



# Ninepoint Carbon Credit ETF

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31

2023

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The annual management report of fund performance is an analysis and explanation that is designed to complement and supplement an investment fund's financial statements. This report contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-888-362-7172, by visiting our website at [www.ninepoint.com](http://www.ninepoint.com) or SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or by writing to us at: Ninepoint Partners LP, Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, P.O. Box 27, Toronto, Ontario M5J 2J1. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

The objective of Ninepoint Carbon Credit ETF (the “Fund”) is to seek to provide unitholders with long-term capital appreciation by investing primarily in global carbon emissions allowance futures. To achieve the Fund’s investment objective, the Fund will primarily invest directly in carbon allowance futures globally, namely, the European Union Allowance (the “EUA”), the UK Emissions Allowances Energy (the “UKA”), the California Carbon Allowance (the “CCA”) and the Regional Greenhouse Gas Initiative (the “RGGI”, collectively with the EUA, the CCA, and the UKA, the “Constituents”). The Portfolio Manager may add or remove Constituents that meet or fail to meet the Fund’s investment objectives. The Portfolio Manager may change the weighting between Constituents in its discretion. The Fund may hold cash or cash equivalents. The Fund may use derivatives and the maximum aggregate exposure to derivatives will not exceed 300% of the Fund’s net asset value, calculated on a daily basis.

As part of its investment strategy, the Fund may:

- engage in securities lending and repurchase and reverse purchase transactions as permitted by securities regulations;
- invest in debt securities, cash and/or cash equivalents primarily to meet margin requirements and for cash management purposes; and
- use derivatives instruments, such as options, futures, forward contracts and swaps, for hedging strategies, in a manner which is consistent with the investment objectives of the Fund and as permitted by the Canadian Securities Administrators, including to hedge against losses from changes in the prices of the Fund’s investments.

### Risks

The risks of investing in the Fund are described in the Fund’s simplified prospectus. This Fund is suitable for those investors seeking exposure to global carbon emissions allowance futures. This Fund is suitable for investors with a high tolerance for risk and have a long-term investment horizon.

### Results of Operations

The Fund, Series A returned -6.0% in 2023, while its benchmark, the IHS Markit Global Carbon Index, returned 8.6%.

The year 2023 witnessed another year of heightened volatility in the market for global carbon allowances with a large decline in the UK compliance market and a slight decline in the value of EU allowances largely offset by gains in the California/Quebec (“CCAs”) and RGGI markets. In our view, volatility in allowance prices has been further increased by the participation of speculative investors, particularly trend-following CTAs. Overall, in 2023 the Fund declined in price by 3.3% in U.S. dollars (CBON.U) and by 5.4% in Canadian dollars (CBON).

The largest and most established Emissions Trading System (ETS) market, the EU, continued to experience very poor economic conditions, particularly in its largest economy, Germany, which slipped into a recession in 2023. As a result, EUAs fell in price by 8.8% over the course of 2023. Power generation in the EU accounts for around half of total emissions covered under the EU ETS driven by both coal and natural gas-powered plants. A weak economy drove a decline in total electricity demand across the EU while very weak natural gas prices drove a switch from coal to natural gas power generation. Both of these factors drove declining demand for carbon allowances. Coal-powered generation fell by 25% to its lowest level since 2018, natural gas-fired generation fell by 17% to its lowest level since 2019, while renewable power generation increased by 10%. Additionally, emissions from industrial production across the EU are estimated to have fallen by 7% in 2023.

In addition to weak demand, supply of EUA allowances within the EU remained elevated as the EU continued to inject additional permits into the market to fund its Recovery and Resilience Facility, designed to help the economy recover from elevated energy prices due to the Russia and Ukraine conflict. On the positive side, starting in 2024, the EU will require maritime shipping to purchase EUAs, representing 40% of their total emissions and this will rise to 70% in 2025 and 100% in 2026. Additionally, the EU passed legislation to implement its Carbon Border Adjustment Mechanism (CBAM) beginning in 2026, which requires imported goods to the EU to purchase certificates at the EUA rate if they were manufactured in a jurisdiction with lower carbon emission costs. The implementation of CBAM will also eliminate the supply of free allowances currently given to domestic EU manufacturers who compete with those imports.

