

# 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 4.7% during August, lagging conventional global equities indices, such as the MSCI All Country World Net Total Return Index, by 2.8% during a month in which equities markets reversed gains from the prior month.

The Fund's absence of exposure to the traditional energy sector (i.e. oil & gas), which does not form part of its eligible investment universe, and an overweight position in European equities contributed to the underperformance, however it was primarily attributable to the above average proportion of the Fund's holdings that underperformed during the month. Key contributors are discussed below.

	1 Month	YTD	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	SI p.a. <sup>1</sup>
<b>Fund Return (%)</b>	<b>(4.7)</b>	<b>(18.1)</b>	<b>(15.8)</b>	<b>8.3</b>	<b>5.8</b>	<b>9.9</b>	<b>10.6</b>
Global Equities <sup>2</sup> (%)	(2.0)	(12.8)	(10.3)	8.0	7.4	10.1	8.6
Value Added (%)	(2.8)	(5.3)	(5.5)	0.3	(1.6)	(0.2)	2.0

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



**Alteryx, Inc (+29%)** sells enterprise analytics software used by a large proportion of Fortune 500 companies. Its share price rose after another significant earnings upgrade as the company continues to grow strongly, in line with our previously stated expectations.





**Pearson PLC (+10%)** is a multinational publishing and education business. As mentioned in the October 2021 investor report, Pearson has a new leadership team aiming to pivot the business from its traditional print business to digital and online publishing and associated analytical services. Its shares rose after a strong earnings result and the announcement of a significant cost reduction program aimed at boosting earnings.



**NuVasive, Inc (-19%)** is a medical technology company that provides solutions for spinal surgery. Its shares appear to have fallen following cautious management commentary at conferences late in the month.



**Certara, Inc (-32%)** develops bio simulation software which predicts how drugs and diseases will interact in the human body. Its share price fell after a weak earnings report and a large share sale by a venture capital fund that remains its largest shareholder.



**Azure Power Global (-71%)** is a leading solar farm developer and independent power producer (IPP) in India, majority owned and controlled by two large Canadian pension funds. Its shares fell after its recently appointed CEO resigned after just two months amidst disclosure that a whistleblower had alleged safety and procedural irregularities at one of its solar plants. The company is investigating the allegations and has reiterated that its historical accounts and ongoing operational activities are unaffected by these events and the Fund continues to hold its shares which we believe have traded at a significant discount to the value of its assets.

## New Investments



**Fujitsu Limited** is the leading information technology system integrator in Japan, specialising in areas such as cloud computing, enterprise applications, managed services, outsourcing, infrastructure support services, and data centre services. Historically a more diversified conglomerate, its leadership has focused on simplifying its portfolio and increasing profitability.



## Exited Positions and Other Portfolio Changes

The Fund exited its position in online grocery and fulfilment logistic provider Ocado Group after the stock rallied during the month and reached our price target. The Fund also exited its small position in US multi-cloud service provider Rackspace Technology after the company reported continuing weak operational performance.

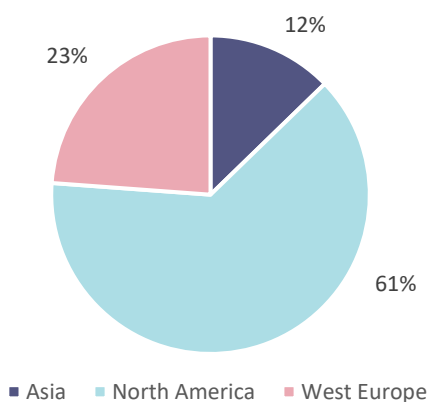
The Fund added to its positions in industrial manufacturing leader Siemens, which is increasingly focusing on digital solutions, and semiconductor giant Taiwan Semiconductor, in both cases following recent share price under-performance.

