NANUK ASSET MANAGEMENT

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 4.6% during December, outperforming conventional global equities benchmarks, such as the MSCI All Country World and FTSE All World net total return indices, by 2.8%.

The Fund performed strongly during the quarter ending 31 December 2023, returning 7.6%, and finished the calendar year with a return of 22.4%, outperforming conventional global equities benchmarks by 2.6% and 1.1% respectively.

The Fund's outperformance in December was primarily driven by stock specific returns, highlights of which are detailed below. The Fund's overweight exposure to manufacturing stocks, which outperformed during the month, also contributed positively to returns. The Australian dollar appreciated by around 3% against the US dollar during the month, somewhat muting the Fund's unhedged units Australian dollar denominated returns during a month in which global equities rallied strongly.

Global equities delivered strong returns in 2023, led by the performance of large capitalisation technology stocks and in particular those described as the 'Magnificent Seven' – Apple, Amazon, Alphabet, Meta, Microsoft, NVIDIA and Tesla – as well as other perceived beneficiaries of expanding applications for artificial intelligence (AI) technology. Notwithstanding the Fund's limited exposure to this set of stocks (the Fund has held positions in Microsoft and Amazon throughout the year), the Fund has benefitted from interest in this area through stocks such as memory semiconductor manufacturer Micron Technologies and semiconductor test equipment leader Advantest. The Fund also benefitted in 2023 from a partial reversal of the sectoral headwinds experienced in 2022 – with sectors such as Energy (i.e. oil and gas) and Financials, to which the Fund is underweight, underperforming.

Fund performance in the final quarter of the year was notably strong as signs of easing inflation accompanied by notable falls in benchmark government bond rates and improvements in economic leading indicators led to strong performance from technology and manufacturing stocks, sectors in which the Fund has significant exposures, whilst more defensive sectors such as healthcare and consumer non-durables underperformed.

Class A – Unhedged Units

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	SI p.a.[1]
Fund Return (%)	**4.6**	**22.4**	**22.4**	**(0.2)**	**9.6**	**12.7**	**11.4**
Global Equities[2] (%)	1.8	21.4	21.4	3.2	10.2	12.4	9.9
Value Added (%)	2.8	1.1	1.1	(3.4)	(0.6)	0.3	1.5

Notes (1) Inception date 2 November 2015 (2) Global Equities Return is represented by the average of monthly returns of the MSCI ACWI Net Total Return USD Index and the FTSE All World Index Total Return Net Tax, using data derived from Bloomberg. USD indices are converted to AUD using rates at 4pm London fix sourced from FactSet, consistent with Fund NAV calculations. Fund return is net of all fees and expenses. **Past performance is not indicative of future performance.**

Class H – Currency Hedged Units

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	SI p.a.[1]
Fund Return (%)	**6.8**	**-**	**-**	**-**	**-**	**-**	**9.4**
Global Equities Hedged to AUD[2] (%)	4.0	-	-	-	-	-	11.1
Value Added (%)	2.8	-	-	-	-	-	(1.8)

Notes (1) Inception date 30 May 2023 (2) Global Equities Return (Hedged to AUD) is represented by adjusting the average of monthly returns of the MSCI ACWI Net Total Return USD Index and the FTSE All World Index Total Return Net Tax, by adding the estimated currency impact and hedging costs (assuming 1 month forward contracts rolled monthly), using data derived from Bloomberg and FactSet. USD indices are converted to AUD using rates at 4pm London fix sourced from FactSet, consistent with Fund NAV calculations. **Past performance is not indicative of future performance.**

Key Contributors to Fund Performance

Zebra Technologies (+15%) is the global leader in barcode printers and handheld scanners and related software solutions for inventory management and logistics. Zebra's business has slowed this year as its customers and distributors defer expenditure and seek to lower inventory levels. Zebra has seen demand stabilise in recent months, and its shares have outperformed in line with the broader market trends outlined above.

Revvity, Inc. (+23%) offers life science and diagnostics products and services that support drug discovery and development. Revvity's shares outperformed in December following a period of significant underperformance. Like Zebra, the company has faced weaker than anticipated customer demand this year, however this appears to be stabilising and the outlook for the company is improving.

Siemens AG (+12%) is a global leader in industrial technology focused on the manufacturing, infrastructure and transportation sectors. Siemens' shares continued to outperform following strong financial results and guidance released in November.

Micron Technology, Inc. (+12%) is a leading manufacturer of DRAM and NAND memory semiconductors. The company issued guidance well ahead of consensus expectations at its November-quarter earnings report, consistent with other data showing improving conditions in the memory semiconductor market.

