

## OCTOBER 2023

The Apostle Carbon Credit Fund provides exposure to regulated global carbon markets with the aim of providing diversified liquid alternative portfolio benefits alongside a strong financial return.

### Investment Objective

The Fund seeks to outperform the Benchmark by at least 2% p.a. net of fees over rolling 5 year periods.

The Fund invests in the regulated/compliance markets of Australia, Europe, the United Kingdom, California and New Zealand.

### Fund Overview

Unit Price (NAV) A\$0.9023

Fund Size (AUD) \$28,128,313.58

Benchmark Equally weighted composite of the price indices for ACCU, EUA, UKA, NZU and CCA, hedged into AUD

Asset Class Carbon Credits

Portfolio Inception Date 3 April 2023

Investment Manager Apostle Funds Management

Management Fee 1.20% p.a. of GAV excl. GST

Performance Fee 20% (exclusive of GST) of the excess return, after the management fees and expenses have been deducted, above the Benchmark + 2% p.a

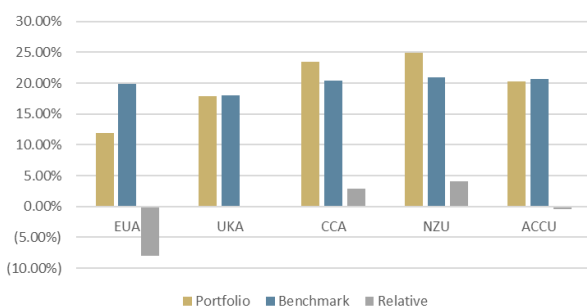
Minimum Investment \$500,000

Portfolio Team Luke Donovan - Partner, Global Carbon  
Joe Unwin - Portfolio Manager

Trustee K2 Asset Management

Custodian/Registry State Street Australia Limited

### Market Allocation



As at 31 October 2023. Source Bloomberg, StateStreet  
EUA is European Union Allowance, UKA is UK Allowances, CCA is California Carbon Allowances, NZU is New Zealand Units and ACCU is Australian Carbon Credit Units.

### Performance

Return (%)	1 Month	3 Month	6 Month	Since Inception (p.a.)
Fund (Gross)	1.51	3.11	(2.01)	(8.51)
Fund (Net)	1.41	2.80	(2.59)	(9.14)
Benchmark	0.54	(0.12)	(4.59)	(10.42)
Relative (Gross)	<b>0.97</b>	<b>3.23</b>	<b>2.58</b>	<b>1.91</b>

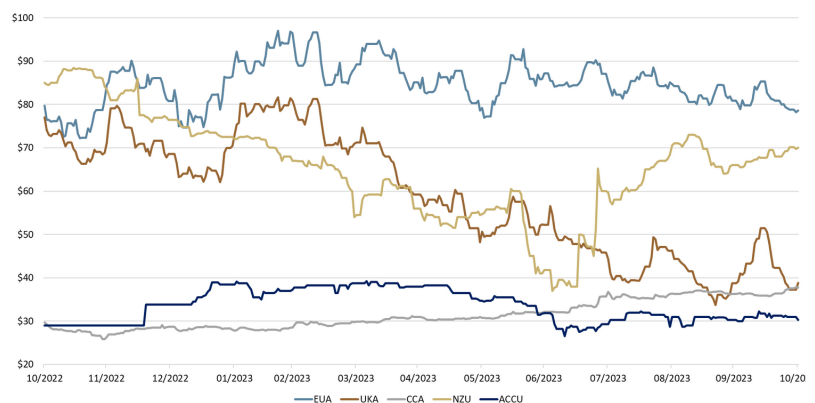
As at 31 October 2023. Source: State Street. The Benchmark is Equally weighted composite of the price indices for ACCU, EUA, UKA, NZU and CCA. Performance inception date is 3rd April 2023.

### Attribution

Gross (%)	Portfolio Return	Weighted Return	Attribution
Europe	(2.26)	(0.33)	0.30
United Kingdom	1.48	0.24	0.74
California	3.06	0.74	0.05
New Zealand	5.93	1.44	0.28
Australia	(0.47)	(0.07)	(0.09)

As at 31 October 2023. Source Bloomberg, StateStreet

### Global Carbon Market Price (12 Months)



As at 31 October 2023. Source Bloomberg.  
All prices reflect local currencies; EUA in Euros, UKA in Pound Sterling, CCA is United States dollars, NZU in New Zealand dollars and ACCU in Australian dollars.

## Why Invest in Carbon?

Carbon markets can enhance your portfolio in a number of ways. The key benefits include:

### Investment outlook

Carbon markets have a strong outlook which is supported by governments worldwide to meet their climate goals.

### Hedging against inflation

Carbon prices are a leading indicator of inflation.

### Hedging against climate risks

The climate crisis is creating an increasing cost of carbon. Carbon markets allow you to hedge this risk by purchasing carbon as an investment.