The UK compliance market had an extremely difficult 2023 with carbon allowance prices falling over 40% from their 2022 closing price. The UK has been suffering through an even weaker economy than the EU, driving down demand from both power generation and industrial production. Additionally, the UK government has been waffling on proposed changes to further lower their emissions target by 2030 and has indicated a willingness to distribute more allowances to UK industry. Looking forward, the EU remains the largest export market for the UK and the implementation of the EU CBAM will require UK manufacturers to meet the same emission price as the EU either through the price of domestic UKAs or leveling up through the CBAM.

Finally, the North American compliance market was definitely the bright spot in 2023 with CCAs up 30% on the year and RGGI up a touch over 7%. Extremely strong economic growth across states covered by CCA and RGGI drove increase demand for allowances while Quebec reduced supply of allowances in 2023 further boosting the price of CCAs.

Overall, we see continued momentum by legislative bodies across the EU, UK, California and Northeast U.S. to drive further reductions in carbon emissions by 2030. As pending changes, such as the addition of maritime shipping and CBAM in the EU take hold, we expect the general trend for carbon emission pricing to be higher over the medium to long term.

The Fund's net asset value decreased by 49.0% during the year, from \$8.7 million as at December 31, 2022 to \$4.4 million as at December 31, 2023. This change was predominantly due to net redemptions of \$3.9 million and expenses of \$0.2 million.

## Recent Developments

There were no material changes to the investment strategy and features of the Fund during the year ended December 31, 2023. The Manager actively monitors the positioning of the Fund's portfolio for changes in current market conditions and the economic environment.

## Related Party Transactions

### MANAGEMENT FEES

The Fund pays a management fee to the Manager at an annual rate of 1.75% for Series A units, 0.75% for Series D, Series F and ETF Series units, 0.65% for Series QF units, 1.55% for Series S units, 0.55% for Series SF units and as negotiated by the unitholders for Series I. The management fee is calculated and accrued daily and is paid monthly based on the daily net asset value of that series of the Fund. For the year ended December 31, 2023, the Fund incurred management fees (including taxes) of \$58,287. The breakdown of the services received in consideration of the management fees, as a percentage of management fees, is as follows:

	Portfolio Advisory	Trailing Commissions
Ninepoint Carbon Credit ETF – Series A	43%	57%
Ninepoint Carbon Credit ETF – Series D	100%	–
Ninepoint Carbon Credit ETF – Series F	100%	–
Ninepoint Carbon Credit ETF – Series S	100%	–
Ninepoint Carbon Credit ETF – Series SF	100%	–
Ninepoint Carbon Credit ETF – ETF Series	100%	–

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$682 during the year ended December 31, 2023, to Sightline Wealth Management, an affiliate of the manager.

### OPERATING EXPENSES

The Fund pays its own operating expenses, which include, but are not limited to, audit, legal, custodial, filing and administrative expenses as well as unitholder reporting costs. The Manager pays certain of these expenses on behalf of the Fund and then is reimbursed by the Fund. At its sole discretion, the Manager may waive or absorb a portion of the operating expenses of the Fund. Amounts waived or absorbed by the Manager are reported in the Statements of Comprehensive Income (Loss). Waivers or absorptions can be terminated at any time without notice. During the year ended December 31, 2023, the Manager did not absorb expenses.

### OTHER RELATED PARTY TRANSACTIONS

The Fund relied on the approval, positive recommendation or standing instruction from the Fund’s Independent Review Committee with respect to any related party transactions.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the years ended December 31 shown, unless otherwise indicated.

