Nanuk New World Fund

NANUK
ASSET MANAGEMENT
Investing Sustainably, Managing Responsibly

A long only global equities fund generating returns from investments in a universe of listed equities exposed to the broad themes of environmental sustainability and resource efficiency

November 2021 Monthly Fund Update

Performance Summary

The Fund returned 6.8% in November, outperforming traditional global equities indices such as the MSCI All Country World Net Total Return Index by 3.4% and outperforming the Fund's environmental equities Reference Index, the FTSE Environmental Opportunities All Share Total Return Index by 1.8%.

The month saw a significant reversal of market movements in October. US dollar denominated global equities indices declined, with the Fund's Australian dollar denominated returns supported by the depreciation of the Australian dollar against the US dollar during the month.

The Fund's outperformance was driven by stock specific contributions and more than reversed the prior month's underperformance. Top contributors, detailed below, came from a range of sectors. The Fund also benefitted from the underperformance of Financial and Energy sectors, to which the Fund has little and no direct exposure.

	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**	**28.6**	**29.5**	**16.1**	**19.6**	**16.9**	**15.1**
Global Equities[2] (%)	3.4	24.0	23.9	14.4	17.1	14.9	11.9
Value Added (%)	3.4	4.5	5.5	1.7	2.5	1.9	3.2
Environmental Equities[3] (%)	5.0	26.9	29.3	27.1	27.4	21.2	17.9
Value Added (%)	1.8	1.7	0.2	(10.9)	(7.8)	(4.3)	(2.7)

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 (3) Environmental Equities refers to the FTSE Environmental Opportunities All Share Total Return Index which is identified as the reference index for the Fund, providing a reasonable, yet approximate, reference index for the Fund's area of focus. Past performance is not indicative of future performance.

Key Contributors to Fund Performance

Taiwanese manufacturer **Accton Technology** (+18%) and US company **Ciena Corporation** (+11%) sell digital network equipment, primarily switches and modems respectively. Both stocks rose on expectations of increased spending on network equipment by the likes of Microsoft and Facebook (which changed its corporate name to Meta to reflect an increasing focus on and investment in the virtual 'metaverse').

Sprouts Farmers Market (+20%) is a US supermarket focused on fresh, natural and organic products. The company has new leadership executing a plan to raise profitability. The stock rose after the company reported Q3 earnings 42% above street expectations and raised its guidance, indicating its plans are on track.

Automotive component supplier **Gentherm** (+15%) sells energy efficient automotive heating and cooling systems. The stock reversed its fall during October following a weak Q3 result impacted by supply chain issues affecting the automotive sector.

Siemens Healthineers (+9%) offers medical imaging, radiation therapy, and laboratory diagnostic systems. It rose after upgrading revenue growth and margin targets at its Investor Day, mainly due to strength in the imaging and radiation therapy segments, in which it is the world leader.

Cybersecurity group **McAfee Corp.** (+20%) entered an agreement to be acquired by a private equity consortium.

Qualcomm (+36%) develops processors and communication chips used in mobile and network applications. Its Q3 earnings report and investor day highlighted success in diversifying beyond its core mobile device and telecommunications markets into a broader range of connected devices and applications related to the 'internet of things'.

New Investments

Certara develops biosimulation software which predicts how drugs and diseases will interact in the human body. Its software can significantly reduce the size and cost of human drug trials, the most resource-intensive part of the drug development process.

Tandem Diabetes Care is a medical device company producing a market leading automated insulin delivery system used by Type 1 diabetes patients as an alternative to self-administered injections. The company is growing rapidly and is transitioning to profitability, with significant scope for further growth in international markets and with type 2 diabetes patients.

Amphenol Corporation is a global leader in electronic and fibre optic connectors and sensors and beneficiary of global trends in vehicle electrification, industrial automation and the internet of things.

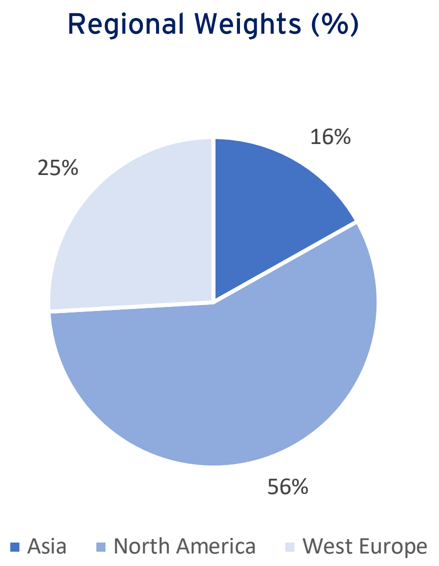
Exited Positions and Other Portfolio Changes

