

Apostle Carbon Credit Fund

Monthly Report – October 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

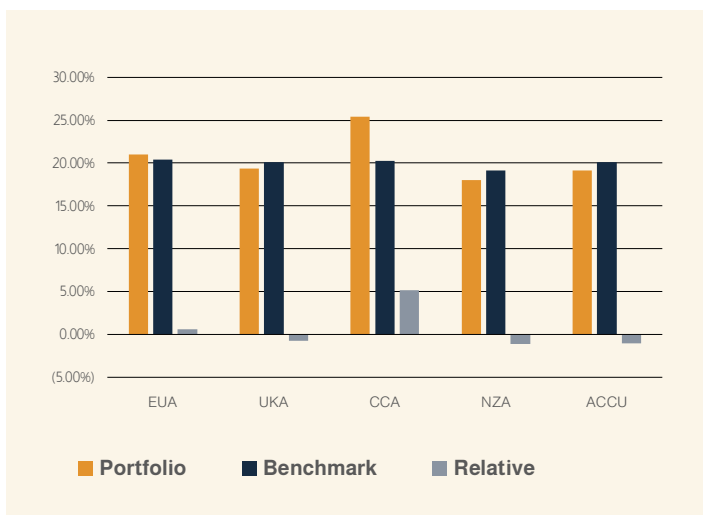
The Fund will seek to outperform the Benchmark by at least 2% p.a. net of fees over rolling 5-year periods.

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

Fund Overview

Unit Price (NAV)	A\$0.8359
Fund Size (AUD)	\$27,981,142.69
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 October 2024. Source Bloomberg, State Street.

Performance

Return (%)	1 mth	3 mth	6 mth	FYTD	1 year	Since inception (p.a.)
Total (gross)	3.16	6.82	3.56	0.49	(5.43)	(8.74)
Total (net)	3.05	6.50	2.94	0.08	(6.55)	(9.82)
Benchmark	3.57	6.80	4.56	1.07	(4.08)	(9.13)
Relative (net)	(0.52)	(0.30)	(1.62)	(0.99)	(2.47)	(0.69)

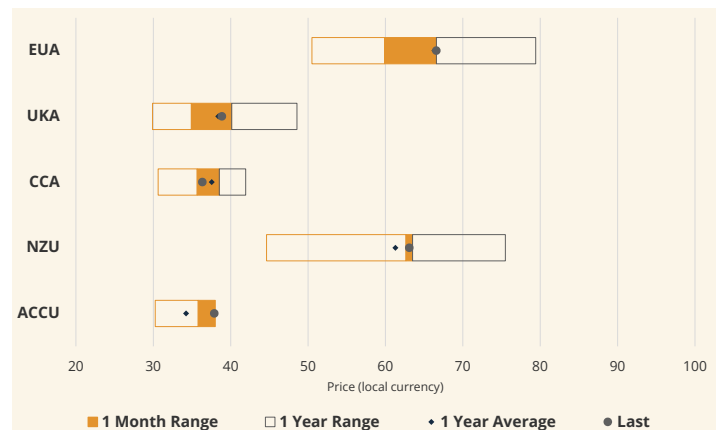
As at 31 October 2024. Source: State Street. The Benchmark is an equally weighted composite of the price indices for ACCU, EUA, UKA, NZU and CCA. Performance inception date is 3rd April 2023.

Attribution

Gross (%)	Portfolio Return	Weighted Return	Attribution
Europe	(1.94)	(0.50)	(0.25)
United Kingdom	3.61	0.77	(0.42)
California	4.84	1.18	0.32
New Zealand	2.02	0.37	(0.16)
Australia	7.26	1.33	(0.24)

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

Global Carbon Market Price (12 Months)



As at 31 October 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

With the exception of positive policy developments in CCAs and continued buying support in ACCUs, global carbon markets delivered their second consecutive month of subdued activity.

European Allowances (EUAs)

EUAs ended October down 149%, settling at €64.58. Despite a second consecutive monthly decline, EUAs traded within a tight €60-€65 range, with limited short-term catalysts. Movements in regional gas prices remain the primary driver, with future price action likely influenced by shifts in weather forecasts and geopolitical tensions, both of which could impact regional gas prices and, consequently, EUAs.

United Kingdom Allowances (UKAs)

UKAs rose 3.95% in October, settling at £37.89. Following last month's substantial decline, UKAs found support around £37. Prices tested the £39/£40 level amid speculation that the October 30th government budget might include provisions for UK ETS policy reform. However, as the date approached, leaks indicated no direct mention of the UK ETS, leading to tempered expectations. While the budget supported carbon capture, nuclear, and clean energy initiatives, it fell short of addressing calls for specific ETS reforms.

Californian Carbon Allowances (CCAs)

CCAs closed October up 4.84%, reaching US\$37.87. The major event for CCAs was a mid-month workshop announcement where regulators reaffirmed their commitment to releasing a comprehensive package of cap-and-trade amendments. They announced plans to enter the final rulemaking stages in the coming weeks, with a full rulemaking package anticipated soon. This news initially lifted prices towards US\$39, though profit-taking and disappointment over the lack of further updates later in the month led to a pullback.

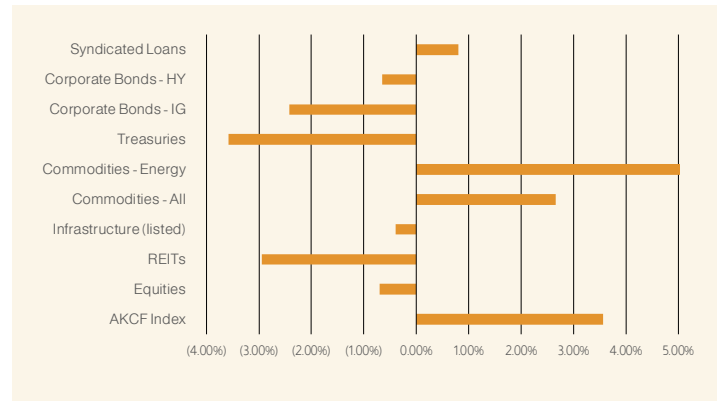
New Zealand (NZUs)

NZUs finished October up 2.49%, closing at NZ\$63.70. October was relatively quiet for the NZU market, with prices hovering near the NZ\$64 floor for the upcoming December auction. The December auction will offer 11 million NZUs, and based on current secondary market pricing, it's likely to either fail or partially settle at the auction floor price.

Australian Carbon Credit Units (ACCUs)

ACCUs rose 7.26% in October, closing at A\$38.40. Despite no significant changes in underlying market fundamentals, ACCUs have experienced price gains in 5 of the past 6 months. This price increase has occurred amid low volatility, with ACCUs registering annualised volatility of 11.27% in October—the second lowest among the five benchmark markets. The upward trend appears driven by increased participation, particularly from compliance entities, which now hold over 50% of the surplus ACCUs. With prices approaching the upper end of forecasts, the question remains as to the market's next move.

Return by Asset Class (1 Month)



For the month of October 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.

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