June 2022
Monthly Fund Update

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 6.0% during June, underperforming traditional global equities benchmarks, such as the MSCI All Country World Net Total Return Index, by 1.6%.

The Fund's negative return was driven by the weak performance of equities markets, discussed in the Market Commentary below. The Fund's underperformance was partially attributable to its overweight exposure to European equities markets, which underperformed, and underweight exposure to the Chinese and Hong Kong markets, which outperformed. At a sector level, the Fund's underperformance was largely driven by more cyclical holdings in European industrial stocks and semiconductor stocks. Notable contributors are discussed further below.

The Fund was down 9.5% for the quarter ending 30 June 2022, underperforming traditional global equities benchmarks, such as the MSCI All Country World Net Total Return Index, by 1.6%. The Fund's quarterly underperformance was primarily driven by the negative stock specific contributions from Hain Celestial Group and Kion Group, both discussed in prior months' investor reports, as well as significant declines in higher growth stocks including Alteryx, Tandem Diabetes, and Zuora during a period in which growth stocks continued to significantly underperform. It was also negatively impacted by the strong performance of the energy (i.e. oil & gas) sector which does not form part of the Fund's eligible investment universe and which continued to outperform as supply disruptions drove oil and gas prices higher. Over the quarter the Fund's better performing stocks came from a range of sectors including sustainable packaging, utilities and healthcare technology where recent economic disruptions are likely to have less effect.

The Fund paid a distribution of 11.8186 cents per unit for the financial year ending 30 June 2022, equivalent to yield of 7.5% based on the net asset value (pre distribution). The distribution represents the Fund's net taxable income based on realised capital gains and other income (such as interest and dividends) less the Fund's expenses including management fees. The distribution for FY2021/22 is slightly higher than recent years due to the capital gains realised through the reduction and exit from some of the Fund's better performing positions in the second half of 2021 – as discussed in previous reports.

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	SI p.a.[1]
Fund Return (%)	**(6.0)**	**(19.3)**	**(9.0)**	**7.9**	**6.1**	**9.4**	**10.6**
Global Equities[2] (%)	(4.5)	(15.6)	(8.0)	8.4	6.9	9.4	8.3
Value Added (%)	(1.6)	(3.7)	(1.0)	(0.5)	(0.9)	0.1	2.3

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

Certara, Inc. (+6%) develops biosimulation software which predicts how drugs and diseases will interact in the human body. As discussed during last month's letter, its Q1 earnings report showed relatively resilient performance.

SIG Group AG (+1%) is a leading provider of aseptic packaging systems and solutions. The company held a capital markets day during the month at which it highlighted its strengths in sustainable packaging solutions and the synergies of its recent acquisition of Scholler IPN, as well as reiterating its medium-term targets of 4-6% revenue growth and 27% EBITDA margins.

WestRock Company (-18%) is a North American leader in cardboard packaging and paper products. Its shares fell on fears, yet to be significantly evidenced, that an economic slowdown will lead to lower margins in its industry.

Compagnie de Saint-Gobain (-25%) is a leading European supplier of energy efficient building materials and solutions. It is exposed both to economic deceleration in Europe as well as rises in energy costs affecting parts of its business such as glass manufacturing. Our analysis indicates the company's high level of exposure to renovation rather than new construction will provide it with some protection from the current economic environment.

Siemens (-23%) offers industrial technology focused on the manufacturing, infrastructure and transportation sectors. Siemens has underperformed with European industrial stocks as a result of exposure to the slowing European economy and the potentially ongoing impacts of higher energy prices.

Azure Power (-23%) is a leading solar farm developer and independent power producer (IPP) in India. Azure's shares have underperformed in recent months following changes to the company's management. The economics and value of the company's projects will be negatively impacted by higher interest rates and rising solar equipment costs, but the company's substantial pipeline of future projects remains on track and we believe this is not reflected in the current share price.

New Investments

The Fund did not make any new investments during June.

Exited Positions and Other Portfolio Changes

The Fund exited its holding in audio and hearing device business GN Store Nord, in which our conviction had declined following market share losses. The Fund also exited its two smallest positions; in Intel Corporation which has not shown hoped-for signs of a meaningful turnaround since the appointment of new CEO last year, and payment processing business Worldline.