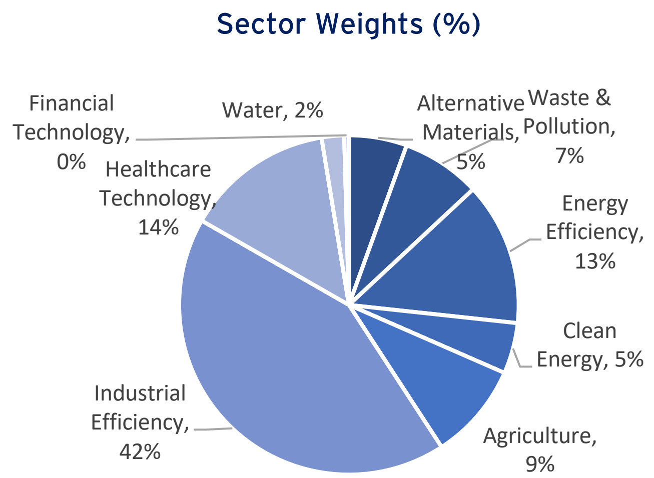
The Fund exited its position in healthcare speech recognition leader **Nuance Communications**, which has agreed to be acquired by **Microsoft** (also a holding of the Fund). The Fund's position in **Garmin** was substantially reduced following strong performance this year and due to concerns over the sustainability of recently very strong demand for its products as COVID driven consumer spending normalises, and in **Sprouts Farmers Markets** following the strong share price performance noted above.

Top 10 Holdings

Security Name	Weight (%)	Country	Sector
Cognizant Technology Solutions Corporation Class A	4.0	UNITED STATES	Industrial Efficiency
Ciena Corporation	3.9	UNITED STATES	Industrial Efficiency
Carlisle Companies Incorporated	3.6	UNITED STATES	Energy Efficiency
Wolters Kluwer NV	3.5	NETHERLANDS	Healthcare Technology
Accton Technology Corp.	3.0	TAIWAN	Industrial Efficiency
Alten SA	2.8	FRANCE	Industrial Efficiency
Siemens Healthineers AG	2.8	GERMANY	Healthcare Technology
International Flavors & Fragrances Inc.	2.7	UNITED STATES	Agriculture
McAfee Corp. Class A	2.7	UNITED STATES	Industrial Efficiency
Pearson PLC	2.6	UNITED KINGDOM	Industrial Efficiency

Portfolio Positioning





Market Commentary

Global equities fell during November following the emergence of the Omicron variant of COVID-19, with the MSCI All Country World Net Total Return Index down 1.7% in US dollar terms. Most major equities markets fell, but by varying amounts. The US' S&P 500 Index was down by 0.8%, Japan's Nikkei 225 Index by 3.7%, Europe's Stoxx 50 Index by 4.4%, and Hong Kong's Hang Seng Index by 7.5%. The "risk-off" environment was reflected across asset classes with yields on sovereign bonds declining and crude oil prices falling by 15-20%.

Significant variations in returns across different segments of equity markets continue to be a theme within this year. Large capitalisation growth stocks continued to outperform during November led by technology leaders such as Apple and NVIDIA. Smaller and mid capitalisation stocks continued their recent underperformance against larger capitalisation stocks.

Environmental equities, as represented by the Fund's Reference Index, the FTSE Environmental Opportunities All Share Total Return Index, outperformed broader global equities indices by approximately 1.5%, primarily attributable to the higher weighting in semiconductor stocks and lower weighting in financials, which out and under-performed respectively during the month.

Notable Industry Developments

- The major global event during November was the United Nations COP26 summit, which culminated in the signing of the "Glasgow Climate Pact". The Pact acknowledged, for the first time, the work of the UN's Intergovernmental Panel on Climate Change (IPCC) and "utmost concern" about the global warming and associated impacts being caused by human activities. The key elements of the Pact were:
    - The pursuit of efforts to limit the global temperature increase to 1.5 degrees, requiring net-zero emissions by mid-century – a level of commitment not achieved at previous summits.
    - An agreement to revisit and strengthen national 2030 emission reduction targets by the end of 2022 to align these with the Paris Agreement temperature goal – enhanced commitments made by many nations in the lead up to and during the summit remain inadequate to limit global warming below 2 degrees but the "Paris system" appears to be succeeding in encouraging increasingly ambitious nationally determined contributions (NDCs) through transparency and peer pressure.
    - An agreement to "accelerate the phasedown of unabated coal power", although this fell short of hopes for a more ambitious "phase-out".
    - A commitment to "provide targeted support to the poorest and most vulnerable in line with national circumstances and recognizing the need for support towards a just transition".

  - A commitment to accelerate the phase-out of "inefficient subsidies for fossil fuels".

- Although not specifically part of the Pact, a major achievement of the Summit was an agreement on unresolved elements of 'Article 6' of the Paris Agreement – which sets the rules under which countries may collaborate on achieving their emissions reduction targets (the NDCs) through the use of 'internationally transferred mitigation outcomes' (ITMOs) – providing the foundation for a global carbon offset market.

- In addition to the Climate Pact the Summit was the forum for the negotiation and announcement of a range of other initiatives

  - The Global Methane Pledge, aiming to achieve a collective 30% reduction in methane emissions by 2030. Over 100 countries, including Australia, have joined the pledge, and account for around 42% of global methane emissions – but this does not include the two largest emitters, being China and Russia.

