

Apostle Carbon Credit Fund

Monthly Report – September 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

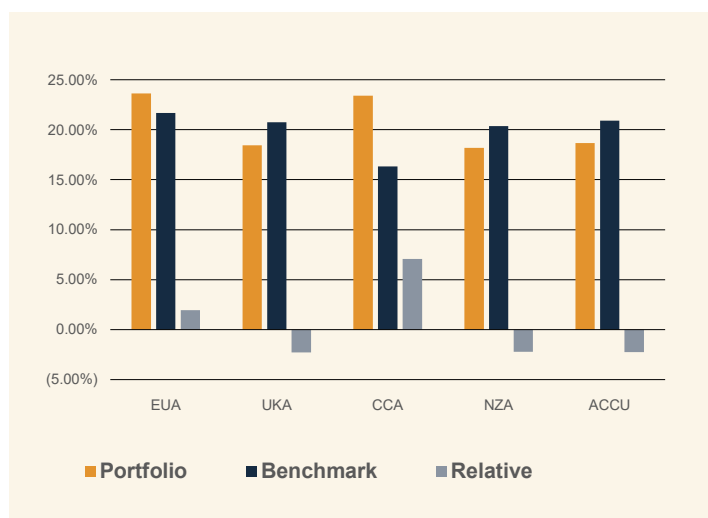
The Fund will seek to outperform the Benchmark by at least 2% p.a. net of fees over rolling 5-year periods.

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

Fund Overview

Unit Price (NAV)	A\$0.8112
Fund Size (AUD)	\$27,144,753.68
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 30 September 2024. Source Bloomberg, State Street.

Performance

Return (%)	1 mth	3 mth	6 mth	FYTD	1 Year	Since inception (p.a.)
Total (gross)	(4.22)	(2.59)	(0.65)	(2.59)	(6.94)	(11.07)
Total (net)	(4.32)	(2.88)	(1.24)	(2.88)	(8.04)	(12.12)
Benchmark	(4.50)	(2.41)	1.11	(2.41)	(6.88)	(11.71)
Relative (net)	0.18	(0.47)	(2.35)	(0.47)	(1.16)	(0.41)

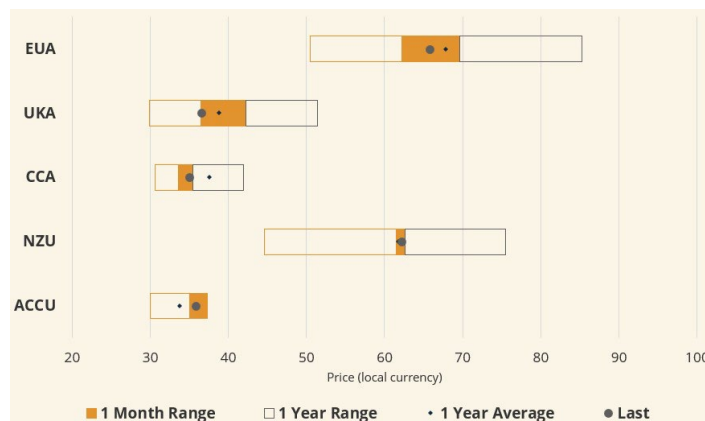
As at 30 September 2024. Source: State Street. The Benchmark is an equally weighted composite of the price indices for ACCU, EUA, UKA, NZU and CCA. Performance inception date is 3rd April 2023.

Attribution

Gross (%)	Portfolio Return	Weighted Return	Attribution
Europe	(5.75)	(1.39)	0.13
United Kingdom	(16.20)	(3.65)	0.07
California	3.17	0.72	0.22
New Zealand	(0.78)	(0.18)	(0.07)
Australia	1.96	0.28	(0.12)

As at 30 September 2024. Source Bloomberg, State Street.

Global Carbon Market Price (12 Months)



As at 30 September 2024. Source Bloomberg. All prices reflect local currencies; EUA in Euros, UKA in Pound Sterling, CCA in United States dollars, NZU in New Zealand dollars and ACCU in Australian dollars.

Portfolio Commentary

European Allowances (EUAs)

EUAs ended September down 6.74%, settling at €65.56. The market faced aggressive selling pressure, and despite genuine buying related to last-minute compliance needs before the September deadline, prices continued to decline. Broader energy market dynamics, especially in European gas, played a significant role, with gas markets facing selling pressure due to speculators holding long positions against increasingly bearish short-term fundamentals.

United Kingdom Allowances (UKAs)

UKAs finished September down 15.84%, closing at £36.45. This marked a reversal from the positive sentiment seen in August, as speculators appeared to lose patience with the anticipated policy reforms, selling off the positions accumulated during the previous month. Market participants are now focusing on the upcoming government budget announcement at the end of October, hoping for signs of more favourable policy developments.