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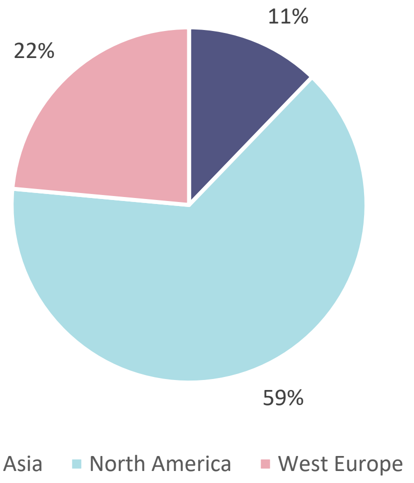
Top 10 Holdings

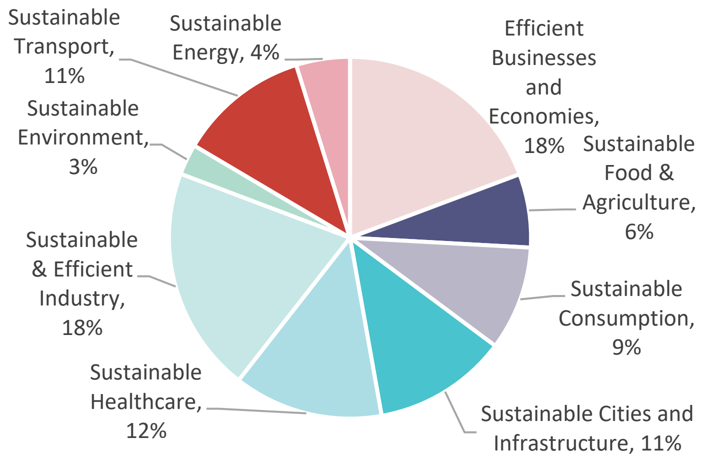
Security Name	Weight (%)	Country	Sector
Cognizant Technology Solutions Corporation Class A	4.3	UNITED STATES	Efficient Businesses and Economies
WestRock Company	3.9	UNITED STATES	Sustainable Consumption
Carlisle Companies Incorporated	3.7	UNITED STATES	Sustainable Cities and Infrastructure
Microsoft Corporation	3.6	UNITED STATES	Efficient Businesses and Economies
International Flavors & Fragrances Inc.	3.0	UNITED STATES	Sustainable Food & Agriculture
Garmin Ltd.	2.8	UNITED STATES	Sustainable Healthcare
Carrier Global Corp.	2.7	UNITED STATES	Sustainable Cities and Infrastructure
CDW Corp.	2.7	UNITED STATES	Sustainable & Efficient Industry
Siemens Healthineers AG	2.7	GERMANY	Sustainable Healthcare
Medtronic Plc	2.4	UNITED STATES	Sustainable Healthcare

Portfolio Positioning

Regional Weights (%)



Sector Weights (%)



Market Commentary

Global equities markets fell sharply during June, with the MSCI All Country World Net Total Return Index down 8.4% in US dollar terms. The fall in Australian dollar terms was slightly less due to the weakening of the Australian dollar during the month.

There was significant dispersion in performance regionally. Major developed markets all fell significantly, with Europe's Stoxx 50 Index declining by 10.9% in US dollar terms, Japan's Nikkei 225 Index down 8.3%, and the US' S&P500 Index down by 8.4%. By contrast, Hong Kong's Hang Seng Index rose 2.1%.

The were some notable drivers of this divergent performance. Europe saw further escalation of Russia's economic war with European Union members. Gas deliveries were reduced, leading to further increases in energy prices and fears significant curtailment of economic activity may result. For example, in France, the CEOs of the largest energy companies, Engie, EDG and Total, published a joint open letter asking consumers and business to limit power consumption immediately. In the US, the Federal Reserve increased its benchmark interest rate by 0.75%, the largest increase since 1994, as it responds to elevated inflation. By contrast, in China, Shanghai's COVID lockdown was relaxed, albeit with continued sharp responses to detected cases.

