economic recovery plan in coming weeks, aimed at longer-term job creation and development goals such as climate change.

To date, Biden has focused on executive action. He has enlisted support from across the federal government, including the Treasury, the Federal Energy Regulatory Commission and even the CIA. As an example of a concrete step, Biden revoked the permit for the Keystone XL pipeline which aimed to deliver more Canadian petroleum to US refineries. He has outlined a plan for all federal government vehicle purchases to be electric. Whilst important and symbolic, such announcements on their own will not drive significant change. The federal vehicle fleet is less than 0.5% of the national total and Biden has specified the vehicles be made in the US with union labour. It's not clear any manufacturers currently meet these requirements. Tesla is non-union and, while GM, Ford and Chrysler do employ union workers, they rely heavily on imported parts.

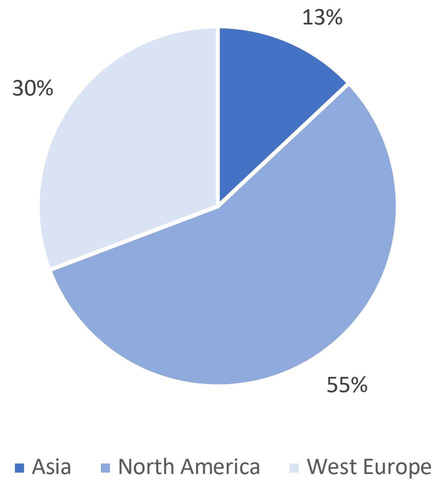
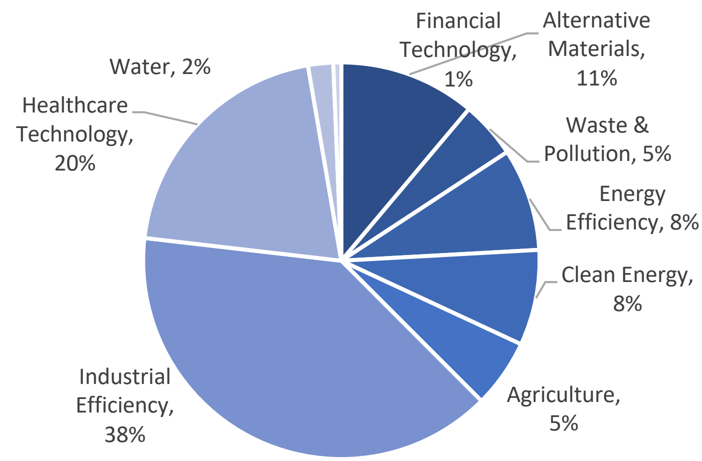
In summary, whilst it is certainly a positive to have pro-environmental leadership in the US and steps like rejoining the Paris Accord are important in a global context, the likely short term impact of the administration may be similar to the Obama years: sustainability will be operating with a tailwind at its back, with favourable regulatory decisions as well as some direct federal spending. Of course, relative to the Trump administration, which was aggressively supportive of fossil fuels and relaxing pollution regulation in general, this is still a stark contrast. In reality much of the regulation that will drive real change in the US economy will take place at a state level and the states themselves have, on the whole, continued to progress this agenda in spite of the Trump administration's efforts to undermine them. There is no doubt that the states will now be more empowered and, significantly, more strongly supported both politically and financially by the US federal government which will play an important role in funding climate and sustainability related initiatives at a local level.

Of course, progress in the private sector has continued at an extraordinary rate despite political distractions and January saw many of these trends continue.

The shift away from internal combustion engines continues to accelerate. General Motors announced it would sell only electric vehicles in the US by 2035. The company even changed its logo to make the 'M' evoke a plug going into a socket. It also signed an agreement with truck maker Navistar on development of fuel-cell powered heavy duty vehicles. In Japan, Mazda announced it has begun sales of its first EV model, the MX-30.

In autonomous driving, partnerships continue to proliferate. Microsoft announced it would participate in a $2b funding round for Cruise, GM's majority owned self-driving unit. Cruise also announced a partnership with Honda to deploy autonomous technology in Japan.

Corporations continue to burnish their sustainability credentials. Mastercard became the latest global icon to adopt a net zero 2050 target, while PepsiCo unveiled a net zero 2040 objective. Fossil fuel companies are pivoting hardest towards sustainability and the month saw Shell continue growing its electricity presence by purchasing Ubitricity, which operators a network of 4,000 EV charging points in the UK. France's Total announced a more significant deal, spending $2.5b to purchase parts of India's Adani Green Energy.

Regional Weights (%)	Sector Weights (%)
	

Top 10 Holdings as at 31 Jan 2021

Security Name	Weight (%)	Country	Sector
Siemens Healthineers AG	4.7	GERMANY	Healthcare Technology
Intel Corporation	4.5	UNITED STATES	Industrial Efficiency
Garmin Ltd.	3.9	UNITED STATES	Healthcare Technology
Air Liquide SA	3.9	FRANCE	Alternative Materials
Microsoft Corporation	3.5	UNITED STATES	Industrial Efficiency
Carlisle Companies Incorporated	3.5	UNITED STATES	Energy Efficiency
3M Company	3.4	UNITED STATES	Alternative Materials
Keysight Technologies Inc	3.3	UNITED STATES	Industrial Efficiency
Wolters Kluwer NV	2.8	NETHERLANDS	Healthcare Technology
Waste Management, Inc.	2.7	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 *(31 Jan 2021)*	AUD 346.9m

Contact Details

Investment Manager	Administrator
Nanuk Asset Management Pty Ltd Level 23, Australia Square, 264 George Street Sydney NSW 2000, Australia Tel: +61 2 9258 1600 Fax: +61 2 9258 1699 Email: contact@nanukasset.com www.nanukasset.com	Citigroup Pty Ltd GPO Box 764 Melbourne VIC 3001 Fax: 1300 714 621

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