The Fund's Net Assets per Unit<sup>1</sup>

	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
	\$	\$
Series A		
<b>Net assets, beginning of period</b>	<b>9.02</b>	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.39	0.13
Total expenses	(0.34)	(0.28)
Realized gains (losses) for the period	(0.82)	(0.66)
Unrealized gains (losses) for the period	0.24	(0.23)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(0.53)</b>	<b>(1.04)</b>
<b>Distributions:</b>		
<b>Total annual distributions<sup>3</sup></b>	–	–
<b>Net assets, end of period</b>	<b>8.52</b>	9.02

	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
	\$	\$
Series D		
<b>Net assets, beginning of period</b>	<b>9.11</b>	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.37	0.11
Total expenses	(0.23)	(0.19)
Realized gains (losses) for the period	(0.56)	(0.54)
Unrealized gains (losses) for the period	0.05	0.50
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(0.37)</b>	<b>(0.12)</b>
<b>Distributions:</b>		
<b>Total annual distributions<sup>3</sup></b>	–	–
<b>Net assets, end of period</b>	<b>8.70</b>	9.11

	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
	\$	\$
Series F		
<b>Net assets, beginning of period</b>	<b>9.11</b>	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.40	0.12
Total expenses	(0.25)	(0.18)
Realized gains (losses) for the period	(1.11)	(0.59)
Unrealized gains (losses) for the period	0.50	(0.28)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(0.46)</b>	<b>(0.93)</b>
<b>Distributions:</b>		
<b>Total annual distributions<sup>3</sup></b>	–	–
<b>Net assets, end of period</b>	<b>8.71</b>	9.11

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	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
	\$	\$
Series S		
<b>Net assets, beginning of period</b>	<b>9.04</b>	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.39	0.10
Total expenses	(0.32)	(0.27)
Realized gains (losses) for the period	(0.92)	(0.43)
Unrealized gains (losses) for the period	0.33	0.05
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(0.52)</b>	<b>(0.55)</b>
<b>Distributions:</b>		
<b>Total annual distributions<sup>3</sup></b>	–	–
<b>Net assets, end of period</b>	<b>8.56</b>	9.04

	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
	\$	\$
Series SF		
<b>Net assets, beginning of period</b>	<b>9.13</b>	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.38	0.11
Total expenses	(0.22)	(0.17)
Realized gains (losses) for the period	(0.40)	(0.52)
Unrealized gains (losses) for the period	(0.40)	(0.19)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(0.64)</b>	<b>(0.77)</b>
<b>Distributions:</b>		
<b>Total annual distributions<sup>3</sup></b>	–	–
<b>Net assets, end of period</b>	<b>8.74</b>	9.13

	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
	\$	\$
ETF Series		
<b>Net assets, beginning of period</b>	<b>18.22</b>	20.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.79	0.21
Total expenses	(0.49)	(0.38)
Realized gains (losses) for the period	(1.62)	(1.59)
Unrealized gains (losses) for the period	0.51	(0.15)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(0.81)</b>	<b>(1.91)</b>
<b>Distributions:</b>		
<b>Total annual distributions<sup>3</sup></b>	–	–
<b>Net assets, end of period</b>	<b>17.40</b>	18.22

1 This information is derived from the Fund's audited annual financial statements.

2 The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. Net asset and distributions are based on the actual number of units outstanding at the relevant time. This table is not intended to be a reconciliation of the beginning to ending net assets per unit.

3 Distributions were reinvested in additional units of the Fund.

4 Information provided is for the period from February 16, 2022 (launch date) to December 31, 2022 for Series A units, Series D units, Series F units, Series S units, Series SF units and ETF Series units.

