Quarterly Commentary

30 September 2023

ICE U.S. Carbon Neutral Power Index

Index Information ICECNPIT

Index Inception Date	December 31, 2013
Index Launch Date	January 18, 2023
Strategy	Commodity Index
Administrator	ICE Data Indices, LLC
Sponsor	CNIC LLC

ICECNPIT 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

- 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.
- ICECNPIT provides exposure to electricity and carbon allowances as a commodity.
- ICECNPIT exhibits minimal correlation with every major asset class.
- ICECNPIT is quantifiably carbon neutral based on independently sourced data.

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 (ICECNPIT) returned 7.3% for the quarter ended September 30, 2023, outperforming the Bloomberg Commodity Total Return Index (BCOMTR) by 2.6%. Year-to-date ICECNPIT returned –18.7% and underperformed the BCOM by 15.3%.

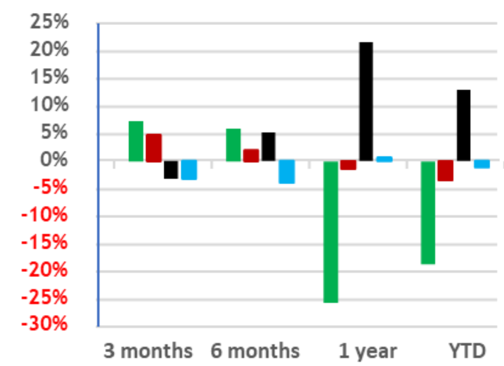
Contributors

- Record hot weather in Texas and the Midwest
- Upswing in U.S. manufacturing activity
- Carbon allowance returns

Detractors

- Cooler weather in California
- Competing marginal fuels at multiyear lows

Quarter End Performance 30 September 2023



	3 months	6 months	1 year	YTD
ICECNPI	7%	6%	-26%	-19%
BCOM	5%	2%	-1%	-3%
SPXT	-3%	5%	22%	13%
US Bonds	-3%	-4%	1%	-1%

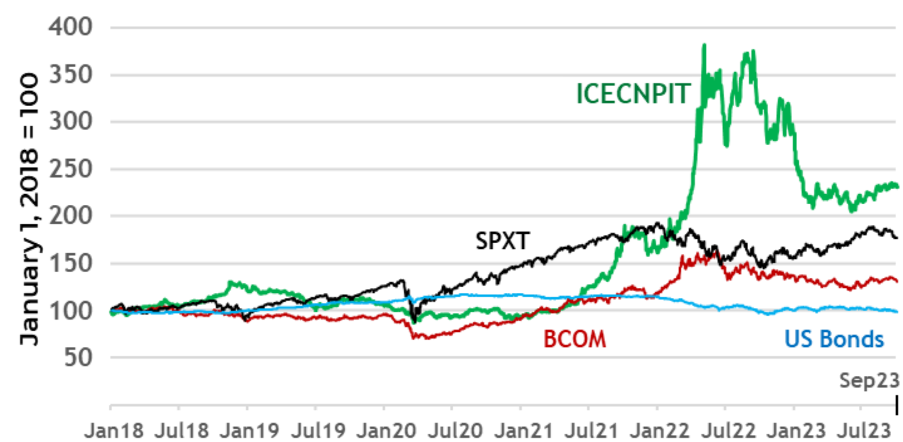
Risk Metrics

	ICECNPI	BCOM
Return 3Q23	7.3%	4.7%
Return YTD	-18.7%	-3.4%
Std Dev YTD	21.9%	12.4%
Sharpe Annlzd	-1.11	-0.37
Info Ratio YTD	-1.22	–

Correlations LTM

	ICECNPI	BCOM
SPX	0.15	0.39
US Agg Bonds	0.03	0.10
CPI	0.81	0.59

ICECNPIT vs BCOM, SPXT, & US Bonds



ICE U.S. Carbon Neutral Power Index

Contribution as of 30 September 2023

		contribution to returns	
Power Futures:	**weight**	**QTD**	**YTD**
MidAtlantic	34.1%	2.3%	-10.3%
MidWest	24.4%	1.2%	-6.5%
Texas	14.2%	1.6%	0.2%
California	8.1%	-0.5%	-3.1%
Northeast	4.3%	-0.0%	-1.5%
Carbon Credits	15.0%	1.7%	3.3%
Spot Yield		6.3%	-17.9%
Roll Yield		-0.4%	-3.8%
Collateral Yield		1.4%	3.0%
Total Return		7.3%	-18.7%

Management Profile

Donald R. Sinclair, *Chairman.* Former President/CEO of Western Gas Partners, LP (NYSE:WES) and former Chief Risk Officer of Natural Gas Clearinghouse.

Timothy J. Kramer, *Chief Executive Officer*, over 25 years industry experience in power, energy, and commodity markets. A graduate of the U.S. Naval Academy, Kramer is a Certified Financial Risk Manager by Global Association of Risk Professionals.

ICE Data Indices Disclaimer

Quarter in Review

The warm weather trends that depressed demand for power in the first half of the year intensified dramatically in the third quarter to record regionally one of the hottest Septembers in history. Third quarter cooling degree days soared above 10-year averages by 22% in Texas, 17% in the Midwest, and 7% in the MidAtlantic, lifting power prices to their highest levels of the year. Only California ran counter to trend with cooler weather and weaker prices. An upswing in manufacturing activity across the U.S. from the three-year NAPMPMI lows posted in June together with the weather delivered growth in demand of 2.4% over the 2022 third quarter despite a 9% decline in natural gas, the marginal fuel for power generation. Carbon offsets returned 11% and contributed 1.7% to the spot power index, which ended the quarter up 6.3%. Net contribution to performance from roll yield and collateral yield contributed another 1% to deliver a total return for the index of 7.3%.

Outlook

Warm weather in September has continued into October and raised prospects of a warm winter and lower demand for natural gas and power. How the El Nino weather pattern evolves in the Pacific will determine heating demand with current predictions split between a neutral-to-bearish warm winter and a strongly bullish cold winter. Weekly natural gas additions to storage have trailed 5-year averages for the last 3 months and are reducing the surplus that has depressed prices since the first quarter. September injections were the lowest in the past 5 years (+308 Bcf) and well below last year (+420 Bcf), which should support power prices if colder winter weather materializes. Export markets provide another source of support with LNG exports up 9% year-to-date over 2022. Europe, where natural gas trades at four times current prices for natural gas in the U.S., is facing winter with gas supplies from Russia down 85% from pre-war levels and remains vulnerable to disruptions like the shut down in June and July of the Shell plc Nyhanna processing facility, which accounts for 20% of UK gas consumption. After the recovery in the third quarter, power markets should benefit in the fourth from higher prices of marginal fuels but face the risk that warming trends from the summer will continue. The war in Israel that just erupted may drive a run up in prices for the entire energy complex—natural gas and power—such as occurred in 2022 with the war in Ukraine.