NANUK NEW WORLD FUND

NANUK ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

Monthly Report – July 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	YTD	1 Year	2 Years p.a.	3 Years p.a.	Since Inception p.a.[1]
Fund Return (%)	**0.8**	**24.6**	**9.4**	**16.2**	**16.7**	**14.3**
Benchmark Return[2] (%)	0.8	20.9	11.7	15.3	15.1	12.3
Value Added (%)	0.0	3.7	(2.3)	0.8	1.6	2.1
MSCI ACWI Return[3] (%)	2.1	19.1	11.0	15.0	13.8	9.8
Value Added (%)	(1.3)	5.6	(1.6)	1.1	2.9	4.6

Fund commentary

The Fund was up 0.8% in July, marginally outperforming its environmental equity benchmark but lagging the MSCI All Country World Total Return Index by 1.3% as industrial stocks underperformed in the face of weak economic data.

Performance during the month was largely driven by company reporting. The largest positive contributions in the Fund came from Koninklijke Philips, Carlisle Companies and SolarEdge. Philips, which began the decade with half its revenue in increasingly commoditised electrical products such as TVs and lighting, has exited those businesses and is now strongly focused on healthcare technology. The company's margins still lag behind established healthcare pure-plays but it has been steadily closing the gap since 2015 and the month's contribution followed its report of another quarter

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 of margin expansion as well as mid-single digit organic growth. Carlisle Companies beat consensus earnings expectations by a double-digit percentage for a third quarter in a row and is now expected to grow operating earnings by 35% in 2019. SolarEdge did not report in July but was again a strong contributor as other solar peers reported strong growth during the second quarter.

The major detractors from the Fund's performance were companies exposed to the weakening economic outlook for manufacturing. This was most acute in the automotive sector in which component suppliers saw an amplified effect of slowing car sales in major markets. More diverse industrial stocks owned by the Fund, such as Swedish businesses Indutrade and Hexagon, also underperformed during the month.

At the end of July the Fund's largest sector exposures are in high speed rail, cloud computing services, waste management, building energy efficiency, solar, advanced and sustainable materials, automotive efficiency and healthcare technology.

Market commentary

The performance of global equities markets was mixed in July. The MSCI All Country World Total Return Index rose 0.3% in US dollar terms but there were significant variations regionally. The US' S&P 500 index was up 1.3%, Japan's Nikkei 225 index was up 1.2%, but Europe's Stoxx 50 index and Hong Kong's Hang Seng index fell by 0.2% and 2.7% respectively.

Economic data remains weak, with Manufacturing PMIs signalling contraction in Europe, China and Japan, and weakening in the US. Reflecting this economic deceleration, the Federal Reserve cut rates by 25bps at month end, its first rate cut since 2008, and sovereign borrowing rates around the world compressed further.

Environmental equities underperformed during the month, reflecting the significant representation of industrial technologies that are exposed to slowing economic growth rates and weakening industrial leading indicators. The Fund's benchmark, the FTSE Russell Environmental Opportunities All Share Index declined by 1.0% in US dollar terms but rose 0.8% in Australian dollar terms due to the weakening of the Australian dollar during the month.

Industry commentary

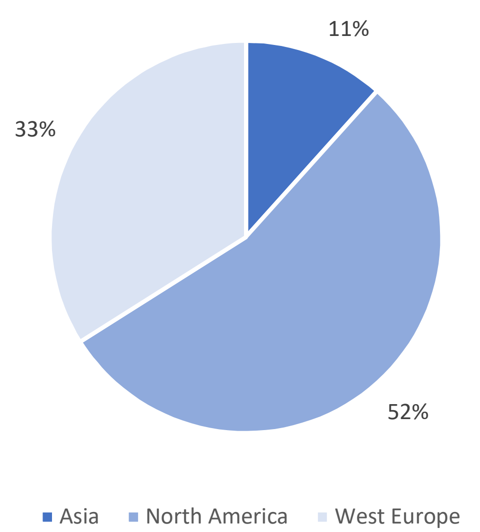
The automotive industry saw further attempts to counter the tough environment of structural and cyclical challenges described in recent monthly letters. Industry giants Ford and Volkswagen finalised their long-awaited alliance in electric vehicle and autonomous driving technology. Toyota signed an agreement to develop electric vehicles in China with BYD, a leading Chinese electric vehicle and battery manufacturer, while Renault inked a deal with Jiangling, another Chinese EV manufacturer. These partnerships help manufacturers share the multi-billion dollar costs of developing new mobility technologies. The challenges and costs of the transition away from traditional car ownership and towards 'mobility services' extended to the leaders in this space, with Uber announcing a reduction of 400 employees and two Board departures amid weak 19Q2 results and its competitor Lyft announcing the departure of its COO. Tesla, which also reported a larger than expected 19Q2 loss, saw the departure of its CTO and co-founder JB Straubel and announced the third revamp of its retail store strategy this year.

Massive investment in the technologies of the mobility revolution continues despite the challenges. Ford acquired a small AI firm to bolster its position in autonomy, while Toyota invested $600m in Didi Chuxing, the ride hailing leader in China. Cruise, General Motors' autonomy unit, released an updated strategy, while acknowledging it would miss its target to launch robotaxi service in 2019. Porsche's first electric model, the Taycan, has booked so many orders that one analyst forecast it will overtake the 911 to become the brand's best-selling model in 2020. Meanwhile Jaguar Land Rover announced that it plans to build a new range of electrified cars in the UK, part of its commitment to offering electrified options of all models from 2020.