  - The Beyond Oil and Gas Alliance which seeks to "keep fossil fuels in the ground", although its members to date account for less that 1% of global oil and gas production.

  - An agreement by a range of companies and countries to work towards 100% zero emission vehicle sales in leading markets by 2035 and in other markets by 2040. Commitments account for around 20% of the global car market.

  - Commitments by Canada, Germany, India and the UK (as part of the previously announced Industrial Deep Decarbonisation Initiative) to boost demand for low-carbon steel, cement and concrete. IDDI members currently account for 8-9% of global demand for steel and cement.

  - The roadmap for Forest, Agriculture and Commodity Trade (FACT) Dialogue was launched by Indonesia and the UK and endorsed by 25 other countries. It seeks collaboration in trade and market development, smallholder support, traceability and transparency and research, development and innovation. Signatories account for close to half of global greenhouse gas emissions from agriculture, forestry and land use.

  - A declaration on forests and land use, which seeks to halt and reverse forest loss and degradation by 2030 and promote sustainable land use transition, gained supported from 138 countries accounting for 91% of forest area worldwide.

  - A headline stealing bilateral agreement between China and the US to work together to achieve the 1.5 degree temperature goal including close co-operation on cutting emissions and a commitment to meet regularly to address the climate crisis – not insignificant in light of the current tensions between the two countries.

- The Summit failed to deliver hoped for commitments from developed countries to provide $100 billion per year in climate finance to developing countries, and the Pact now urges developed countries to deliver on this agreement urgently

- The Pact and associated multi-lateral agreements represent significant progress at a global level towards a co-ordinated response to climate change. However, the level of commitments to emission reductions made prior to and at the Summit remain well below what is required to achieve the Paris goals. Further, the non-binding and in many cases loosely defined commitments under the Pact and other agreements provide little certainty of adequate near-term action. More ambitious interim (2030) targets are necessary to establish a sufficiently steep trajectory of emissions reduction towards longer term net zero goals. The targets and commitments, while commendable, are not self-fulfilling and, once established, now require substantive and detailed regulatory initiatives if government objectives are to be delivered by industry and business. It is likely to be some time before we see these global ambitions directly impacting companies.

- Meanwhile in November, German politicians reached a coalition agreement that would place climate change as a central pillar of policy making and support a more rapid transition towards renewable energy and decarbonisation of the economy. Measures include an 80% renewable energy target by 2030 (an increase from the previous target of 65%), phasing out coal by 2030 (instead of 2038) and increasing use of energy efficient transportation methods including rail freight and electric vehicles. The agreement will also require all newly installed heating systems must be operated with 65% renewable energy by 2025 in order to cut emissions from buildings by 68% by 2030. The proposed legislation requires the support of the Green Party, of which some members remain disappointed by the concessions made to reach agreement with their larger coalition partners.

- Nissan released its 2030 strategy, with two trillion yen (approximately US$18b) to be spent over the next 5 years on electrification of its vehicle range. Its plans include a transition to solid state batteries in 2028.
- Rivian, a US electric vehicle manufacturer, IPO'ed at a valuation of approximately US$100b, without having sold any cars.
- Bloomberg reported Apple has set a target of 2025 for the launch of an Apple car. Although this project is in theory unconfirmed, facts like a Vice President of Apple Special Projects coming from Tesla before moving on to Ford Motor make it more of an open secret.
- Oil and gas major Shell, which is winding down its oil-refining operations, announced plans to significantly increase production of sustainable aviation fuel. Shell aims to produce 2 million tonnes a year of the fuel by 2025 and for it to account for 10% of jet fuel sales by 2030. The company is also investing heavily in electric vehicle charging infrastructure as it attempts to shift its business away from oil and gas.
- British chemicals manufacturer Johnson Matthey said it will exit its battery material business, citing high competition and commoditisation. Its shares declined by over 20% on the news. This is a prominent early example that the rush of entrants into the EV supply chain will inevitably lead to a challenging and highly competitive environment for industry participants in which many will not prosper.

The Nanuk New World Fund is a long only equity 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 globally 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	Currency	AUD
Type	Global Equity	Subscriptions	Daily
Domicile	Australia	Minimum Subscription	AUD 50,000
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	1.2%	AUM *(30 Nov 2021)*	AUD 575.2m
Platform Access	AMP North, BT (Wrap, Panorama, Asgard), CFS FirstWrap, Hub24, IOOF OnePath, Pursuit & Rhythm Macquarie Wrap, Mason Stevens, Netwealth, OneVue, Powerwrap, Praemium, WealthO2, Xplore Wealth and ASX mFunds (NUK01)		

Investment Manager	Administrator
Nanuk Asset Management Pty Ltd Level 23, Australia Square, 264 George Street Sydney NSW 2000, Australia Tel: +61 2 9258 1600 Fax: +61 2 9258 1699 Email: contact@nanukasset.com www.nanukasset.com	Citigroup Pty Ltd GPO Box 764 Melbourne VIC 3001 Fax: 1300 714 621