Ninepoint Carbon Credit ETF

March 2023 Commentary

Fund Overview

The Ninepoint Carbon Credit ETF (“**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;

- **European Union Allowance (the “EUA”)**
- **California Carbon Allowance (the “CCA”)**
- **UK Allowance (the “UKA”)**
- **Regional Greenhouse Gas Initiative (the “RGGI”)**

Investment Team

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Co-CEO, Managing Partner, Senior Portfolio Manager

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Vice President, Portfolio Manager

Fund Performance

As of March 31, 2023, the Ninepoint Carbon Credit ETF generated a net loss of -4.08% (Series F $USD), with a YTD net return of 1.98%.

MONTHLY RETURNS (%) OF SERIES F $USD[1] | INCEPTION DATE: February 16, 2022

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2023	1.49	4.76	-4.08										1.98
2022		-1.68	-3.45	4.72	1.38	1.99	-8.58	5.08	-10.69	8.70	-4.96	0.05	-8.86

Source: Ninepoint Partners

Market Update

The global financial market was momentarily disrupted this month by banking events.

Silicon Valley Bank failed on Friday March 10th, with share prices of regional US banks declining, and First Citizens Bank agreeing to purchase the remains of SVB. In Europe, Credit Suisse received liquidity support from the Swiss National Bank before it was ultimately acquired by UBS. Going forward, there is still some lingering uncertainty with regards to the health of the banking sector, regulatory policy and central bank responses.

In the meantime, financial market volatility and uncertainty increased throughout the month. Since the news on SVB problems surfaced, yields on Treasury securities have plummeted in response to a flight to safety. The S&P 500 posted a 3.15% gain (+ 7.03% YTD: Q4 2022 was up 7.08%). Of the 11 sectors, 7 were up (Information Technology was the best (+ 10.87%), while Financials was the worst (- 9.74%). The Index saw substantial day-to-day and intra-day moves, but it declined only by about 0.5% since the news about SVB broke. The commodity markets experienced a mixed month with the Bloomberg Commodity Index down -0.6% (-6.5% YTD), Brent Oil down -4.9% (-7.15% YTD), and Gold up 7.8% (+8.0% YTD).

On-going inflation pressure has supported the case for even more rate hikes in March. As such, the Federal Reserve continued tightening its monetary policy with a 25-bps increase to 4.9%, the Bank of England also raised its interest rates by a quarter of a percentage point to 4.25% and the European Central Bank increased interest rates by half a percentage point. A record-setting warm winter plus the higher probability of recession due to tighter credit conditions are being discounted as possibly creating lower demand in global carbon markets through a decrease of industrial demand for carbon allowances.

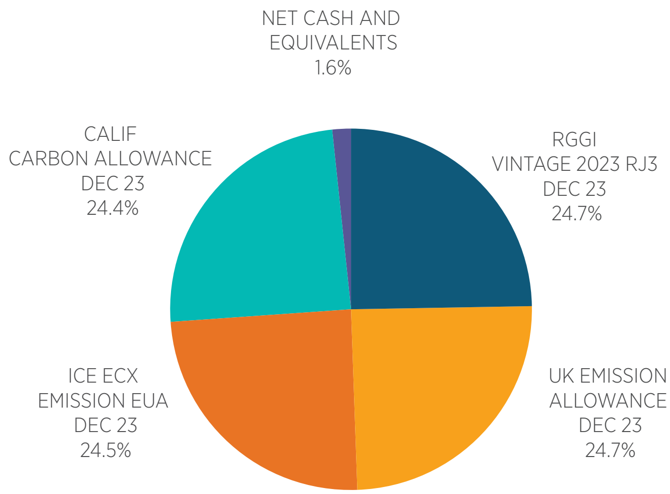
In the carbon market, the month of March experienced mixed results and heightened volatility. The European Union Allowance (**EUA**) Dec-23 contract was down -7.8% while the UK Allowance (**UKA**) Dec-23 contract also declined by -12.7%. The EUA market experienced volatility as a result of the uncertainty regarding the quantity and timing of the Re-Power EUA auction volume decision as well as the quarterly options expiry, with carbon price going as low as approx. €90/tonne. Similarly, prices in the UKA market declined as a result of bearish power sector fundamentals.

