Quarterly Commentary

31 March 2023

ICE U.S. Carbon Neutral Power Index

Index Information ICECNPI

Index Inception Date	December 31, 2013
Strategy	Commodity Index
Administrator	ICE Data Indices, LLC
Sponsor	CNIC LLC
NAV of Tracking Funds	$0

ICECNPI Description

The ICE U.S. Carbon Neutral Power Index consists of the prompt twelve months of ICE-listed electricity futures contracts from six major U.S. power pools as well as carbon allowance futures contracts designed to offset the emissions of the generation associated with these electricity futures contracts. With the utilization of the six major U.S. power pools, the ICE U.S. Carbon Neutral Power Index is broadly representative of U.S. electricity consumption and price.

Carbon Neutral Investment Company

CNIC is an investment platform for carbon neutral commodity investment products. CNIC applies rigorous fundamental and quantitative analysis with decades of industry experience to create innovative financial products for investors.

Index Overview

Objective

Provide rules-based financial benchmark for investors who need the inflation protection and diversification of commodities in a carbon-neutral format.

Investment Considerations

- Better overall and better risk-adjusted returns than other commodity indexes
- Minimal correlation with every major asset class
- Carbon neutral based on independently sourced data
- Electricity is one of the most consumed commodities in the U.S. and is displacing other energy sources as the U.S. evolves to a 100% renewable grid

Risk

Commodity-linked investments may be more volatile and less liquid than the underlying commodity, instruments, or measures and their value may be affected by the performance of the overall commodities markets as well as weather, tax, and other regulatory developments. Fixed income investments entail interest rate risk, the risk of issuer default, issuer credit risk and inflation risk.

Performance Summary

The ICE U.S. Carbon Neutral Power Index (ICECNPI) returned -23.4% for the quarter ended March 31, 2023, underperforming the ICE BofA Commodity MLCX Total Return Strategy (MLCXTR) by 19.1%. For the last 12 months ICECNPI returned -2.1% and outperformed the MLCX by 4.9%.

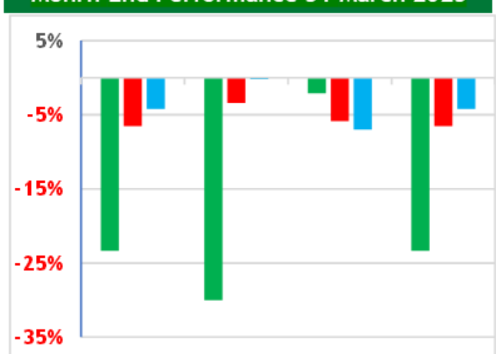
Contributors

- Strong demand for power despite realized weather conditions

Detractors

- Mild weather in the U.S. and Europe pushed natural gas and forward markets to new lows for the past 12 months
- Continued loss of LNG export markets as Freeport LNG brings capacity back online with limited runs of liquification trains

Monrh End Performance 31 March 2023



	3 months	6 months	1 year	YTD
ICECNPI	-23%	-30%	-2%	-23%
MLCXEN	-7%	-3%	-6%	-7%
MLCX	-4%	-0%	-7%	-4%

Risk Metrics

	ICECNPI	MLCX
Return 1Q23	-23.4%	-4.2%
Return LTM	-2.1%	-7.0%
Std Dev LTM	42.8%	35.5%
Sharpe LTM	-0.05	-0.20
Info Ratio LTM	0.08	—
Correlations LTM		
SPX	0.09	0.34
US Agg Bonds	-0.02	-0.10

ICECNPI vs MLCXEN, MLCX, SPXT & US Bonds

CNICFUNDS

ICE U.S. Carbon Neutral Power Index

Contribution as of 31 March 2023

Power Futures:	weight	contribution to returns QTD	contribution to returns YTD
MidAtlantic	34.1%	-10.4%	-10.4%
MidWest	24.4%	-7.2%	-7.2%
Texas	14.2%	-2.8%	-2.8%
California	8.1%	-1.7%	-1.7%
Northeast	4.3%	-1.3%	-1.3%
Carbon Credits	15.0%	0.8%	0.8%
Spot Yield		-22.6%	-22.6%
Roll Yield		-1.7%	-1.7%
3-month T-Bills		0.9%	0.9%
Total Return		-23.4%	-23.4%

Management Profile

Donald R. Sinclair, *Chairman,* has over 35 years of experience in the oil & gas industry as a C-suite executive. He was former President/CEO of Western Gas Partners, LP (NYSE:WES) and former Chief Risk Officer of Natural Gas Clearing House (later Dynegy).

Timothy J. Kramer, *Chief Executive Officer,* has over 25 years industry experience in power, energy, and commodity markets. A graduate of the U.S. Naval Academy, he served as commissioned officer and as an Instructor at the Surface Warfare Officers School Command. Kramer is a Certified Financial Risk Manager by Global Association of Risk Professionals.

ICE Data Indices Disclaimer

Quarter in Review

The warming weather trends from December continued into January, which closed as the second warmest on record. Heating degree days fell 17% below 10-year averages nationally for the month, a trend that continued into February. Despite the onset of colder weather mid-quarter, heating degree days for the first 3 months came in 9% below 10-year averages. The warmer weather knocked down natural gas prices, the fuel for power generation at the margin, by 38%, removing support for spot power prices, which fell by 23%. Net contributions to performance from roll yield and collateral yield subtracted another 1% to deliver a total index return of –23.4% for the quarter. The only bright spot for power markets was overall demand, which remained strong despite the warmer weather. Nationally demand for power in the first quarter rose 12.5% over 2022 and came in 7.4% over 5 year averages.

Outlook

Warm weather, weak natural gas prices, and the loss of LNG export capacity depressed power prices and returns for ICECNPI in the first quarter, but the market appears to have priced in the worst case scenario for power with natural gas prices closing March at the low for the previous 24 months. Factors that contributed to losses in the first quarter are expected to abate in the near term. Freeport LNG, which started the first of its 3 liquification trains in February, now has all 3 in operation and has received regulatory approval to build a fourth. Freeport is the second-largest LNG exporter in the U.S. and had shut down the plant after an explosion in June, 2022. Full production will restore demand from European markets where natural gas trades at more than 5 times current prices for natural gas in the U.S. Power plant outages for routine maintenance, which typically start in the second quarter, should reduce power supply to the grid as demand from Europe picks up with LNG exports from Freeport. Later in the quarter we expect to see the recurring seasonal upward creep in prices as traditional buyers of power bid up front months to hedge the risk of increased summer demand.