May 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 2.2% during May, underperforming traditional global equities indices such as the MSCI All Country World Net Total Return Index (ACWI), by 1.4%.

The Fund's lack of exposure to the Energy sector (i.e. oil & gas), which is excluded from the Fund's investment universe and outperformed significantly during the month, accounted for approximately 0.5% of the Fund's underperformance. The remainder was primarily attributable to the underperformance of Hain Celestial, noted below, and several of the Fund's higher growth stocks.

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	SI p.a.[1]
Fund Return (%)	**(2.2)**	**(14.1)**	**1.0**	**9.9**	**10.7**	**10.4**	**11.8**
Global Equities[2] (%)	(0.8)	(11.7)	0.6	10.6	10.4	9.8	9.1
Value Added (%)	(1.4)	(2.4)	0.4	(0.7)	0.3	0.6	2.7

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. Fund return is net of all fees and expenses. **Past performance is not indicative of future performance.**

Key Contributors to Fund Performance

Siemens Healthineers (+10%) offers medical imaging, radiation therapy, and laboratory diagnostic systems. As noted in our previous monthly report, its shares fell during April amid weak earnings reports from peers. Siemens Healthineers reported better than feared earnings in May, leading the shares to recover. Its world-leading imaging and radiation therapy businesses once again out-performed its peers.

Certara, Inc. (+10%) develops biosimulation software which predicts how drugs and diseases will interact in the human body. It reported a modest acceleration in bookings, from 18% year on year growth to 19%, which was well received given concerns about a deceleration in software demand.

International Flavours and Fragrances (+9%) is a leading provider of ingredient solutions to the food and personal care industries. Its first quarter earnings were ahead of expectations and its new CEO used his first earnings call to provide an upbeat outlook for performance improvement potential.

Hain Celestial Group, Inc (-21%) is an organic food and personal products manufacturer. Packaged food producers are facing a difficult environment due to rising input costs and Hain's third quarter earnings disappointed the market. The company's US sales increased strongly due to a combination of rising volumes and higher prices, but international sales were worse than anticipated. Weaker European consumer confidence was exacerbated by supply disruption related to price negotiations and declines in the plant-based protein category following the Covid-related demand surge of 2020/21. Despite higher cost-to-serve, management is prioritising stock availability, taking advantage of the opportunity to increase market share as competitors focus on cost control. We think margins will remain under pressure in the short-medium term and reduced the size of the position.

Tandem Diabetes Care, Inc. (-30%) is a medical device company producing a market leading automated insulin delivery system used by Type 1 diabetes patients as an alternative to self-administered injections. Tandem's share price fell in May after the company released its Q1 results. While the company increased guidance for FY'21 revenue growth to 22% and maintained full year EBITDA margin targets, the Q1 results were impacted by some de-stocking at international distributors and pressure on gross margins from rising material and transport costs.

New Investments

Garmin Ltd offers consumer electronics products for active lifestyles. Its segments are fitness, outdoor, aviation, auto and marine. The Fund has previously held a position in the company, which was exited following significant share price outperformance in 2021. Its share price has subsequently declined by around 40% on concerns of a decline in demand that had surged during COVID. The wearables market continues to grow strongly and we believe Garmin has a strong chance of delivering above earnings expectations.

We have previously engaged with Garmin's management about the level of cash on its balance sheet, which we regarded as excessive. The company has since increased its dividend by 9% and initiated a modest buyback, which we view positively.

NuVasive, Inc is a medical technology company that provides solutions for spinal surgery. Its portfolio includes implants, instruments, drugs and software. The company is completing a period of heavy investment in new products and sales capacity. With demand likely to improve as COVID disruptions abate, it is positioned to significantly improve performance.

