

Apostle Carbon Credit Fund

Monthly Report – November 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

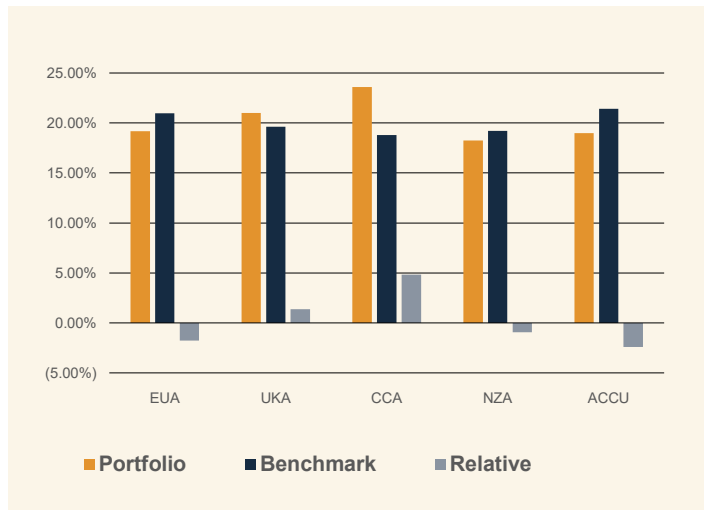
The Fund will seek to outperform the Benchmark by at least 2% p.a. net of fees over rolling 5-year periods.

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

Fund Overview

Unit Price (NAV)	A\$0.8272
Fund Size (AUD)	\$27,700,936.28
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 30/11/2024. Source: Bloomberg, State Street.

Performance

Return (%)	1 mth	3 mth	6 mth	FYTD	1 year	Since inception (p.a.)
Total (gross)	(0.95)	(2.13)	(4.03)	(0.47)	(8.67)	(8.85)
Total (net)	(1.04)	(2.42)	(4.60)	(0.96)	(9.75)	(9.92)
Benchmark	(0.78)	(1.87)	(2.83)	0.29	(6.36)	(9.13)
Relative (net)	(0.26)	(0.55)	(1.77)	(1.25)	(3.39)	(0.79)

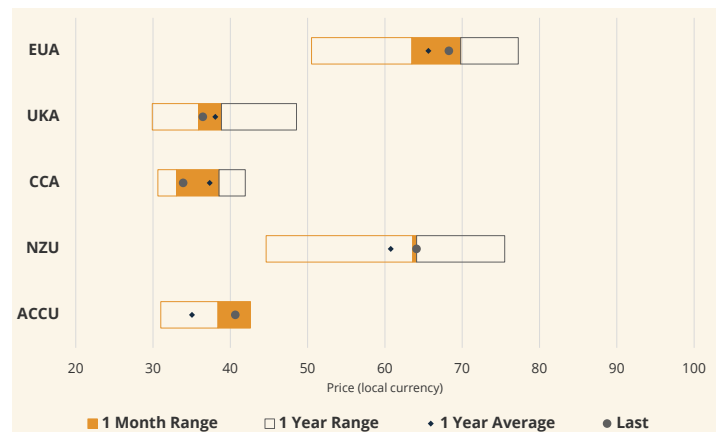
As at 30/11/2024. Source: State Street. The Benchmark is an equally weighted composite of the price indices for ACCU, EUA, UKA, NZU and CCA. Performance inception date is 3rd April 2023.

Attribution

Gross (%)	Portfolio Return	Weighted Return	Attribution
Europe	6.08	1.19	0.01
United Kingdom	(3.57)	(0.76)	(0.06)
California	(9.33)	(2.45)	(0.45)
New Zealand	(0.14)	(0.03)	0.14
Australia	5.95	1.12	0.18

As at 30/11/2024. Source Bloomberg, State Street.

Global Carbon Market Price (12 Months)



As at 30/11/2024. 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

Whilst the percentage of moves in carbon markets was greater in November than in previous months, overall, the market was largely uneventful. The standout was the CCA market, where annualised volatility almost doubled in the previous six months as policy uncertainty and significant speculator participation continued to drive big price moves. Encouragingly, the annualised volatility of the ACCF index continues to remain less than half that of the average of its component markets.

European Allowances (EUAs)

EUAs finished November up 5.92% settling at €68.40. While the headline number appears encouraging, trading activity was again dominated by sideways movements. The market broke through €70 on several occasions on the back of strong associated movements in regional gas prices. However, prices appeared to find significant resistance around that level. Encouragingly for medium-term pricing, speculators continued to cut their shorts and add length, resulting in a 16-month high net long position.

United Kingdom Allowances (UKAs)

UKAs finished October down 3.51%, settling at £36.56. It was a largely uneventful month for UKAs, with the market giving up the gains experienced in October. In policy development news, the UK Government launched a consultation regarding the expansion of the scheme to cover maritime emissions and a proposal to consider permanent removals in the market. Whilst not considered overly significant, speculators continue to build length in anticipation of either EUA linkage or a market stability reserve policy.

Californian Carbon Allowances (CCAs)

CCAs finished November down 9.61% settling at US\$34.23. November was a disappointing month for CCAs following positive tailwinds from the October policy update. This was driven by reports that the market should not expect the release of final rule-making documentation until next year, despite earlier being given indications that it would be published in the weeks following October's workshop. November also saw market participants sell volume in anticipation of the quarterly auction held at the end of the month. Whilst the auction cleared ~US\$2 discount to market, on the day, the market managed to settle largely unchanged, a potential sign that auction participants were happy to keep the volume at this level.

New Zealand (NZUs)

NZUs finished November down 0.84%, settling at NZ\$65.05. NZUs were largely in a holding pattern again in November in anticipation of the final auction to be held in early December. Encouragingly, there has been significant spot volume trade at or slightly above the NZ\$64 trade floor.

Australian Carbon Credit Units (ACCUs)

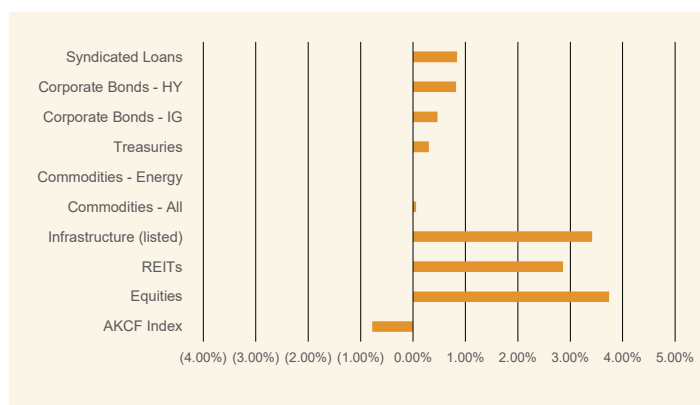
ACCUs finished November up 4.65% settling at A\$41. ACCUs continued their recent positive momentum with prices hitting a 32-month high during the month. Prices began to soften towards the end of the month on the back of the regulator releasing an updated forecast for the issuance of safeguard mechanism credits (SMC) 4-6 times higher than previous forecast. As SMCs can be used to comply with future periods the news was considered bearish for forward ACCU demand.

Contact us

Apostle Funds Management Pty Ltd

Level 14, 50 Pitt Street Sydney NSW 2000
 T: +61 2 8278 9554 F: +61 2 9247 9976
www.apostlefm.com.au
apostleclientservice@apostlefm.com.au

Return by Asset Class (1 Month)



For the month of November 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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