NANUK NEW WORLD FUND

Quarterly Report – December 2020

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.	5 Years p.a.	Since Inception[1] p.a.
Fund Return (%)	**0.7**	**5.5**	**5.5**	**17.6**	**10.1**	**13.1**	**12.5**
Global Equities[2] (%)	(0.1)	5.9	5.9	15.9	10.6	10.9	9.5
Value Added (%)	0.8	(0.4)	(0.4)	1.7	(0.5)	2.2	2.9
Environmental Equities[3] (%)	1.8	27.4	27.4	29.5	17.7	17.3	15.9
Value Added (%)	(1.2)	(21.9)	(21.9)	(12.0)	(7.6)	(4.2)	(3.4)

Fund commentary – December 2020

The Fund was up 0.7% in December, outperforming traditional global equities benchmarks such as the MSCI All Country World Net Total Return Index by 0.8%, but lagging the FTSE Environmental Opportunities All Share Total Return Index by 1.2%. Global equities markets performed strongly during the month, however the Australian dollar strengthened against the US dollar by 4.8% reducing reported Australian dollar denominated returns of the Fund by a corresponding amount.

Performance within the Fund largely reflected market moves, with technology and cyclical industries outperforming and more defensive areas such as healthcare, utilities and industrial services underperforming. The Fund benefitted from double

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.

digit rises in a range of stocks in the automotive, construction and building materials, and semiconductor sectors, while positions in more defensive sectors such as industrial gas and waste management lagged. The best performers were Japanese automotive component supplier Denso, which received upgrades during the month associated with its positive exposure to vehicle electrification, TomTom, also a potential beneficiary of EV and autonomous driving uptake and sustainable textiles leader Lenzing, which has seen signs of its business recovering from the COVID related slowdown earlier this year.

The Fund acquired two new positions during the month, Inspire Medical Systems and TomTom NV. Inspire has developed an innovative implantable device to treat sleep apnoea and has been growing revenues at ~35% per year. TomTom is best known as a provider of portable satellite navigation systems, a business it still owns but which is in structural decline. TomTom's primary business is mapping and location services, providing not only detailed maps but real time traffic and navigation data and mapping software and APIs used by a range of enterprises such as Apple, Microsoft and Uber to support their mapping services, as well a wide range of auto manufacturers. It is one of three leading global players with mapping technology and services able to meet the increasingly sophisticated demands of the automotive industry, where integrated navigation software is becoming increasingly common. Electric vehicles demand better mapping and navigation services to manage both range and performance and adoption of autonomous driving solutions reliant on high-definition maps with universal coverage and real time updating. EVs and those offering higher levels of autonomy are likely to utilise more, higher value, mapping services – driving structural growth as these technology shifts accelerate. The fund also exited two smaller positions, in water and gas utility Essential Utilities and analytical technology company Waters Corporation, both of which have performed well.

Entering 2021, the Fund's portfolio reflects both our investment approach and the high valuations of higher growth stocks within our investment universe. The two largest positions, Siemens Healthineers and Intel, are both turnaround situations. We anticipate strong profit growth at Healthineers as a new management team executes a turnaround within its diagnostics division, which has fallen into losses after previous management botched a once in a generation transition to a new technology platform. At Intel, a decision is imminent on its struggling manufacturing operation by a management team that has also largely been refreshed. We believe this component of its business would be loss making if separately reported, and the company's returns can be improved significantly if its ongoing manufacturing problems are successfully fixed or progressively abandoned by outsourcing – likely to Taiwan Semiconductor, another holding within the Fund. Notably, late in December a leading activist investor requested the company to report the manufacturing operation separately and in recent days the company has announced both the replacement of its CEO and the successful ramping of production of its new generation of server CPUs. We also believe that the value of Intel's Mobileye division is not being recognised by the market. Mobileye is the dominant leader in Advanced Driver Assistance Systems (ADAS) that provide lower-level autonomous capability and, unlike other autonomous driving technology solution providers, is both growing fast and highly profitable.

