

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 returned 0.4% in May, underperforming traditional global equities benchmarks, such as the MSCI All Country World Net Total Return Index, by 0.7%.

Equity market behaviour during the month was significantly driven by NVIDIA Corporation's outlook for growth in sales of its high performance computing processors – used in gaming and, more notably, artificial intelligence (AI) related applications. The company, which is not a holding of the Fund, guided to quarterly sales 45% above consensus expectations, driven by strong demand from its Data Center segment as both enterprise customers and cloud service providers rush to build out AI processing capability. NVIDIA's share price rose 57% over the month and led large gains in the 'FAANG' technology stocks which are generally perceived as beneficiaries of AI.

The Fund holds a range of stocks that we believe are likely to benefit from the development and increasing use of AI and in aggregate these stocks contributed positively to the Fund's performance. However, the large contribution of the large cap 'FAANG' stocks to index performance of stocks, including companies such as Apple, Alphabet, Meta and Netflix that are not within the Fund's eligible investment universe, was the primary reason for the Fund's modest underperformance during the month.

The Fund's holdings with exposure to AI include direct cloud service providers **Amazon.com, Inc** (+14%) and **Microsoft Corporation** (+7%); semiconductor memory leaders **Micron Technology, Inc.** (+6%) and **Samsung Electronics Co., Ltd.** (+10%); the manufacturer of NVIDIA's processors **Taiwan Semiconductor Manufacturing Co., Ltd** (+17%); semiconductor capital equipment providers **Advantest Corp.** (+65%, discussed below), **KLA Corporation** (+15%); and silicon wafer manufacturer **Shin-Etsu Chemical Co Ltd** (+8%).

The Fund also holds positions in technology consultancies **Accenture Plc** (+9%) and **Cognizant Technology Solutions Corporation** (+5%), which will generate new business from customers seeking assistance to adopt and utilise AI.

The Fund also holds positions in several information services business that already utilise different AI approaches to provide deeper information and analytics from their, and their clients', proprietary databases, and for which additional growth from these services has supported share price outperformance in recent years. These holdings underperformed during the month after US educational software company Chegg Inc. (not a holding of the Fund) issued a major cut to its guidance attributed to the impact of ChatGPT. **Pearson plc** (-11%) has a focus on education and was most adversely impacted, whereas **Wolters Kluwer NV** (-13%) and **Relx plc** (-6%) focus on information analytics and decision tools in areas such as health, tax and accounting, finance, science, and law. We believe the significant intellectual property controlled by these companies will allow them to continue to use AI capabilities to their benefit over time.

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	SI p.a. ¹
Fund Return (%)	0.4	15.0	8.8	4.8	9.5	9.0	11.4
Global Equities ² (%)	1.0	12.8	11.8	6.0	11.0	10.2	9.5
Value Added (%)	(0.7)	2.1	(3.0)	(1.2)	(1.5)	(1.1)	1.9

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



Advantest Corp (+65%) is a leading manufacturer of automatic test equipment (ATE) for the semiconductor industry. The company provides testing equipment for NVIDIA and benefits as the complexity of chips is increasing. The company has a dominant position in complex system-on-chip (SoC) testing that positions it well as demand increases for products utilising AI capabilities.



Zuora, Inc (+39%) provides software for businesses to launch and manage subscription-based services. Its shares rose after a strong Q1 earnings report with the company guiding up revenue and, critically, profitability and free cash flow. The company also committed to bringing down their high rates of stock-based compensation which we, and other shareholders, have been critical of.



International Flavors and Fragrances Inc. (-20%) is a leading global provider of ingredient solutions to the food and personal care industries. Its shares fell after below expectations 23Q2 guidance at its 23Q1 result despite the fact that guidance for full year 2023 results was broadly in line with expectations.

New Investments



Cisco Systems, Inc. is a leading provider of networking, communications, and IT solutions technology. Its shares appear attractively valued following recent underperformance despite steady operational performance.



Darling Ingredients Inc produces feed, food and fuel products from animal by-products which would otherwise go to waste. We believe its profits are likely to beat market expectations over the medium-term and the stock should re-rate with further regulatory support for renewable fuels, especially sustainable aviation fuel (SAF).



Dover Corporation is a multi-industry conglomerate exposed to a range of sustainable applications including EV charging, heat pumps, and industrial gases including hydrogen. The company is of high quality, with a return on tangible capital employed above 50%. Its shares appear attractively valued following recent de-rating.



Siemens Energy AG offers gas and steam turbines, onshore and offshore wind turbines, a range of grid equipment and technologies, and “transformation of industry” services which make industrial processes more sustainable – including equipment for hydrogen generation and carbon capture and storage (CCS). We expect earnings growth above expectations thanks to a recovery in the gas turbine market, a turnaround of the currently loss-making wind turbine business, strong growth in grid technologies, as well as improved confidence in the long-term prospects for its gas turbine business as hydrogen fuelling and the use of CCS technology provide a viable longer-term outlook for gas generation.