In North America, the ICE California Carbon Allowance (**CCA**) Carbon Futures Index gained 3.74% this month. The ICE Regional Greenhouse Gas Initiative (**RGGI**) Carbon Futures Index also posted a positive gain of 2.2% this month, as a result of the possibility of additional policy reforms to be announced later this year, as well as the hype surrounding the newly proposed New York's Cap-and-Invest program.

Portfolio Recap

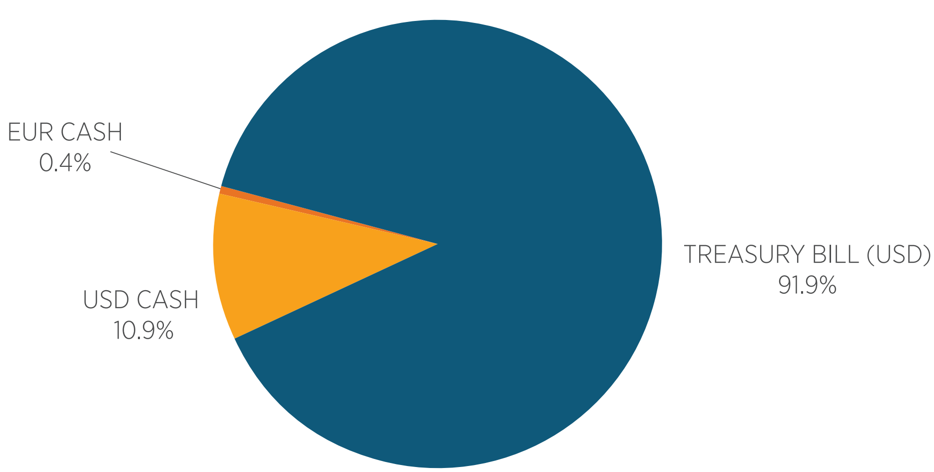
The fund has had a positive start to the year, posting returns of 1.98% year-to-date. The best performer in March was the CCA market, contributing approximately +0.77% to the total return, the top distractor was the UKA contract, contributing approximately -3.36% to the total return.

Sector Allocation Notional[2]



Source: Ninepoint Partners

Collateral and Currency Management[2]



Source: Ninepoint Partners

Why Invest in the Ninepoint Carbon Credit ETF?

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

> **Risk Mitigation –** 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.
>
> **Diversification –** Carbon Credit investments demonstrate low or negative correlation to traditional asset classes.
>
> **Global Exposure –** The fund provides investors with access to a US$851 billion global carbon credit market which has grown by 18x since 2017[1]. 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.
>
> **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.
>
> **Easy Access -** The fund is structured as an alternative mutual fund offering on Fundserv as well as an ETF series on the Cboe Canada Exchange (Cboe:CBON / CBON.U).

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References

[1]Refinitiv, “Carbon Market Year in Review 2021”. Global carbon markets value surged to a record $851 billion last year-Refinitiv (Reuters - January, 2022).

NINEPOINT CARBON CREDIT ETF - COMPOUNDED RETURNS[1] AS OF March 31, 2023 (SERIES F $USD NPP948) | INCEPTION DATE: FEBRUARY 16, 2022

1MTH	YTD	3 MTH	6 MTH	1 YR	INCEPTION
-4.1%	2.0%	2.0%	5.4%	-2.1%	-6.4%

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[1]All returns and fund details are a) based on Series F $USD units; b) net of fees; c) annualized if period is greater than one year; d) as at March 31, 2023.

[2]Sector allocation as at March 31, 2023. Sector allocation based on % of net asset value. Numbers may not add up due to rounding. Cash and cash equivalents include non-portfolio assets and/or liabilities.

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