Amongst the Fund's other larger positions are several companies with strong franchises in growing industries. Keysight Technologies is an increasingly dominant leader in design and testing equipment and services for the communications and electronics sector, where growth is being driven by wireless network expansion and the transition to 5G technology. GPS location technology leader Garmin has been aggressively taking share by introducing upgraded or completely new products, often award-winning, in its field of electronics for outdoor and sport activities. Information services leader Wolters Kluwer has been growing at an almost infinite return on capital by rolling out new 'big data' driven products such as its UpToDate Plus service, which allows clinicians to rapidly find recommended pathways for high-risk medical conditions.

Market commentary – December 2020

Global equities markets finished an extraordinary year with strong returns in December. The MSCI All Country World Net Total Return Index was up 4.6% in US dollar terms. All major regional indices rose, with the US' S&P 500 Index up 3.7%, Hong Kong's Hang Seng Index up 3.4%, Japan's Nikkei 225 Index up 3.7%, and Europe's Stoxx 50 Index up 1.7%. Beyond equities, Brent Crude oil was up 9%, benchmark corporate bond spreads fell almost 60bps, while 'flight to safety' assets such as the US dollar and US bonds fell, with the US dollar index down 2% and the US 10-year yield up from 84 to 91bps.

Environmental equities outperformed, with the FTSE Environmental Opportunities All Share Total Return Index up 6.7%. The index was led, once again, by Tesla which rose 24% during December and accounted for all of the index's outperformance against traditional benchmarks. Tesla's market cap now exceeds an extraordinary $850 billion, surpassing Facebook and anointing Elon Musk as the world's richest person. Tesla fell marginally short of its target to sell 500,000 vehicles in 2020 but was spurred by its inclusion during the month in the S&P500 index and improving prospects for regulatory support of electric vehicles around the world.

Fund commentary - 2020

The Fund returned 5.5% in 2020, roughly in line with traditional global equities benchmarks such as the MSCI All Country World Net Total Return Index (which returned 5.9% in Australian dollar terms).

The Fund outperformed in the first quarter of the year, both prior to and during the significant decline in equity markets in February and March. The performance during this period, and subsequently, has reflected a portfolio with relative low volatility arising from exposures in more defensive components of the Fund's environmental sustainability and resource efficiency focused investment universe, such as healthcare and diagnostic technology, waste management, water and renewable energy utilities, rail transport and areas related to the application of applied technology such as information services. The Fund underperformed traditional global benchmarks and its environmental equities reference index as equities markets rallied strongly in Q2 and has continued to lag environmental equities through the second half of the year during which we have observed extraordinary rises in the share prices of stocks with exposure, or in many cases simply potential future exposure, to growth in areas like electric vehicles, solar energy and green hydrogen. Frustratingly this includes many stocks that the Fund has previously owned, including some solar stocks held at the beginning of the year, that we have exited as prices have risen beyond what we think has been justified by their economic prospects, valuation and return potential.

In hindsight it is obvious that opportunities were missed during the second quarter, during a period of enormous uncertainty, to buy some of these stocks at justifiably attractive prices. We did act during this period to acquire some such stocks, but subsequent reductions in those positions as their share price recovered have reduced the impact that they might have otherwise had on returns as thematically exposed and higher growth stocks have continued to rally during the second half of the year.

The performance, and relevance, of the Fund's nominated environmental equities reference index, the FTSE Environmental Opportunities All Share ('EOAS') Total Return Index deserves discussion.

The Fund's overarching objective is longer term outperformance of traditional global equities indexes such as the MSCI All Country World Index and MSCI World Index. We aim to achieve this through selective investment in companies that are contributing to or benefiting from improving global environmental sustainability. The Fund's eligible investment universe contains companies for which a material part of their value relates to activities meeting these criteria. We also specifically exclude companies whose activities are inconsistent with this focus, such as coal generation, or at odds with the values of the firm or our expectations as minority investors. This universe, whilst large and well-diversified, is significantly different in composition and sector exposure to traditional benchmarks, which complicates understanding and analysing the performance and potential of the strategy.

