



### Key Points: Nanuk Global Alpha Fund

- ❑ Sydney based fund manager established in 2009 by four highly experienced financial services executives.
- ❑ The initial focus was on researching and developing an investment strategy around environmental (climate) and resource (energy) sustainability themes.
- ❑ These themes have broadened to include energy efficiency, alternative materials, water, waste and agriculture, while the investment universe expanded to move up and down the supply chain of each sector.
- ❑ Following extensive research and development the Nanuk Global Alpha Fund was established in June 2011 to capitalise on global long and short investments within the overall theme of economic sustainability.

### Management Company Overview

Nanuk Asset Management (Nanuk) is a Sydney-based fund manager established in 2009. The founders, and equal shareholders are Paul Chadwick, Ivan Wheen, Tim Ryan, and Sir Michael Hintze, each of whom have extensive industry experience either in Australia or overseas.

Nanuk initially specialised in listed global clean energy strategies but this has evolved to incorporate the broader theme of sustainability. The strategy evolved after the founders' research and investigation of the clean energy landscape both from an investment and business feasibility point of view. The intention was to utilise their proven expertise and track records in various disciplines to develop a significant investment management organisation with world class intellectual capital focused on investment issues surrounding the larger question of global sustainability. The Fund, Nanuk Global Alpha Fund was launched in June 2011 and its edge is the specialist domain expertise brought to bear in an inefficient, complex investment universe to generate absolute returns.

The Investment Committee members are Ivan Wheen, who most recently managed a small family office following retirement in 1996 after a long career at Bankers Trust (BT). At BT his final role was Head of Global Investment Management based in New York where he was Managing Director responsible for funds management in Europe, US and Japan. He has an honours degree in Commerce majoring in Finance from UNSW.

Paul Chadwick was most recently head of GMO Australasia where from 1999 until retirement in mid 2008 he had overall responsibility for their Australasian and Singaporean operations as well as being head of Systematic Global Macro Strategies. Prior to GMO he held senior roles at Westpac Investment Management covering a range of asset management responsibilities. He holds degrees in Science and Aeronautical Engineering from the University of Sydney.

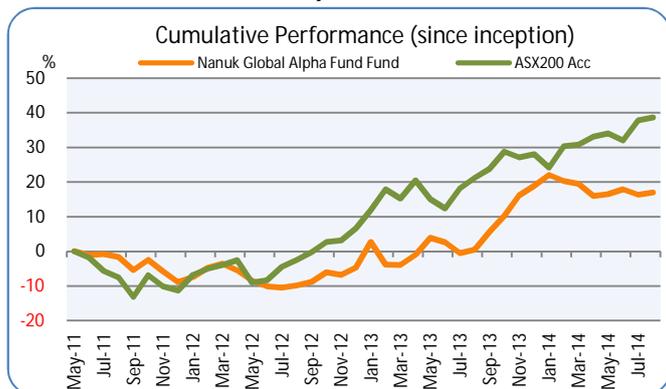
Tim Ryan is CEO and CIO of Orion Asset Management, founded in 2002 with over 32 years professional investment industry experience. Prior to Orion, Ryan was CIO and managing director at Credit Suisse Asset Management for seven years. He is a qualified CA and holds an Economics degree from the University of Sydney.

Sir Michael Hintze is the Founder, Chief Executive and CIO of CQS Ltd, a global multi strategy asset management firm based in London.



