

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

September 2021 Quarterly Fund Update

Performance Summary

The Fund was down 4.4% for the month of September, underperforming traditional global equities indices, such as the MSCI All Country World Net Total Return Index, by 1.4%, and underperforming environmental equities, as represented by the Fund's Reference Index, the FTSE Environmental Opportunities All Share Total Return Index, by 0.6%.

The Fund's performance in September reflected the partial reversal of the strong recent performance of equity markets and some of the Fund's larger holdings as well as the strong performance of Financials and Energy sectors to which the Fund has very limited exposure. This was offset partially by the strong performance of the Fund's holdings in Japan, which represent around 10% of the Fund's portfolio and which benefitted from the strong performance of the Japanese equities market during the month.

For the quarter ending 30 September the Fund returned 4.9%, outperforming traditional global equities indices, such as the MSCI All Country World Net Return Index by 2.1%.

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	SI p.a. ¹
Fund Return (%)	(4.4)	23.0	30.3	14.9	14.8	16.5	14.7
Global Equities ² (%)	(3.0)	18.7	26.4	14.6	12.6	14.5	11.4
Value Added (%)	(1.4)	4.3	3.9	0.3	2.2	2.0	3.3
Environmental Equities ³ (%)	(3.7)	15.4	31.3	24.6	20.6	19.3	16.5
Value Added (%)	(0.6)	7.6	(0.9)	(9.6)	(5.7)	(2.7)	(1.8)

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



Cybersecurity solutions provider **McAfee Corp.** (-17%) was noted in August's monthly report as a significant positive contributor. The stock fell in September as a result of a large share placement from pre-IPO shareholders following the expiry of a lockup period. The Fund's position was slightly increased after the share price fall.



French engineering and technology consultancy **Alten** (-11%) was noted in July's report as a positive contributor. Its decline follows a three month period during which the stock had out-performed by 30%. Fundamental news for the company remained positive during the month, with an ongoing recovery in earnings being reflected in rising analyst estimates.



Air Liquide (-10%) is the world's second largest industrial and medical gas supplier. These businesses control large industrial gas supply networks in key industrial basins across the world, providing a significant competitive advantage over new or smaller players. They are well positioned to facilitate industrial decarbonisation and have already begun to supply hydrogen to replace coal in steel and cement production. Air Liquide has sought to take a leadership role in this transition, with a range of strategic investments in emerging clean technology. There was no clear catalyst for the stock's short-term underperformance during September.



Network and communication equipment provider **Ciena Corporation** (-10%) was noted in July's letter as a new position. The company delivered an underwhelming Q2 earnings report, with component supply constraints leading to revenue guidance below consensus expectations.



Central Japan Railway (+10%) is Japan's leading passenger rail operator. Its annual transportation volume is approximately 65 billion passenger-kilometres, more than equivalent to ferrying Australia's entire population from Sydney to Melbourne and back. Although it provides commuter services, the bulk of its volume is "Shinkansen" - longer-distance high speed trains which compete with air transport, but with an energy efficiency almost ten times higher. Central Japan Railway's top routes are Tokyo-Osaka and Tokyo-Kobe, which are ~500km apart. Its share price performance during September reflected the Nikkei's 5% rise, as well as the abatement of a COVID outbreak in Japan improving conditions for travel.

New Investments



Gentherm Incorporated provides automotive thermal management products, based on solid state thermoelectric technology. These solutions cost more than conventional compressed gas systems but offer superior energy efficiency and thermal control. Energy efficiency is rising in importance for the automotive sector, especially as it transitions to battery electric vehicles. Gentherm has outgrown the auto sector by ~10% during 2020 and 2021, led by its battery thermal management solution, and forecasts its rate of outgrowth to accelerate in coming years as the transition to EVs accelerates.



Republic Services is America's second largest waste management company. The US waste sector is exhibiting increasingly attractive industry structure for the top players. Improved pricing discipline and the application of technology to their networks of thousands of refuse collection vehicles are driving improved returns and elevated willingness by small operators to be acquired by their larger peers.



