Apostle Carbon Credit Fund

Monthly Report **– December 2024**

APOSTLE

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

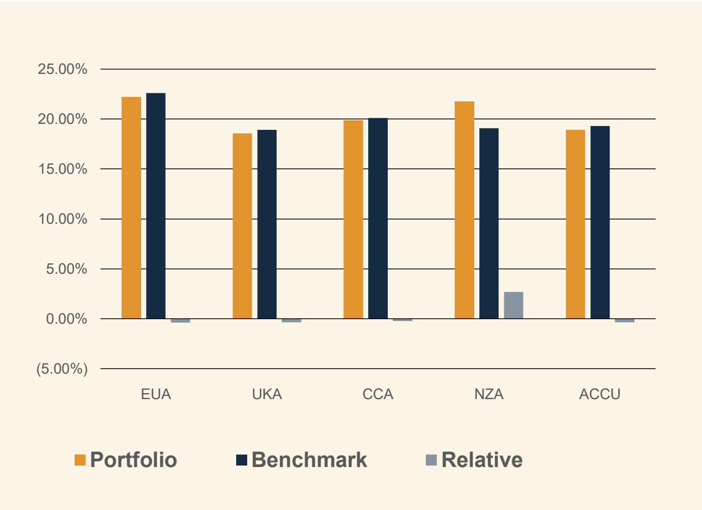
The Fund will seek to outperform the Benchmark by at least 2% p.a. net of fees over rolling 5-year periods.

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

Fund Overview

Unit Price (NAV)	A$0.8052
Fund Size (AUD)	$26,976,074.78
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 31/12/2024. Source: Bloomberg, State Street.

Performance

Return (%)	1 mth	3 mth	6 mth	FYTD	1 year	Since inception (p.a.)
Total (gross)	(2.57)	(0.44)	(3.02)	(3.02)	(12.77)	(9.79)
Total (net)	(2.67)	(0.74)	(3.60)	(3.60)	(13.80)	(10.85)
Benchmark	(2.89)	(0.21)	(2.62)	(2.62)	(11.30)	(10.22)
Relative (net)	0.22	(0.53)	(0.98)	(0.98)	(2.50)	(0.63)

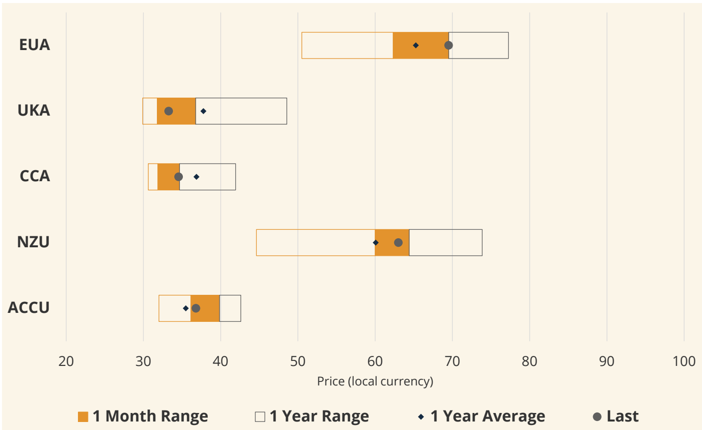
As at 31/12/2024. Source: State Street. The Benchmark is an equally weighted composite of the price indices for ACCU, EUA, UKA, NZU and CCA. Performance inception date is 3rd April 2023.

Attribution

Gross (%)	Portfolio Return	Weighted Return	Attribution
Europe	4.75	0.92	0.15
United Kingdom	(6.09)	(1.21)	0.03
California	0.01	(0.17)	(1.29)
New Zealand	(0.94)	(0.29)	(0.20)
Australia	(9.96)	(1.80)	0.49

As at 31/12/2024. Source: Bloomberg, State Street.

Global Carbon Market Price (12 Months)



As at 31/12/2024. 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 finished December up 3.87%, settling at €73.00. A combination of speculators continuing to switch to net long positions and strong regional gas prices increased EUAs again during December. The previous resistance at the €70 level was easily surpassed, and with the medium-term fundamentals appearing bullish, Q1 2025 may see prices test the €75 level.

United Kingdom Allowances (UKAs)

UKAs finished December down 6.24% settling at £35.98. UKA pricing continues to be hindered by speculators unwinding record net long positions by adding shorts. This activity is attributed to a loss of patience with policy reforms that are yet to be forthcoming following last year's elections. Short-term price recovery is more likely to be driven by stronger EUA and regional gas pricing, as no immediate policy announcement seems likely.

Californian Carbon Allowances (CCAs)

CCAs finished December up 0.12%, settling at US$36.31. December was largely a quiet period for CCA prices, as most of the price action associated with option expiry and the quarterly auction was played out in November's drawdown. With prices seemingly well supported at this level, the impending policy development expected in Q1 25 will likely drive market activity in the coming period.

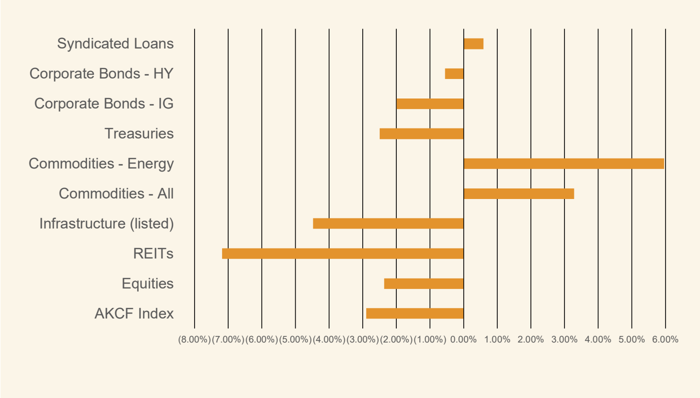
New Zealand (NZUs)

NZUs finished December down 0.46%, settling at NZ$64.75. The last 2024 NZU auction was held during the period and resulted in a partial clearance. Of the ~11m NZUs offered in the auction ~4m were sold. As it was the last auction of 2024, the remaining 7m unsold NZUs were permanently removed from the market. Whilst there was an initial selloff following the result, the market recovered to trade above the auction floor price by the end of the period. With the auction floor increasing to NZ$68 in 2025 and auction volumes for 2025-2030 recently being reduced by circa a half, the market now turns its attention to the first auction of 2025 to gauge how compliant entities will act under this new regime.

Australian Carbon Credit Units (ACCUs)

ACCUs finished December down 10.90%, settling at A$36.53. The recent run for ACCUs came to an end in December, with prices trading off following 32-month highs witnessed in November. Several announcements from the regulator appeared to weigh on pricing, namely ACCU issuance for Q4 that beat market expectations and a 5x increase in the forecasted volume of safeguard mechanism credits (SMC).

Return by Asset Class (1 Month)



For the month of December 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 Street Sydney NSW 2000
T: +61 2 8278 9554 F: +61 2 9247 9976
www.apostlefm.com.au
apostleclientservice@apostlefm.com.au

Signatory of:

PRI Principles for Responsible Investment

Member of:

riaa Responsible Investment Association Australasia