Exited Positions and Other Portfolio Changes

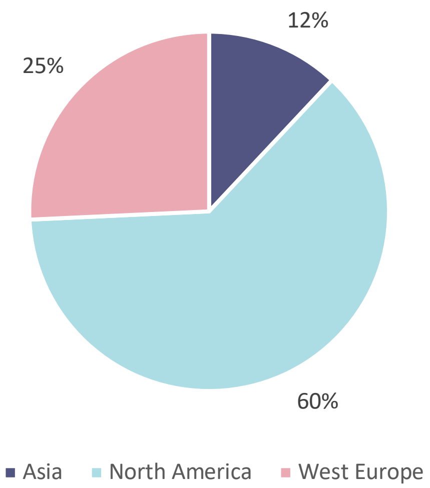
As mentioned above, the Fund reduced its holding in **Hain Celestial** due to reduced conviction in the thesis and risks to shorter term profitability. The Fund exited positions in electrical connector and sensor leader **Amphenol** and electronic circuit protection, power control and sensor manufacturer **Littelfuse**. The shares of both companies have outperformed relative to peers leading to reduced return potential and greater upside in other opportunities. The Fund also exited its position in Japanese medical electronic equipment business **Nihon Kohden Corporation** which continues to be impacted by semiconductor and other component shortages and appears less attractive following a significant decline in the valuation of the Japanese equity market.

Top 10 Holdings

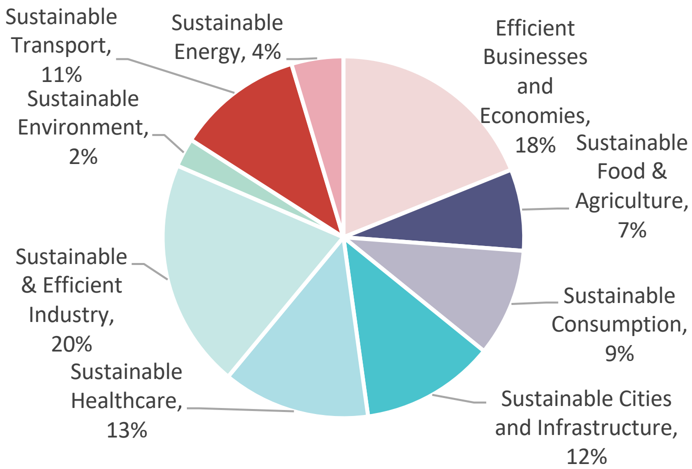
Security Name	Weight (%)	Country	Sector
Cognizant Technology Solutions Corporation Class A	4.5	UNITED STATES	Efficient Businesses and Economies
WestRock Company	4.4	UNITED STATES	Sustainable Consumption
Carlisle Companies Incorporated	3.6	UNITED STATES	Sustainable Cities and Infrastructure
Microsoft Corporation	3.5	UNITED STATES	Efficient Businesses and Economies
Siemens Healthineers AG	3.4	GERMANY	Sustainable Healthcare
International Flavors & Fragrances Inc.	3.1	UNITED STATES	Sustainable Food & Agriculture
Carrier Global Corp.	2.7	UNITED STATES	Sustainable Cities and Infrastructure
Medtronic Plc	2.7	UNITED STATES	Sustainable Healthcare
CDW Corp.	2.7	UNITED STATES	Sustainable & Efficient Industry
Westinghouse Air Brake Technologies Corporation	2.4	UNITED STATES	Sustainable Transport

Portfolio Positioning

Regional Weights (%)



Sector Weights (%)



Market Commentary

Global equities markets were mixed during May. Traditional global equities indices were roughly flat, with the MSCI All Country World Net Total Return Index up 0.1% in US dollar terms. The US' S&P 500 Index rose a solitary basis point, Europe's Stoxx 50 Index fell 0.4%, and in Asia the Nikkei 225 Index and Hang Seng Index rose 1.6% and 1.5% respectively.

There was a greater variation in performance across sectors and styles. The Energy sector was up 13% as oil and gas prices continued to rise. By contrast, retail and consumer stocks fell roughly 4% as leading retailers including Amazon, Target and Walmart reported weak sales amid rising prices and interest rates. The Information Technology sector fell 1.6%, but unprofitable software stocks were hit far harder, with the BVP Nasdaq Emerging Cloud index down 12%. Lower growth 'value' stocks continued to outperform 'growth' stocks in May, with the MSCI World Value Index up 1.7% compared to a decline in the MSCI World Growth Index of 2.4%.

