

A long only global equities fund generating returns from investments in a universe of listed equities exposed to the broad themes of environmental sustainability and resource efficiency

January 2022 Monthly Fund Update

Performance Summary

The Fund was down 4.0% in January, underperforming traditional global equities indices, such as the MSCI All Country World Net Total Return Index, by 2.1% and outperforming the Fund's Reference Index, the FTSE Environmental Opportunities All Share Total Return Index (EOAS), by 0.9%.

The majority of the underperformance against broader global equities indices was attributable to the outperformance of the Financial and Energy (i.e. oil & gas) sectors in which the Fund has limited and no exposure respectively and to a lesser extent the underperformance of smaller capitalisation stocks. The remainder of the Fund's underperformance was primarily attributable to the reversal of recent gains of several stocks that had outperformed in late 2021, as noted below.

| | 1 Month | YTD | 1 Year | 2 Years p.a. | 3 Years p.a. | 5 Years p.a. | SI p.a. ¹ |
|---|---------|-------|--------|--------------|--------------|--------------|----------------------|
| Fund Return (%) | (4.0) | (4.0) | 24.4 | 12.8 | 18.7 | 16.1 | 14.5 |
| Global Equities ² (%) | (1.9) | (1.9) | 23.3 | 12.2 | 16.7 | 14.3 | 11.5 |
| Value Added (%) | (2.1) | (2.1) | 1.1 | 0.6 | 2.0 | 1.8 | 3.0 |
| Environmental Equities ³ (%) | (5.0) | (5.0) | 18.9 | 21.8 | 25.3 | 19.4 | 16.5 |
| Value Added (%) | 0.9 | 0.9 | 5.5 | (9.0) | (6.6) | (3.2) | (2.1) |

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. Past performance is not indicative of future performance.

Key Contributors to Fund Performance



WestRock (+4%) is a North American leader in cardboard packaging and paper products. The paper packaging sector, a lower growth sector that is benefitting from sustainability trends, outperformed during January in line with the relative outperformance of value stocks.



Accton Technology Corp (+2%) is a Taiwanese network equipment manufacturer. Accton reported December revenues up 25% month-on-month as component shortages eased.



Hain Celestial (-14%) makes natural and organic food and personal products. Hain has undergone a significant turnaround under a new management team that has rationalised its product range around higher margin and higher growth products and is well positioned to benefit from strong growth in organic food categories. The stock under-performed in January after issuing a profit warning reflecting rising input costs.



Siemens Healthineers (-15%) offers medical imaging, radiation therapy, and laboratory diagnostic systems. The health technology sector lagged during January, and Healthineers, which out-performed strongly during 2021, appears to have been impacted by this.



Wolters Kluwer (-14%) offers information services and analytics. Wolters Kluwer was another strong performer in 2021 and, as noted below, the Fund has consequently reduced its position. The stock reversed gains of late 2021 without any notable fundamental changes, more likely a consequence of the impact of rising interest rates on stocks with lower volatility and cost of capital.



Ciena Corporation (-14%) makes network equipment. The stock had risen around 40% in November and December and fell in January in line with the underperformance of the electronic technology sector.

New Investments



RELX plc, a previous investment of the Fund, offers information services, analytics and event services. Its name is derived from the Reed, Elsevier, and Lexis Nexis brands in exhibitions, academic journals, and legal journals respectively. RELX's exhibitions business stands to benefit from a post-COVID normalisation, while its legal and risk analytics offerings are growing high single digits at very high rates of return.



Packaging Corporation of America sells cardboard packaging and paper products. The company offers an attractive valuation and industry leading return on invested capital and is likely to benefit from the shift from plastic to paper based packaging products.



Terna Energy is a renewable energy developer and independent power producer, primarily focused on its home market in Greece. The company has a mature portfolio of operational assets with a significant pipeline and supportive regulatory environment providing the opportunity for future growth.