Notable Industry Developments

- The development of sustainable technology companies is being impacted by declines in equity markets and deteriorating economic conditions:
  - Eni deferred the IPO of its renewable generation unit, Plenitude, ThyssenKrupp deferred the IPO of its hydrogen unit, Nucera and ABB deferred the listing of its e-mobility division.
  - Electric Last Mile, an EV start-up which listed via a merger with a Special Purpose Acquisition Company in mid-2021, became the first such recent listing to file for bankruptcy.
  - Korean battery manufacturer LG Energy solution said it is reviewing a previously approved $1.3b plant in the US, citing increase costs. Bucking the trend, Chinese battery giant Contemporary Amperex, which raised $6.7b in a secondary listing during the month, named customers for a battery enabling 1,000km range EVs.
- Investment in green hydrogen and sustainable fuels continues to grow

- Indian conglomerate Adani Enterprises and France's Total Energies agreed a JV to produce green hydrogen (i.e. produced using renewable energy) in India. They target $50 billion of investment over a decade, with an initial $5 billion investment.
- Finnish biorefiner Neste announced plans for €1.9b capacity expansion of its biorefinery in Rotterdam. Following the expansion, 44% of capacity will be dedicated to 'sustainable aviation fuel'
- NextEra, the US's most valuable utility, discussed plans to transition 16GW of natural capacity to green hydrogen in the early 2040s, when the plants are scheduled to retire. The company aims to achieve 'real zero' emissions, in contrasts to net zero targets which may include offsets whose credibility isn't always accepted.

- Sustainable technologies received further support from governments around the world
    - The EU is set to the sale of internal combustion engine vehicles from 2035. A compromise was agreed by the European Council, which comprises heads of state of member nations. A 100% emission reduction target will be enacted from 2035. In return, the 'Ferrari clause', granting exemptions to manufacturers of fewer than 10,000 vehicles annually, will be extended through 2035; and an exemption will be considered for vehicles that can demonstrate they are run on 100% sustainable biofuels
    - China issued new rules for its electricity market to support growth of energy storage, including the right to trade electricity and receive incentives from regional authorities. Energy storage supports deployment of solar and wind generation, which are intermittent. China's State Grid has a target for 100GW of battery storage capacity by 2030. There is also a target for 120GW of pumped hydro storage.
    - Germany's cabinet approved legislation relaxing permitting constraints for wind farms, which have emerged as a major obstacle to deployment of wind generation. Implementation is targeted to commence early in 2023.
    - Denmark announced it would phase out gas for natural home heating by 2035, transitioning to district heating where available, and heat pumps otherwise. About 15% of Danish households are heated with natural gas
    - Australia's new Prime Minister, Anthony Albanese, announced an increase to its emissions reduction target to 43% by 2030 relative to a 2005 baseline, up from a prior target of 26-28%. At the state level, Western Australia said state-owned coal generation plants would be progressively retired by 2030, with investment focused on wind generation and storage.

- The US Supreme Court issued a ruling on regulation of CO_2 emissions
    - The legal principle in question is how much power federal agencies have to regulate without specific legislative instruction. The US legislative process contains more veto points than any major democracy, and Democrats, the more climate-focused of the two majors US parties, are challenged in winning majorities in the Senate due to malapportionment. As a result, agency regulation is an important tool for climate action in the US. The practical impact of the ruling is limited. The challenged regulation, the Clean Power Plan, was never enforced. It was initiated late in the Obama administration and abandoned by President Trump before implementation. The ruling came days after the Court issued one of its momentous decisions in decades, over-turning Roe vs Wade, the 1972 ruling which established a right to an abortion, and this may have contributed to the intensity of coverage. However, future cases may build on this ruling to challenge regulation that is implemented. In addition, it is likely to restrict new regulations.

- Australia's National Electricity Market was suspended amid a generation shortage
    - Security of supply came under threat as a combination of strong demand amid cold weather, operational disruptions at several power plants, and rising fuel costs pushed prices beyond the market's price cap, leading plants to withhold generation. The market operator responded by suspending the market on June 15, and liaising with generators directly. The suspension was lifted on June 24 as conditions improved, aided by return of plants impacted by operational disruption. People in New South Wales were asked to lower energy usage to help mitigate the crisis. Widespread blackouts were avoided.

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 (30 June 2022)	AUD 632.3m
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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