Consequently, when we launched the Fund in 2015, we sought an externally sourced index that was better representative of the Fund's investment universe that would be useful, alongside traditional benchmarks, in understanding the strategy and its performance. The EOAS index was chosen for this purpose, being by far the best quality representation of our opportunity set at the time. The EOAS index had around 500 stocks and, whilst unique and not well known, was suitably constructed for this purpose. It should be noted, however, that the EOAS index is not the Fund's investment universe and never has been, and not all of the EOAS's constituents are included in the Fund's investment universe, nor vice versa. Further, the Fund has a concentrated portfolio of stocks that are selected from our investment universe through a process that is largely agnostic to membership or weighting within indices, resulting in a very high 'active share' – of around 85% with respect to the EOAS - and therefore can be expected to deliver a different performance profile.

In 2015 the overlap of our investment universe with the EOAS was around 66% and 18 of the 25 largest stocks in our investment universe were in the EOAS index. Since 2015 the Fund's investment universe has expanded as the scope of opportunities meeting the Fund's criteria has expanded and more companies have become eligible and been identified, trends that will continue. Today the investment universe is approaching 1200 stocks and the overlap with the EOAS index has fallen to around 33% with only 8 of the 25 largest stocks appearing in the EOAS index. Furthermore, the performance of Tesla has resulted in it now representing nearly 12% of the EOAS index, adversely impacting the index's utility for analysing our performance. It still remains a useful guide to the performance of parts of our investment universe, but not the whole.

The EOAS index outperformed traditional global equities by more than 20% over the year, over half of which was attributable to Tesla (which rose 743%) and a handful of other EV stocks. The remainder of the difference related primarily to the underperformance of larger sectors within traditional benchmarks that are not represented in the EOAS index like financials and traditional energy, but was also contributed to by the strong performance of a small number of stocks in areas like renewable energy. With hindsight, there is no doubt we could have captured more such opportunities and it is disappointing that we did not do so and outperform traditional benchmarks last year. That said, even if we had been more successful in this endeavour, it is likely that the Fund would still have significantly lagged the EOAS index during this period.

Our approach is to seek out companies that will benefit from the evolving trends within their respective industries, at prices that we believe will provide for attractive returns given our understanding of their fundamentals and prospects. We have a bias towards what we consider to be good quality businesses that are typically profitable and generate attractive rates of the return on invested capital. This can include both high and low growth companies but does not typically accommodate companies that are yet to demonstrate commercial viability or their potential to deliver the sustainable returns required to justify their share prices. Such opportunities account for many of the best performing stocks in 2020, and during such a period it is not surprising that we might underperform.

Our recent and current underexposure to these areas (vs EOAS) is a result of not only a disciplined focus on valuation and a cautious approach to investing in unproven business models but also our decade of experience observing the economics of these and similar industries. We have a strong view that the high rates of growth and high levels of profitability implied in some current valuations are very unlikely to be realised in what are growing but capital intensive, industrial activities that are reliant for their growth on reducing prices and now subject to increasing investment and competition. In short, we expect the outperformance of many of the 'winners' in 2020 will not continue as it becomes apparent that, despite the growth trends being real, the growth in profits and economic value will not necessarily follow, or at least to the degree being anticipated. That said, we also need to ensure that we don't miss opportunities going forward that we did earlier in 2020, to buy industry leading companies that do have improving prospects at prices that do make sense.

In today's environment where many prominent stocks have become unjustifiably expensive, we will continue to have opportunities to capitalise on the structural growth trends through a broad focus on the wider industry value chains and indirect beneficiaries aimed at identifying businesses that will be able to grow profits as their exposure to that growth becomes evident. TomTom provides a good example of this, being a significant beneficiary of vehicle electrification and adoption of autonomous driving technologies, already profitable and cash generative, and offering significant return potential given its strategic value. We are still in the very early stages of electric vehicle adoption and the infancy of green hydrogen – trends that will last for decades – and if our experience of the last decade is repeated, there will be a stream of great opportunities, more so after the 'peak of inflated expectations'. We also continue to see relatively attractive opportunities in other sustainability related trends and, after a year of huge divergences in performance, in sectors and companies that have underperformed.

Industry commentary

Technology transitions do not follow a calendar, but 2020 clearly defined the beginning of the 'Second Wave' of the sustainability revolution – in which sustainable technologies are likely to proliferate across the entire global economy in an inevitable transition towards a low-carbon, environmentally sustainable future. The 'First Wave' of the past decade has seen profound shifts in the outlook for the energy and automotive industries as policy has driven the advent of economically viable clean energy and energy efficiency solutions and more recently battery energy storage and electric vehicles. The 'Second Wave' will be all encompassing, addressing unsustainable resource use and environmental impact across transport more broadly, industry, agriculture and necessarily every other component of the economy.