Accton Technology is a Taiwanese company manufacturing network switching equipment. It has been growing ~10% faster than its end market, as cloud giants such as Facebook actively lead the industry away from closed ecosystem providers and towards open ecosystem vendors such as Accton. Its shares pulled back after a weak Q2 report due to transitory factors such as a COVID outbreak at one of its factories, providing an attractive entry point.



Realtek Semiconductor is a fabless designer of integrated circuits for the communication, computer and multimedia markets. The company's track record is outstanding, with recent organic revenue growth of around 20% achieved without significant increases in invested capital. A recent share pullback afforded an attractive entry point.

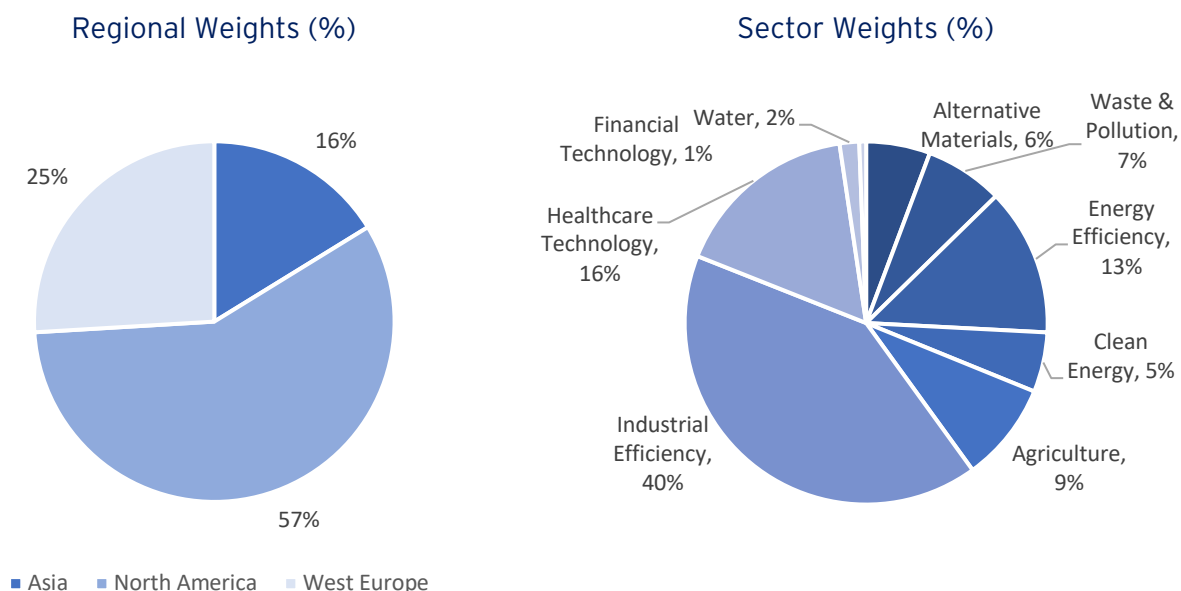
Exited Positions and Other Portfolio Changes

The Fund's largest position size reduction during September was electronic design and testing equipment leader **Keysight Technologies**, which was exited after strong share price performance over an 18 month holding period. The Fund also exited smaller positions in network equipment provider **Cisco Systems**, diversified technology company **Roper Technologies**, and elevator solutions provider **Kone**.