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## Ratios and Supplemental Data

Series A	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
Total net asset value (000's) <sup>1</sup>	\$133	\$222
Number of units outstanding <sup>1</sup>	15,624	24,659
Management expense ratio <sup>2</sup>	3.60%	3.24%
Trading expense ratio <sup>3</sup>	0.05%	0.09%
Portfolio turnover rate <sup>4</sup>	0.00%	0.00%
Net asset value per unit <sup>1</sup>	\$8.52	\$9.02

Series D	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
Total net asset value (000's) <sup>1</sup>	\$26	\$105
Number of units outstanding <sup>1</sup>	3,000	11,552
Management expense ratio <sup>2</sup>	2.25%	2.15%
Trading expense ratio <sup>3</sup>	0.05%	0.09%
Portfolio turnover rate <sup>4</sup>	0.00%	0.00%
Net asset value per unit <sup>1</sup>	\$8.70	\$9.11

Series F	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
Total net asset value (000's) <sup>1</sup>	\$2,953	\$4,476
Number of units outstanding <sup>1</sup>	339,080	491,055
Management expense ratio <sup>2</sup>	2.58%	2.09%
Trading expense ratio <sup>3</sup>	0.05%	0.09%
Portfolio turnover rate <sup>4</sup>	0.00%	0.00%
Net asset value per unit <sup>1</sup>	\$8.71	\$9.11

Series S	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
Total net asset value (000's) <sup>1</sup>	\$26	\$34
Number of units outstanding <sup>1</sup>	3,000	3,707
Management expense ratio <sup>2</sup>	3.38%	3.07%
Trading expense ratio <sup>3</sup>	0.05%	0.09%
Portfolio turnover rate <sup>4</sup>	0.00%	0.00%
Net asset value per unit <sup>1</sup>	\$8.56	\$9.04

Series SF	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
Total net asset value (000's) <sup>1</sup>	\$519	\$2,860
Number of units outstanding <sup>1</sup>	59,426	313,314
Management expense ratio <sup>2</sup>	2.21%	1.94%
Trading expense ratio <sup>3</sup>	0.05%	0.09%
Portfolio turnover rate <sup>4</sup>	0.00%	0.00%
Net asset value per unit <sup>1</sup>	\$8.74	\$9.13

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ETF Series	Dec 31, 2023	Dec 31, 2022 <sup>4</sup>
Total net asset value (000's) <sup>1</sup>	<b>\$783</b>	\$1,002
Number of units outstanding <sup>1</sup>	<b>45,000</b>	55,000
Management expense ratio <sup>2</sup>	<b>2.49%</b>	2.06%
Trading expense ratio <sup>3</sup>	<b>0.05%</b>	0.09%
Portfolio turnover rate <sup>4</sup>	<b>0.00%</b>	0.00%
Net asset value per unit <sup>1</sup>	<b>\$17.40</b>	\$18.22
Closing market price <sup>5</sup>	<b>\$17.39</b>	\$17.99
Closing market price (CAD) <sup>5</sup>	<b>\$23.02</b>	\$24.34

1 The information is provided as at December 31 for the years shown.

2 Management expense ratio ("MER") is based on total expenses (including incentive fees, if any; excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The Manager may waive or absorb a portion of the operating expenses of the Fund. Waivers and absorption can be terminated at any time.

3 The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The TER includes dividend expense and securities borrowing expense paid by the Fund in connection with securities sold short.