Key Performance	Nanuk Global Alpha Fund	ASX 200 Acc
Sep-14	-1.69	-5.38
Annualised Return	4.28	8.48
Latest 3 Months	-2.42	-0.60
Latest 6 Months	-3.71	0.33
Latest 12 Months	8.86	5.93
Latest 24 Months p.a.	12.32	14.71
Latest 36 Months p.a.	n/a	14.75
Latest 60 Months p.a.	n/a	6.81
% Positive Months	52.50	65.00
Best Month	7.72	7.25
Worst Month	-6.32	-6.64
Largest Drawdown	-10.50	-13.18
Average +ve Return	2.62	2.89
Average -ve Return	-2.08	-3.26
Annualised Standard Deviation	10.07	12.00
Downside Deviation (Since Inception)	6.66	8.12
Sharpe Ratio (Since Inception)	0.14	0.47
Sortino Ratio	0.14	0.61

\*Statistics above for the ASX are adjusted to the Fund's start date



### Investment Approach

Nanuk's aim is to develop a significant investment management organisation with world class intellectual capital focused on investment issues surrounding the larger question of global sustainability. Investment ideas are either thematic or relate to an individual stock's intrinsic mispricing.

This report qualifies Financial Advisors for 0.5 CPD points on completion of AFM's online test available at [www.fundmonitors.com](http://www.fundmonitors.com)

The Nanuk Global Alpha Fund is listed on [www.primselect.com](http://www.primselect.com)

### Performance - Net of Fees (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	2.69	-1.45	-0.73	-2.93	0.50	1.16	-1.26	0.52	-1.69	-	-	-	-3.26%
2013	7.72	-6.32	-0.09	3.01	4.94	-1.20	-3.10	1.06	5.11	4.34	5.35	2.37	24.72%
2012	1.66	2.87	1.25	-1.94	-3.17	-1.78	-0.45	0.79	1.05	3.03	-0.80	2.31	4.69%
2011	-	-	-	-	-	-1.13	0.32	-0.85	-3.80	3.06	-3.37	-3.37	-8.96%



## Fundamental Research & Analysis

Specifically the Manager's view is that the natural tension between economic growth and environment sustainability is resulting in long term, fundamental changes in many industries. These changes provide investment opportunities that can be exploited through sound, intelligent research and active investment. Examples of the types of industries that are of interest to the Fund are clean energy, energy efficiency, waste, pollution and recycling amongst others.

At the broad portfolio level the Fund looks to invest long and short in listed global equities with significant market exposure to environmental issues with a view to achieving an absolute return through market cycles while maintaining a low net market exposure. The return target is 15% pa over rolling 3 year period with a volatility target of 10% pa.

The Fund focuses on listed companies exposed to the overall theme of sustainability. The global universe was chosen because of its size, complexity and inefficiency. This sector is approximately 5% of the MSCI ACWI and is growing across sector, geography and capitalisation, but remains manageable enough for the Manager's specialist focus.

The sector's complexity derives from the fact that it is impacted by a wide range of factors each of which is undergoing rapid change including government policy and regulation, technology and changing industry structures. The sector is inefficient from an academic perspective with high realised volatility, a propensity for extreme over/under valuation at the stock and sector level, as well as an over-representation of poor quality stocks. This inefficiency is increased by a lack of research coverage, especially at the smaller end of market capitalisation.

In the listed sector over 75% of the Fund's universe is in stocks with a market of over \$5bn and another 19% with capitalisations of between \$1 to \$5bn. As such despite investor perceptions the sustainability sector is not populated by micro and small cap stocks. The number of stocks with a market cap above \$US5bn is approximately 150, while between a market cap of \$US 1-5bn there are 175 stocks. The full Nanuk universe has 689 companies with a combined market cap of \$US3,284bn. Nanuk regards companies as investable if they have a market cap over \$US200m and their sustainability related activities exceed 25% of company value.

