NANUK NEW WORLD FUND

NANUK ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

Monthly Report – March 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 (%)	**0.9**	**12.8**	**2.3**	**14.3**	**15.8**	**12.5**
Benchmark Return[2] (%)	1.5	12.4	8.6	13.1	15.3	11.1
Value Added (%)	(0.6)	0.5	(6.3)	1.2	0.4	1.4
MSCI ACWI Return[3] (%)	1.4	11.2	10.8	12.5	13.7	8.6
Value Added (%)	(0.5)	1.7	(8.5)	1.8	2.1	4.0

Industry commentary

The increasingly rapid shift away from traditional carbon-based (fossil fuel) energy was highlighted during March. Oil and gas major Shell announced its plan to become the world's largest electricity producer within 15 years, with anticipated investment of up to $2 billion a year in its new-energies division. The announcement comes after a string of recent investments in battery and grid management technology by the company. The bold strategic shift is driven by the "irreversible choice the world has made to decarbonise, to address climate change, and to go to a net-zero energy system", according to the director of Shell's integrated gas and new energies division. "Most of our customers … will in the coming decades only be using electricity", an assessment consistent with the increasing importance of electricity in the overall

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 energy mix and the relative ease of decarbonising electricity when compared to other sources. This trend was highlighted by a UK government announcement that fossil fuel heating systems will be banned from new homes by 2020.

In a similar vein, Australian insurer QBE has announced that it will cease insuring new thermal coal mines and power plants from July 1 2019 and will shut down its thermal coal underwriting business by 2030. Switzerland's UBS also said it would cease offering project finance for new coal plants. Norway's sovereign wealth fund announced $7.5b of divestments from Oil & Gas producers, while France's BNP Paribas, announced plans for $1b of divestments of companies that derive more than 10% of revenue from thermal coal from its actively managed funds, starting in 2020. German utility E.On unveiled its long-term EV strategy, with offerings for both retail and commercial retail customers covering charging infrastructure, monitoring software and even a special "green energy tariff". In the US Duke Energy announced plans for 2,500 charging stations in its service territory, of North Carolina.

Continued progress in renewable energy was highlighted in BNEF's semi-annual report comparing the "levelized cost of energy" delivery by different technologies. The latest analysis showed average cost of offshore wind-generated electricity falling by 22% since the prior report. The global average cost of onshore wind generation fell 5% in the same period. These cost declines were reflected in a range of new wind projects announced across the world. Wind turbine manufacturer Vestas, a company owned by the Fund, released details of what it calls Britain's first unsubsidised project, a 47MW in Scotland, due to be completed in 2021. Australia approved an exploration license for what would be its first offshore wind farm, off the coast of Victoria, with Energy Minister Angus Taylor highlighting offshore wind's relatively high reliability. Wind also won 100% of Finland's first technology-agnostic energy auction. In China, restrictions on the development of new wind farms in northern regions are being eased as curtailment rates fall in response to new transmission infrastructure and policies to promote the usage of renewable generation. The Chinese wind market is expected to grow around 20% this year.

The increasing attractiveness of battery energy storage was also highlighted, with US utility NextEra Energy, a company owned by the Fund, announcing the development of a 900MWh capacity battery storage system in Florida. The battery system, which is four times larger than the worlds largest system today (South Australia's Hornsdale Power Reserve) will be attached to a 75MW solar project and will allow generation to be utilised to meet peak demand. It will assist in the accelerated retirement of two gas fired generating units. The project and others like it will complement NextEra subsidiary Florida Light & Power's "30 by 30" strategy to install 30 million solar panels in Florida by 2030, making it a global leader in the adoption of solar energy.

The automotive industry's transition towards electrification, autonomy and mobility services continues unabated despite a cyclical slowdown in global automotive sales. China announced that subsidies for EVs would be reduced by around 50% in 2019, reflecting the growing maturity of the sector and competitiveness of new EV models. EV sales are forecast expected to rise 50% YoY in China, despite the lower support and required higher technical standards to qualify for subsidies.

Volkswagen announced a €2b investment plan for its light commercial division, including the rollout of an electric van, the ID Buzz, by 2022. VW's Porsche unit raised production plans for its debut electric model, the Taycan, after stronger than expected demand by customers who registered to purchase the car via a €2,500 deposit. The broader impact of technology on the industry was also highlighted by Volkswagen's announcement that it would cut 7,000 jobs over 5 years and invest over $5 billion in new information technology equipment and systems primarily to digitise routine manual tasks in the company's administration offices.

Germany's Daimler AG extended its investment in autonomous driving technology with the €500m acquisition of Torc Robotics, which focuses on commercial vehicles, in which Daimler is the global leader. Daimler also announced that its Smart brand would become all electric brand from 2020, and be run in joint venture with Zhejiang Geely, its largest shareholder and main shareholder of Chinese automaker Geely. March also saw the IPO of ride sharing app Lyft Inc, at a valuation of ~$20b.

In policy news, the Trump administration's initiative to restore Oil & Gas drilling rights in sections of the US Atlantic and Arctic coasts (accounting for 30 billion barrels of oil equivalent previously blocked by the Obama administration) was rejected by the courts.

