

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 **-7.5%** for the quarter ended December 31, 2023, underperforming the Bloomberg Commodity Total Return Index (BCOMTR) by 2.8%. Year-to-date ICECNPIT returned **-24.8%** and underperformed the BCOM by 16.9%.

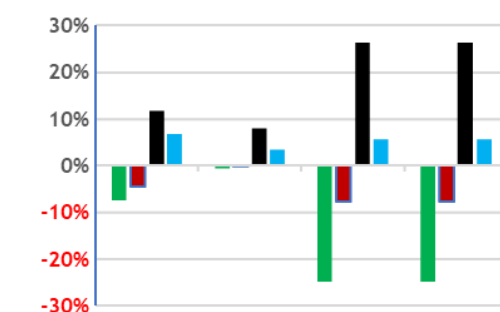
Contributors

- Collateral yield from high interest rates
- Carbon allowance returns

Detractors

- Warm December weather in the MidAtlantic and Midwest
- Roll yield
- Competing marginal fuels at multiyear lows

Quarter End Performance 31 December 2023



	3 months	6 months	1 year	YTD
ICECNPIT	-7%	-1%	-25%	-25%
BCOM	-5%	-0%	-8%	-8%
SPXT	12%	8%	26%	26%
US Bonds	7%	3%	6%	6%

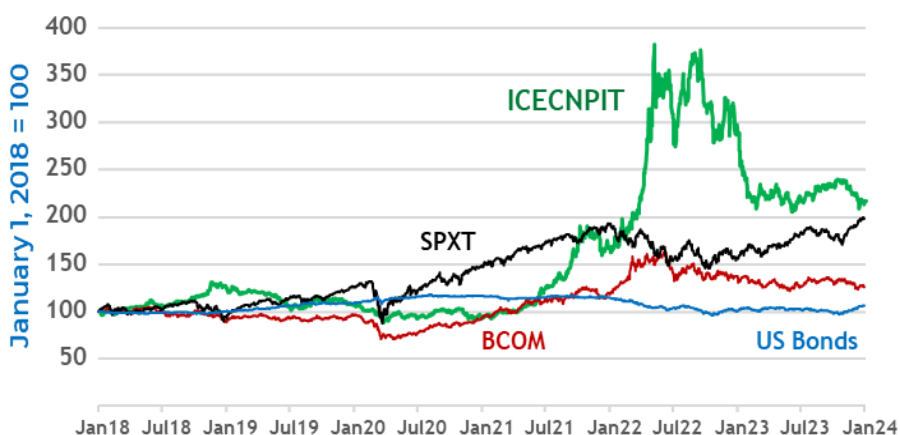
Risk Metrics

	ICECNPI	BCOM
Return 4Q23	-7.5%	-4.6%
Return YTD	-24.8%	-7.9%
Std Dev YTD	20.3%	12.6%
Sharpe Annlzd	-1.23	-0.63
Info Ratio YTD	-1.74	-

Correlations LTM

	SPX	US Agg Bonds	CPI
ICECNPI	0.14	0.26	0.01
BCOM	-0.02	0.01	0.40

ICECNPIT vs BCOM, SPXT, & US Bonds



ICE U.S. Carbon Neutral Power Index

Contribution as of 31 December 2023

Power Futures:	weight	contribution to returns	
		QTD	YTD
MidAtlantic	34.1%	-2.7%	-12.5%
MidWest	24.4%	-2.5%	-8.6%
Texas	14.2%	-0.3%	-0.4%
California	8.1%	-0.2%	-3.3%
Northeast	4.3%	-0.7%	-2.1%
Carbon Credits	15.0%	1.8%	5.1%
Spot Yield		-4.6%	-21.8%
Roll Yield		-4.1%	-6.8%
Collateral Yield		1.2%	3.8%
Total Return		-7.5%	-24.8%

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.

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Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.

Quarter in Review

Power markets in the fourth quarter bore the brunt of a second warm winter in a row following rare back-to-back El Nino weather events. Warm weather trends from the third quarter depressed demand in the fourth with heating degree days down -3.5% from 10-year averages. The Midwest and MidAtlantic were particularly hard hit when a record warm December knocked down heating degree days by 21% versus 10-year averages and left the two regions with an overall decline of 8% for the quarter. A slowdown in U.S. manufacturing activity, which returned to the 3-year NAPMPMI lows of the second quarter, combined with weaker weather-dependent consumption to reduce overall demand for power by 4.5% below 5-year averages. The only positive contribution came from carbon offsets, which returned 7.7% for the quarter and contributed 1.8% to spot power, which ended the quarter down -4.6%. Roll yield turned sharply negative in the quarter at -4.1% and was only partially offset by collateral yield, which contributed 1.2% to the total return for the index of -7.5%.

Outlook

A rare second El Nino weather pattern in a row, which emerged over the fourth quarter in the Pacific, ultimately evolved into a warming trend in December that depressed demand for heating and power in the Midwest, Mid Atlantic, and Northeast. The Climate Prediction Center of the National Weather Service expects this trend to continue through the first quarter with a return to more normal seasonal temperatures in the second. Power is unlikely to gain support from natural gas markets, which reversed the midsummer trend of weekly injections below 5-year averages to end the year with natural gas in storage up 21% over the 10-year average for the month of December. The outlook for the first quarter is unlikely to show much improvement over the fourth, but should compare favorably with the first quarter of 2023 when power prices declined by 25%. The longer term outlook is more bullish. New investments in domestic manufacturing and data centers are expected to accelerate growth in demand for electricity from the current EIA 5-year forecast of 2.2% in 2024 to 4.7% in 2029, based on an analysis of FERC data by Grid Strategies, a utility consulting firm. Additional support for power will come from export markets, where natural gas trades at more than 3 times U.S. domestic prices. The U.S. is now the largest exporter of LNG at 11.5 bcf per day, which will grow by another 4.6 bcf when 2 new facilities come on line later this year.