August 2023
Monthly Fund Update

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 0.4% during August, underperforming conventional global equities benchmarks, such as the MSCI All Country World and FTSE All World net total return indices, by approximately 0.7%.

The Fund's relative performance reflected the underperformance of environmental equities and was impacted by both sectoral and geographic exposures, with the Fund underweight US equities and sectors such as Energy (oil & gas) that outperformed during the month. The outperformance of the Fund's holdings in US technology services providers was offset by underperformance of European and industrial stocks. Key contributors are both discussed below.

Globally equities markets reported declines in August, however the Australian dollar weakened by more than 3% against the US dollar during the month, benefitting Australian investors and bolstering Australian dollar denominated returns.

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 (%)	**0.4**	**19.6**	**18.6**	**(0.1)**	**11.6**	**8.9**	**11.6**
Global Equities[2] (%)	1.2	20.1	20.6	4.0	12.1	9.8	10.2
Value Added (%)	(0.7)	(0.5)	(2.0)	(4.1)	(0.5)	(0.9)	1.3

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 (%)	**(3.0)**	**-**	**-**	**-**	**-**	**-**	**2.2**
Global Equities Hedged to AUD[2] (%)	(2.1)	-	-	-	-	-	5.5
Value Added (%)	(0.9)	-	-	-	-	-	(3.3)

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

CDW Corporation (+13%), provides "value added reselling" of technology products and services, mainly in the US. Its shares rose after its June-quarter earnings report, in which both earnings and full-year guidance exceeded expectations.

Ciena Corporation (+18%) makes data network equipment and is a global leader in coherent optical transceivers. Its shares rose after its June-quarter report, where it reported early signs of artificial intelligence related demand from hyperscale cloud computing customers.

Global Payments Inc. (+15%) provides integrated software and payment technology services to merchants and card issuers, mainly in North America. Its shares performed strongly after its June-quarter earnings release, where it reported strong organic growth and updated December-year guidance.

Siemens AG (-12%) is a global leader in industrial technology focused on the manufacturing, infrastructure and transportation sectors. Its shares fell after a June-quarter report disclosed weak orders, most notably from China, and a cut to both revenue and margin guidance for its largest segment, Digital Industries, although guidance was maintained for the company's full year earnings.

Zebra Technologies (-11%) is the global leader in barcode printers and handheld scanners and related software solutions. Its shares fell after a downgrade to its December-year revenue guidance, as its retail and distributor customers continue to scale down or defer new investment and the company's distribution channel works to reduce inventory. Our analysis indicates 2023 sales are below end-market consumption and should recover strongly once pandemic-era over-buying is digested.

New Investments

Johnson Controls plc provides building efficiency equipment and services, focused on heating, ventilation and air conditioning (HVAC), and fire and safety (F&S). Its shares have derated following several quarters of margin pressure within its service business where recent inflation trends are impacting the profitability of existing contracts. We anticipate that profits should improve as this business is replaced by orders priced to reflect the current cost environment.

Kingspan Group plc is a manufacturer of products to improve a building's envelope by focussing on natural daylighting and ventilation, roofing and waterproofing, and insulation, to reduce energy and water usage. We expect Kingspan to deliver strong revenue growth due to its exposure to US industrial construction, which remains at high levels due to strong policy support for investment in industries such as batteries and EVs, datacentres, semiconductors and renewables.

Exited Positions and Other Portfolio Changes

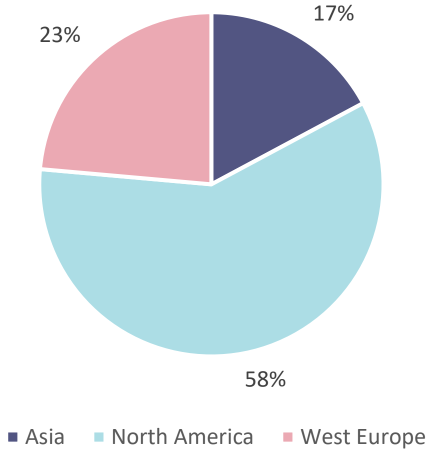
During the month the Fund finished exiting position in US engineering and construction business Emcor following strong share price performance, as well as UK industrial products business Smiths Group plc.

