

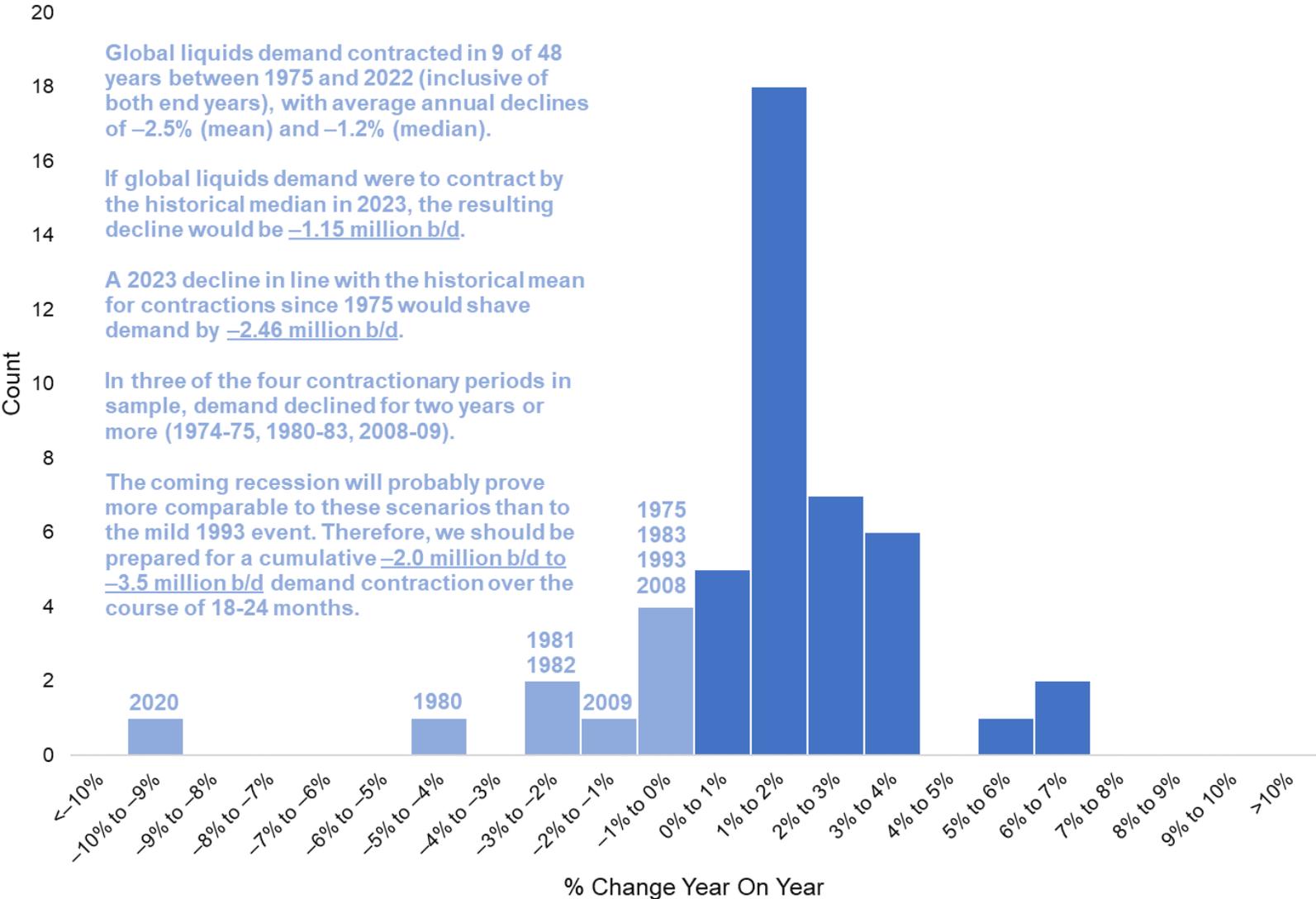


Folly and the Hammer: The Active Phase is Here

Colin P. Fenton
Partner, Chief Intelligence Officer

September 29, 2022 | Midland, TX | Annual Meeting, Permian Basin Petroleum Association

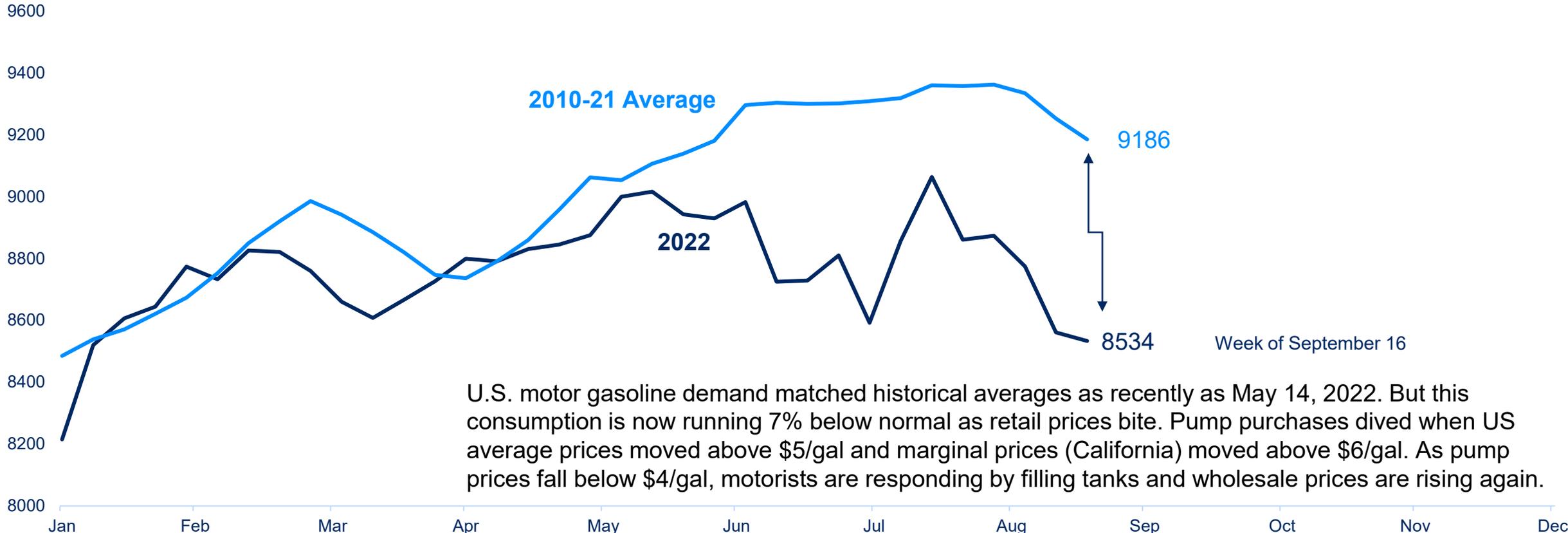
Distribution of Global Liquids Demand Growth, 1975-2022



Source: BLR, Veriten.

