

Apostle Carbon Credit Fund

Monthly Report – February 2025



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

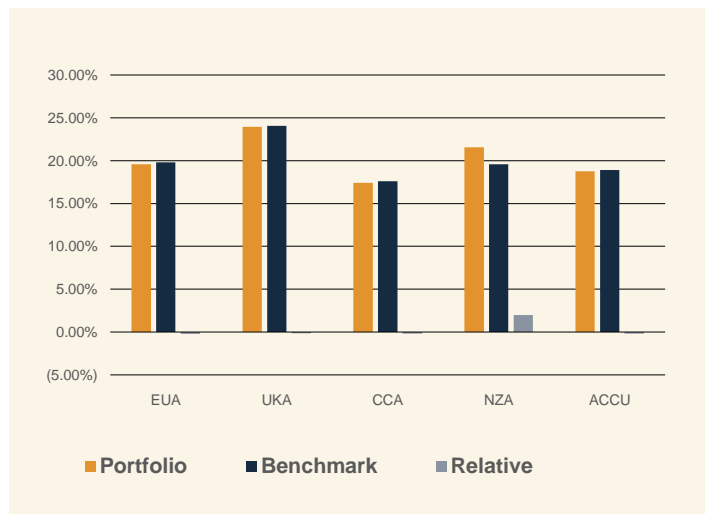
The Fund will seek to outperform the Benchmark by at least 2% p.a. net of fees over rolling 5-year periods.

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

Fund Overview

Unit Price (NAV)	A\$0.7991
Fund Size (AUD)	\$27,794,728.13
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 28/02/2025. Source: Bloomberg, State Street.

Performance

Return (%)	1 mth	3 mth	6 mth	FYTD	1 year	Since inception (p.a.)
Total (gross)	(5.19)	(3.11)	(5.18)	(3.56)	(4.90)	(9.26)
Total (net)	(5.28)	(3.39)	(5.74)	(4.32)	(6.03)	(10.34)
Benchmark	(4.73)	(3.22)	(5.03)	(2.95)	(2.71)	(9.56)
Relative (net)	(0.55)	(0.17)	(0.71)	(1.37)	(3.32)	(0.78)

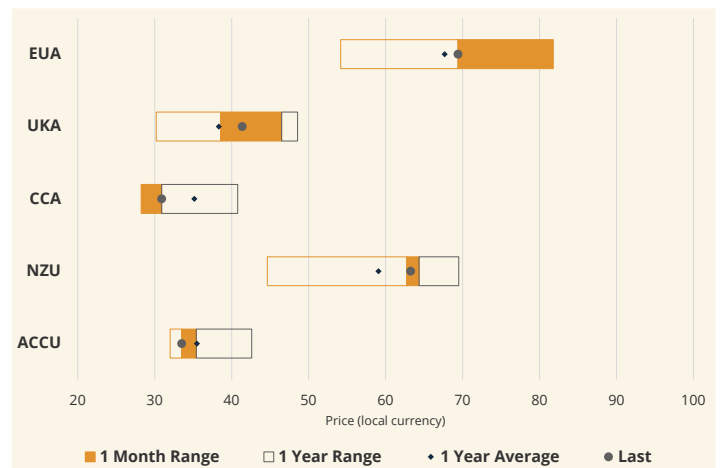
As at 28/02/2025. Source: State Street. The Benchmark is an equally weighted composite of the price indices for ACCU, EUA, UKA, NZU and CCA. Performance inception date is 3rd April 2023.

Attribution

Gross (%)	Portfolio Return	Weighted Return	Attribution
Europe	(15.19)	(3.27)	0.11
United Kingdom	(5.68)	(1.34)	0.21
California	3.20	0.49	(0.02)
New Zealand	(1.75)	(0.37)	(0.20)
Australia	(4.31)	(0.79)	(0.57)

As at 28/02/2025. Source: Bloomberg, State Street.

Global Carbon Market Price (12 Months)



As at 28/02/2025. 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 February down 15.41%, closing at €71.00. Sentiment in the EUA market continued to be influenced by fluctuations in the regional gas market. Geopolitical developments, including diplomatic efforts spearheaded by the U.S. President, heightened expectations for a potential resolution to the war in Ukraine. Consequently, gas markets began to factor in the possibility of Russian gas returning to Europe, resulting in a significant drop in regional gas prices. This, in turn, prompted a widespread sell-off in EUAs. While relatively strong auction results suggest that compliance entities are building positions at these levels in anticipation of the expected 2026 scheme deficit, the downward pressure from declining gas prices proved too substantial to counter.

United Kingdom Allowances (UKAs)

UKAs finished February down 6.42%, settling at £42.87. While affected by similar forces as EUAs, UKAs managed to retain a large portion of January's ~27% surge. This suggests that the market still considers the potential linkage between the UK ETS and EU ETS, reported in late January, to be credible. Further support for UKAs came from the UK's Climate Change Committee, which stated that UK emissions must decline by 87% by 2040 (compared to 1990 levels) to achieve net zero by 2050—a policy stance that could bolster long-term demand.

Californian Carbon Allowances (CCAs)

CCAs finished February down 3.19%, settling at US\$32.06. After sharp declines in January, the market stabilised somewhat in February despite ongoing policy reform delays. The first auction of 2025 cleared at a US\$3.40 premium to the reserve price of US\$25.87, suggesting a degree of underlying demand. Despite delays in the expected scheme reforms, there was positive policy news, with lawmakers introducing a bill to reauthorise the program beyond its current 2030 expiration.

New Zealand (NZUs)

NZUs ended February down 0.86%, settling at NZ\$63.75. The market remained quiet, with low trading activity. At current price levels, it is highly unlikely that any NZUs will be sold in the March auction. However, since unsold volumes roll into the next auction, this is not expected to have a significant short-term market impact.

Australian Carbon Credit Units (ACCUs)

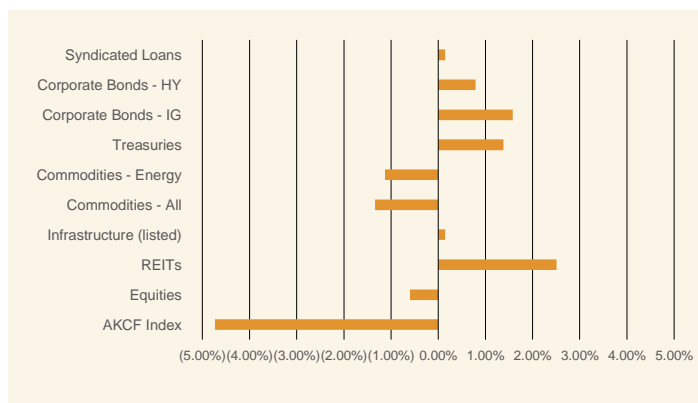
ACCUs closed February down 1.20%, settling at A\$34.63. The key market event was the release of the Q4 2024 Quarterly Carbon Market Report, confirming the issuance of 8 million Safeguard Mechanism Credits (SMCs). Shortly after, the first recorded SMC trade took place, with 190,000 SMCs transacted at A\$34.00, representing a small discount to generic ACCUs. Additionally, the Regulator confirmed the outcomes of the fourth pilot exit window, revealing lower-than-expected exits from Carbon Abatement Contracts (CACs). This means that a greater-than-expected volume has been delivered to the government under pre-existing agreements, reducing available supply in the secondary market.

Contact us

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Return by Asset Class (1 Month)



For the month of February 2025. 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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