Environmental equities slightly underperformed the broader market, led by Tesla which was down 12% over the month.

Notable Industry Developments

- Governments around the world continue to release increasingly ambitious plans for decarbonisation of electricity supply and investment in renewable energy.
  - China's Shandong province issued a tender for more than 11GW of offshore solar generation, enough to meet the peak consumption of New Zealand. The 10 proposed projects are to be constructed in shallow waters close to shore using fixed foundations. China's renewable energy plans also include the development of more than 455GW of new wind and solar capacity in massive projects in inland areas.
  - Singapore issued a tender for 1.2GW of low emissions power. Given its size, it is difficult for Singapore to generate enough sustainable energy to meet its needs domestically. Its government said the tender received 20 proposals from Indonesia, Malaysia, Thailand and Laos.
  - The UK government proposed an Energy Security Bill focuses on hydrogen, carbon capture and resilience in the electricity network. Meanwhile, the challenges inherent in the UK's recent support for increased investment in nuclear generation were highlighted by further setbacks in May at the country's flagship nuclear development,

with the cost estimate for the Hinckley C plant rising by £3b, bringing the total increase since the original budget to 50%.

- New Zealand set out annual emissions budgets for the next 14 years, as required by its net-zero 2050 legislation.

- Vehicle electrification continues to draw tens of billions of dollars investment
  - The Hyundai-Kia group of companies announced a $16.5b plan to increase EV production capacity in Korea by 1.1 million cars per year by 2030, and a separate $5.5b EV capacity investment in the US. The Fund holds a position in Hyundai Mobis, the group's sole supplier of electric drivetrain modules.
  - Korean company LG Corp. announced an $8b investment plan by 2026 for batteries and battery materials.
  - Subaru announced a $1.9b EV capacity investment plan over the next five years.
  - Nissan and Mitsubishi unveiled a $15,000 electric minicar. Minicars are very popular in Japan, making up more than a third of sales in 2020.
  - Volvo Construction Equipment discussed details of its net-zero 2040 commitment. It plans to offer battery and hydrogen fuel cell electricity vehicles, as well as internal combustion vehicles running on biofuels or, if regulation allows, hydrogen.
  - India's Atter Recycling announced a $1b in investment plans for battery recycling in Europe and North America, with the first facility due to commence operations this year.
- Clean hydrogen and ammonia are also beginning to draw heavy investment, incentivised by significant government subsidies and financing programs.
  - Jera, a joint venture between Tokyo Electric and Chubu Electric, has announced a demonstration project to transition coal power plants to run on ammonia
  - Korea Gas, a leading importer of LNG, said by 2050 it will replace LNG with hydrogen.
  - Korea Zinc announced plans to spend said would spend $6.6b by 2030 on green hydrogen and solar and wind generation
  - Lotte Chemical, a Korean petrochemical manufacturer, announced a $7.8b investment plan through 2030 focused on hydrogen and battery materials. It aims to produce 1.2 million tons of hydrogen annually.
  - Nutrient, a Canadian fertiliser company, announced plans for a $2b 'clean ammonia' plant, which would use carbon capture to reduce the majority of its emissions
- Supply chains remain challenged
  - The Q1 earnings reporting period saw pervasive supply chain challenges, particularly for manufacturing companies, with many companies forced to lower downgrades. Russia's invasion of Ukraine and the sanctions that have followed, COVID lockdowns in China and semiconductor shortages are the most noted challenges.
  - Alongside supply challenges, companies are having to devote attention to the price of items that previously required little attention. Many companies discussed re-writing contracts to account for items such as ocean freight, the cost of which rose more than five times.
  - Siemens Energy announced a takeover offer for wind turbine manufacturer Siemens Gamesa; it already owned two-thirds of the company. It cited improving supply chain management as the key reason for the offer. The Fund holds a position in Siemens, which holds a controlling 40% stake in Siemens Energy.

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 May 2022)	AUD 660.2m
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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