U.S. Gasoline Demand

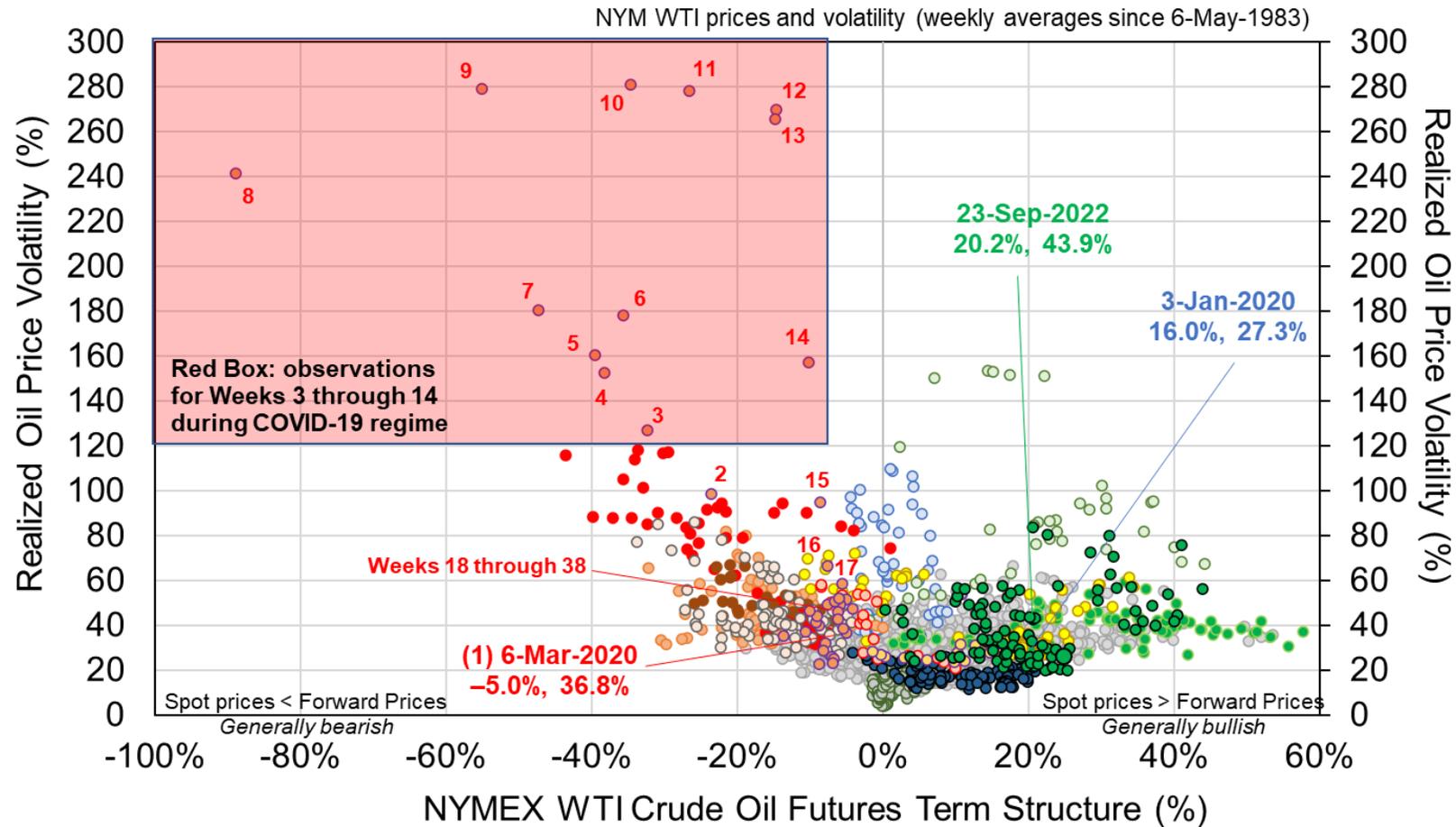
thousand b/d (smoothed by four-week moving averages)



U.S. motor gasoline demand matched historical averages as recently as May 14, 2022. But this consumption is now running 7% below normal as retail prices bite. Pump purchases dived when US average prices moved above \$5/gal and marginal prices (California) moved above \$6/gal. As pump prices fall below \$4/gal, motorists are responding by filling tanks and wholesale prices are rising again.

Crude Oil: Geopolitics Turbocharge Bull Phase

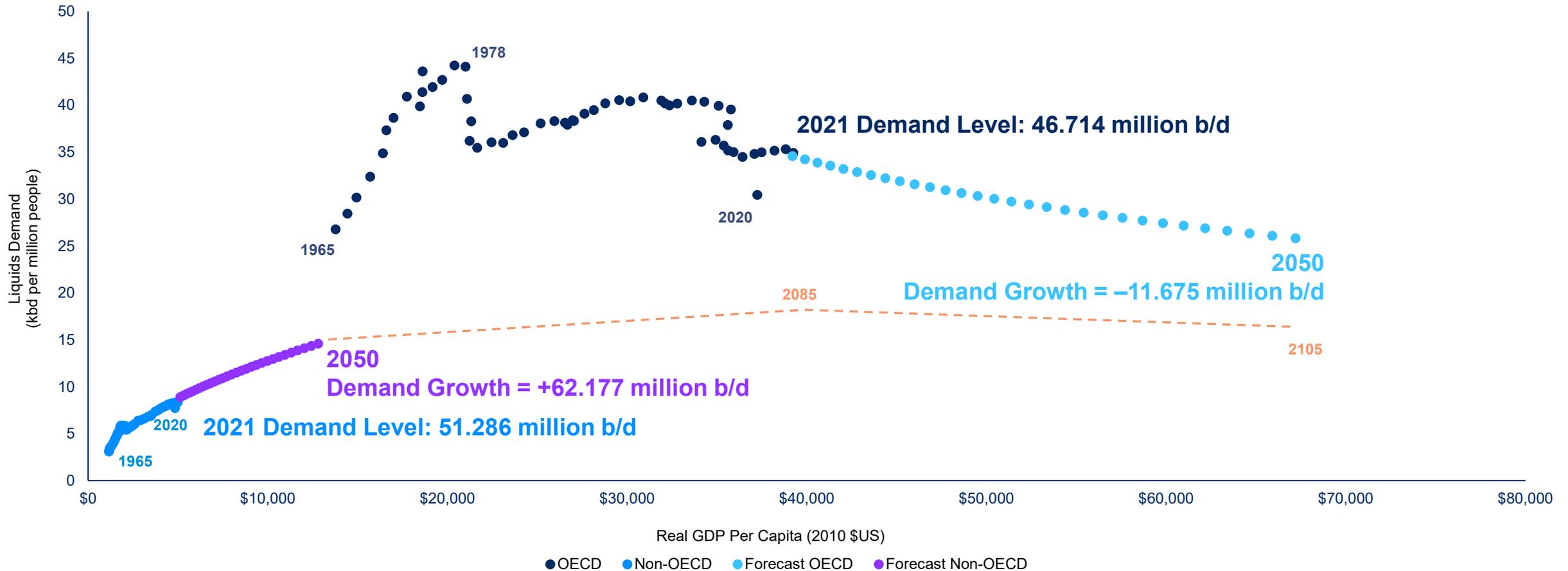
Ninety-six weeks into its recovery, spot oil is very dangerous



- All Others
- 1983-85 New Market
- 1985-86 Plaza Accord
- 1990-91 Persian Gulf War
- 1998 Financial Crisis
- 1999-00 Bull Run
- 2000-01 Recession
- 2008-09 Great Recession
- 2013-14 LTO Boom
- 2014-15 Oil Collapse
- 2015-16 Recession
- 2018 Markets Dump
- 2019-20 Busted Advance
- 2020-21 Global Intercession
- 2021- Post Covid

Even if all oil demand in all rich countries disappeared by 2050, global oil demand would still be bigger than today

More People, More Wealth, More Liquids Demand – Even With Meaningful Conservation

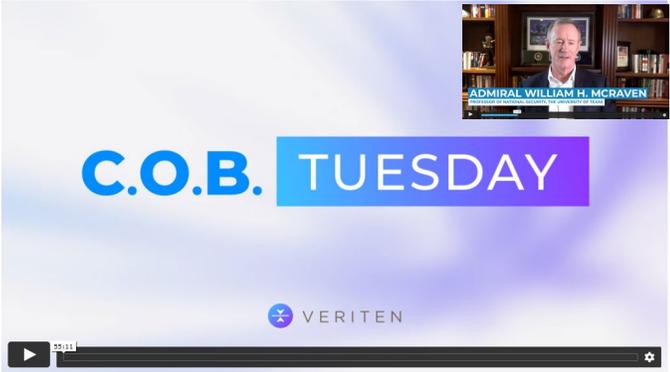


Source: IEA World Energy Outlook 2020 (October 10, 2020), IEA Net Zero by 2050: A Roadmap for the Global Energy Sector (May 17, 2021), BP Energy Outlook 2020 (September 14, 2020), BNEF New Energy Outlook 2021 (July 2021), bp, World Bank, UN, BLR. Note: IEA's WEO 2020, and its March 2021 five-year outlook for oil, both feature a forecasted long plateau in global oil demand as most consistent with likely policies and economic reality. IEA's Net Zero roadmap differs materially. It draws an aspirational plan for "a sharp decline in fossil fuel demand", with global oil demand at 75 million b/d in 2030, 45 million b/d in 2040, and 25 million b/d in 2050. The roadmap says: "There is no need for investment in new fossil fuel supply in our net zero pathway. Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway.." This raises the question of how carefully the analysis considered decline rates, maintenance capital, and capex in existing "oil and gas fields". OECD = Organization for Economic Cooperation and Development (38 wealthy countries). Non-OECD = all countries and territories other than OECD countries (n=180 developing economies). TPH Base Case projects global liquids demand will be 148.5 million b/d in 2050, a net increase of 50.5 million b/d (+52%) from 2021, as a 62 million b/d gain in Non-OECD offsets a 12 million b/d drop in OECD. In this case, if all current OECD demand (46.7 million b/d) vanished, global demand would still grow.

