Monthly Report – October 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 (%)	**(0.4)**	**28.3**	**23.6**	**11.2**	**18.0**	**14.2**
Benchmark Return[2] (%)	1.3	26.5	22.9	11.0	17.0	12.7
Value Added (%)	(1.7)	1.8	0.7	0.2	1.0	1.5
MSCI ACWI Return[3] (%)	0.6	22.0	15.8	11.7	15.1	9.8
Value Added (%)	(1.0)	6.3	7.8	(0.5)	2.9	4.4

Fund commentary

The Fund was down 0.4% in October, underperforming its environmental benchmark index by 1.7% and underperforming the MSCI All Country World Total Return Index by 1.0%.

The performance in October followed a similar trend to the prior month, with cyclical industries generally outperforming more defensive sectors. There were no standout winners or losers, however the main detractors from the Fund's monthly performance included sectors such as waste management, healthcare technology, water and rail.

The relative performance of the Fund against its benchmark, the FTSE Environmental Opportunities All Share Total Return Index, was primarily driven by the strong performance of components of the index in which the Fund has limited or no exposure. Of note have been Tesla, which rose 30% after reporting an unexpected profit in the third quarter, and Japanese industrial and robotics stocks which have performed strongly over the past two months

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 despite continued weakness in industrial leading indicators such as Japan Machine Tool Orders.

Market commentary

Global equity markets again rose in October as monetary easing continued with the US cutting its benchmark interest rate once more at the end of the month. The MSCI All Country World Total Return Index rose 2.7% in US dollar terms, with rises across most major indices. The US' S&P 500 Index was up 2.0%, Europe's Stoxx 50 Index was up 1.0%, Hong Kong's Hang Seng Index was up 3.1% and Japan's Nikkei 225 Index again outperformed, rising by 5.4%. Industrial stocks performed strongly as President Trump indicated he expected a 'first phase' trade deal with China could be signed as early as mid November. The Australian dollar strengthened over 2% during the month, negatively impacting returns in Australian dollar terms.

Environmental equities, which are overweight industrials, out-performed broader global indices with the Fund's benchmark, the FTSE Environmental Opportunities All Share Total Return Index (EOAS), rising 3.5% in US dollar terms and 1.3% in Australian dollar terms.

Industry commentary

Volkswagen finally officially launched its landmark mainstream electric vehicle, the ID.3, with production scheduled to start in November. The ID.3 is the first of at least 70 electric cars in VWs pipeline and is the cornerstone of its Euro 50 billion commitment to develop electric vehicles following the diesel emissions scandal. The base model ID.3 is a Golf sized vehicle that will start from around US$30,000 with a range of 320 kilometres or more. Volkswagens CEO proclaimed it as "an electric car for the people that will move electric mobility from niche to mainstream".

Meanwhile, the boards of Fiat Chrysler Automobiles and Groupe PSA (the owner of Peugeot and Citroen), both laggards in the development of electric vehicles and autonomous driving technology, announced the proposed merger of the two companies in a deal that will help both to overcome the enormous costs being faced by automakers to meet these technology transitions.

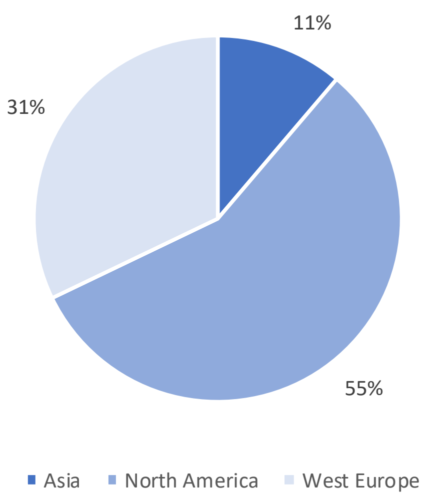
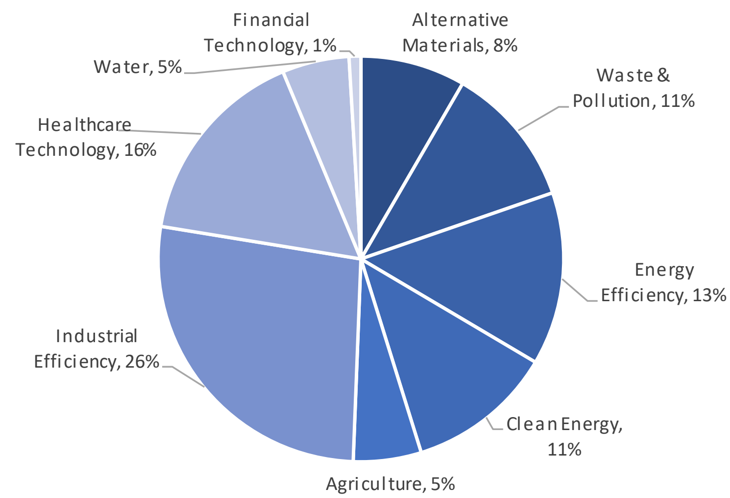
The challenges being faced by the automotive OEMs were highlighted by South Korea's plan, announced during the month, to position it as a global leader in electrified and autonomous transport. The $50 billion dollar plan targets electric vehicles to account for 33% of new car sales in Korea in 2030 and for Korean manufacturers to account for 10% of global electrified vehicle sales. The plan also targets 50% of new car sales in 2030 to be self-driving (or at least capable of Level 3 autonomy) and for Korea to be the first country to commercialise Level 4 autonomy (effectively capable of full autonomous driving) for the general public, by 2027. It is proposed that the plans will be achieved through shared public and private investment in technology and infrastructure and potentially supported by bans (on internal combustion vehicles) and mandated targets.

