

Apostle Carbon Credit Fund

Monthly Report – May 2024



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

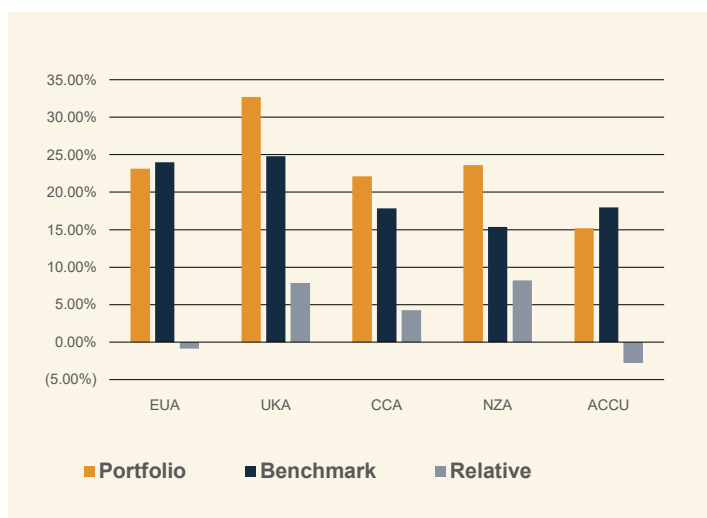
The Fund will seek to outperform the Benchmark by at least 2% p.a. net of fees over rolling 5-year periods.

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

Fund Overview

Unit Price (NAV)	A\$ 0.874600
Fund Size (AUD)	\$ 28,403,506.06
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. 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, Head of Portfolio Management
Responsible Entity	K2 Asset Management
Custodian/Registry	State Street Australia Limited

Market Allocation



As at 31 May 2024. Source Bloomberg, State Street.

Performance

Return (%)	1 mth	3 mth	6 mth	FYTD	1 year	Since inception (p.a.)
Total (gross)	6.89	2.27	(4.83)	6.08	2.82	(9.26)
Total (net)	6.78	1.96	(5.40)	4.92	1.60	(10.33)
Benchmark	6.77	3.46	(3.63)	3.30	(0.32)	(10.62)
Relative (net)	0.01	(1.50)	(1.77)	1.62	1.92	0.29

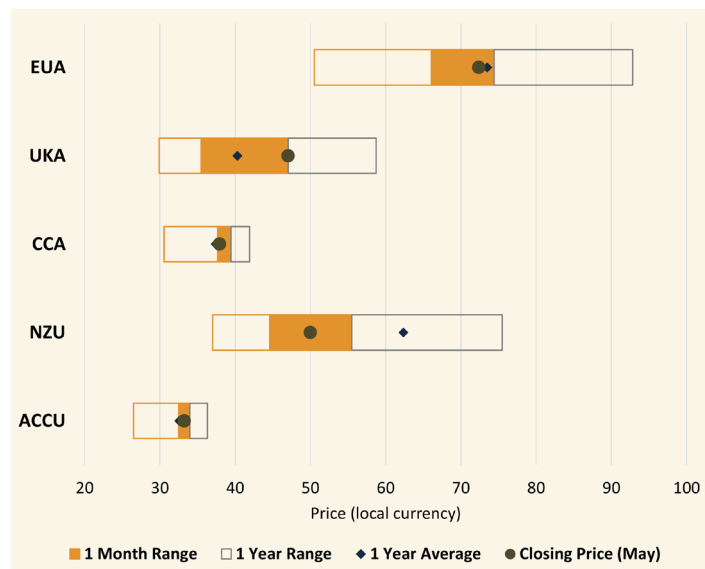
As at 31 May 2024. Source: State Street. The Benchmark is Equally weighted composite of the price indices for ACCU, EUA, UKA, NZU and CCA. Performance inception date is 3rd April 2023.