Inflation and Response

JULY 28, 2020

Ep. 22 – Featuring Admiral McRaven



JULY 28, 2020

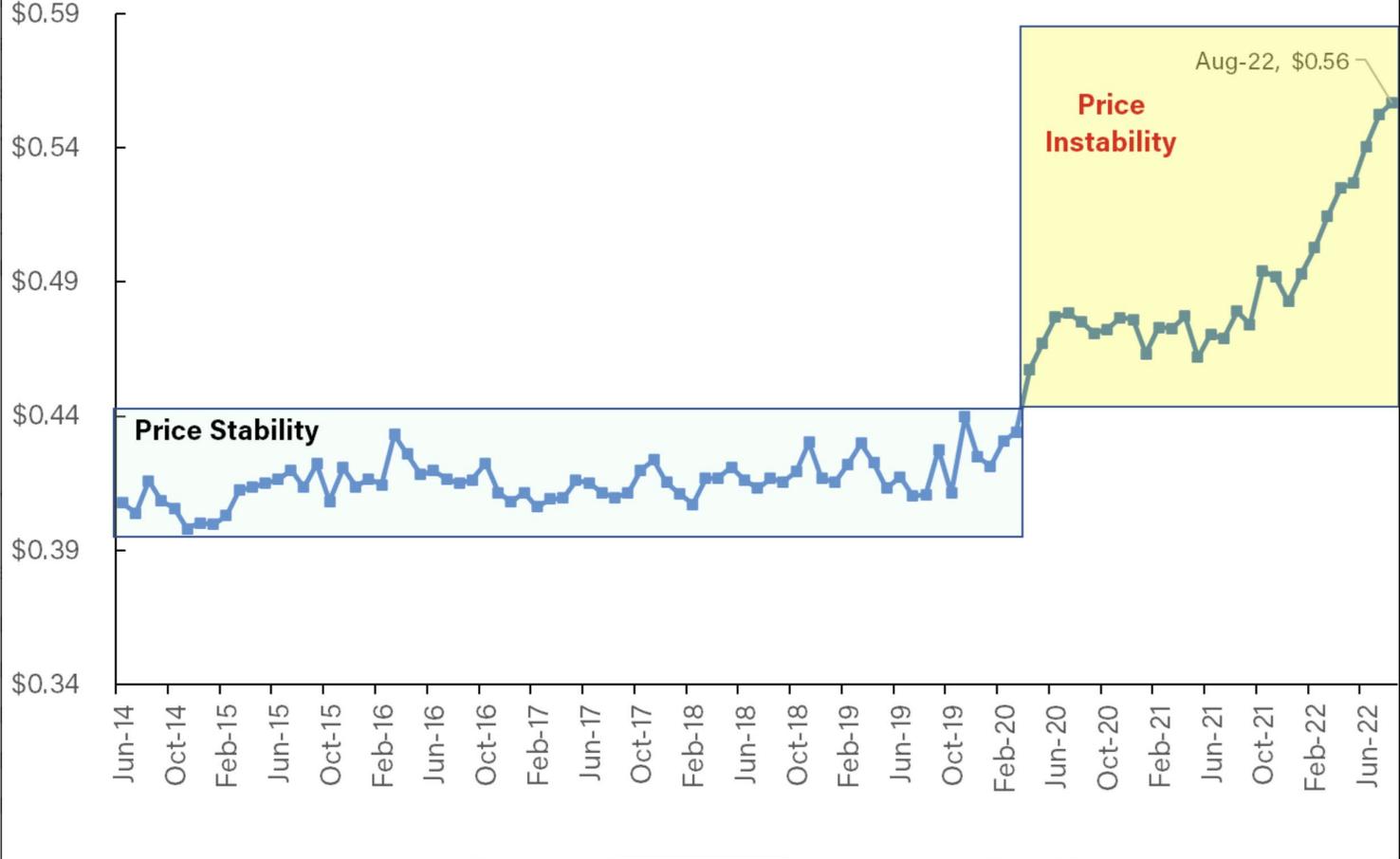
Ep. 22 – Featuring Admiral McRaven

US average price for potato chips
\$ per 1.5-oz bag

Date	Price (\$)
Jun-14	\$0.40
Oct-14	\$0.40
Feb-15	\$0.40
Jun-15	\$0.41
Oct-15	\$0.41
Feb-16	\$0.41
Jun-16	\$0.41
Oct-16	\$0.41
Feb-17	\$0.41
Jun-17	\$0.41
Oct-17	\$0.41
Feb-18	\$0.41
Jun-18	\$0.41
Oct-18	\$0.41
Feb-19	\$0.41
Jun-19	\$0.41
Oct-19	\$0.41
Feb-20	\$0.41
Jun-20	\$0.41
Oct-20	\$0.41
Feb-21	\$0.41
Jun-21	\$0.41
Oct-21	\$0.41
Feb-22	\$0.41
Jun-22	\$0.56

US average price for potato chips

\$ per 1.5-oz bag



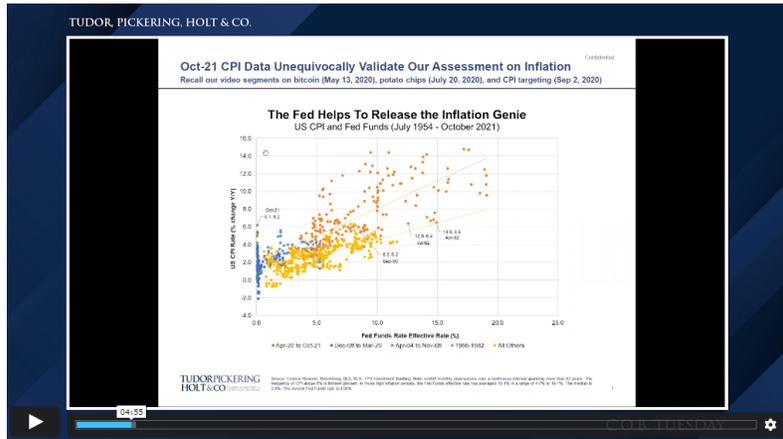
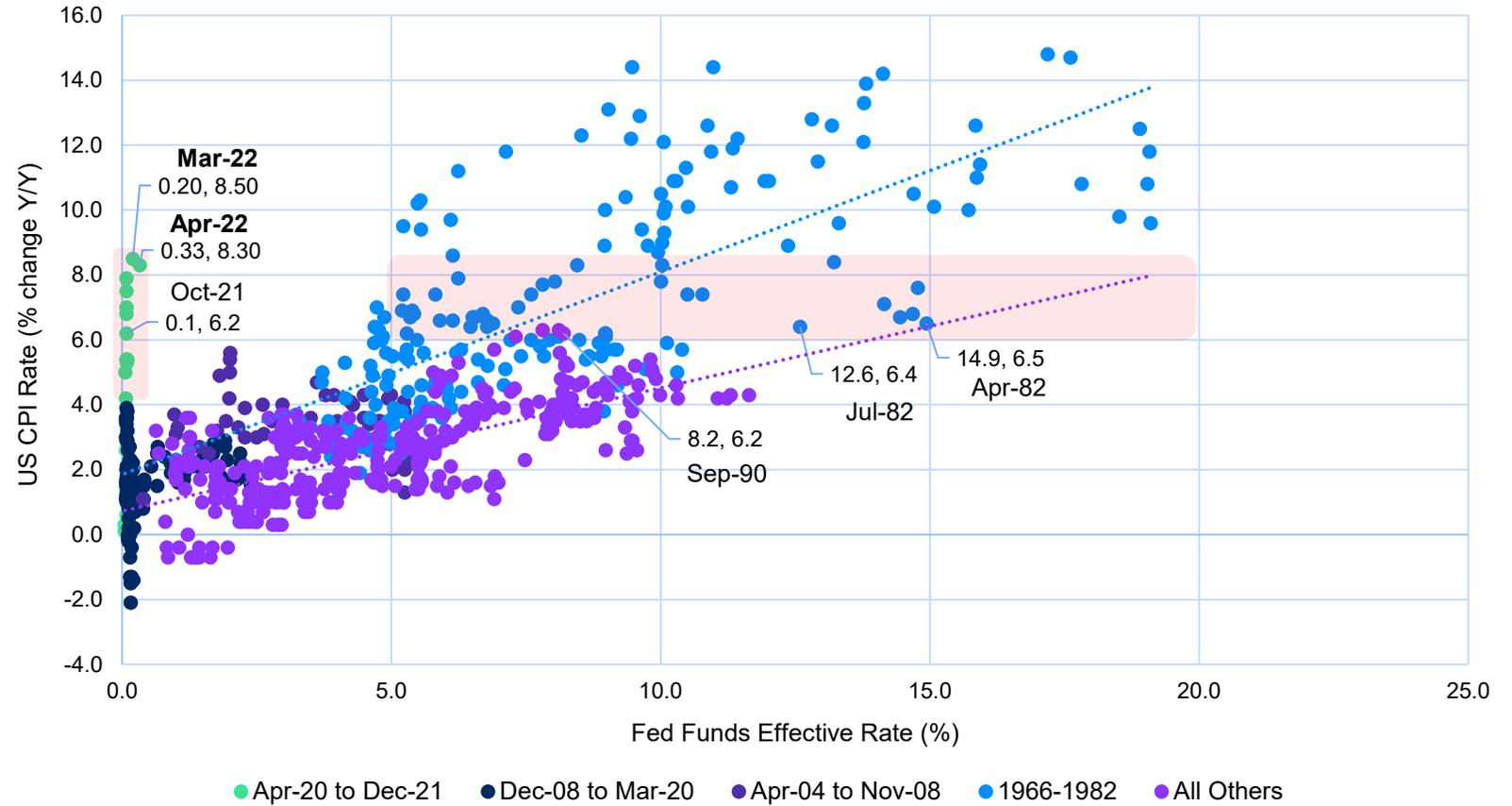
Source: BLS, BLR, Veriten. Note: in COBT Ep. 22 (July 28, 2020), we said, "Our assessment is that this [the breakout in potato chip prices] is the first real sign of that monetary inflation colliding with the real economy." See: 07:50 and following.