Top 10 Holdings

Security Name	Weight (%)	Country	Sector
Carlisle Companies Incorporated	3.4	UNITED STATES	Energy Efficiency
Wolters Kluwer NV	3.4	NETHERLANDS	Healthcare Technology
Siemens Healthineers AG	3.2	GERMANY	Healthcare Technology
Cognizant Technology Solutions Corporation Class A	2.9	UNITED STATES	Industrial Efficiency
Ciena Corporation	2.8	UNITED STATES	Industrial Efficiency
Alten SA	2.7	FRANCE	Industrial Efficiency
Air Liquide SA	2.5	FRANCE	Alternative Materials
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	2.4	UNITED STATES	Industrial Efficiency
International Flavors & Fragrances Inc.	2.4	UNITED STATES	Agriculture
Pearson PLC	2.4	UNITED KINGDOM	Industrial Efficiency

Portfolio Positioning



Market Commentary

Most global equities markets fell during September, reversing strong gains in recent months. The global MSCI All Country World Net Total Return Index declined by 4.1% in US dollar terms. The US S&P 500 Index fell 4.8%, Europe's Stoxx 50 Index fell by 3.5%, and Hong Kong's Hang Seng Index by 5.0%. By contrast, the Japanese Nikkei 225 Index was up 4.9%, as the country underwent a leadership transition following the surprise resignation of Prime Minister Shinzo Abe due to ill health. Environmental equities, as represented by the Fund's Reference Index, the FTSE Environmental Opportunities All Share Total Return Index, fell 4.9%, slightly underperforming broader global equities benchmarks. The Australian dollar depreciated by 1.2% against its US counterpart.

Notable Industry Developments

- Energy supply was disrupted in many leading economies.
 - In China, blackouts saw most provinces impose "power rationing"
 - India also experienced elevated outage levels followed by power rationing
 - In Europe, energy prices have risen to levels that are causing industrial users to shut down voluntarily. For example, in the UK, the Prime Minister was forced to intervene after industry warnings of disruption to food supplies (industrial carbon dioxide, used to produce and chill food, is a by-product of natural gas processing, which has slowed as gas prices climb)
 - These outcomes are the result of a series of recent shocks to energy markets. Demand is stronger than expected. The 2020-21 winter was unusually cold, cutting into oil, coal and gas inventories; and vaccine-fortified economies are rebounding quickly from the COVID recession. Furthermore, supply has been relatively weak. Renewable generation has been affected by unusually low rainfall and slow windspeeds. Floods have disrupted coal production in India. Fossil generation is also seeing the impact of slashed investment during the recession; as an example, US oil & gas drilling fell by 80% after pandemic broke out (during which the WTI oil price briefly turned negative) and remains over 30% below its pre-pandemic level.
- Ford Motors unveiled an \$11.4b investment in electric vehicle and battery capacity, of which \$4b will be provided by its South Korean battery partner SK Innovation.
- ArcelorMittal, the world's largest steel maker, signed an agreement with the Belgian government to co-fund a progressive €1.1b conversion of its capacity in that country from coal powered blast furnaces to electric arc and direct reduced iron production, fuelled by electricity and hydrogen respectively. Tata Steel announced similar conversion plans for its furnaces in the Netherlands. The projected timescale for the conversion is eight years.
- India's Adani Group announced plans to invest \$20b over the next decade across a range of clean technologies from hydrogen to solar and wind.
- Embraer, the Brazilian aircraft manufacturer, announced a large order for its electric helicopter, with deliveries scheduled to commence in 2026. Airbus, Europe's aerospace champion, announced it is developing hydrogen fuelled aircraft to enter commercial service by 2035.
- Qualcomm, in which the Fund owns a holding, won the bidding contest for US automotive component supplier Veoneer. It will buy Veoneer's autonomous driving software assets, with the rest of Veoneer's assets going to a private equity partner.
- Mobileye, another provider of autonomous vehicle technology, said it will offer a robotaxi service in Germany starting in 2022. Mobileye is a division of Intel Corporation, another company in which the Fund is invested.
- Tesla was ordered to pay \$137m in a workplace racial discrimination lawsuit brought by a former employee.
- Fortescue Metals Group announced plans for a net zero 2040 target including "Scope 3" emissions, which are those generated by customers' use of its products. This will mean reducing emissions from steel made from Fortescue's iron ore. Fortescue is investing in hydrogen production, the prime candidate to displacing coal in fuelling steel production. Other miners expressed scepticism about the feasibility of this target.

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 (30 Sep 2021)	AUD 522.6m

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)

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