Perhaps the most significant development of the year was China's announcement of a 2060 "net zero" target, committing the world's largest emitter to carbon neutrality by that date. Spain, France, New Zealand and the UK passed 2050 net zero targets into law, and the EU as a whole has embraced a Green Deal and carbon neutrality as the central pillar of regional policy. In October, Britain's (Conservative) Prime Minister went further, announcing a Green Industrial Revolution that will see the banning of the sale of internal combustion vehicles within a decade. Science based climate change policy is rapidly gaining momentum and not likely to be slowed. Even in the US, fossil fuel champion Donald Trump lost re-election and just after the new year Democrats won Georgia's two senate seats, giving America's more climate aware party a trifecta over the US government for the first time in a decade. President elect Biden has committed to immediately re-joining the Paris Accord. This growing global commitment to action on environmental issues has been evidenced in huge sums of post COVID stimulus funding to environmental technologies and solutions. Investment plans came in the tens of billions: $60b for Korea's Green New Deal, €30b for the environment portion of France's COVID stimulus, £12b for Britain's Green Industrial Revolution.

At a corporate level, a procession of the world's leading companies embraced net zero emission targets, in many cases far more ambitious than their governments. Microsoft led the way with a "net negative 2030" pledge, under which it aims to be carbon negative with the aid of a range of active carbon capture technologies including reforestation and soil sequestration. By 2050, its plans to have offset all its emissions since its founding in 1975, both those made directly and through its consumption of electricity. Many of the world's other iconic brands have also taken bold steps. Apple made a net zero 2030 pledge, Amazon a net zero 2040 pledge alongside a $2b clean technology investment, Ikea a 2030 "net positive" commitment, Walmart a net zero 2040 pledge; the list goes on. This trend was also seen in the energy sector with both long-term commitments and more immediate investment. Spanish oil & gas major Repsol has a net zero 2050 target and a 12GW renewable investment plan this decade. Spanish utility Iberdrola plans €75b of renewable investment by 2025 while Italy's Enel plans €160b by 2030. Even PetroChina now has a "near net zero" 2050 pledge.

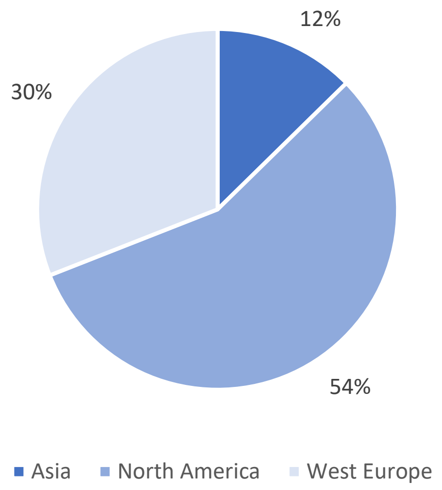
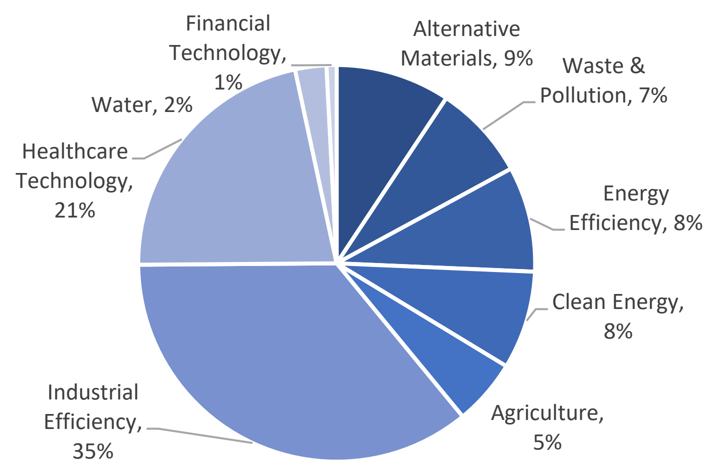
The 'First Wave' of the last decade has seen several sustainable technologies achieve dramatic improvements in performance and most importantly economic viability. The progression of cost reduction already ensures that solar and wind generation and a wide range of efficiency related technology solutions will displace incumbent technologies. 2020 marked a turning point where it has become undeniable that electric vehicles will do the same.