Exited Positions and Other Portfolio Changes

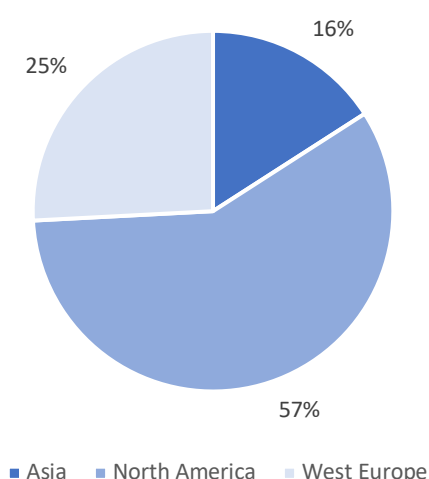
The Fund exited its position in cyber security firm **McAfee Corp** as the company has recommended acceptance of an acquisition offer and US organic grocery chain **Sprouts Farmers Markets** which had performed strongly. The Fund also completed the sale of positions in HVAC leader **Carrier Global Corp** and automotive supplier **Gentherm Incorporated**. The Fund's holdings **Ciena Corporation** and **Wolters Kluwer** were reduced following strong performance in 2021, with some of the reduction in Wolters Kluwer allocated into a new position in its industry peer **RELX plc**, discussed above. The Fund's position in **Alteryx** was increased ahead of expected strong 2022 guidance, as was the Fund's position in **Hain Celestial** for which our analysis indicates a high level of performance improvement potential.

Top 10 Holdings

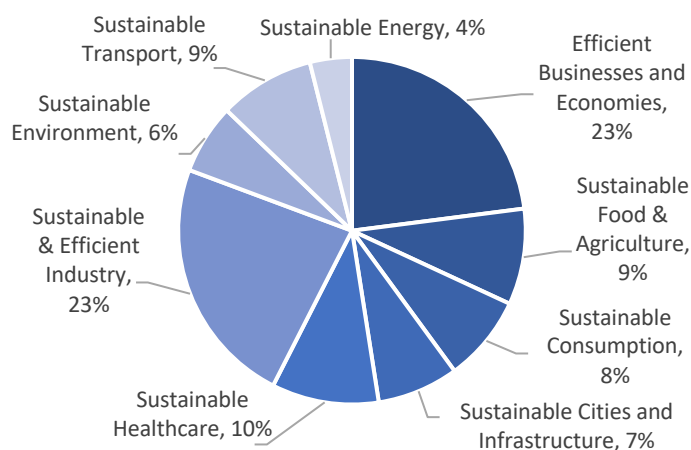
| Security Name | Weight (%) | Country | Sector |
|--|------------|----------------|---------------------------------------|
| Cognizant Technology Solutions Corporation Class A | 4.6 | UNITED STATES | Efficient Businesses and Economies |
| Hain Celestial Group, Inc. | 4.5 | UNITED STATES | Sustainable Food & Agriculture |
| Alteryx, Inc. Class A | 4.5 | UNITED STATES | Efficient Businesses and Economies |
| WestRock Company | 3.5 | UNITED STATES | Sustainable Consumption |
| Carlisle Companies Incorporated | 3.4 | UNITED STATES | Sustainable Cities and Infrastructure |
| Siemens Healthineers AG | 3.3 | GERMANY | Sustainable Healthcare |
| Microsoft Corporation | 3.3 | UNITED STATES | Efficient Businesses and Economies |
| Pearson PLC | 2.8 | UNITED KINGDOM | Efficient Businesses and Economies |
| Accton Technology Corp. | 2.8 | TAIWAN | Sustainable & Efficient Industry |
| International Flavors & Fragrances Inc. | 2.8 | UNITED STATES | Sustainable Food & Agriculture |

Portfolio Positioning

Regional Weights (%)



Sector Weights (%)



Market Commentary

The highest headline inflation rates in up to forty years and fears of a Russian invasion of Ukraine impacted asset markets during January.