4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

5 Last closing price as at December 31 for the years shown.

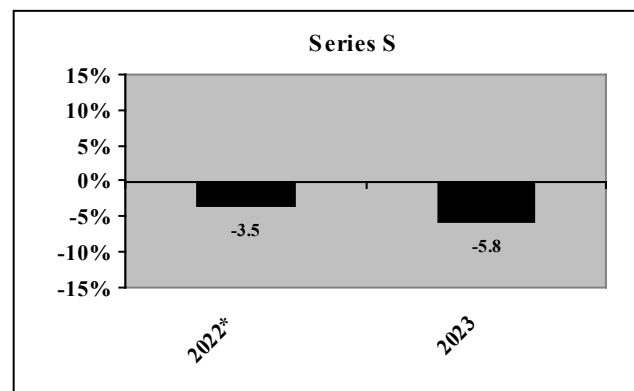
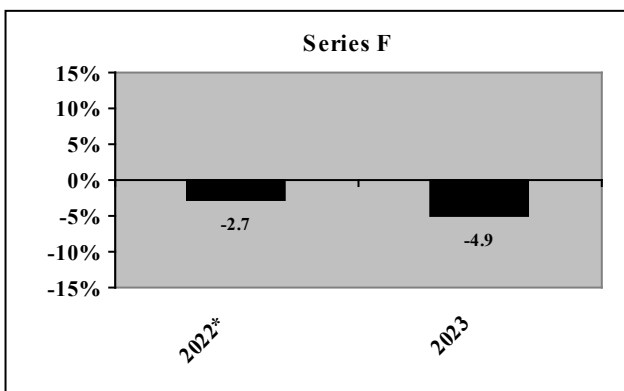
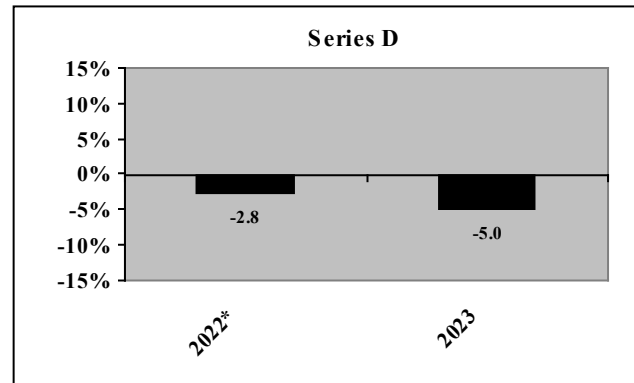
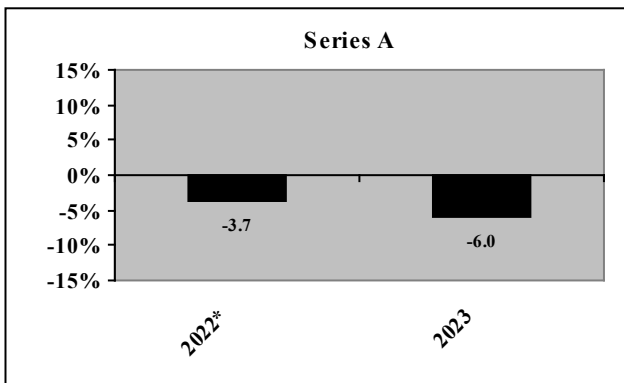


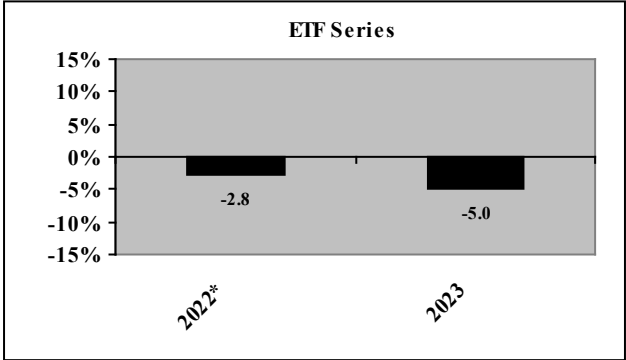
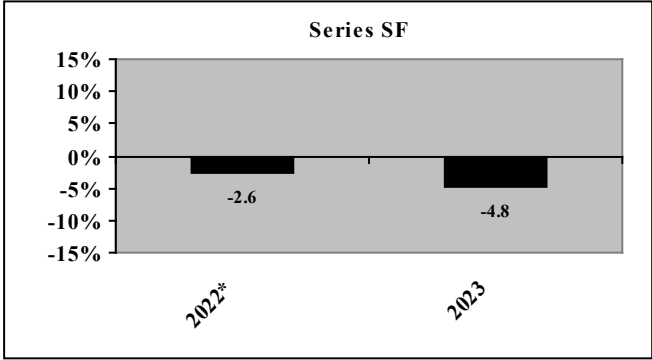
## Past Performance

The indicated rates of return are the historical total returns including changes in unit values and assume reinvestment of all distributions in additional units of the relevant Series of the Fund. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of return are calculated based on the Net Asset Value of the particular Series of the Fund.