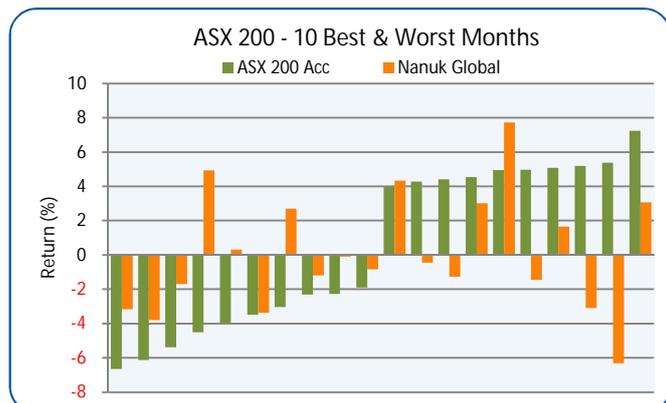
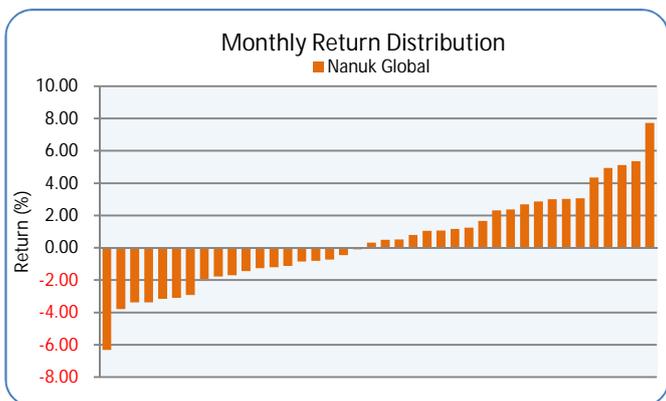
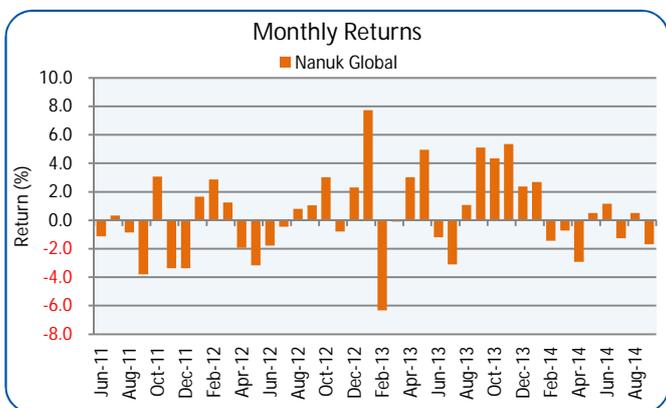
Thematic ideas are derived from macro research which may be driven by government policy analysis and particular industry sector supply and demand issues. Individual stock analysis using proprietary quantitative stock screening tools identifies those with opportunities which are then examined in detail using standard valuation techniques.

A key output of all analysis is an expected fair value or target price for the security/sector/asset class under consideration. This output is then coupled with risk and conviction metrics to rank investment ideas.

Three full time in-house analysts conduct fundamental research on all companies and sectors that the Fund may have an interest in as a result of its screening process. In addition, their researched is focused on 10 to 15 macro insights that the Manager believes are not being recognised or priced by the market. This effort is supported by quantitative analysis of global markets and stocks using proprietary models. Externally generated research comes from an array of sources – brokers, banks, independent specialist research houses, universities and industry – and is used to augment the firm's original research, or as more direct inputs into certain quantitative models.

## Nanuk global Alpha Fund Key Terms

Strategy	Equity Long/short
Geographic Mandate	Global
Domicile/Structure	Cayman Islands
Investor Type	Wholesale only
Min. Investment	US\$1,000,000
Additional Investment	No minimum
Management Fee	1.5% p.a
Performance Fee	15% p.a, with high water mark
Hurdle	LIBOR
Min. Term	No minimum
Redemption	Monthly
Inception Date	Jun-11
Fund Size	US\$21 million
Manager's Total FUM	US\$46 million
Status	Open





## Investment Risk & Processes

Risk processes are regarded as critical given the factors impacting in this sector, and as a result, its extreme volatility. Nanuk notes that the one year volatility of the sector is 179% compared to 27% for the S&P 500 (measured as standard deviation of stock returns). The three year volatility for the sector is 86% while the S&P 500's is 60%. The average annualised volatility of stocks in the investable universe is 36% as compared to 23% for the S&P 500.

The Fund can use shorts and equity index futures to manage industry specific risks as well as net market exposure at portfolio and regional levels.

