



Ninepoint Carbon Credit ETF Commentary

October 2022 Commentary

As of October 31, 2022, the **Ninepoint Carbon Credit ETF** is valued at a NAVPU of \$19.16 (Series ETF). At the launch of the fund on Feb 16, 2022, the NAVPU was \$20.00 (Series ETF).

Investment Strategy

The Fund seeks to achieve its investment objectives by primarily investing directly in carbon allowance futures. The Fund currently invests in the major carbon allowance futures globally, namely, the **European Union Allowance (the "EUA")**, the **California Carbon Allowance (the "CCA")**, the **UK Allowance (the "UKA")** and the **Regional Greenhouse Gas Initiative (the "RGGI")**. The Fund may invest in additional carbon allowance futures contracts as the global carbon credit market grows.

Market Update

For the month of October, the developed market equities (US, Eurozone, Japan) recovered some ground, although emerging market equities remain under pressure. The central banks continue to support hawkish actions in response to the persistent inflationary pressures in most developed countries - ECB announced a further 75 bps rate hike (and the Fed also raised rates by 75 bps in early November), although it is expected that both central governments will soon ease the pace of rate increases. S&P 500 finished the month 8.1% higher on total return basis, bringing the year-to-date return to -17.7%. Brent Crude went up by 7.8% in October, while gold fell by 1.6%.

The compliance carbon markets also notched up strong gains this month. In Europe, ICE EUA Carbon Futures Index posted a 19.5% gain while the ICE UKA Carbon Futures Index went up by 3.0% in the month of October. We remain bullish in the long term but continue to be cautious about the short-term volatility happening in the EU carbon market due to the current fundamental and policy situations. Despite improving sentiment across EU's energy market this October, the discussions around selling more EUAs to raise €20bn to finance EU's energy transition are still going on.

In North America, the ICE CCA Carbon Futures Index gained 11.3% this month, while the ICE RGGI Carbon Futures Index went up by 3.2%. Positive macro sentiments dominated the North American market. Notably, the state of California is about to release its final 2022 Scoping plan (a progress assessment towards the statutory 2030 target) in November, it is believed that the Green House Gas (GHG) reduction target model will be updated with a more ambitious 2030 GHG reduction target, in line with market expectations.²

Investment Team



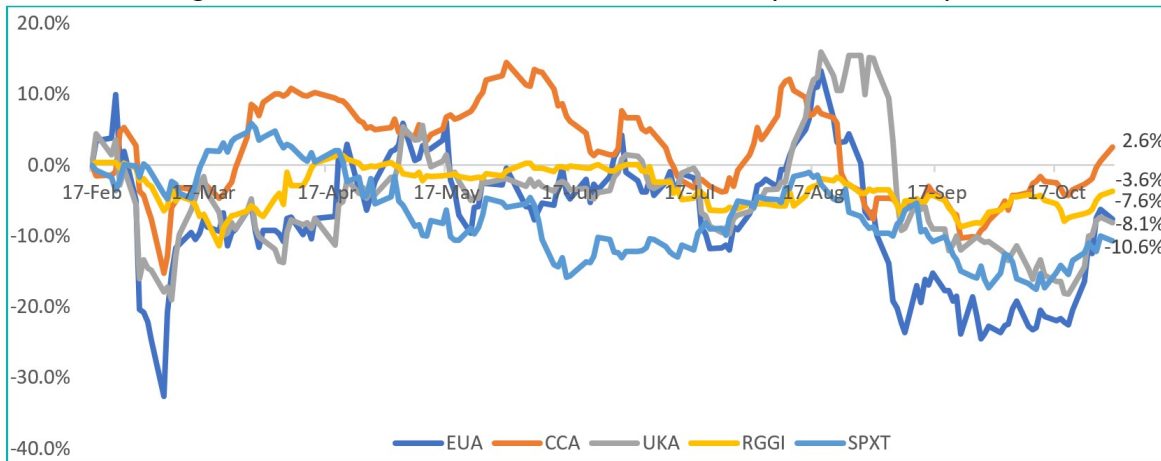
John Wilson, MBA
Co-CEO, Managing Partner,
Senior Portfolio Manager

Figure 1: Performance of Major Carbon Markets (Oct 1 – Oct 31)

	Monthly Return	Monthly Volatility
ICE EUA Carbon Futures Index (ER)	19.5%	12.0%
ICE CCA Carbon Futures Index (ER)	11.3%	4.3%
ICE UKA Carbon Futures Index (ER)	3.0%	9.3%
ICE RGGI Carbon Futures Index (ER)	3.2%	3.2%
S&P 500 (TR)	8.1%	7.9%

Source: Bloomberg

Figure 2: Global Carbon Markets – Cumulative Returns (Feb 17 – Oct 31)



Source: Bloomberg

Why Ninepoint Carbon Credit ETF?

For an **emerging asset class like carbon credit**, **diversification** is at the heart of our fund strategy. Currently, the **Ninepoint Carbon Credit ETF** invests equally in the four major ETS markets globally with quarterly rebalancing. Having diverse market exposure has demonstrated its benefits to serve investors well. Below are four key reasons for investors to consider the **Ninepoint Carbon Credit ETF**:

- 1. Diversification:** Balanced exposure to all carbon credit markets can help minimize single jurisdiction risk by eliminating over-concentration to any single market, as recent market action has demonstrated. Having a diversified underlying market portfolio is important for an emerging asset class with volatile price patterns, like carbon credits.
- 2. Global Exposure:** The fund provides investors with access to an US\$851 billion global carbon credit market which has grown by 18x since 2017². Compared to volume-weighted fund or funds that invest in one single market, we believe that our equal-weighted fund strategy has a better value proposition, over the long-term, given its overweight to the under-represented and rapidly growing carbon credit trading markets.
- 3. Core Value:** As a Canadian fund, by overweighting the North American market relative to its total index weight, we are aligning our strategy with our values and our local community.
- 4. Easy Access:** The fund is structured as an alternative mutual fund offering on Fundserv as well as an ETF series on the NEO Exchange (NEO:CBON / CBON.U)

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¹Carbon Pulse

²Refinitiv, "Carbon Market Year in Review 2021". Global carbon markets value surged to record \$851 billion last year- Refinitiv (Reuters - January 2022).

The Ninepoint Carbon Credit ETF is generally exposed to the following risks See the prospectus of the Fund for a description of these risks Absence of an active market for ETF Series risk, cap and trade risk, collateral risk, commodity risk, concentration risk, cybersecurity risk, derivatives risk, foreign currency risk, foreign investment risk, Halted trading of ETF Series risk, inflation risk, interest rate risk, liquidity risk, market risk, regulatory risk, securities lending, repurchase and reverse repurchase transactions risk, series risk, substantial securityholder risk, tax risk, trading price of etf series risk.

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