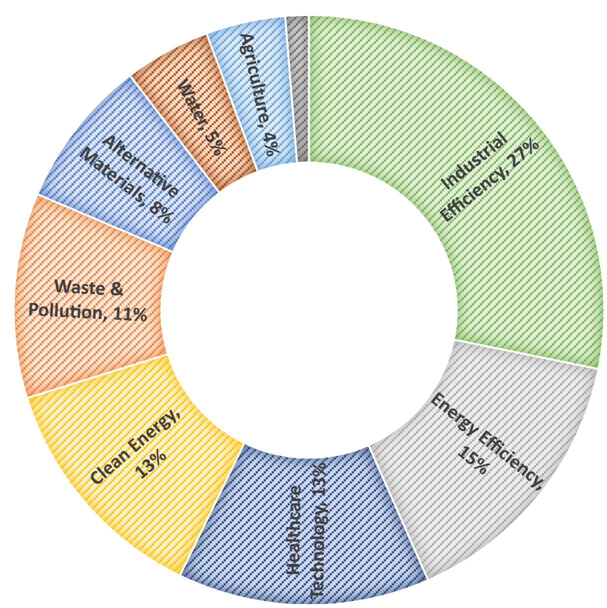
Solar's continued proliferation was symbolised by a Bloomberg report that China now has over 10GW of solar capacity installed on fish farms. (1GW, or gigawatt, is roughly the generating capacity of a typical nuclear or large-scale coal fired power plant). Fish farms provide low cost access to sites with close proximity to cities where land costs would be prohibitive to the development of land based solar farms. In addition, solar and fish farming turn out to be natural partners, as fish enjoy the panels' shade, while the solar panels' efficiency benefits from improved cooling.

The increasing challenges facing traditional fossil fuel generation were also highlighted during the month. Moody's Corporation, a US$39b risk analysis specialist, acquired a climate analytics firm, Four Twenty Seven. Zurich Insurance Group, a $50b insurer, announced restrictions on underwriting of companies with significant investments in coal and oil sands. The UK's leading gas provider, Centrica, announced it would exit oil & gas production. Equinor, formerly known as Norway oil champion StatOil, unveiled a record investment for an oil company in renewable energy, a $3b offshore wind project off the New York coast. Spanish oil company Repsol announced plans to develop two wind farms and one solar facility in Spain totalling 800MW as part of its strategy to expand into power generation. In Germany, Lausitz Energie, a coal miner and power generator, announced it would build a 50MW energy storage facility. Mining giant BHP said it would spend $400m on research to lower emissions from its operations. In nuclear news, Georgia state regulators announced further over-runs were likely for the Vogtle project, which was already over $10b above its original cost estimates. And finally in a symbolic move, American T. Boone Pickens, who rose to prominence as an Oklahoma wildcatter, announced he would add renewable energy assets to his energy fund.

Regional Weights (%)



Sector Weights (%)



Top 10 Holdings as at 31 July 2019

Security Name	Weight (%)	Country	Sector
SolarEdge Technologies, Inc.	5.0	UNITED STATES	Clean Energy
Carlisle Companies Incorporated	4.2	UNITED STATES	Energy Efficiency
Lear Corporation	4.2	UNITED STATES	Energy Efficiency
Waste Management, Inc.	3.5	UNITED STATES	Waste & Pollution
RELX PLC	3.1	UNITED KINGDOM	Healthcare Technology
Microsoft Corporation	2.9	UNITED STATES	Industrial Efficiency
Wolters Kluwer NV	2.9	NETHERLANDS	Healthcare Technology
Air Liquide SA	2.7	FRANCE	Alternative Materials
Stericycle, Inc.	2.7	UNITED STATES	Waste & Pollution
Lenzing AG	2.6	AUSTRIA	Alternative Materials

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 *(31 Jul 2019)I*	AUD 178.3m		

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

This publication is prepared by Nanuk Asset Management Pty Ltd ('Nanuk') (AFS Licence no. 432119) for wholesale clients only. The information contained in this publication is of a general nature only, does not take into account the objectives, financial situation or needs of any particular person and is not to be taken into account as containing any personal investment advice or recommendation. Before making an investment decision, you should consider whether the investment is appropriate in light of those matters. While this publication has been prepared with all reasonable care, no responsibility or liability is accepted for any errors, omissions or misstatements however caused. No warranty is provided as to the accuracy, reliability and completeness of the information in this publication and you rely on this information at your own risk. Any prospective yields or forecasts referred to in this publication constitute estimates which have been calculated by Nanuk's investment team based on Nanuk's investment processes and research. To the extent permitted by law, all liability to any person relying on the information contained in this publication is disclaimed in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information. Any past performance information in the publication is not a reliable indicator of future performance. This publication should not be construed as an offer to sell or the solicitation of an offer to buy any financial services or financial products. This document is confidential, is intended only for the person to whom it has been delivered and under no circumstance may a copy be shown, copied, transmitted or otherwise given to any person other than the authorised recipient. Performance results are shown for illustration and discussion purposes only.

*EQT Responsible Entity Services Limited ('EQT') (ABN 94 101 103 011) AFSL 223271 is the Responsible Entity for the **Nanuk New World Fund.** This publication has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. **We do not express any view about the accuracy or completeness of information that is not prepared by us and no liability is accepted for any errors it may contain**. Past performance should not be taken as an indicator of future performance. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should obtain a copy of the product disclosure statement before making a decision about whether to invest in this product.*