Tesla has stolen the headlines but there has been a torrent of announcements of billion-dollar investments, new models, and conversion of internal combustion plants to electric production from both incumbent ICE manufacturers, new EV specialists such as NIO and Rivian, and supply chain leaders such as Chinese battery manufacturer Contemporary Amperex. For example, in October Volkswagen announced a €73b investment over 5 years in EVs, hybrid EVs, and digital technology – an increase of over €10b above the prior plan - and in the same month General Motors announced plans for 30 EV models by 2025.

The solar industry saw another record year in 2020 with global installations expected to have reached around 130GW, with the market expected to grow by another 20% in 2021, driven by increased policy support and a wave of new capacity additions in 2021. Chinese manufacturers have announced more than 50GW of new capacity, more than the entire global market in any year until 2014. Experience suggests that this dramatic expansion of supply is likely to drive costs and prices down, limiting the ability of the industry to grow its profits alongside volumes, with most of the benefit flowing to developers and consumers. Importantly 2020 saw strong growth in the development of unsubsidised solar projects, with 45GW of such capacity approved in China in July. The wind industry also saw a record year in 2020, with installations of ~73GW including both on and offshore projects, and an outlook that is also likely to benefit from increasing government support aimed at achieving longer term net zero targets.

2020 also saw significant steps forward in both government support and technological innovation in areas that have been heralded as solutions of the future but are yet to reach commercial viability. The most prominent has been green hydrogen, generated using renewable energy sources, which will be critical for the decarbonisation of industrial heating and feedstocks as well as some transport applications where batteries will not be viable. Germany announced a €9b investment in building its green hydrogen industry, while Fund holding Air Products and Chemicals and Saudi utility ACWA announced a proposed $5b green hydrogen generation plant. Significant progress is also being made on the development of technologies like solid state batteries, which offer a step change in performance and safety for EVs, although commercialisation is most likely several years away and by no means assured given the rapid and ongoing improvements in the price and performance of conventional lithium-ion battery technology.

A year into the new decade there is reason for optimism. The governments of many of the largest counties around the world have started to act in a meaningful and contemporaneous, if not yet truly coordinated, manner to address the sustainability of the global economy. There has been extraordinary progress, beyond the most optimistic forecasts, in the performance and economics of sustainable technologies over the past decade, achieved with the support of government regulation, mandates and subsidies that will now be applied to achieve the same outcomes in other areas. The scope of regulatory support for environmentally sustainable and resource efficient technologies and services is going to expand rapidly – to cover all sources of greenhouse gas emission and address air, land and water pollution, environmental degradation and the widespread wastage of scarce natural resources – and to support increased investment and more rapid adoption of solutions such as advanced and sustainable materials, energy efficient buildings, lower emission modes of freight and public transport, better environmental and waste management, more efficient and lower impact agriculture, sustainable and recyclable products and packaging, and technologies that will enable the more effective and efficient delivery of resource intensive parts of our economy like healthcare. The Fund invests across all of these areas and we know there will be many more opportunities ahead.

Regional Weights (%)	Sector Weights (%)
	

Top 10 Holdings as at 31 Dec 2020

Security Name	Weight (%)	Country	Sector
Intel Corporation	4.2	UNITED STATES	Industrial Efficiency
Siemens Healthineers AG	4.2	GERMANY	Healthcare Technology
Keysight Technologies Inc	4.1	UNITED STATES	Industrial Efficiency
Carlisle Companies Incorporated	3.9	UNITED STATES	Energy Efficiency
Waste Management, Inc.	3.8	UNITED STATES	Waste & Pollution
Garmin Ltd.	3.5	UNITED STATES	Healthcare Technology
3M Company	3.5	UNITED STATES	Alternative Materials
Microsoft Corporation	3.2	UNITED STATES	Industrial Efficiency
Wolters Kluwer NV	3.0	NETHERLANDS	Healthcare Technology
Air Liquide SA	3.0	FRANCE	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	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 2020)*	AUD 330.3m

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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