New Investments

Fortinet, Inc. provides firewall and other secure networking products. Network cybersecurity solutions are an important enabler of digital solutions that provide efficiencies throughout the economy. Fortinet is a high-quality company generating high returns on capital and with a track record of strong growth. We believe the company will continue to benefit from an increasing focus on network security. The Fund has acquired a position in the stock following a period of relative share price underperformance that we believe provides an attractive entry point.

Hamamatsu Photonics K.K. offers a wide range of photonics products, such as sensors and light sources, to end markets including medical, semiconductor, and factory automation. The company focuses on niche markets where it is able to achieve strong market shares, typically exceeding 50%, and enjoys high-single digit growth prospects supported by applications such as EV battery testing and LIDAR. Following a period of earnings slowdown and share price decline, we view the shares as attractively valued.

NVIDIA Corporation primarily designs and manufactures graphic processing units (GPUs). It has developed a strong leadership position in GPUs and, in particular, coding software and applications supporting the use of its own GPUs for machine learning and AI research and applications. The company's shares have performed strongly this year due to a step change in demand for high performance GPUs to support the training and deployment of large language models such as ChatGPT. NVIDIA has a dominant position in this area and despite strong out-performance, we view the shares as attractively valued due to a significant rise in the profitability of the company and its strong growth outlook.

Exited Positions and Other Portfolio Changes

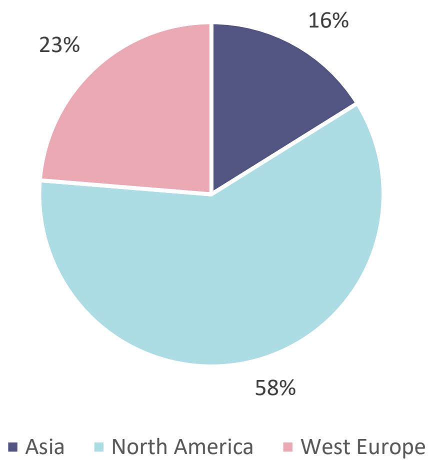
The Fund reduced its holding in Hyundai-Kia Group automotive component supplier Hyundai Mobis. Mobis remains the exclusive supplier of electric drivetrain modules for Hyundai and Kia EVs and, as anticipated, has seen strong growth in sales of electrification components, but the company's progress on improving profitability has disappointed. The Fund exited a small position in specialty carbon products business SGL Carbon, a potential beneficiary of increasing use of silicon carbide (SiC) substrates in power semiconductors for electric vehicles and industrial applications. Whilst the company is experiencing growth in this part of its business, it faces increasing competition while other parts of its business – notably supplying carbon fibre to the wind turbine industry – are experiencing continued challenges..

Top 10 Holdings

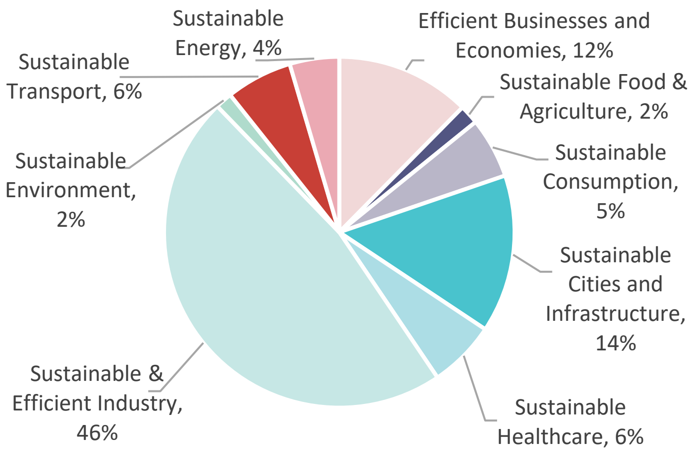
Security Name	Weight (%)	Country	Sector
Microsoft Corporation	4.8	UNITED STATES	Efficient Businesses and Economies
Zebra Technologies Corporation Class A	4.3	UNITED STATES	Sustainable & Efficient Industry
CDW Corporation	4.3	UNITED STATES	Sustainable & Efficient Industry
Taiwan Semiconductor Manufacturing Co., Ltd	4.2	TAIWAN	Sustainable & Efficient Industry
Otis Worldwide Corporation	3.8	UNITED STATES	Sustainable Cities and Infrastructure
Valmet Corp	3.8	FINLAND	Sustainable Consumption
Siemens Aktiengesellschaft	3.6	GERMANY	Sustainable & Efficient Industry
Micron Technology, Inc.	3.0	UNITED STATES	Sustainable & Efficient Industry
Johnson Controls International plc	2.8	UNITED STATES	Sustainable Cities and Infrastructure
Dover Corporation	2.6	UNITED STATES	Sustainable & Efficient Industry