NOVEMBER 16, 2021

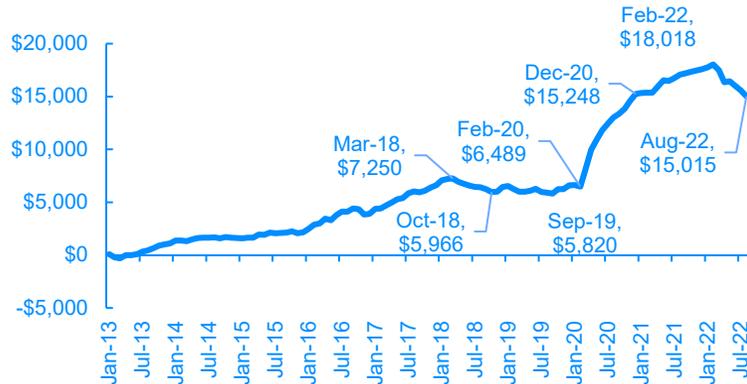
Ep. 90 – “There’s a right way and a wrong way to do Energy Transition”



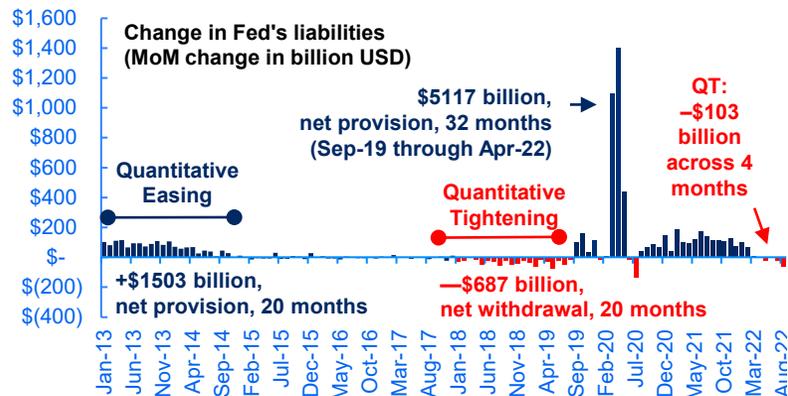
The Fed Helps To Release the Inflation Genie US CPI and Fed Funds (July 1954 - April 2022)



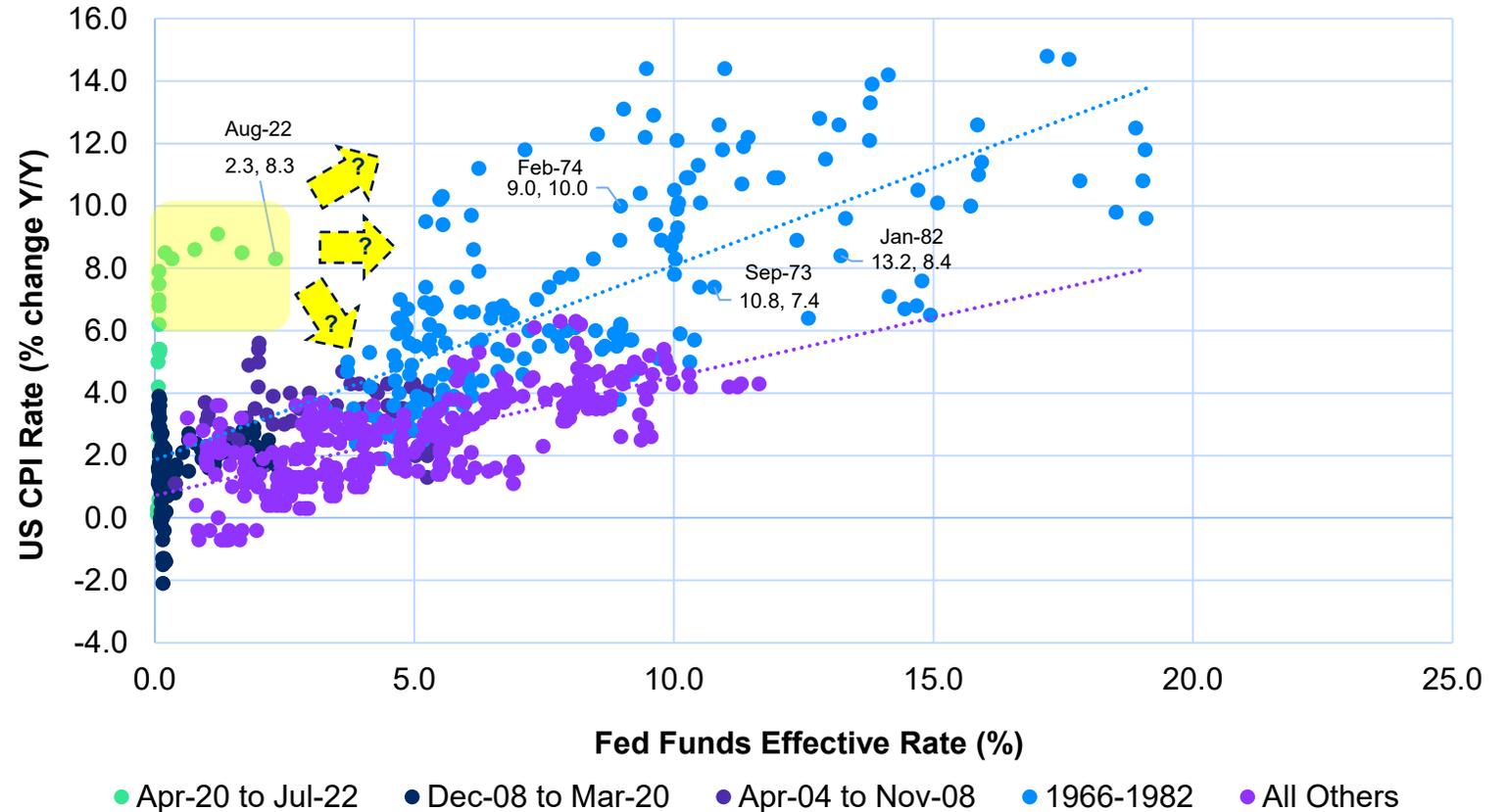
Growth in Four* Central Banks' Balance Sheets
billion USD cumulative since January 2013