## Top 10 Holdings

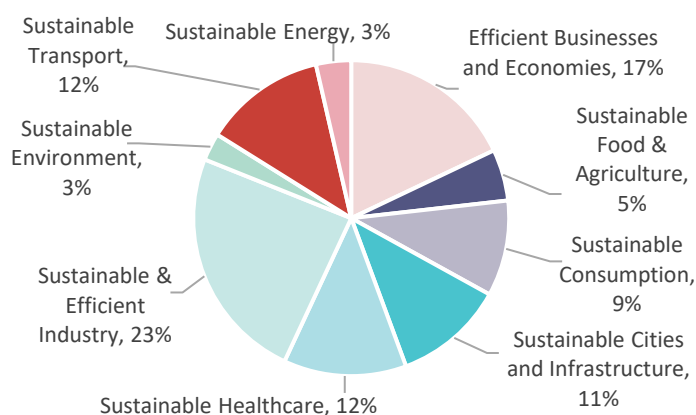
Security Name	Weight (%)	Country	Sector
WestRock Company	4.9	UNITED STATES	Sustainable Consumption
Cognizant Technology Solutions Corporation Class A	4.2	UNITED STATES	Efficient Businesses and Economies
Garmin Ltd.	3.8	UNITED STATES	Sustainable Healthcare
Carlisle Companies Incorporated	3.4	UNITED STATES	Sustainable Cities and Infrastructure
Microsoft Corporation	3.3	UNITED STATES	Efficient Businesses and Economies
Siemens AG	3.2	GERMANY	Sustainable & Efficient Industry
CDW Corp.	2.9	UNITED STATES	Sustainable & Efficient Industry
Taiwan Semiconductor Manufacturing Co., Ltd.	2.9	UNITED STATES	Sustainable & Efficient Industry
International Flavors & Fragrances Inc.	2.9	UNITED STATES	Sustainable Food & Agriculture
Hyundai Mobis Co., Ltd	2.8	SOUTH KOREA	Sustainable Transport

## Portfolio Positioning

Regional Weights (%)



Sector Weights (%)



## Market Commentary

Global equities indices fell during August, with the MSCI All Country World Net Total Return Index down 3.7% in US dollar terms, reversing some of the rapid upward movement in equities markets since mid June. Europe's Stoxx 50 index fell 5.1% for the month (and 6.5% in US dollar terms) as electricity and natural gas prices continued to rise to further record highs in the face of ongoing disruptions and the threat of continued severe shortages – refer below for further commentary on energy markets. In the US, the S&P 500 Index fell 4.2% and the technology focused Nasdaq Composite Index was down 4.6% as the Fed continued to raise its target overnight rate and the 10 year government bond rate rose from 2.6% to 3.1%. Rising rates impacted the market valuation of growth stocks, with the MSCI World Value index outperforming the MSCI World Growth Index by 2.1% over the month. Other regional indices fared better, with Japan's Nikkei 225 Index up 1.0% (although down 2.9% in US dollar terms as the Yen weakened) and Hong Kong's Hang Seng Index was down 1.0%.

The Fund's environmental sustainability and resource efficiency focused investment universe underperformed the broader market as did environmental equities indices such as the FTSE Environmental Opportunities All Share Index, which was down 4.8% in US dollar terms.

### Notable Industry Developments

- Climate disasters are making headlines across the globe
  - China is experiencing its worst drought on record and a heatwave described as 'the most severe ever recorded in the world'.
  - Europe is experiencing a drought that one environmental centre estimated may be the worst in 500 years, as well as a major heatwave.
  - Pakistan suffered record breaking floods leaving a third of the country underwater.
- These disasters have caused significant economic disruption
  - Electricity supply is being restricted. Severe droughts directly reduce hydropower generation and low water levels in major rivers can prevent transport of fuel to power plants or force shutdowns at plants reliant on river water for cooling. While the reduction in natural gas exports by Russia dominates the headlines, it is worth noting that to date European electricity prices are up much more than those of gas. For example, power generation by France's nuclear fleet is at multi-decade lows in part as a result of low river levels.
  - Heatwaves increase demand for electricity, particularly for air conditioning.
  - Even absent power shortages, disruption of river transport impacts economic activity. This has been seen in both China and Europe. Bloomberg took to near-daily reporting of the depth of the Rhine River at Kaub, a key choke point, by the centimetre to show whether it is navigable by barges.
  - This has led to industrial curtailments in both regions. For example, in China, Sichuan province, which generates 85% of its power from hydro, was especially hard hit. It saw a wide range of curtailments including a complete suspension of its million tons a year aluminum refining capacity.
  - It should be noted that the US also experienced a heatwave that, while less extreme, did see power saving measures in Texas and New York.
- Europe is stepping up its response to its energy crisis, with a planned emergency meeting of energy ministers
  - The situation is dynamic and uncertain. Russia continues to supply Europe with gas, albeit at reduced levels, and it is possible this will stop. As noted above, uncertainty is also borne of weather conditions and even the timeliness with which maintenance is completed on some of France's offline nuclear generators.
  - With order of magnitude rises in spot prices of electricity and gas, prices are beyond the parameters for which Europe's market for these commodities was designed. Goldman Sachs estimate at spot prices, the increased cost of energy is in the order of €2 trillion, or 15% of Europe's GDP.
  - In the short-term, governments are working on three fronts.