Portfolio Positioning

Regional Weights (%)



Sector Weights (%)



Market Commentary

Global equities markets performed strongly in December to cap a year of very strong returns. Conventional global equities indices, such as the MSCI All Country World Net Total Return Index, returned 4.8% in US dollar terms during December. Most regional equities markets were up, with the US S&P 500 index rising 4.4% and the technology focused Nasdaq Composite Index up 5.5%. Europe's STOXX 50 Index was up 3.2%. Asian equities markets lagged, with Japan's Nikkei 225 Index down 0.1% and Hong Kong's Hang Seng index flat for the month.

Annual returns have been strong in most markets, with conventional global indices such as the MSCI All Country World Net Total Return Index up 22.2% in US dollar terms over the year. The strong performance was led by the US market, with the S&P 500 Index up 24.2%, and in particular the large cap technology stocks described as the 'Magnificent Seven'– which had an average return of over 100% for the year and were responsible for over 60% of the S&P 500's return. European equity markets also performed strongly, with the STOXX 50 index up 19.2%. Japanese equities performed notably well with companies benefiting from the weakening Japanese yen and investors encouraged by ongoing corporate reform in Japan. The Nikkei 225 Index finished the year up 28.2%. The exception has been Chinese equities markets, which have notably underperformed over the past year as growth in the Chinese economy has slowed and issues in the property sector continue to weigh on investor confidence. China's Shanghai Shenzhen composite index finished the year down 11% and Hong Kong's Hang Seng index was down 13.8%.

Inflation has remained a key concern for investors in 2023, with the US Federal Reserve increasing its short-term funds rate by 100bp over the year. Inflation data towards the end of the year indicated an easing of inflationary pressure and more dovish commentary from the Federal Reserve (i.e. tending towards less or slower rate rises going forward) led to a sharp decline in the benchmark 10 year US treasury yield, which fell over 1% from just below 5% (at its peak in October) to 3.9%.

Notable Industry Developments

Climate Change and Climate Policy

- 2023 was the warmest year on record, according to the World Meteorological Organisation. The Arctic experienced its warmest summer on record, according to the Artic Report Card issued by the US National and Oceanic and Atmospheric Administration, which also pointed to ongoing trends of ice loss, shrinking sea ice coverage and higher sea surface temperatures.
- The Panama Canal is operating at reduced capacity due to low water levels. The number of ships able to transit the canal may fall by as much as 50%, while lower draft depths mean less cargo per ship.
- The focus on the successes of the recent UN COP28 conference held in early December has given way to concerns about a lack of meaningful progress. In particular, the conference failed to endorse recommended standards for a global, UN-overseen emissions markets, leaving the future of a global carbon market uncertain. Meanwhile Exxon Mobil and Chevron

have opted out of providing funding for a Global Flaring and Methane Reduction Partnership to be run by the World Bank and supported by oil majors BP, Eni, Equinor, Occidental, Shell and Total Energies.

- The EU reached "provisional political agreement" on a wide-ranging Electricity Market Reform, in response to the shocks following Russia's invasion of Ukraine. Measures include accelerating renewable deployment by making grid integration easier and greater transparency and choice for both generators and consumers. The measures are likely to be beneficial for companies such as high voltage cable manufacturer Prysmian Group and European wind turbine manufacturer Nordex, both investments held by the Fund.
- US coal powered electricity generation continued to decline in 2023, with generation of 669 gigawatt-hours barely one third of 2010 levels. Bloomberg New Energy Finance (BNEF) forecasts continued declines in 2024, at which point solar and wind generation will exceed coal for the first time.
- The Premier of Alberta, the province where most Canadian oil and gas is produced, again challenged federal climate legislation. Danielle Smith asserted regulations to reduce emissions from the fossil fuel sector were unconstitutional and the province would use "every tool at our disposal" to prevent their implementation.