Market cap limits are such that stocks under \$US250m/\$500/\$1bn market cap cannot exceed 10/35/55% of NAV respectively. In addition the Fund looks to diversify by thematic investment ideas, geography and size.

Typical net market exposure is -20% to +30% with gross exposure ranging from 100 to 150% of NAV with the typical number of holdings being 30 to 40 long and 20 to 30 short. Maximum net exposure is -50% to +70% and maximum gross exposure 250%. Single stock concentration limit is 10% for long positions, and -8% for shorts. A key determinant of position sizing is conviction in the asymmetry of potential returns, followed by the need to manage concentration and risks and overall portfolio characteristics. As an example a high conviction, asymmetric payoff with a clear catalyst and thematic support would result in a 6 to 10% long position, and a 5 to 7% short position. Core longs would be 20 to 50% of NAV.

## Performance Review

Nanuk has delivered an annualised return of 4.28% since inception in June 2011 compared to the return of the ASX 200 Accumulation Index over the same period of 8.48%. The Fund has delivered these returns with a lower volatility at 10.07% compared to 12.00% for the Index. Over the last twelve months the Fund has returned 8.86% as compared to the Index at 5.93%. Volatility was again lower at 8.84% compared to the ASX200's 10.17%. The Fund has a up and down capture ratio of 0.06 and -0.70 respectively.

## Operational & Business Risk

Nanuk has institutional quality infrastructure and service providers through Treasury Group, Deutsche Bank and TMF Fund Administration.

The Fund uses an in-house system to both manage risk and monitor compliance with risk limits. Positional data is manually entered to the system and an automated reconciliation process is run daily versus the Prime Broker and monthly versus the Administrator. Market data is sourced from FactSet with Bloomberg available as a backup.

Operational procedures have been implemented to ensure operational risk is minimised. These procedures include controls such as daily reconciliations of positions and GAV with the prime broker to ensure investment management systems are always accurate.

Nanuk adheres to the Basel II concept of operational risk, and defines this as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Segregation of duties is imposed, such that staff placing transactional orders with brokers being unable to provide settlement or cash movement instructions. All cash payments are made by the Prime Broker or the Administrator upon receipt of proper instructions.

Additionally, Nanuk is externally audited by a recognised top tier accounting firm.

## Structure , Terms & Compliance

Nanuk Asset Management Pty Ltd holds AFS Licence Number 432119 issued on 25 March 2013 for wholesale clients only and is the investment advisor to Nanuk Asset Management (Cayman) Ltd. The Nanuk Global Alpha Fund is registered and domiciled in the Cayman Islands.

The Business Manager, Melanie De Cressac is responsible for the compliance function of the firm and is also responsible for the operations and company support functions. Treasury Group Investment Services Ltd provides independent advice, reviews, ongoing monitoring and random substantiation of compliance controls. The Board oversees all compliance matters.

The Fund is only open to wholesale investors and has a minimum subscription of USD \$1,000,000 although the Manager has the discretion to accept investments below this threshold. The Management Fee is 1.5% p.a. of the Net Asset Value, payable monthly. The Performance Fee is equivalent to 15% of the increase in the Net Asset Value. Performance fees are subject to a permanent high water mark and are paid annually. The hurdle for payment of the performance fee is LIBOR.

No lock-up period exists. Investors can redeem monthly, with one month's notice period required. Generally 100% of the redemption proceeds are paid within 15 Business Days of the relevant redemption day. Redemptions are paid in US dollars.

## Service Providers

Custodian:	Deutsche Bank AG
Prime Broker:	Deutsche Bank AG
Administrator:	TMF Fund Administrators
Auditors:	Deloitte, Ernst and Young
Legal:	Minter Ellison

Commentary and performance data in this Fund Review is updated monthly by Australian Fund Monitors Pty Ltd. For updates email [contact@fundmonitors.com](mailto:contact@fundmonitors.com)



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"Trusted, Targeted Research"

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