A punch bowl like none before it
QT 2022/23 has barely begun



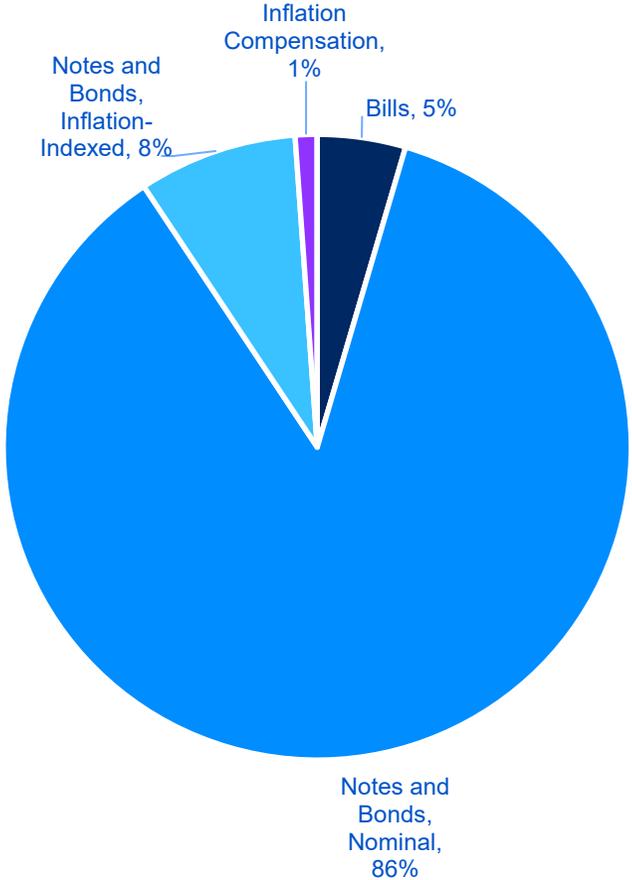
The Fed Helps To Release the Inflation Genie
US CPI and Fed Funds (July 1954 - August 2022)



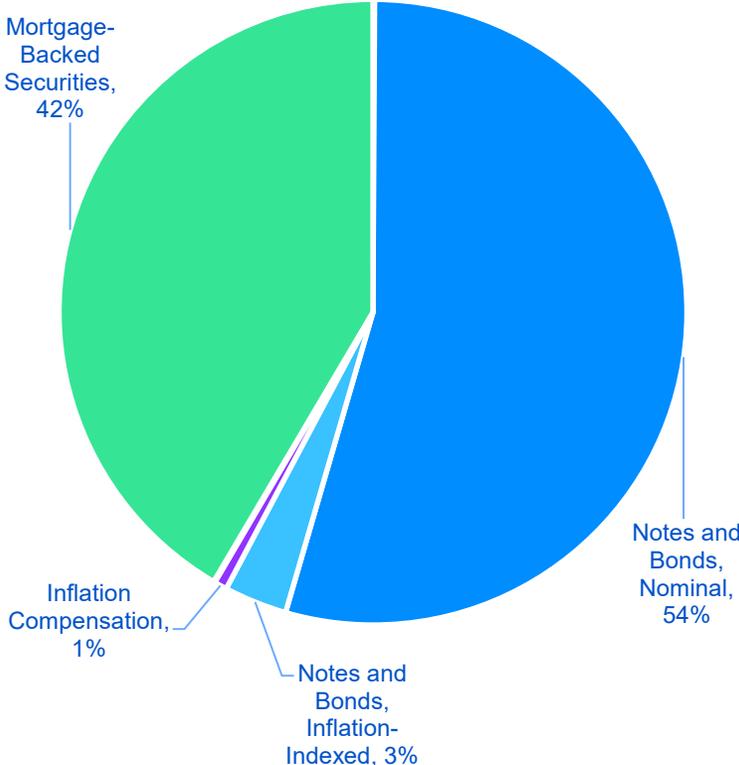
Source: BLR, BLS, Bloomberg, Central Banks, NYM, Veriten. *The four central banks are BOJ, ECB, Fed, and PBOC. The decline between Feb-22 and Aug-22 reflects both maturity roll-offs and foreign exchange effects. Note: in the past 68 years, the US CPI Y/Y rate has exceeded 8% eight percent of the time. During those periods, excluding 2022, the Fed Funds Effective Rate (FFER) has ranged between a low of 5.2% and a high of 19.1%, with a mean value of 11.7% and a median value of 10.9%. As of September 14, 2022, the FFER IS 2.33%.

Securities Held Outright By The Federal Reserve

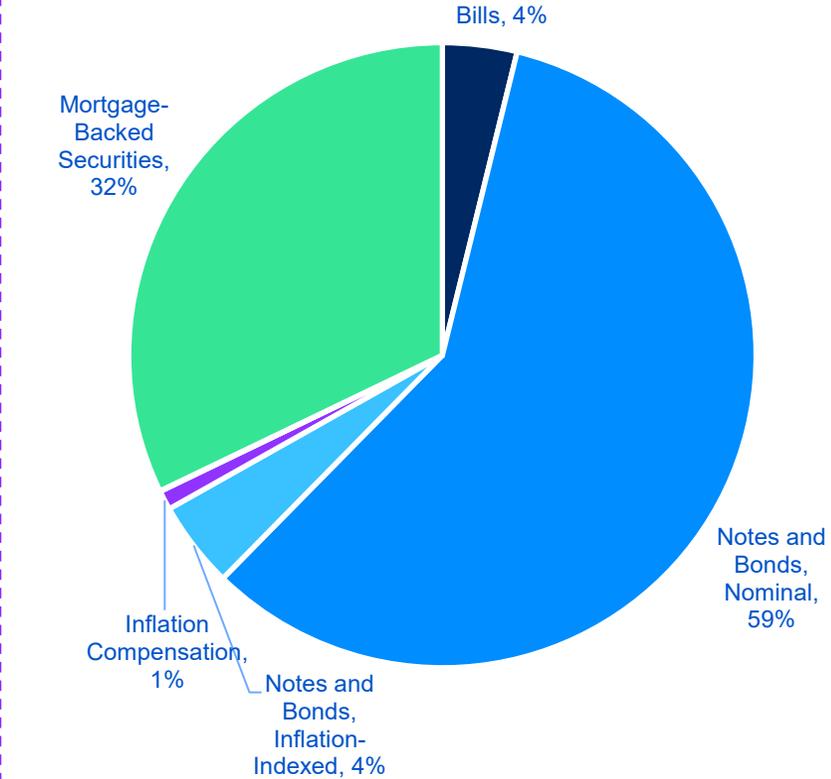
June 18, 2008: \$0.479 trillion



September 4, 2019: \$3.587 trillion



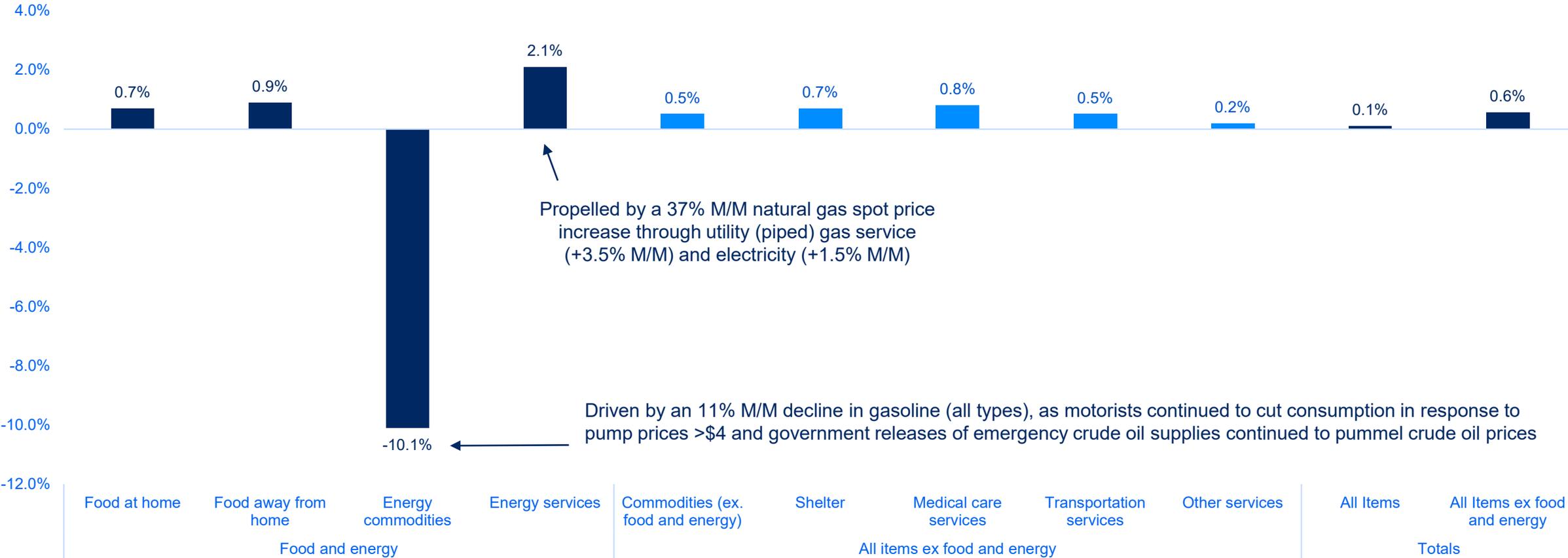
May 18, 2022: \$8.504 trillion



Source: Federal Reserve, BLR, Veriten.

