March 2022
Monthly Fund Update

NANUK ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

NANUK NEW WORLD FUND

A GLOBAL EQUITIES FUND GENERATING RETURNS FROM INVESTMENTS IN A UNIVERSE OF LISTED EQUITIES EXPOSED TO THE BROAD THEMES OF ENVIRONMENTAL SUSTAINABILITY AND RESOURCE EFFICIENCY

Performance Summary

The Fund was down 3.2% in March, underperforming conventional global equities indices, such as the MSCI All Country World Net Total Return Index, by 1.9%.

The Fund's relative performance was negatively impacted by the Fund's underweight exposure to the Energy (i.e. Oil & Gas) sector which outperformed significantly during the month, as well as the Fund's slightly overweight exposure to European equities. The majority of the Fund's relative underperformance in March, however, related to stock specific underperformance, largely attributable to companies in the portfolio that are being impacted by cost inflation and supply chain disruption arising from the Russian invasion of Ukraine and coronavirus related restrictions in China.

The Fund was down 10.7% over the first quarter, underperforming conventional global equities indices, such as the MSCI All Country World Net Total Return Index, by 2.4% The Fund's underperformance over the quarter was primarily attributable to sectoral allocation effects. Financials and Energy, sectors in which the Fund has little and no exposure respectively, significantly outperformed during the month and Industrials and Technology, in which the Fund has overweight positions, underperformed the broader market as geopolitical and macro factors dictated market behaviour.

Despite underperforming conventional indices, the Fund ended the quarter broadly in line with sustainably themed equities indices. Higher growth sectors such as electric vehicles and clean energy technologies significantly underperformed in January when growth stocks underperformed but recovered as the Russia-Ukraine war elicited increasing commitments to longer term energy independence based around sustainable technologies. The Fund's relative underexposure to these areas at the start of the year, reflecting concerns about high valuations, contributed to relatively better performance in the first half of the quarter but this was largely reversed in March as many higher growth sustainable technology stocks recovered.

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	SI p.a.[1]
Fund Return (%)	**(3.2)**	**(10.8)**	**7.6**	**15.1**	**13.1**	**13.6**	**12.8**
Global Equities[2] (%)	(1.3)	(8.4)	8.8	16.3	11.7	12.0	10.0
Value Added (%)	(1.9)	(2.4)	(1.2)	(1.1)	1.4	1.6	2.8

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. **Past performance is not indicative of future performance.**

Key Contributors to Fund Performance

Kion Group AG (-17%) is a European leader in supply chain automation systems, warehouse equipment and forklift trucks. Its shares fell after a profit warning by a competitor during the month following intensified supply chain disruptions as a result of the war in Ukraine. For example steel prices, a key input for Kion's forklift business, have risen by more than 50%. The share price reaction has been significant in relation to the short term impact on profitability and longer term the company's warehouse automation business is expected to benefit from increasing supply chain investment globally.

Accton Technology Corp. (-14%) manufactures switches for digital networks. Accton is based in Taiwan and has a significant manufacturing base in China. Its shares fell after the company lowered its 2022 guidance, citing continued component shortages amid COVID disruptions in China. The company is expected to resume strong revenue growth as COVID related supply constraints ease over time.

Pearson PLC (+16%) offers digital education products. As discussed in our October 2021 letter, it is working to pivot to digital from a declining legacy print business. The company received a takeover offer from private equity firm Apollo Global Management.

Greek renewable energy developer **Terna Energy S.A.** (+27%) rallied along with the European renewable energy sector in the wake of the war in Ukraine, reflecting Europe's heightened imperative to wean itself off Russian fossil fuels. The stock started from a significantly discounted valuation to many of its sector peers.

Alteryx, Inc. (+15%) sells enterprise analytics software. Alteryx provided a 2022 outlook materially above market expectations during February, with revenue 15% above the consensus forecast. The stock continued to outperform in March as software stocks generally performed strongly.