Exited Positions and Other Portfolio Changes

The Fund exited its position in Japanese medical equipment manufacturer **Nihon Kohden Corporation** after strong share price performance, as well as very small positions in **Azure Power Global Ltd.** and **Kandenko Co., Ltd.** The Fund reduced position in **RELX plc** (mentioned above) and US waste management company **Republic Services**, in both cases following periods of outperformance.

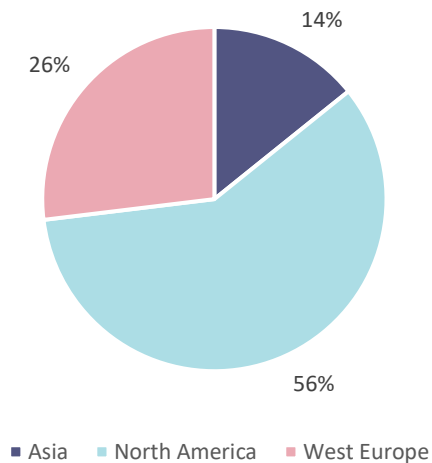


Top 10 Holdings

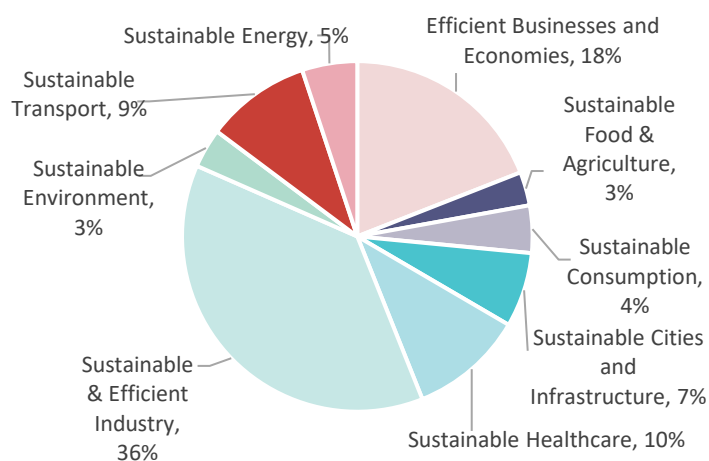
Security Name	Weight (%)	Country	Sector
Microsoft Corporation	4.3	UNITED STATES	Efficient Businesses and Economies
Siemens Aktiengesellschaft	4.2	GERMANY	Sustainable & Efficient Industry
Garmin Ltd.	3.7	UNITED STATES	Sustainable Healthcare
Micron Technology, Inc.	3.5	UNITED STATES	Sustainable & Efficient Industry
Hyundai Mobis Co., Ltd	3.4	SOUTH KOREA	Sustainable Transport
Taiwan Semiconductor Manufacturing Co., Ltd	3.4	UNITED STATES	Sustainable & Efficient Industry
Zebra Technologies Corporation Class A	3.2	UNITED STATES	Sustainable & Efficient Industry
International Flavors & Fragrances Inc.	3.0	UNITED STATES	Sustainable Food & Agriculture
CDW Corporation	2.7	UNITED STATES	Sustainable & Efficient Industry
Carrier Global Corp.	2.6	UNITED STATES	Sustainable Cities and Infrastructure

Portfolio Positioning

Regional Weights (%)



Sector Weights (%)



Market Commentary

Equity markets were mixed during May, with wide dispersion between regional indices. The MSCI All Country World Net Total Return Index declined by 1.1% in US dollar terms.

In the US the S&P 500 Index rose 0.2%, but there was a large divergence between leading technology companies and other parts of the market. The technology focused Nasdaq 100 Index was up 7.6%, led by the large cap 'FAANG' stocks – for which the equal weighted NYSE FANG+ Index was up 17%! Conversely the Dow Jones Industrial Index was down 3.5%. Hong Kong's Hang Seng Index declined 8.1% and Europe's Stoxx 50 Index fell 3.2%, whereas Japan's Nikkei 225 Index rose by 7%.