Global equities, as represented by the MSCI All Country Net Total Return Index, fell 4.9% in US dollar terms, US 10-year treasury yields rose 0.27% (and have since reached 2.0% for the first time since 2019) and 10-year German bunds rose 0.19%. Oil prices rose 17%. Russia is a major exporter of both oil and gas and conflict leading to physical damage of energy infrastructure or sanctions on Russian exports could significantly impact energy markets. Most major regional equities markets fell, with the US's S&P 500 Index down 5.3%, Europe's Stoxx 50 Index down 2.9%, and Japan's Nikkei 225 Index down 6.2%. Hong Kong's Hang Seng Index was an exception, rising 1.7%.

The falls in equities markets disproportionately impacted higher growth and smaller capitalisation stocks, with lower growth 'value' style sectors outperforming. This effect was particularly acute for stocks with prospectively high growth rates but lower (or loss making) levels of profitability, with many early-stage technology companies, including many sustainable technology companies, significantly underperforming. Rising interest rates and energy prices also benefitted the Financial and Energy sectors which notably outperformed.

Environmental equities underperformed significantly during January, with the Fund's environmental equities reference index, the FTSE Environmental Opportunities All Share Total Return Index, down 7.9%, underperforming broader global equities benchmarks by around 3%. This in part reflects the lack of environmental equities falling with sectors that outperformed like Financials and Energy (oil & gas) but also the ongoing underperformance of both higher growth stocks and more prominent areas of sustainable technology such as renewable energy and hydrogen that attracted significant investor attention and outperformed in 2020 but have subsequently underperformed from unsustainably high valuations that peaked in February 2021.

Notable Industry Developments

- In the US, the expansive Build Back Better Act (BBB), whose \$2.2 trillion scope includes \$550 billion in climate spending and heightened environmental standards, was declared dead by West Virginia Democrat Joe Manchin, whose vote is required for its passage in the Senate. The Act includes significant support for renewable energy, high voltage transmission, electric vehicles and charging infrastructure, hydrogen and carbon capture and storage aimed at delivering the President's decarbonisation target of a 50-52% reduction in emissions by 2030. Democratic leadership plans to replace BBB with a renamed, smaller package, and has named climate as a top priority likely to survive the prioritisation process. However, after ten months of unproductive negotiation, it is possible the successor bill will also fail.
- With COVID infections at record highs, supply chain challenges were pervasive as the Q4 2021 earnings season got underway. Tesla announced that it is deferring launching new vehicle models until 2023 to concentrate on delivering existing products. Both the leading wind turbine manufacturers, Vestas and Siemens-Gamesa, issued profit warnings. Union Pacific, a large US freight hauler, announced double digit deteriorations in operational metrics such as railcar velocity and on-time deliveries.
- The Renault-Nissan-Mitsubishi alliance announced a €23b five-year electrification investment plan. The three partners will increase usage of common platforms and reduce the planned model count from 100 to 90.
- Deere, a leading manufacturer of agricultural equipment, introduced an autonomous tractor at the 2022 Consumer Electronics Show.
- The CEO of Reliance Industries has a \$75b plan to turn India into a hydrogen hub.
- Waymo and a JB Hunt, a larger US truck hauler, signed a plan to deploy autonomous trucking in the next few years.
- Air France details of sustainable aviation fuel - currently 4-8x cost of fossil fuel. They will operate sustainable flights with a (very modest) surcharge. For economy class tickets it will be between €1-4 per passenger.

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 themes of environmental sustainability and resource efficiency. 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.

| | | | |
|---------------------------|----------------------|----------------------|------------|
| 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 Dec 2021) | AUD 609.8m |

Platform Access AMP North, BT (Wrap, Panorama, Asgard), CFS FirstWrap, Hub24, IOOF OnePath, Pursuit & Rhythm Macquarie Wrap, Mason Stevens, Netwealth, OneVue, Powerwrap, Praemium, WealthO2, Xplore Wealth and ASX mFunds (NUK01)

| Investment Manager | Administrator |
|--|---|
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