### Year-by-Year Returns

The following charts indicates the performance of each Series of the Fund for the years ended December 31 shown, unless otherwise indicated. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day of each period. Returns are not shown for a Series in any period in which there were zero outstanding units as at the end of the period.





\* Return from February 16, 2022 (launch date) to December 31, 2022, for Series A units, Series D units, Series F units, Series S units, Series SF units and ETF Series units (not annualized).

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## Annual Compound Returns

The following table illustrates the annual compound total return for each Series of units of the Fund for the periods shown. As a basis of performance comparison, the annual compound return of the Fund is compared to that of IHS Markit Global Carbon Index (the “Index”). The Index tracks the most liquid segment of the global tradable carbon credit futures markets. The Fund formerly had a blended index consisting of 1/3 ICE EUA Carbon Futures Index, 1/3 ICE CCA Carbon Futures Index, and 1/3 ICE RGGI Carbon Futures Index (the “Blended Index”). The benchmark was changed as the Index is more representative of the composition of the portfolio. Since the Fund does not necessarily invest in the same securities or in the same proportion as the Index, the performance of the Fund is not expected to equal the performance of the Index.

	1-Year	Since Inception*
Ninepoint Carbon Credit ETF – Series A	-6.0%	-8.5%
IHS Markit Global Carbon Index (USD)	8.6%	-2.4%
Blended Index (USD)	11.0%	3.4%
Ninepoint Carbon Credit ETF – Series D	-5.0%	-7.4%
IHS Markit Global Carbon Index (USD)	8.6%	-2.4%
Blended Index (USD)	11.0%	3.4%
Ninepoint Carbon Credit ETF – Series F	-4.9%	-7.4%
IHS Markit Global Carbon Index (USD)	8.6%	-2.4%
Blended Index (USD)	11.0%	3.4%
Ninepoint Carbon Credit ETF – Series S	-5.8%	-8.3%
IHS Markit Global Carbon Index (USD)	8.6%	-2.4%
Blended Index (USD)	11.0%	3.4%
Ninepoint Carbon Credit ETF – Series SF	-4.8%	-7.2%
IHS Markit Global Carbon Index (USD)	8.6%	-2.4%
Blended Index (USD)	11.0%	3.4%
Ninepoint Carbon Credit ETF – ETF Series	-5.0%	-7.4%
IHS Markit Global Carbon Index (USD)	8.6%	-2.4%
Blended Index (USD)	11.0%	3.4%

\* Since launch date of February 16, 2022 for Series A, Series D, Series F, Series S, Series SF and ETF Series.

## Summary of Investment Portfolio

As at December 31, 2023

### Portfolio Allocation

	% of Net Asset Value
Short Term Investments	89.9
Cash	10.0
Commodity Futures Contracts*	2.6
Other Net Liabilities	(2.5)
<b>Total Net Asset Value</b>	<b>100.0</b>

\* Positions in swap contracts are disclosed as the gain (loss) that would have been realized if the contracts were closed out on December 31, 2023.

### All Long Positions excluding Commodity Futures Contracts

Issuer	% of Net Asset Value
U.S. Treasury Bill, 5.575%	89.9
Cash	10.0
<b>All long positions as a percentage of Net Asset Value</b>	<b>99.9</b>

### All Commodity Futures Contracts\*\*

Issuer	% of Net Asset Value
European Union Allowance (EUA), Dec 16, 2024	28.0
California Carbon Allowance Vintage, Dec 24, 2024	24.9
Regional Greenhouse Gas Initiative Vintage, Dec 24, 2024	24.5
UK Emissions Allowances Energy, Dec 16, 2024	22.1

\*\* Positions in futures contracts are disclosed in terms of their notional exposure. All futures positions are speculative in nature

The Fund held no short positions as at December 31, 2023.

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available on the Internet at [www.ninepoint.com](http://www.ninepoint.com).

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## Corporate Information

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Call our mutual fund information line for daily closing prices:

416.362.7172 or 1.888.362.7172

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