Hain Celestial Group, Inc. (-5%) makes natural and organic food and personal products. Its stock fell as the war in Ukraine triggered a jump in global agricultural commodity prices. The company has been able to increase prices in response but the lag in timing will lead to a short term negative impact on margins. We believe that as input costs normalise over time Hain should be able to resume strong earnings growth.

New Investments

Carrier Global Corp. is a leading provider of building efficiency solutions focused on heating, ventilation and air conditioning (HVAC) and fire & safety. It is also offers vehicle refrigeration. Carrier is benefitting from increased investment in building energy efficiency and indoor air quality and increasingly sophisticated building management systems. The Fund previously held a position in Carrier that had performed strongly and was exited in early December 2021, since which time the stock has underperformed and it now offers more attractive return potential.

Kone Oyj is a global leader in the elevator and escalator industry, providing solutions to improve the efficiency of people flows with buildings and the urban environment. The company stands to benefit from increasing renovation rates aimed at modernising and improving the efficiency of existing building stock.

Exited Positions and Other Portfolio Changes

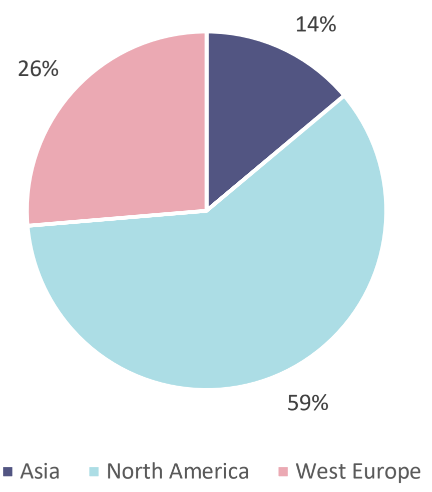
The Fund exited five relatively small positions in March, namely 3M Company, French technology and engineering consultancy Alten SA, Swiss electricity utility BKW AG, Chinese high speed railway control system supplier China Railway Signal & Communication Corp. (CSRC), and US waste management company Republic Services, Inc. Alten, BKW and Republic Services were both exited after strong performance. 3M was exited due to ongoing concerns about its environmental track record. CSRC has been impacted by a series of poor decisions by the company's board that have negatively impacted the outcomes for minority shareholders.

Top 10 Holdings

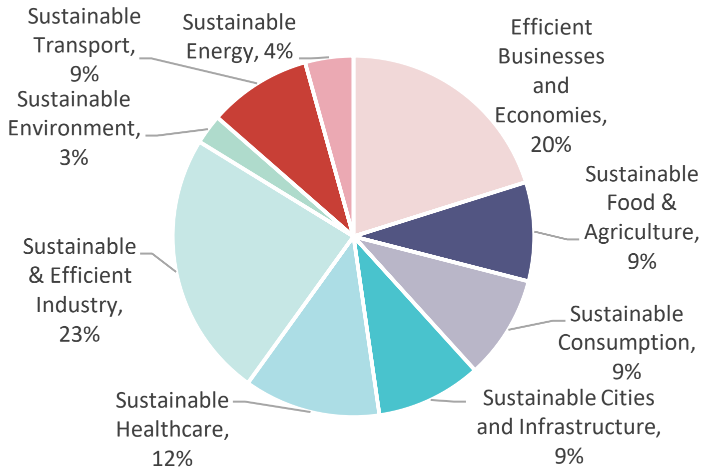
Security Name	**Weight (%)**	**Country**	**Sector**
Cognizant Technology Solutions Corporation Class A	4.5	UNITED STATES	Efficient Businesses and Economies
Hain Celestial Group, Inc.	4.5	UNITED STATES	Sustainable Food & Agriculture
Alteryx, Inc. Class A	3.8	UNITED STATES	Efficient Businesses and Economies
Siemens Healthineers AG	3.5	GERMANY	Sustainable Healthcare
Carlisle Companies Incorporated	3.4	UNITED STATES	Sustainable Cities and Infrastructure
Microsoft Corporation	3.2	UNITED STATES	Efficient Businesses and Economies
WestRock Company	3.2	UNITED STATES	Sustainable Consumption
Pearson PLC	2.8	UNITED KINGDOM	Efficient Businesses and Economies
International Flavors & Fragrances Inc.	2.8	UNITED STATES	Sustainable Food & Agriculture
Medtronic Plc	2.6	UNITED STATES	Sustainable Healthcare