Top 10 Holdings

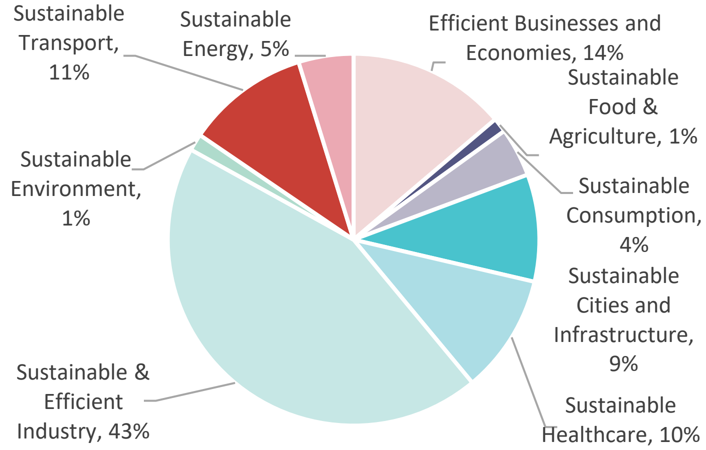
Security Name	Weight (%)	Country	Sector
Zebra Technologies Corporation Class A	4.6	UNITED STATES	Sustainable & Efficient Industry
Microsoft Corporation	4.4	UNITED STATES	Efficient Businesses and Economies
Siemens Aktiengesellschaft	4.2	GERMANY	Sustainable & Efficient Industry
CDW Corporation	3.7	UNITED STATES	Sustainable & Efficient Industry
Garmin Ltd.	3.6	UNITED STATES	Sustainable Healthcare
Hyundai Mobis Co., Ltd	3.3	SOUTH KOREA	Sustainable Transport
Dover Corporation	3.1	UNITED STATES	Sustainable & Efficient Industry
Taiwan Semiconductor Manufacturing Co., Ltd.	3.0	UNITED STATES	Sustainable & Efficient Industry
Micron Technology, Inc.	2.9	UNITED STATES	Sustainable & Efficient Industry
Ciena Corporation	2.8	UNITED STATES	Sustainable & Efficient Industry

Portfolio Positioning

Regional Weights (%)



Sector Weights (%)



Market Commentary

Global equities saw a broad-based sell-off in August with conventional global equities benchmarks, such as the MSCI All Country World and FTSE All World net total return indices, down approximately 2.8% in US dollar terms. Overall earnings remained relatively strong but outlooks reflected the impact of weakening demand and still high inventory levels in many industries. Technology, healthcare and energy stocks outperformed with industrials and utilities underperforming. US equity indices outperformed most other regions, with the US S&P 500 index down 1.8% and the technology focused Nasdaq Composite Index down 2.2%. By comparison Europe's Stoxx 50 Index was down 3.9%, Japan's Nikkei 225 Index was down 1.7% and Hong Kong's Hang Seng Index fell 8.5%.

The US dollar's strength was notable with positive economic surprises in that country bolstering the currency and boosting Treasury yields. One factor behind the change in US Treasury yields may have been Fitch's decision to cut the sovereign credit rating of the US government from AAA to AA+ becoming the second ratings agency to do so following S&P's decision a decade ago. Market commentators were generally dismissive of Fitch's move. Fitch made the point that they expect the US' debt burden to reach 118% of GDP by 2025, roughly triple the debt level of the remaining AAA countries which the agency estimates will be less than 40% of GDP.

The Australian dollar weakened against the US dollar (by around 3.5%) and against most other major currencies, adversely impacted by negative sentiment around Chinese economic growth, driven by real estate weakness in China, and an unchanged cash rate from the Reserve Bank of Australia.