Market commentary

Global equities continued their strong start to 2019, with the MSCI All Country World Total Return Index rising by 1.3% in March. The US S&P 500 index was up 1.8%, Europe's Stoxx 50 index appreciated by 1.6%, and Hong Kong's Hang Seng index rose 1.5%. Japan's Nikkei 225 was a laggard, falling 0.8%. The notable macroeconomic development was weakness in Europe, with Europe's manufacturing PMI falling further (to 47.5), signalling contraction. Germany's 10-year bond yield fell back into negative territory, and the € fell to its weakest level against the US dollar since early 2017.

Environmental equities performed in line with broader markets, with the Fund's benchmark, the FTSE Environment Opportunities All Share Total Return Index, rising 1.4% in US dollar terms and 1.5% in Australian dollar terms.

Fund commentary

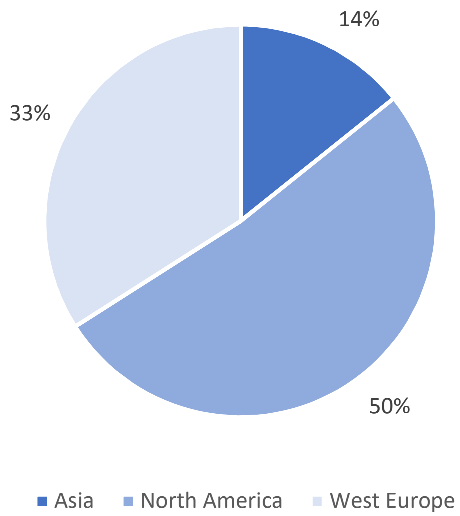
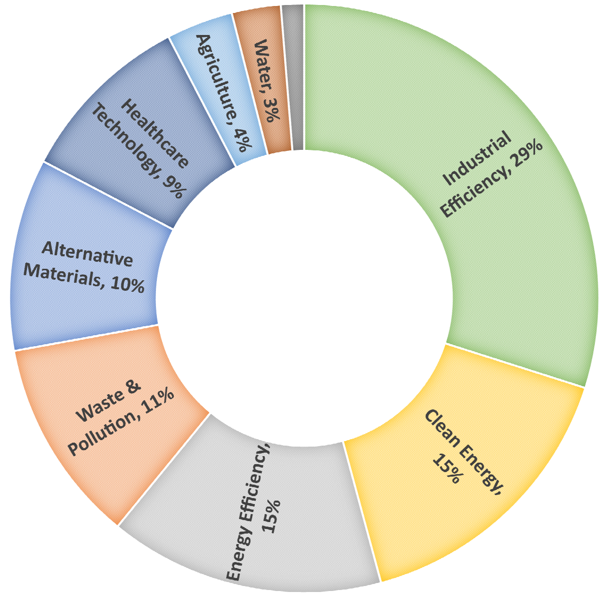
Over the March quarter of 2019 the Fund posted a 12.8% return, outperforming its benchmark index by 0.5% and outperforming the MSCI All Country World Total Return Index by 1.7%. In March the Fund rose 0.9%, slightly underperforming its benchmark (by 0.6%) and traditional global benchmarks by a lesser amount.

The Fund's exposure to cyclical end markets such as the automotive, industrial and semiconductor sectors was further reduced as markets continued to rise during the month. New investments included businesses with more stable economic drivers. Hain Celestial, one such business, sells natural and organic foods, with Linda McCartney vegetarian foods among its best-known brands.

The Fund also acquired holdings in two businesses in information services. These were Wolters Kluwer and RELX, also known as Reed Elsevier. Both companies trace their history to publishing physical books and journals. With physical printing in decline over decades, both companies changed their focus to provision of electronic information and, increasingly, value-add analytics services. These help customers improve operational efficiency but also make better strategic decisions. The customer base is diverse but professional and regulated sectors including finance, law and medicine are major end-markets. With cloud services and machine learning improving access to and analysis of data, information services is experiencing improving organic growth, modestly supplemented by bolt-on M&A.

The largest performance contributor in March was Stericycle Inc, which rose 20% after announcing a CEO transition. Stericycle provides specialist waste management, focused on medical and office waste, is the clear leader in its sector, but has significantly under-performed under the watch of its exiting CEO. His succession by a well-qualified external hire has been welcomed by the market. Other significant contributors included global consulting and professional services firm Accenture and Austrian sustainable textile manufacturer Lenzing. The primary detractors reflected the weak European macroeconomic environment mentioned above in the automotive and European industrials segments.

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

Regional Weights (%)	Sector Weights (%)
	

Top 10 Holdings as at 31 Mar 2019

Security Name	Weight (%)	Country	Sector
Carlisle Companies Incorporated	4.6	UNITED STATES	Energy Efficiency
Waste Management, Inc.	3.7	UNITED STATES	Waste & Pollution
Accenture Plc Class A	3.4	UNITED STATES	Industrial Efficiency
Lenzing AG	3.3	AUSTRIA	Alternative Materials
Siemens Gamesa Renewable Energy, S.A.	3.1	SPAIN	Clean Energy
Microsoft Corporation	2.8	UNITED STATES	Industrial Efficiency
Central Japan Railway Company	2.7	JAPAN	Industrial Efficiency
Stryker Corporation	2.6	UNITED STATES	Healthcare Technology
West Japan Railway Company	2.6	JAPAN	Industrial Efficiency
Stericycle, 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	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 March 2019)*	AUD 142.7m		

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