Californian Carbon Allowances (CCAs)

CCAs ended September up 3.17%, settling at US\$36.12. The month mirrored August's performance, with prices gradually rising as the market recovered from overselling triggered by earlier policy reform delays. This positive momentum continued despite the absence of a policy workshop in September, which many had anticipated.

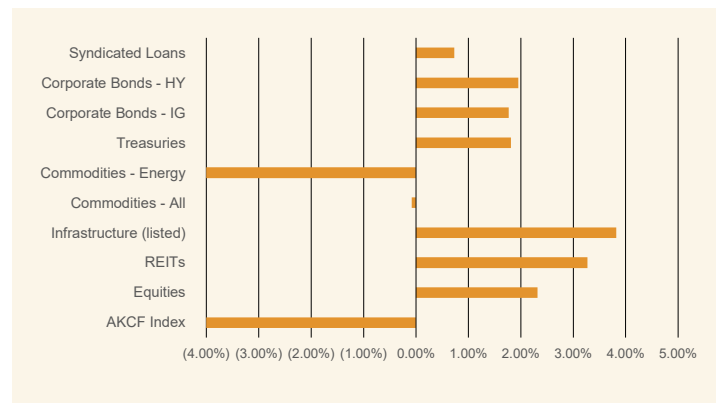
New Zealand (NZUs)

NZUs closed September down 0.56%, settling at NZ\$62.15. Following the positive policy announcements in August and subsequent double-digit price growth, the market largely stabilised in September. The current price is near the 2024 NZ\$64 auction floor. For the approximately 7 million NZUs on offer in the December auction to sell above this floor, secondary market prices would need to rise above NZ\$70—a scenario that seems unlikely at this point. As a result, the market may remain in a holding pattern until after the December auction.

Australian Carbon Credit Units (ACCUs)

ACCUs finished September up 2.14%, settling at A\$35.80, marking their fourth positive month out of the past five. Liquidity was robust, with some trading days seeing volumes exceed 1 million units. Although negative press in September raised questions about the integrity of the Clean Energy Regulator, many of these claims appeared to come from sources whose concerns had already been addressed in the 2023 Independent Review by Professor Ian Chubb.

Return by Asset Class (1 Month)



For the month of September 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 energy an allocation may mitigate this risk. It is expected to be increasingly correlated with gas and coal.

Contact us

Apostle Funds Management Pty Ltd
 Level 14, 50 Pitt St, Sydney NSW 2000
 Level 31, 120 Collins St, Melbourne VIC 3000

T: +61 2 8278 9554 F: +61 2 9247 9976
 apostleclientservice@apostlefm.com.au
 www.apostlefm.com.au

Signatory of:



Member of:



This document has been prepared by Apostle Funds Management Pty Limited ("Apostle") (ABN 16 129 922 612) (AFSL No. 458375). The Apostle Carbon Credit Fund is issued by K2 Asset Management Ltd ("K2") (ABN 95 085 445 094) (AFSL No. 244393), a wholly owned subsidiary of K2 Asset Management Holdings Limited (ABN 59 124 636 782). This material and the content of any offer document for the investment are principally governed by Australian rather than New Zealand law. This material may contain information provided directly by third parties. This material is for information purposes only. It is not an offer or a recommendation to invest and it should not be relied upon by investors in making an investment decision. Offers to invest will only be made in the relevant offer document and this material is not intended to substitute suitable disclosure documents which will outline the risks involved and other relevant information. Any investment carries potential risks and fees which are described in the relevant offer document. An investor should, before deciding whether to invest, consider the appropriateness of the investment, having regard to both the relevant offer document in its entirety and the investor's objectives, financial situation and need. This information has not been prepared taking into account your objectives, financial situation or needs. Please note that past investment performance is not a reliable indicator of future investment performance. No representation is made as to future performance or volatility of the investment. In particular, there is no guarantee that the investment objectives and investment strategy set out in this presentation may be successful. Any forward-looking statements, opinions and estimates provided in this material are based on assumptions and contingencies which are subject to change without notice and should not be relied upon as an indication of the future performance. Persons should rely solely upon their own investigations in respect of the subject matter discussed in this material. No representations or warranties, expressed or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this material. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available to Apostle. To the maximum extent permitted by law, all liability in reliance on this material is expressly disclaimed. This document is strictly confidential and is intended solely for the use of the person to whom it has been delivered. It may not be reproduced, distributed or published, in whole or in part, without the prior approval of Apostle. Third party distributors may be used to market the investment to New Zealand investors. Where this occurs, this material can only be provided to New Zealand persons that the New Zealand distributor is authorised to deal with under New Zealand law and is not available to any person to whom it would be unlawful to make such offer or invitation.