Notable Industry Developments

- Climate Policy
  - July was officially the hottest month on record according to the EU's Copernicus Climate Change Service, with August subsequently reported as the second hottest ever recorded.
  - The US suffered its deadliest fires in more than a century, centred on the Hawaiian island of Maui. There were over 100 fatalities and insured property damage estimated at over $3 billion. Local electricity utility Hawaii Electric saw its shares more than halve after allegations it is culpable for the fires, reminiscent of California utility PG&E which entered bankruptcy in 2019 due to liabilities related to its role in wildfires in 2017-18. Hawaii Electric disputes the allegations.
  - A district court in the US state of Montana ruled the state's laws in relation to oil & gas violate the constitutional right to a healthful environment. One legal expert described the ruling as "the strongest decision on climate change ever

issued by any court". Montana is a relatively conservative state and a major coal producer but has one of only three state constitutions which include a right to a healthy environment. Montana's Attorney General said the state would appeal.

- Abu Dhabi's National Oil Company upgraded its "net zero" 2050 target to "net zero" 2045 – though its plans cover only Scope 1 and 2 emissions, and not Scope 3, the emissions generated when its oil is used.
- Canada's government plans a net zero target 2035 for its power sector. During the month, Danielle Smith, premier of the fossil fuel dependent province of Alberta, announced her intent to defy such a plan, if finalised.

- Renewable Energy
  - Uniper, the German utility nationalised during the 2022 energy crisis, published its investment plan through 2030. It intends to invest €8 billion, with 80% of generation emission-free by 2030 and coal generation shut down by 2029. Uniper's shares remain listed but the German government owns more than 99%.
  - European renewable energy output smashed previous records with the average output of wind and solar generation across the five biggest countries hitting 45 GW, 20% higher than the previous seasonal high. The surge has increased the share of renewables in Europe's generation mix to 27%.
  - German Premier, Olaf Scholz, visited a start-up geothermal plant in Germany where a 4.5km deep, closed loop system is aiming to provide 8.2MW of electricity and 64MW of heat. Similar enhanced geothermal systems could be deployed in a wide range of locations than the, currently, limited geographic reach of current geothermal technologies.
  - The combination of higher interest rates and cost inflation have significantly impacted the offshore wind industry, with a US government auction for offshore wind leases along its Gulf Coast resulting in the sale of rights for only one of three available areas. In addition, leading offshore wind developer Ørsted warned of up to $2.3 billion of impairments in its US project pipeline, citing rising costs and higher interest rates. Orsted did, however, secure government approval for the 704-megawatt Revolution Wind project off the Rhode Island coast in partnership with Eversource Energy.
  - In a more encouraging development, the world's largest floating offshore wind park commenced production off Norway. The project has a capacity of 88MW, cost $690m, and will power oil & gas facilities in the area.
  - The US Inflation Reduction Act (IRA) continues to drive investment in domestic renewable energy manufacturing. During August Maxeon Solar Technologies Ltd. announced that it plans to spend $1.2 billion to build what will be the largest US factory for polysilicon solar panels. The facility will be able to produce as much as 3 gigawatts of solar cells and panels a year, doubling Maxeon's manufacturing capacity. The IRA has reduced payback periods for new factories to several years, despite concerns about longer term cost competitiveness with production from South-East Asia.
  - Brazil enacted a $1 billion program to transition power supplies in remote parts of the Amazon from diesel generators to renewable sources.

- Nuclear Power
  - Nuclear generation drove tensions between Japan and its neighbours, relating to the release of water from the damaged Fukushima Daichi nuclear plant. The release was assessed by the International Atomic Energy Agency and Japan's government provided data stating other nuclear plants, including one in China, release a greater volume of tritium, the pollutant being highlighted. Despite this, disapproval over the action reached a level that led Japan's Ministry of Foreign Affairs to warn its citizens against speaking Japanese loudly while visiting China, while China banned imports of Japanese seafood. Japan's action was also criticised in South Korea. The tension did not stop China's State Council from approving six new nuclear generators.
  - Nuclear also made progress in Canada, with the first new plants approved in 30 years, at two existing nuclear power plants in Ontario. The new, large scale, plants are targeting 6GW of capacity once completed.
  - Nuclear fusion continues to attract interest. After several unsuccessful attempts, the "net energy gain" first achieved in an experimental fusion reaction last December has now been replicated in the National Ignition Facility at the Lawrence Livermore National Laboratory after several unsuccessful attempts.