US CPI Changes by Spending Category, August 2022 vs July 2022

% change MoM, NSA



Source: BLS, Veriten. Note: coming into the Aug-22 report, consensus expected 0.3% M/M growth in core inflation ("all items ex food and energy"). The actual figure was twice as large: 0.6% M/M or 7.0% annualized. Energy services grew at a 28.3% annualized rate in August 2022. Eight of the nine main categories tracked by BLS showed M/M increases.

FOMC Consensus View* for Year-End Target of Fed Funds Rate

As of:	2018	2019	2020	2021	2022	2023	2024	2025	LT
9/26/2018	2.31	3.02	3.28	3.23					2.88
12/19/2018	2.35	2.85	3.07	3.01					2.84
3/20/2019		2.49	2.67	2.74					2.80
6/19/2019		2.17	2.21	2.32					2.70
9/18/2019		1.85	1.88	2.07	2.27				2.57
12/11/2019		1.63	1.68	1.96	2.23				2.54
3/15/2020	FOMC Meeting was canceled due to COVID-19 Pandemic								
6/10/2020			0.13	0.13	0.20				2.49
9/16/2020			0.13	0.13	0.15	0.26			2.49
12/16/2020			0.13	0.13	0.14	0.26			2.49
3/17/2021				0.13	0.19	0.40			2.48
6/16/2021				0.13	0.25	0.69			2.48
9/22/2021				0.13	0.29	0.89	1.64		2.46
12/15/2021				0.13	0.81	1.65	2.31		2.46
3/17/2022					2.05	2.81	2.79		2.43
6/15/2022					3.39	3.78	3.26		2.43
9/21/2022					4.26	4.59	3.76	3.01	2.47

* Consensus View is weighted-average of individual year-end forecasts, not the median.

Global Economic Activity Is Decelerating, But Still Not Fast Enough Nor Far Enough to Quell Inflation