Portfolio Positioning

Regional Weights (%)



Sector Weights (%)



Market Commentary

Global equities markets had a mixed month during March. The MSCI All Country World Net Total Return Index rose by 2.2% in US dollar terms. However, this was entirely attributable to the performance of US equities with the US S&P 500 index rising 3.6% - led by the strong performance of large cap technology stocks. Hong Kong's Hang Seng index fell 3.2% amid escalating covid related restrictions and tepid economic data in China, Europe's Stoxx 50 index fell 0.6% as the Russian invasion of Ukraine dragged on without signs of an end, and Japan's Nikkei 225 index rose 4.9% but fell in US dollar terms reflecting a sharp depreciation of the Yen.

The war in Ukraine has exacerbated cost pressures, as Russia, the world's largest country, with its extensive energy and commodity resources, comes under severe sanctions, while an important agricultural producer is now a warzone. Crude oil prices fell from intra-month highs but remained above $100/barrel, while long-term rates increased further as central banks sought to anchor long-term inflation expectations despite short-term inflation significantly exceeding their targets.

Notable Industry Developments

- Governments around the world are rushing to review energy strategies amid Russia's invasion of Ukraine and the associated jump in energy prices. Governments are considering a range of options, including increasing extraction of fossil fuels, extending the life of nuclear generation, and, in Europe, increasing LNG import capacity. Although time will be needed for plans to be fully developed and executed, there is already some clear evidence of change.
    - The day prior to the invasion, Germany's transport minister said that Germany opposed European Commission proposals to ban sales of new combustion vehicles to 2035. Just three weeks later, Germany's environment minister announced her government was fully supportive of the proposal.
    - As well as its new automotive targets, Germany announced plans to stop almost all Russian oil imports this year and broadly wean itself off the country's gas by mid-2024, and to rapidly accelerate the expansion of wind and solar power, bringing forward a target to generate almost all the country's electricity from renewable sources by 15 years to 2035.

- U.K. Prime Minister Boris Johnson backed plans to expand domestic solar power production and build a second new nuclear power plant to cut reliance on energy imports.
- Belgium's government announced plans to extend the life of two nuclear reactors beyond their original shutdown date of 2025.
- South Korea's President asked officials to move on the start-up of long-delayed nuclear reactors, reversing a policy he introduced in 2017 to phase out reliance on nuclear power.
- Opposition politicians in Japan have called on the government to restart its nuclear reactors, two-thirds of which remain shuttered 11 years after the Fukushima disaster. The majority of the population supports the restart of reactors, which will eventually be necessary to achieve Japan's 2030 energy goals.
- Finnish utility Fortum Oyj announced it will apply for a permit to extend the lifespan of its Loviisa nuclear power station until 2050. The announcement came as Finland started its first new nuclear reactor in four decades.