- Green Hydrogen
  - €4 billion of subsidies for low-carbon hydrogen were announced by France's Energy Transition Minister, Agnes Pannier-Runacher. The funds are intended to help low-carbon hydrogen production technologies scale to become competitive with natural-gas based production. They are part of a broader hydrogen strategy announced by President Macron in 2021.
  - Germany announced plans for a giant tender for hydrogen production, supporting up to 8.8GW of new capacity. The first contract is expected to be put to tender in 2026.

- Carbon Capture and Storage
  - In Britain, two large carbon capture and use (CCUS) projects, which aim for a combined capacity of 20 million tons annually by 2035, cleared a regulatory hurdle that allows them to begin negotiations for part of the £20 billion the government has earmarked to support the technology.
  - The US government awarded $1.2 billion to direct air capture (DAC) hubs, aiming to help this technology reach industrial scale. Occidental Petroleum, one of the winners of the award scheme, announced a $1.1 billion acquisition of DAC technology specialist, Carbon Engineering.

- Sustainable Transport
  - California regulators approved paid driverless taxis to begin service. Google's Waymo said it plans to do so within weeks for the more than 100,000 people on its waitlist. General Motors' Cruise also intends to commence services soon; its waitlist numbers in the tens of thousands.
  - Contemporary Amperex Technology Ltd (CATL), the world's largest producer of EV batteries, continues to unveil new performance milestones. It highlighted batteries commercially available next year will be able to charge 400km of range in 10 minutes and offer a total range of 700km.
  - Battery supply chain deals continued including a $258 million contract from the US government to support the development of Australian miner Lynas' rare earths processing plant in Texas, Swedish battery manufacturer Northvolt raising $1.2 billion for expansion in North America and Europe, and US company Redwood Materials raising $1 billion for its battery recycling manufacturing.
  - India approved $7 billion support for electric urban public transport, primarily buses. Cities across the country will compete for the funds.
  - The price war in the EV sector continues. Tesla cut prices on its Model Y in China and launched new, lower priced versions of its S and X models. Stellantis said it intends to release a €25,000 vehicle by next year and General Motors announced it would release an updated version of its entry model Bolt, currently priced at $26,500.
  - The Biden administration is making up to $12 billion available for automakers to retrofit their facilities to make electric vehicles and hybrids. The funding comes amid tense negotiations between Detroit auto companies and the United Auto Workers, which has raised concerns the transition to EVs may threaten union jobs. It includes $10 billion in newly announced funds from a US Energy Department loan program for clean vehicles. The Energy Department also said it's planning to make available an additional $3.5 billion in financing to expand domestic battery manufacturing for vehicles and the nation's power grid.

- Australia
  - The Australian government's intergenerational report estimated the country could face economic losses of as much as A$423 billion in reduced productivity if global action fails to halt extreme climate change. The report indicated temperature rise exceeding 3 degrees would cut the nation's productivity by 0.2 to 0.8% while facing the challenge could require A$225 billion to decarbonise heavy industry and transition the energy system.
  - Chris Bowen, Climate Change and Energy Minister, announced a plan for Australia's Carbon Border Adjustment Mechanism in August. The addition of a carbon tariff to overseas imports would aim to stop high-emitting industry output moving to countries without a carbon pricing mechanism.
  - A UN-backed investor program, the Collaborative Sovereign Engagement on Climate Change initiative, aims to pressure Australia to accelerate decarbonization plans. Australia is the first country to be targeted by the Group as the nation "has underperformed other OECD countries significantly in terms of climate indicators". 25 money managers are represented by the Group, co-ordinated by the UN-PRI, with a combined $8 trillion in assets.

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 August 2023)	AUD 729.6m
Platform Access	AMP North, BT (Panorama, Asgard), CFS (Edge, FirstWrap & FirstChoice), FNZ, Hub24, Insignia (Expand Extra, Grow Wrap, Voyage Wrap & Rhythm), Macquarie Wrap, Mason Stevens, MLC (Wrap & Navigator), Netwealth, OneVue, Powerwrap, Praemium, WealthO2 and Xplore Wealth.		

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