- Managing real scarcity, by taking measures to reduce demand (as discussed in last month's investor update) and setting an order of priority for who has to go without if shortages become more acute. The bulk of burden is set to fall on industry, with households and critical services such as hospitals protected.
  - Managing volatility, with measures including price caps, liquidity support for energy market participants, and adjustment or even suspension of power derivative markets.
  - Managing the distributional impact, with taxes on energy generators and subsidies for energy consumers. Several European governments have issued eleven figure programs and more will need to come.
- It should be noted that in Europe, both industry and governments have worked to minimise industrial shutdowns, as they seek to maintain political support for opposing Russia's invasion of Ukraine, which has motivated the Kremlin's export cuts. Hedges and active government subsidies have kept energy intensive activities running that would not be economic at spot prices.
- Governments are prioritising the upscaling of investment in renewable energy
    - Europe has been seeking to accelerate its energy transition since Russia's invasion of Ukraine. In May, these efforts were published as the RePowerEU plan, with an estimated cost of around \$300 billion. In such a huge program, individual projects are hard to pick out, but August did see a relatively significant initiative with the governments of Germany and Denmark agreeing to build a \$9 billion offshore wind hub near Bornholm in the Baltic Sea.
    - In China, State Grid announced a \$22 billion plan for long-distance power transmission lines that can export renewable power from China's sunny or windy remote regions to load centres. Canadian Solar, which despite its name manufactures mostly in China, announced plans for a \$9 billion solar manufacturing base in Qinghai, producing everything from silicon to panels.
    - In the US, California's energy commission upgraded its target for offshore wind to 25GW by 2045.
    - In Australia, public consultation began on proposed regions for offshore wind energy.
  - Government support for EV uptake is leading to larger commitments from automotive OEMs and suppliers
    - California's Clean Air Resources Board (CARB) approved a ban of gasoline vehicles from 2035. California is the US' largest car market and a dozen other states typically follow CARB's lead. For example Washington state's Governor Jay Inslee has already stated Washington will follow.
    - Toyota said it would spend \$5.6 billion to expand battery production in Japan and the US. Honda and LG Energy Solution said they would \$4.4 billion in a battery facility in the US. Mercedes and China's Contemporary Amperex Technology (CATL) said they would spend \$7.6 billion on a battery plant in Hungary.
  - Rapidly developing government support for green hydrogen is already eliciting changes in corporate behaviour
    - Canadian Prime Minister Justin Trudeau and German Chancellor Olaf Schultz held an event in Stephenville, a town of 6,000 people in West Canada, which slated to become an export hub for green hydrogen.
    - Amazon signed a green hydrogen purchase agreement with US fuel cell leader Plug Power, with a focus on extending beyond the material-handling applications (i.e forklifts) that are Plug Power's current focus, to "hard to decarbonise" sectors such as long-haul trucking.
    - The CEO of miner South32 said it won't invest in new metallurgical coal projects because within two decades it is likely to be replaced by hydrogen in Steel production, currently its primary end-market.



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 August 2022)	AUD 627.3m
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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