- Achieving a dramatic acceleration in renewable energy generation might still prove difficult, with constraints in transmission and distribution already limiting the rate of development. In Europe the issue is acute, with grid connection being the limiting factor for development of new projects. Currently there are almost 240 gigawatts of unbuilt solar projects in Spain, Italy, the UK and France awaiting approval, more than 4 times the capacity installed to date.
- Offshore wind continues to attract government and investor attention.
    - The NZ Superannuation Fund is partnering with Denmark's Copenhagen Infrastructure Partners to explore the potential for a large-scale wind farm off the west coast of New Zealand's North Island capable of supplying 11% of the country's electricity.
    - Developers paid $4.4 billion to acquire rights to construct up to 5.6GW of wind farms off the coast of New Jersey and Long Island. Most of the rights were acquired by European renewable energy companies, some in partnership with local companies.
    - Zhangzhou, a city in the Fujian province in southern China, has proposed a 1 trillion yuan ($157 billion) project that would include 50 gigawatts of offshore wind turbines, alongside other clean energy sources and storage facilities
- Automakers have needed no excuse in recent times to announce expanded and accelerated electric vehicle plans, but the flow of news in March was nevertheless strong.
    - Hyundai Motor plans to make investment of 95.5 trillion won ($79 billion) from 2022-2030 including 19.4 trillion won for its battery-powered EV-related business, as it seeks to enhance competitiveness in the EV sector and increase productivity. The company plans to introduce more than 17 battery-powered EV models by 2030 and will invest 12 trillion won through 2030 on EV software. The Fund holds a position in Hyundai Mobis Corporation, the major component and systems supplier to the Hyundai Motor Group.
    - There were several multi-billion-dollar project announcements for electric vehicle and EV battery production facilities from Ford, Honda, NorthVolt, Stellantis and Volkswagen.
    - Ford announced it would split its internal combustion and electric operations, but retain ownership of both. It also upped investment plans in EVs from $30b to $50b.
    - Maserati, the luxury brand of Stellantis, announced it would offer electric versions of all models by 2025, and plans to offer only battery electric vehicles from 2030.
    - Hero MotoCorp, the world's largest producer of two-wheeled vehicles, said it would launch an electric brand in July.
    - Sony announced plans to enter EV manufacturing in 2025 in a joint venture with Honda.
- China made significant announcements regarding coal fired power generation and green hydrogen, although in both cases the detail was slightly disappointing.
    - China announced it will no longer build new coal-fired power plants as main sources of electricity generation as the country works to reduce its reliance on coal. However, the construction of some plants will still be allowed if they're needed to help adjust or support power derived from renewable sources, which are subject to intermittency problems, or to ensure supply security.

  - China issued its long-term Hydrogen strategy, however the scope of its ambition was modest in relation to the extent of investment around the world, including in China itself. Targets for 2025 green hydrogen capacity, powered by renewable energy, are below the existing project pipeline in China and well below the targets announced by other countries. This includes Denmark, whose 2030 target announced during the month, exceeds China's short term ambition.
- The United Nations Environment Assembly will establish an intergovernmental committee to negotiate a legally binding agreement to tackle the proliferation of plastics and microplastics. The goal is to conclude talks before the end of 2024.
- The Oil & Gas sector saw notable investments aligned with decarbonising conventional fuels.
  - Shale oil and gas producer Occidental Petroleum announced plans to build 70 carbon capture facilities around the world by 2035, each removing as much as 1 million tons per year of carbon dioxide directly from the atmosphere. The company plans to commence construction on a $1b facility in Texas' Permian oilfield later this year. The company plans to attribute the captured greenhouse gases to the emissions from the products its sells, laying claim to the idea of "net zero oil". Occidental has offered an option to Korean Company SK Trading to buy as much as 200,000 barrels of oil a year staring in 2024 and named Airbus as a major customer.
  - Chevron Corp agreed to buy green diesel producer Renewable Energy Group Inc. for $3.1 billion.

The Nanuk New World Fund is a global equities 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 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 ASX ticker: NNUK	Currency	AUD
Type	Global Equities	Subscriptions	Daily
Domicile	Australia	Minimum Subscription	AUD 50,000 Direct (ASX no minimum)
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	1.1%	AUM (31 Mar 2022)	AUD 638.8m
Platform Access	AMP North, BT (Wrap, Panorama, Asgard), CFS FirstWrap, Hub24, IOOF OnePath, Pursuit & Rhythm Macquarie Wrap, Mason Stevens, Netwealth, OneVue, Powerwrap, Praemium, WealthO2 and Xplore Wealth		

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