Sustainable Energy

- Tongwei Solar, a leading manufacturer of polysilicon, cells and modules, said it would invest $10 billion in a multi-phase project in Inner Mongolia that will ultimately produce 400,000 tonnes annually of solar-grade polysilicon as well as 500,000 tonnes of industrial grade material. Production is expected to commence in 2026.
- Solar inverter manufacturer Enphase announced a 10% workforce reduction, while developer SunPower issued a "going concern" warning. Solar supplier and vendors in Europe and the US have had a difficult year, with rising interest rates and falling power prices leading to higher inventories amidst a sharp decline in equipment prices.
- Leading offshore wind developer Orsted announced plans to proceed with the development of the largest offshore wind farm in the UK, the 2.9 GW Hornsea-3 project, while in Japan 1GW of offshore development rights were awarded on a subsidy-free basis, a first for the country. These are encouraging signs after a difficult year for the industry. A record volume of offshore wind capacity is set to be auctioned in 2024, with over 50GW set to be contracted, up from 20GW in 2023. The outcome of these auctions will provide a broader gauge for the sector's recovery efforts.
- A record-breaking subsea power cable between Denmark and the UK began commercial operations. The 765km long Viking Link, the world's longest interconnector, will have capacity of 1.4GW once fully ramped up. The HVDC (high voltage DC) subsea cables were delivered and laid by Prysmian Group.
- The US approved a new type of nuclear reactor for the first time in 50 years, a molten salt demonstration reactor to be built in Tennessee.
- California's Public Utility Commission voted to extend the Diablo Canyon nuclear facility's running life to 2030. It is the last nuclear reactor operating in California. The move will require approval by the Nuclear Regulatory Commission.

Sustainable Transport

- The growth rate of electric vehicle (EV) adoption continued to slow towards the end of 2023. Researcher Cox Automotive said US EV inventories relative to supply had more than doubled over the last year and were now 50% higher than for the auto industry as a whole. Consistent with this, Ford said it had halved its production plans for its plug-in F-150, while General Motors is delaying production on multiple new EV models. In Europe, Audi said it decided to "spread out" the launch of new EV models. The trend reflects relatively high levels of EV adoption within premium segments of the auto market, but as yet lower penetration into the larger low and mid-priced segments where more widespread adoption of EVs remains inhibited by high costs and poor resale values – which are themselves a function of the rapid improvement and ongoing price declines of newer models.
- Tesla, in particular, saw some unwelcome headlines during the month. BYD overtook it as the #1 battery EV (BEV) manufacturer in the last quarter of 2023, with 526,000 BEVs sold compared to Tesla's 484,500 (Tesla's EVs carry a higher average price). Tesla also recalled 2 million vehicles following a US National Highway Traffic Safety Administration ruling that its Autopilot driver-assistance system needs to do more to ensure drivers remain engaged. European rental operator Sixt SE said it would phase out Tesla from its fleet citing high repair cost and low resale values. Tesla also continued to face industrial action in Scandinavia, as discussed in last month's report.
- Nonetheless, investment in the EV industry continued. Xiaomi, a leading Chinese smartphone manufacturer, released its first EV and said it aims to be a top automaker within 15-20 years. Nio, another China-based EV manufacturer, raised $2.2 billion in equity from an Abu Dhabi -controlled fund, while Swedish battery manufacturer Northvolt raised a fresh $1.2 billion. In Korea, battery maker Samsung SDI signed a $34 billion purchase agreement with Ecopro BM, for cathode materials.
- France published a list of models eligible for up to €7,000 in purchase incentives. No Chinese-made models made the list, amidst an EU investigation into subsidies for Chinese EV makers. BYD announced it would construct a 200,000 vehicle per year production facility in Hungary, which would give it tariff free access to the EU market. Meanwhile Thailand approved $1 billion to incentive EV manufacturing in the country.

- Cruise LLC, GM's autonomous vehicle venture, said it would cut 24% of its workforce following the safety problems discussed in our prior reports. Cruise's former CEO has already stepped down, and the company announced nine further senior executive departures.
- Oil and gas producer BP and Spanish utility Iberdrola announced a JV to invest €1b in EV charging in Spain and Portugal, with 11,700 stations targeted by 2030.
- China announced restrictions on export of natural graphite, a raw material in EV production and many other applications, including defence. The move was viewed as the latest action in the long series of trade tensions between China and the US.
- China also announced plans to lead the world in "clean shipbuilding", including LNG and green methanol fuelled vessels. In Europe, Orsted said its e-methanol project would receive €240m in support from the EU and Bill Gates' Breakthrough Energy. E-methanol involves production of the chemical, which can replace fossil fuel in marine engines, from green hydrogen with carbon capture.

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 (Class A units – unhedged) 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 Dec 2023)	AUD 728.6m
Platform Access	AMP North, BT (Asgard, Panorama, Wrap), CFS (Edge, FirstChoice, FirstWrap), Dash, FNZ, Hub24, Insignia (Expand, Grow Wrap, MLC, Rhythm, Voyage), Macquarie Wrap, Mason Stevens, Netwealth, Powerwrap, Praemium and ASX ETMF (NNUK)		

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Responsible Investment Leader **2023**

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