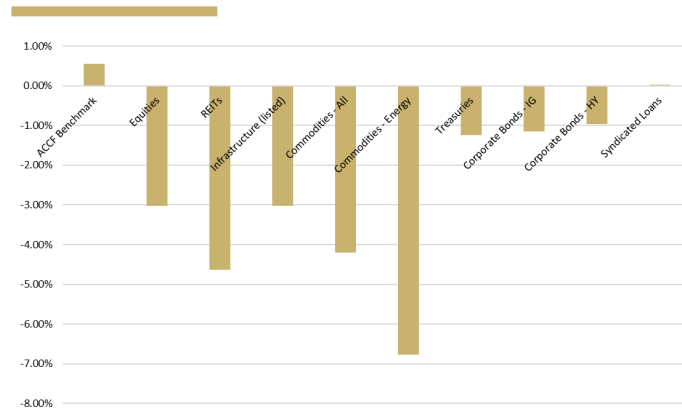
### Diversification benefits

Your portfolio gains exposure to an alternative liquid asset that has a unique risk/return profile and low correlation with major asset classes.

### Mitigating investment risk

For portfolios with little to no exposure to fossil fuel energy an allocation may mitigate this risk. It is expected to be increasingly correlated with gas and coal.

## Return by Asset Class (1 month)



For the Month of October 2023. Source Bloomberg. Equities refers to the MSCI ACWI Net Total Return Index. REITs refers to the S&P Global REIT Total Return Index. Infrastructure (listed) refers to S&P Global Infrastructure Total Return Index. Commodities refers to S&P GSCI Total Return CME. Treasuries refers to Bloomberg Global Agg Treasuries Total Return Index. Corporate Bonds (IG) refers to Bloomberg Global Agg Credit Total Return Index. Corporate Bonds (HY) refers to Bloomberg Global High Yield Total Return Index.

## Portfolio Commentary

**EUA** – EUAs finished September down 3.21% to settle at €79.05. The market again fluctuated throughout the month within a €7.23 range. The difference was that September saw the market break a significant price support level, settling below the €80.00 mark. Despite not having any fundamental importance, technically, the market has previously shown significant resistance at that level, and open interest in €80.00 strike options is material. A somewhat stable energy dynamic mainly led to this downward movement at the end of the month following the geopolitical turmoil associated with the beginning of October. Moving forward, the test for the market will be where to go next. Traditionally, when support levels such as this are broken, markets can experience further downward price momentum.

**UKA** – UKAs finished September down 0.26% to settle at £39.10. Whilst the UKA monthly price movement appears uneventful, the market traded with a wide ~36% range. Price volatility was driven by confirmation from Regulators that scheme cuts would be implemented next year. Whilst not new information for the market, the Regulator also suggested that a supply adjustment mechanism (SAM) akin to that in the EUA market was being considered. Based on this favourable policy and limited liquidity, prices reached a high of £51.89. However, faced with the same bearish fundamentals of the EUA market and no certainty on SAM policy reform, traders quickly provided selling that pushed the market back to where it started the month. Looking forward, the market will be watching if genuine compliance buying re-enters the market as it did last time the price ventured into the £30's.

**CCA** – CCAs were up 3.30% to settle at US\$37.92. Despite October's policy workshop failing to confirm policy reform outcomes unequivocally, the announcement of a joint November policy workshop with Quebec (the other jurisdiction included in the WCI) towards the end of the month gave enough confidence to the market that definitive reform is close and prices increased. In the short term, all eyes will be focused on the outcomes of the November workshop and what it will mean for the supply/demand dynamic of the market for the remainder of the decade.

**NZU** – NZUs finished up 5.98% to settle at NZ\$70.00. The NZ Federal election was run and won by a coalition of 3 parties led by the National Party. The Nationals have publicly stated they support the NZ ETS and intend to take a more hands-off approach to policy reform. This seems to have been well received by the market, especially in light of the volatile nature of ETS policy in New Zealand in the last 12 months. Attention now switches to the next NZU auction in early December. The December auction floor price will be NZ\$60, and if this one fails like previous 2023 auctions, then the entire auction volume of 2023 will be permanently removed from the market. The November spot price will be critical to the auction's success and will be used to set the confidential auction price reserve.

**ACCU** – ACCUs finished flat to settle at A\$30.25. Another month, another uneventful period in the ACCU market. There is no change in market dynamic with the synthetic price floor of -A\$28 holding the market as anticipation builds for when and how Safeguard Mechanism-compliant entities will hedge their requirements. Perhaps the most significant development came through the announcement that the ASX plans to list an ACCU Futures contract by Q4 of 2024. The market would welcome this, likely increasing liquidity and market participation. However, it's worth noting that not all Futures contracts are created equal and product specs will be critical to its success or failure.

## Signatory of:



## Member of:



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