	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
UNITED STATES	48.5	48.1	48.1	48.1	47.9	51.4	50.3	49.1	48.6	43.5	52.4	53.9	55.4	55.4	58.8	57.3	60.5	59.4	60.9	63.7	60.6	61.6	60.9	59.9	59.7	60.5	60.8	60.6	58.8	57.6	58.6	57.1	55.4	56.1	53.0	52.8	52.8
CHINA	0.0	51.4	51.7	51.8	51.5	51.1	49.3	50.1	49.4	50.7	51.2	52.8	53.1	53.0	53.6	54.9	53.0	51.5	50.9	50.6	51.9	52.0	51.3	50.3	49.2	50.0	50.6	49.9	50.9	49.1	50.4	48.1	46.0	48.1	51.7	50.4	49.5
JAPAN	0.0	48.9	48.4	48.9	48.4	48.8	48.8	47.8	44.8	41.9	38.4	40.1	45.2	47.2	47.7	48.9	49.0	50.0	49.8	51.4	52.7	53.6	53.0	52.4	53.0	52.7	51.5	53.2	54.5	54.3	55.4	53.5	53.3	52.7	52.1	51.5	51.5
GERMANY	0.0	41.7	42.1	44.1	43.7	45.3	48.0	45.4	34.5	36.6	45.2	51.0	52.2	56.4	58.2	57.8	58.3	57.1	60.7	66.6	66.2	64.4	65.1	65.9	62.6	58.4	57.8	57.4	57.4	59.8	58.4	56.9	54.6	54.8	52.0	49.3	49.1
UNITED KINGDOM	0.0	48.3	49.6	48.9	47.5	50.0	51.7	47.8	32.6	40.7	50.1	53.3	55.2	54.1	53.7	55.6	57.5	54.1	55.1	58.9	60.9	65.6	63.9	60.4	60.3	57.1	57.8	58.1	57.9	57.3	58.0	55.2	55.8	54.6	52.8	52.1	47.3
FRANCE	0.0	50.1	50.7	51.7	50.4	51.1	49.8	43.2	31.5	40.6	52.3	52.4	49.8	51.2	51.3	49.6	51.1	51.6	56.1	59.3	58.9	59.4	59.0	58.0	57.5	55.0	53.6	55.9	55.6	55.5	57.2	54.7	55.7	54.6	51.4	49.5	50.6
BRAZIL	0.0	53.4	52.2	52.9	50.2	51.0	52.3	48.4	36.0	38.3	51.6	58.2	64.7	64.9	66.7	64.0	61.5	56.5	58.4	52.8	52.3	53.7	56.4	56.7	53.6	54.4	51.7	49.8	49.8	47.8	49.6	52.3	51.8	54.2	54.1	54.0	51.9
ITALY	0.0	51.4	52.2	50.4	51.1	51.4	52.1	17.4	10.8	28.9	46.4	51.6	47.1	48.8	46.7	38.4	39.7	44.7	48.8	48.6	47.3	53.1	56.7	56.0	58.0	55.5	52.4	55.9	53.0	48.5	52.8	52.1	55.7	53.7	51.6	48.4	50.5
INDIA	0.0	51.4	50.6	51.2	52.7	55.3	54.5	51.8	27.4	30.8	47.2	46.0	52.0	56.8	58.9	56.3	56.4	57.7	57.5	55.4	55.5	50.8	48.1	55.3	52.3	53.7	55.9	57.6	55.5	54.0	54.9	54.0	54.7	54.6	53.9	56.4	56.2
RUSSIA	0.0	46.3	47.2	45.6	47.5	47.9	48.2	47.5	31.3	36.2	49.4	48.4	51.1	48.9	46.9	46.3	49.7	50.9	51.5	51.1	50.4	51.9	49.2	47.5	46.5	49.8	51.6	51.7	51.6	51.8	48.6	44.1	48.2	50.8	50.9	50.3	51.7
CANADA	0.0	51.0	51.2	51.4	50.4	50.6	51.8	46.1	33.0	40.6	47.8	52.9	55.1	55.0	55.5	55.8	57.9	54.4	54.8	58.5	57.2	57.0	56.5	57.2	57.6	57.7	57.2	56.5	56.2	56.6	56.9	56.2	56.8	54.6	52.5	48.7	
AUSTRALIA	44.2	47.6	43.5	48.7	38.3	41.7	29.3	37.3	36.8	35.9	42.3	43.6	52.8	46.0	42.9	56.6	50.6	50.6	44.5	56.0	53.2	57.6	63.4	61.8	45.5	54.2	48.7	56.4	48.8	48.8	51.6	50.7	53.9	56.9	40.7	51.1	42.4
SOUTH KOREA	0.0	48.0	48.4	49.4	50.1	49.8	48.7	44.2	41.6	41.3	43.4	46.9	48.5	49.8	51.2	52.9	52.9	53.2	55.3	55.3	54.6	53.7	53.9	53.0	51.2	52.4	50.2	50.9	51.9	52.8	53.8	51.2	52.1	51.8	51.3	49.8	47.6
SPAIN	0.0	47.7	46.8	47.5	47.4	48.5	50.4	45.7	30.8	38.3	49.0	53.5	49.9	50.8	52.5	49.8	51.0	49.3	52.9	56.9	57.7	59.4	60.4	59.0	59.5	58.1	57.4	57.1	56.2	56.2	56.9	54.2	53.3	53.8	52.6	48.7	49.9
MEXICO	0.0	49.1	50.4	48.0	47.1	49.0	50.0	47.9	35.0	38.3	36.6	40.4	41.3	42.1	43.6	43.7	42.4	43.0	44.2	45.6	48.4	47.6	48.8	49.6	47.1	48.6	49.3	49.4	49.4	46.1	48.0	49.2	49.3	50.6	52.2	48.5	48.5
INDONESIA	0.0	49.1	47.7	49.2	49.5	49.3	51.9	45.3	27.5	28.6	39.1	46.9	50.8	47.2	47.8	50.6	51.3	52.2	50.9	53.2	54.6	55.3	53.5	49.1	43.7	52.2	57.2	53.9	53.5	53.7	51.2	51.3	51.9	50.8	50.2	51.3	51.7
NETHERLANDS	0.0	51.6	50.3	49.6	48.3	49.9	52.9	50.5	41.3	40.5	45.2	47.9	52.3	52.5	50.4	54.4	58.2	58.8	59.6	64.7	67.2	69.4	68.8	67.4	65.8	62.0	62.5	60.7	58.7	60.1	60.6	58.4	59.9	57.8	55.9	54.5	52.6
TURKEY	0.0	50.0	49.0	49.5	49.5	51.3	52.4	48.1	33.4	40.9	53.9	56.9	54.3	52.8	53.9	51.4	50.8	54.4	51.7	52.6	50.4	49.3	51.3	54.0	54.1	52.5	51.2	52.0	52.1	50.5	50.4	49.4	49.2	49.2	48.1	46.9	47.4
SAUDI ARABIA	0.0	57.3	57.8	58.3	56.9	54.9	52.5	42.4	44.4	48.1	47.7	50.0	48.8	50.7	51.0	54.7	57.0	57.1	53.9	53.3	55.2	56.4	56.4	55.8	54.1	58.6	57.7	56.9	53.9	53.2	58.2	56.8	55.7	55.7	57.0	56.3	57.7
SWITZERLAND	46.9	44.7	49.5	47.9	48.4	48.0	49.2	43.5	41.2	42.5	41.4	49.6	50.6	52.5	53.1	55.4	58.6	60.1	62.0	65.6	68.3	68.6	67.1	70.0	67.0	67.8	65.7	63.8	64.2	63.8	62.6	64.0	62.5	60.0	59.1	58.0	58.4
SWEDEN	52.7	46.5	46.2	45.9	45.6	51.0	52.4	43.4	36.0	39.9	49.2	52.2	55.7	56.5	58.8	59.6	64.4	61.9	61.7	64.1	68.6	65.8	65.9	65.2	61.3	64.7	64.0	62.7	61.1	61.7	57.7	56.8	54.5	54.6	53.2	52.5	50.6
POLAND	0.0	47.8	45.6	46.7	48.0	47.4	48.2	42.4	31.9	40.6	47.2	52.8	50.8	50.8	50.8	51.7	51.9	53.4	54.3	53.7	57.2	59.4	57.6	56.0	53.4	53.8	54.4	56.1	54.5	54.7	52.7	52.4	48.5	44.4	42.1	40.9	
TAIWAN	0.0	50.0	49.8	49.8	50.8	51.8	49.9	50.4	42.2	41.9	46.2	50.6	52.2	55.2	55.1	56.9	59.4	60.2	60.4	60.8	62.4	62.0	57.6	59.7	58.5	54.7	55.2	54.9	55.5	55.1	54.3	54.1	51.7	50.0	49.8	44.6	42.7
NORWAY	54.3	50.8	54.6	54.0	54.4	51.5	52.9	42.3	42.9	46.6	50.1	45.3	47.9	51.1	54.1	52.7	53.0	52.4	57.4	60.8	59.1	58.4	60.8	62.5	61.3	58.8	58.5	63.6	57.7	56.7	55.8	58.8	59.5	54.4	55.7	54.0	52.3
AUSTRIA	0.0	45.1	45.5	46.0	46.0	49.2	50.2	45.8	31.6	40.4	46.5	52.8	51.0	51.7	54.0	51.7	53.5	54.2	58.3	63.4	64.7	68.4	67.0	63.9	61.8	62.8	60.6	58.1	58.7	61.5	58.4	59.3	57.9	56.6	51.2	51.7	48.8
UAE	0.0	51.1	51.1	50.3	50.2	49.3	49.1	45.2	44.1	46.7	50.4	50.8	49.4	51.0	49.5	49.5	51.2	51.2	50.6	52.6	52.7	52.3	52.2	54.0	53.8	53.3	55.7	55.9	55.6	54.1	54.8	54.8	54.6	55.6	54.8	55.4	56.7
SOUTH AFRICA	0.0	49.2	49.4	48.6	47.6	48.3	48.4	44.5	35.1	32.5	42.5	44.9	45.3	49.4	51.0	50.3	50.2	50.8	50.2	50.3	53.7	53.2	51.0	46.1	49.9	50.7	48.6	51.7	48.4	50.9	50.9	51.4	50.3	50.7	52.5	52.7	51.7
MALAYSIA	0.0	47.9	49.3	49.5	50.0	48.8	48.5	48.4	31.3	45.6	51.0	50.0	49.3	49.0	48.5	48.4	49.1	48.9	47.7	49.9	53.9	51.3	39.9	49.1	43.4	48.1	52.2	52.3	52.8	50.5	50.9	49.6	51.6	50.1	50.4	50.6	50.3
SINGAPORE	0.0	48.3	47.4	50.4	51.0	51.4	47.0	33.3	28.1	27.1	43.2	45.6	43.6	45.1	48.6	46.7	50.5	52.9	54.9	53.5	51.8	54.4	50.1	56.7	52.1	53.8	52.3	52.0	55.1	54.4	52.5	52.9	56.7	59.4	57.5	58.0	56.0
ISRAEL	44.3	50.3	51.8	52.8	51.8	50.1	0.0	34.6	39.3	38.5	45.9	49.8	53.1	53.5	54.9	57.1	50.9	49.5	49.4	48.6	52.6	56.1	51.5	46.8	54.1	58.1	55.4	50.3	47.8	42.9	49.7	47.4	47.4	52.6	53.4	57.6	
EGYPT	0.0	48.5	49.2	47.9	48.2	46.0	47.1	44.2	29.7	40.7	44.6	49.6	49.4	50.4	51.4	50.9	48.2	48.7	49.3	48.0	47.7	48.6	49.9	49.1	49.8	48.9	48.7	48.7	49.0	47.9	48.1	46.5	46.9	47.0	45.2	46.4	47.6
IRELAND	0.0	48.7	50.7	49.7	49.5	51.4	51.2	45.1	36.0	39.2	51.0	57.3	52.3	50.0	50.3	52.2	57.2	51.8	52.0	57.1	60.8	64.1	64.0	63.3	62.8	60.3	62.1	59.9	58.3	59.4	57.8	59.4	59.1	56.4	53.1	51.8	51.1
GREECE	0.0	53.6	53.5	54.1	53.9	54.4	56.2	42.5	29.5	41.1	49.4	48.6	49.4	50.0	48.7	42.3	46.9	50.0	49.4	51.8	54.4	58.0	58.6	67.4	59.3	58.4	58.9	58.8	59.0	57.9	57.8	54.6	54.8	53.8	51.1	49.1	48.8
CZECH REPUBLIC	0.0	44.9	45.0	43.5	43.6	45.2	46.5	41.3	35.1	39.6	44.9	47.6	49.1	50.7	51.9	53.9	57.0	57.0	56.5	58.0	58.9	61.8	62.7	62.0	61.0	58.0	55.1	57.1	59.1	59.0	56.5	54.7	54.4	52.3	49.0	46.8	46.8
VIETNAM	0.0	50.5	50.0	51.0	50.6	50.6	49.0	41.9	32.7	42.7	51.1	47.6	45.7	52.2	51.8	49.9	51.7	51.3	51.6	53.6	54.7																

Average Retail Price for Regular Grade Gasoline: October 11/12, 2021

Confidential

Inflation and policy have materially lifted clearing prices for energy markets, but price beliefs are still anchored

Large and/or Rich Countries

	US\$ per gallon
Brazil	4.18
South Africa	4.51
China	4.62
Canada	4.92
India	5.21
Japan	5.28
Poland	5.57
Spain	6.32
Switzerland	6.69
Singapore	6.82
United Kingdom	7.04
France	7.14
Germany	7.21
Italy	7.38
Norway	8.14
Netherlands	8.14
Hong Kong	9.83