Notable Industry Developments

- **Climate News**
 - Negative news on the climate front was re-enforced by a number of new reports. Most notably, the World Meteorological Organization forecast there is a 2-in-3 likelihood of the aspirational limit of 1.5 degrees of warming being breached by 2027 and the World Health Organisation predicted that worsening pollution could lead to an additional 9 million deaths per year by the end of the century.
- **Sustainable Aviation Fuel (SAF)**
 - Finland's Neste completed a €1.6 billion expansion of its Singapore biorefinery, adding capacity for as much as 1mt/y of sustainable aviation fuel.
 - In the US, Honeywell and Summit Agriculture announced a \$1b plant for ethanol-based aviation fuel, with production slated to commence in 2025.
 - Japan's METI, their Ministry for Economy, Trade and Industry proposed a requirement for 10% of jet fuel use to be SAF by 2030.
- **Sustainable Energy**
 - TenneT, a Dutch grid operator, signed €5.5b of purchase agreements for transmission infrastructure to support offshore wind over the next decade.
 - California Governor Gavin Newsom announced that the state was on track to meet its goal of 100% clean energy by 2045, already reaching more than 35%. New battery energy storage is up almost 20-fold since 2019.
- **Carbon Capture and Storage (CCS)**
 - RWE said it plans to retrofit two gas-fuelled power stations in the UK with CCS technology, responding to the UK government's £20b plan to use CCS to capture 9% of the UK's emissions. During May the UK government also awarded its first licenses for new CCS projects.
- **Nuclear Energy**
 - Microsoft announced it had entered into a power purchase agreement with fusion start-up Helion Energy targeting energy supply starting in 2028. Private company Helion is developing a novel pulsed magneto-inertial fusion process that seeks to overcome some of the staggering technical challenges of the more common toroidal Tokamak generators.
 - The Lawrence Livermore National Laboratory said five attempts failed to replicate the significant milestone it reported late last year, namely a fusion reaction which produced more energy than it consumed.
 - The US Department of Defense is supporting another start-up, BWX Technologies, in developing fission micro-reactors, with test generation as early as 2025.
- **Hydrogen**
 - South Korea's SK EcoPlant said it will construct a \$4.5b green hydrogen and ammonia facility in Canada.
 - Plug Power held an event in Helsinki, attended by Finland's Minister of Economic Affairs Mika Lintilä, for the development of up to \$6 billion of hydrogen production capacity to be used for applications including green steel and ammonia. The company is now pursuing funding with a final investment decision hoped for by 2025-26.
- **Sustainable Transport**
 - Ford's 2023 Capital Markets Day focused on the delivery of its \$50 billion electric vehicle growth plan. The company provided additional detail on its plans to reach a production capacity of 2 million EVs annually by 2026. It also announced lithium supply agreements and a deal with Tesla giving Ford drivers access to Tesla's North American charging network.
 - GM said it will begin sales of an electric version of its top selling US model, the Silverado pickup, later in 2023.
 - At Tesla's investor day, CEO Elon Musk announced that the company may "try a little advertising" - a sign that price cuts have not been sufficient to deliver the company's planned growth.



- The battery supply chain saw numerous deals with a merger of lithium producers, Alkem and Livent, while battery manufacturing expansions were announced by Northvolt in Germany, ProLogium in France, and, separately, Panasonic and a Hyundai/LG consortium in the US.
- The German bicycle industry association announced that it anticipates that e-bikes will pass sales of traditional bikes in Germany this year. According to Micromobility Industries there are now 87 incentive programmes in North America and 230 in Europe to boost e-bike take up.
- Government Policy
 - The US government reached an agreement to raise the 'debt ceiling', contingent on modest cuts to non-defence discretionary spending. House Republicans had initially demanded widespread cuts, including to clean energy tax credits, but these were ultimately dropped. The White House pressed ahead with a new proposed rule to decarbonise power generation, following similar efforts stretching back to the Obama administration.
 - Vietnam approved a \$135 billion plan to reduce the importance of coal in its power mix, from 46% of its generation today to 19% by 2030. The biggest growth would come from wind and natural gas, with more modest gains for solar. Vietnam is currently one of several Asian countries experiencing a heatwave that is impacting hydro generation, its second largest power source today. Thailand has also accelerated renewable deployment in response to the LNG price surge prompted by Russia's invasion of Ukraine.
 - China's Hainan Island plans to ban sales of internal combustion engine cars by 2030. The island has favourable conditions for EVs, including its small size, dense population and a climate with few cold periods, which impact battery performance.
 - Japan approved its fourth Basic Plan on Ocean Policy to boost its offshore wind industry. The country's Economic Exclusion Zone, which is being primed for development, covers an area almost as large as the land area of the European Union.
 - Spain approved a €2.2 billion drought response program, combining direct support to impacted farmers with investments in water infrastructure.
- Corporate Sustainability
 - Brazil's bank federation, Febraban, formulated a standard to cut off credit from meatpackers who buy cattle linked to illegal deforestation, including adoption of end-to-end supply chain monitoring by 2025. 21 banks have signed onto the protocol so far.
 - France's BNP Paribas said it would cease financing new oil & gas fields, as well as non-diversified oil exploration and production company.
- Australia
 - Australia's budget allocated A\$4 billion for clean energy, including A\$2 billion for renewable hydrogen. Details remain to be filled in on how the spending will be executed. A\$1 billion was earmarked to help households and small businesses boost electrification. Western Australia's state budget allocated A\$3 billion for battery storage.
 - Billionaire Mike Cannon-Brookes won the auction for the stalled Sun Cable project. The A\$30 billion project aims to transmit Australian renewable electricity to South-East Asia, reaching as far as Singapore.



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 (via 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 2023)	AUD 701.9m
Platform Access	AMP North, BT (Wrap, Panorama, Asgard), CFS FirstWrap and FirstChoice, Hub24, IOOF OnePath, Pursuit & Rhythm Macquarie Wrap, Mason Stevens, Netwealth, OneVue, Powerwrap, Praemium, WealthO2 and Xplore Wealth		



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