

DECEMBER 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

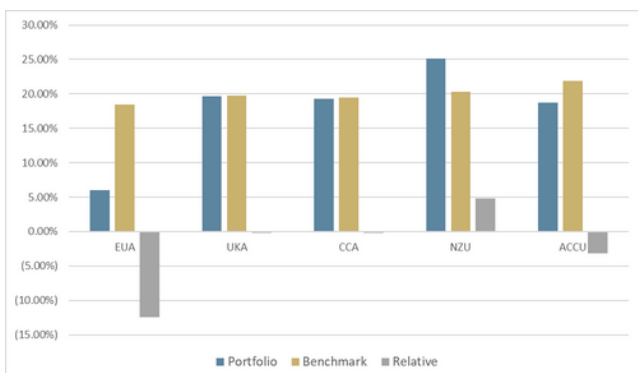
The Fund will seek to outperform the Benchmark by at least 2% p.a. net of fees over rolling 5 year periods.

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

Fund Overview

Unit Price (NAV)	A\$0.9422
Fund Size (AUD)	\$30,261,796.00
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
Hedging	Hedged into AUD
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 December 2023. Source Bloomberg, StateStreet.

Performance

Return (%)	1 Month	3 Month	6 Month	Since Inception (p.a.)
Fund (Gross)	2.01	6.21	13.71	(4.27)
Fund (Net)	1.91	5.89	13.02	(5.12)
Benchmark	2.51	4.76	9.89	(6.66)
Relative (Net)	(0.60)	1.13	3.13	1.54

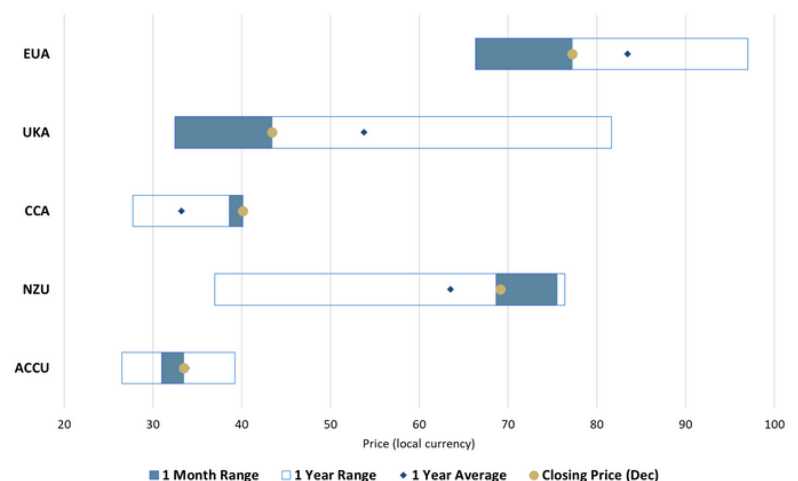
As at 31 December 2023. Source: State Street. The Benchmark is Equally weighted composite of the price indices for ACCU, EUA, UKA, NZU and CCA. Performance inception date is 3rd April 2023.

Attribution

Gross (%)	Portfolio Return	Weighted Return	Attribution
Europe	8.49	0.83	(0.72)
United Kingdom	6.88	1.77	0.56
California	1.94	0.38	(0.21)
New Zealand	(7.15)	(1.98)	(0.27)
Australia	4.69	0.87	(0.13)

As at 31 December 2023. Source Bloomberg, StateStreet

Global Carbon Market Price (12 Months)



As at 31 December 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.

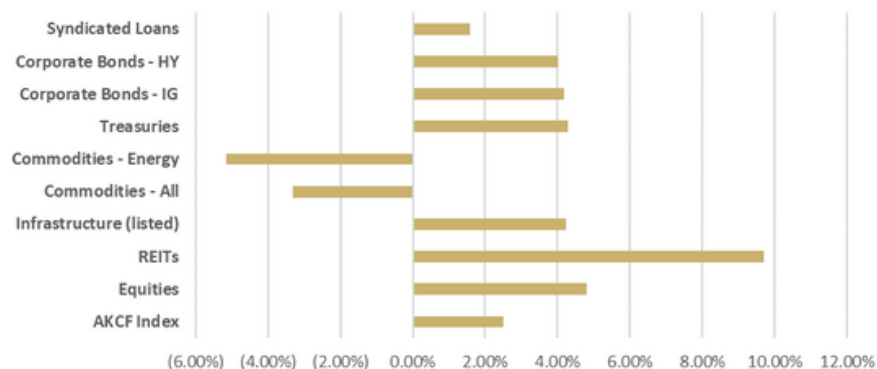
Diversification benefits

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

Mitigating divestment 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 December 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

European Union Allowances (EUA)

EUAs finished December up 9.01% to settle at €80.37. December was a tale of two halves, with the first half of the month seeing EUA prices continuing to decline as mild winter weather, and impending increases in 2024 auction supply, gave confidence to short sellers to increase their positions. This increase in short selling wasn't met with the same resistance it had been earlier in the calendar year and prices dropped to an 18 month low. Then with the arrival of the holiday period and seemingly good exit points for short sellers, the market turned and rallied strongly into the end of the month.

UK Allowances (UKA)

UKAs finished December up 7.30% to settle at £46.00. UKAs experienced a very similar December journey to that of EUAs. The middle of the month saw the market hit an 18 month low as weak, short term fundamentals drove prices down. This trajectory changed towards the back end of the month when short sellers began taking profit and reducing short positions. With limited liquidity due to the holiday period this buying saw prices recover and ultimately end the month higher.

Californian Carbon Allowances (CCA)

CCAs finished December up 2.87% to settle at US\$42.32. Following a busy October and November period for policy workshops, December had very little tangible price catalyst. Despite this, the market demonstrated a very consistent grind upwards with market commentary suggesting further positive policy announcements in Q1 to create tailwinds for the CCA prices in 2024. Whilst definitive positive policy reform was achieved in Q4 2023, it seems the market holds the belief reduced volume of allowances offered to the market will soon be legislated, which will significantly tighten the supply/demand dynamic of the CCA market heading towards 2030.

New Zealand Units (NZU)

NZUs finished December down 7.55% to settle at NZ\$69.15. December saw the failure of the final 2023 NZU auction. As previously discussed, the failure of this and 3 previous auctions means that all volume scheduled for sale in 2023 has now been permanently removed from the market. Whilst this result is widely seen as a long term bullish outcome for the market, speculators seemed intent on profit taking after 12.84% increases in the previous 2 months. This combined with limited liquidity associated with the traditionally quiet Christmas period saw price declines in December.

Australian Carbon Credit Units (ACCU)

ACCUs finished December up 4.69% to settle at A\$33.50. Despite there being no obvious price catalyst for ACCUs in December the market recorded its second straight month of >4.5% growth. This price trend would seem to suggest that compliant entities are slowly entering the market looking to hedge away their requirements under the Safe Guard Mechanism that began accumulating in July. The test for the ACCU market will come when full liquidity returns following the traditionally quiet Christmas, New Year holiday period.

Signatory of:



Member of:



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