



Ninepoint Carbon Credit ETF Commentary

December 2022 Commentary

As of December 31, 2022, the **Ninepoint Carbon Credit ETF** is valued at a NAVPU of \$18.22 (Series ETF). At the launch of the fund on February 16, 2022, the NAVPU was \$20.00 (Series ETF).

Investment Team



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

Investment Strategy

The Fund seeks to achieve its investment objectives by primarily investing directly in carbon allowance futures. The Fund currently invests in the following major carbon allowance futures globally:

- **European Union Allowance (the "EUA")**
- **California Carbon Allowance (the "CCA")**
- **UK Allowance (the "UKA")**
- **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

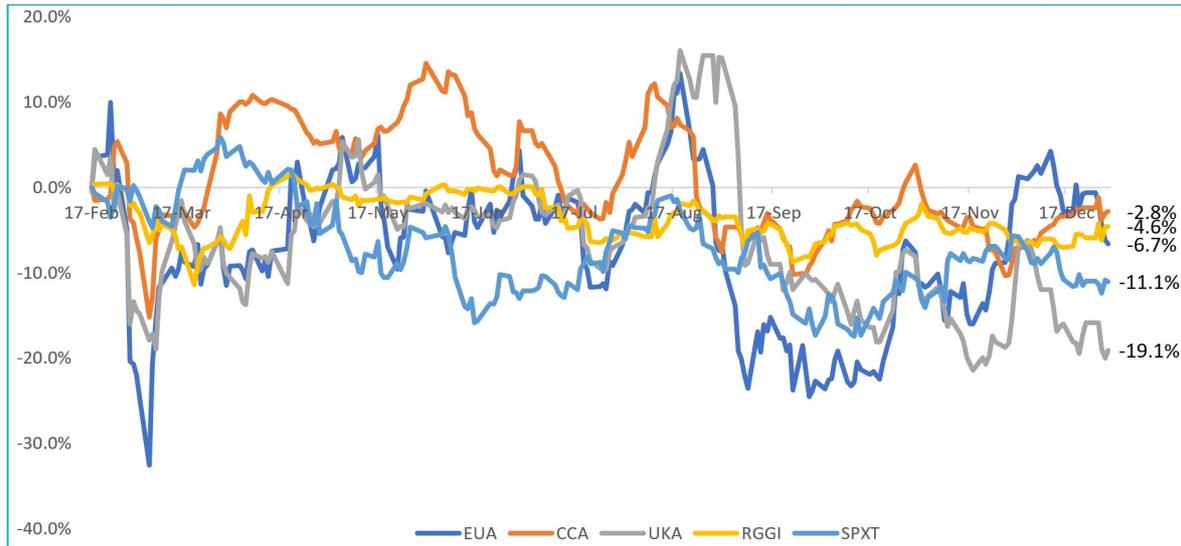
- For the month of December, the capital market posted mixed returns for different asset classes. Despite improving inflation pictures and China easing restrictions, S&P 500 finished the month of December 5.8% lower on total return basis, bringing the 2022 full year to -18.1%. Brent Crude briefly went up by 0.6%, while gold went up by 3.1%
- The compliance carbon markets posted mixed monthly returns as a result
- In Europe, ICE EUA Carbon Futures Index posted a 4.8% loss while the ICE UKA Carbon Futures Index went down by 4.2% in the month of December. EUA's underperformance in December was mainly driven by a lower-than-expected power and gas demand – caused by elevated energy prices across the continent, however in the long term we expect this effect to be offset by increased coal burning. In North America, strong long-term fundamentals supported the two major carbon markets - the ICE CCA Carbon Futures Index gained 6.7% this month, while the ICE RGGI Carbon Futures Index also went up by 2.2%

Figure 1: Performance of Major Carbon Markets (Dec 1 – Dec 30)

	Monthly Return	Monthly Volatility
ICE EUA Carbon Futures Index (ER)	-4.8%	7.7%
ICE CCA Carbon Futures Index (ER)	6.7%	3.9%
ICE UKA Carbon Futures Index (ER)	-4.2%	10.6%
ICE RGGI Carbon Futures Index (ER)	2.2%	3.8%
S&P 500 (TR)	-5.8%	5.0%

Source: Bloomberg

Figure 2: Global Carbon Markets – Cumulative Returns (Feb 17 – Dec 30)



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 2017¹. 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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¹Refinitiv, "Carbon Market Year in Review 2021". Global carbon markets value surged to a 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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