Attribution

Gross (%)	Portfolio Return	Weighted Return	Attribution
Europe	5.73	1.71	(0.16)
United Kingdom	33.27	8.45	1.26
California	(0.12)	(0.12)	(0.11)
New Zealand	(9.59)	(2.60)	(0.87)
Australia	(2.92)	(0.49)	0.09

As at 31 May 2024. Source Bloomberg, State Street.

Global Carbon Market Price (12 Months)



As at 31 May 2024. 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.

Portfolio Commentary

European Allowances – (EUAs)

EUAs finished May up 8.14% to settle at €74.10. EUAs posted their third month of strong returns largely driven by the appreciating fortunes of the European gas price. The Commitment of Traders report showed that this continued market uptick had resulted in market speculators had cut their net shorts to the lowest level in 7 months.

United Kingdom Allowances (UKAs)

UKAs finished May up 35.86% to settle at £48.61. The UKA market saw a substantial price recovery following the announcement that the UK national election will be held in July. This is relevant as the Labour opposition are heavy favourites to win Government and have signal that they are likely to push for change to strengthen the UKA ETS. In a similar situation to EUAs market speculators have now completely cut their net short positions and have now in fact established a net long position. This would suggest they expect further upside in this market. In the short term the market will be heavily focused on policy announcements from both sides of the election campaign.

Californian Carbon Allowances (CCAs)

CCAs finished May down 0.05% to settle at US\$38.98. May largely saw the CCA market sit in a holding pattern in anticipation of delayed Auction results and the ARB policy workshop both of which occurred at the very end of the month. A ~US\$2 downward movement in the last 2 days of the month suggested participants viewed the results of these two events negatively. The dynamic in the CCA market is this, participants remain confident that positive scheme updates are coming and will be implemented in time for Jan 2025, however the Regulator continues to remain coy on the specifics of those changes. Fatigue of market participants waiting for these details appears over exaggerated with less than 6 months to wait, and the headline positive changes all but confirmed.

New Zealand (NZUs)

NZUs finished May down 9.50% to settle at NZ\$50.00. NZUs saw another month of significant drawdowns this month driven by the Governments release of its annual consultation on NZ ETS settings. The key takeaways of the consultation were the unexpected pondering on whether there is a requirement to lower price control mechanism most notably the auction price floor. Downward movement in the auction floor would be considered bearish for price, however, it should be noted it's not entirely clear how the Government would justify such a move considering it wasn't contemplated by the Independent Climate Change Commission who advises the Government on scheme effectiveness and design. Mid-month prices were down a further 10% before recovering strongly into the end of the month, suggesting initial reaction to the news may have been overcooked.

Australian Carbon Credit Units (ACCUs)

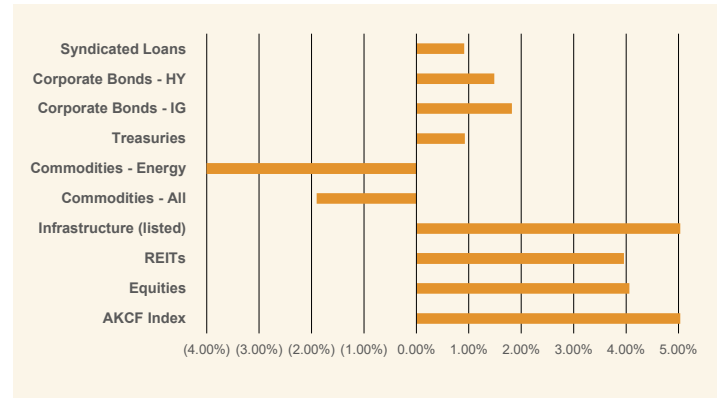
ACCUs finished May up 2.92% to settle at A\$33.25. The ACCU market was largely uneventful this month, with a small downward movement in price corresponding with the Regulator issuances of ACCUs which saw a number of project developers come to market looking for bids.

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Return by Asset Class (1 Month)



For the Month of May 2024. 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.

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 ("K2") an allocation may mitigate this risk. It is expected to be increasingly correlated with gas and coal.

Signatory of:



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