The solar sector was also prominent during the month. The Dubai Electricity & Water Authority announced a new global record low bid of 1.7c/kWh to provide electricity from a 900MW solar plant. This is well less than half the cost of electricity from the cheapest gas and coal power plants and below what many experts have forecast might be achievable in 2030 or 2040. The continued fall in the cost of solar generated electricity was reflected in the latest forecasts of the US Energy Information Agency in its International Energy Outlook which raised its forecast for cumulative global solar installations in 2050 by a staggering 220% above its previous forecast (made in 2017). Spanish solar developer Solaria Energia y Medio Ambiente announced plans to develop over 3GW of unsubsidised solar projects in Spain. It was notable also that BHP announced that it has signed contracts to power two of its large Chilean copper mines that will see them run entirely on renewable energy by the mid-2020s.

In the US, embattled Californian utility PG&E has enacted policies to cut electricity supply at times of high fire danger plunging large parts of the state into extended blackouts. Consumers are turning quickly to backup generators and energy storage systems. The Fund's investments in leading residential solar developer SunRun and inverter supplier SolarEdge stand to benefit from this growth during what is likely to be years before the issues faced by PG&E can be resolved. In New York regulators approved the development of a 316MW battery system at the site of an existing gas power plant. The lithium ion battery system will be able to provide enough electricity for 250,000 houses for up to eight hours and will help the local utility to stabilise its grid and reduce use of oil and natural gas currently used to meet peak generating loads.

Decarbonisation is increasingly in the headlines. Both governments and corporations are rapidly embracing 2050 net zero carbon emission targets, with even hard to decarbonise industries moving quickly to respond to the inevitable need for change. In October British Airways parent company IAG became the first airline group worldwide to commit to such a target, which it expects to be achieved through 'numerous environmental initiatives' including substantial investment in sustainable aviation fuels. It has announced it will be the first UK airline to offset carbon emissions on all flights within the UK, starting in 2020. Another perhaps unexpected early mover is Gas Networks Ireland, which has outlined its vision to achieve net zero carbon emissions by 2050 through a combination of introducing renewable gas and hydrogen into the network and abatement using carbon capture and storage.

The potentially significant role of hydrogen in decarbonising industry is also gaining attention. Incitec Pivot subsidiary Dyno Nobel announced that it will undertake a feasibility study into the production of renewable hydrogen (to be used in the production of ammonium nitrate fertiliser) using a large scale solar farm. Also in Australia, Siemens announced its role as technology partner in the Murchison Renewable Hydrogen Project, a large scale (up to 5,000 MW) combined solar and wind farm on Murchison House Station in Western Australia that it is proposed will produce renewable hydrogen for local use and export.

Regional Weights (%)	Sector Weights (%)
	

Top 10 Holdings as at 31 October 2019

Security Name	Weight (%)	Country	Sector
Carlisle Companies Incorporated	4.3	UNITED STATES	Energy Efficiency
SolarEdge Technologies, Inc.	3.7	UNITED STATES	Clean Energy
Waste Connections, Inc.	3.2	CANADA	Waste & Pollution
Koninklijke Philips N.V.	3.1	NETHERLANDS	Healthcare Technology
Waste Management, Inc.	3.1	UNITED STATES	Waste & Pollution
Microsoft Corporation	3.1	UNITED STATES	Industrial Efficiency
Lear Corporation	3.1	UNITED STATES	Energy Efficiency
RELX PLC	3.0	UNITED KINGDOM	Healthcare Technology
Air Liquide SA	2.7	FRANCE	Alternative Materials
Republic Services, 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 Oct 2019)*	AUD 205.6m		

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