Select States and Counties in the United States

	State Average	County	County Average
Texas	2.92	Harris, TX	2.86
New York	3.36	Westchester, NY	3.49
Wyoming	3.52	Teton, WY	3.96
Idaho	3.72	Boise, ID	4.17
Oregon	3.76	Harney, OR	4.07
Washington	3.86	Jefferson, WA	4.06
Hawaii	4.13	Kauai, HI	4.38
California	4.44	Humboldt, CA	4.80
United States	3.28		
Range of County Average Prices			
California (58 Counties)	\$4.20 – \$5.36		

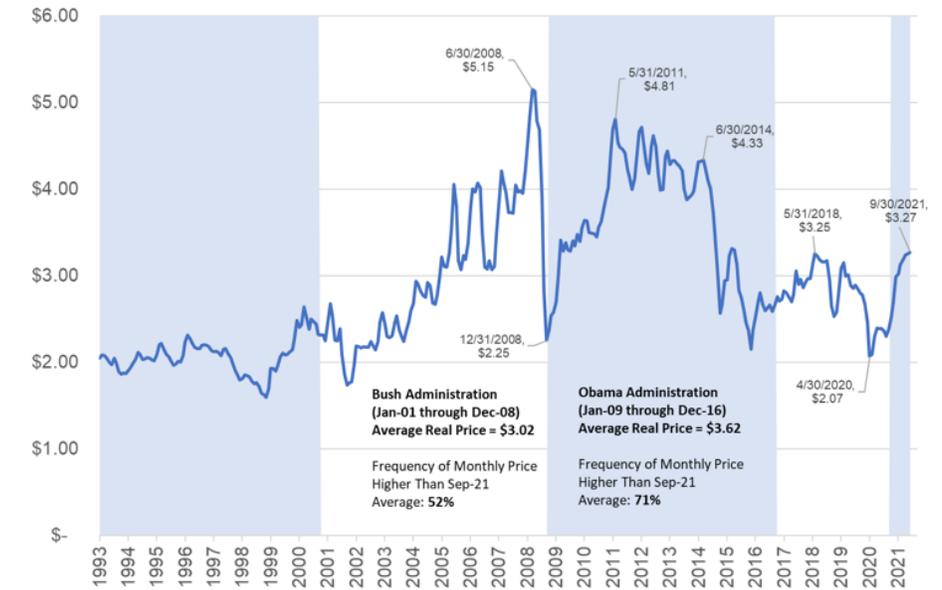
Inflation-Adjusted Gasoline Prices Are Not High

Confidential

The US average pump price would need to move to \$4.75 to \$5.15 to match the 2011 & 2008 peaks

US Real Average Retail Gasoline Price, Regular Grade

Aug-21 US\$ per gallon



General Observation: Not Scarcity of Barrels, It's A Surplus of Dollars!

Assurances that inflation is 'transitory' are colliding with reality

Confidential

Projected spare capacity, global liquids, Dec-2021

thousand b/d (Source: TPH Investment Banking)

OPEC-10	4315
Rest of OPEC+	1080
OPEC not in OPEC+	1790
Non-OPEC leaders*	1843
Other liquids**	990
World	10018

Growth in major central banks' balance sheets

billion USD cumulative since January 2013



Note: the first four rows are for crude and condensate only. Russia accounts for 480 thousand b/d of the projection for "Rest of OPEC+".

*Non-OPEC leaders: United States, Canada, Brazil, China, India, and Norway.

**Other liquids: total spare capacity of crude and condensate across rest of world, plus worldwide spare capacity of NGLs, biofuels, and processing gains.

Prices in NYM WTI Options Imply 15% Odds of \$100 crude by June 2022

Actual conditional probabilities are likely at least 2X higher, though the more relevant question is: odds of \$200+?

Confidential

Contract	Expiry	Probability of \$100	Expected Price
CLZ1	11/20/2021	4.6%	\$79.15
CLF2	12/20/2021	9.1%	\$77.80
CLG2	1/20/2022	11.7%	\$76.40
CLH2	2/22/2022	13.6%	\$75.10
CLJ2	3/20/2022	14.6%	\$73.95
CLK2	4/20/2022	15.3%	\$72.80
CLM2	5/20/2022	15.7%	\$71.70
CLZ2	11/21/2022	13.3%	\$67.55

Settlement Price for Prompt NYM WTI Crude Oil (Nov-21), 11-Oct-2021:

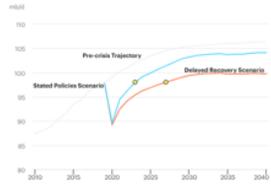
\$80.52 per barrel (or, \$1.92 per gallon)

Reality Check: Projections for Global Oil Demand Run the Gamut

Whatever path eventuates through 2050, *today* there is no shortage of fact-hungry opinions about 'peak oil demand'

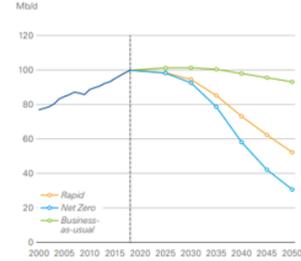
Confidential

IEA: A Long Plateau

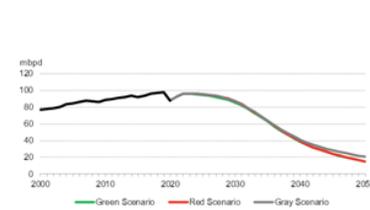


IEA sees 'no need' for investment in 'new oil supply' yet pegs demand at 100 mbd in 2040?

BP: A Peak, Then Rapid Decline



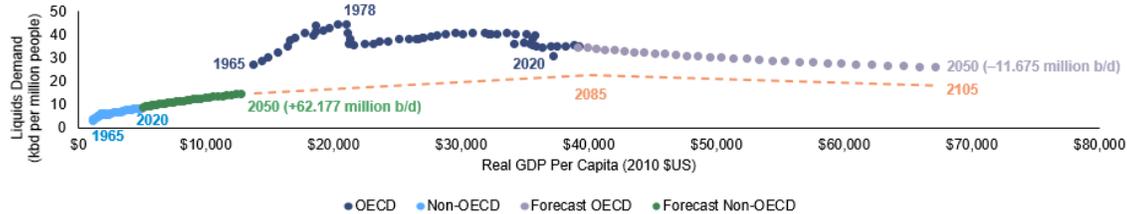
BNEF: 80% Lost in All Scenarios



BNEF also claims US on-road vehicle fleet is 200 million units and will stay flat for 30 years.

TPH: Human Civilization Will Never Stop Using Hydrocarbons, But Will Manage HCs' Full Life Cycles More Expertly

More People, More Wealth, More Liquids Demand – Even With Meaningful Conservation



Source: IEA World Energy Outlook 2020 (October 10, 2020), IEA Net Zero by 2050: A Roadmap for the Global Energy Sector (May 17, 2021), BP Energy Outlook 2020 (September 14, 2020), BNEF New Energy Outlook 2021 (July 2021), bp, World Bank, UN, BLR, TPH Investment Banking. Note: IEA's WEO 2020, and its March 2021 five-year outlook for oil, both feature a forecasted long plateau in global oil demand as most consistent with likely policies and economic reality. IEA's Net Zero roadmap differs materially. It draws an aspirational plan for "a sharp decline in fossil fuel demand", with global oil demand at 75 million b/d in 2030, 45 million b/d in 2040, and 25 million b/d in 2050. The roadmap says: "There is no need for investment in new fossil fuel supply in our net zero pathway. Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway." This raises the question of how carefully the analysis considered decline rates, maintenance capital, and capex in existing "oil and gas fields". OECD = Organization for Economic Cooperation and Development (38 wealthy countries). Non-OECD = all countries and territories other than OECD countries (n=180 developing economies). TPH Base Case projects global liquids demand will be 148.5 million b/d in 2050, a net increase of 60.5 million b/d (+52%) from 2021, as a 62 million b/d gain in Non-OECD offsets a 12 million b/d drop in OECD. In this case, if all current OECD demand (46.7 million b/d) vanished, global demand would still grow.

A Startling Revelation

Global natural gas and F/X markets reveal the gas demand rationing price is now between US\$200 and US\$250 boe

Confidential

LNG: \$33.11 / MMBtu (\$194.76 / boe)



UK: \$36.73 / MMBtu (\$216.03 / boe)



HH: \$5.43 / MMBtu (\$31.92 / boe)



A Normal Winter Would Drive European Gas Stocks to Minimal Levels; Colder-Than-Normal to Critical Levels

European natural gas in storage
% of total storage capacity



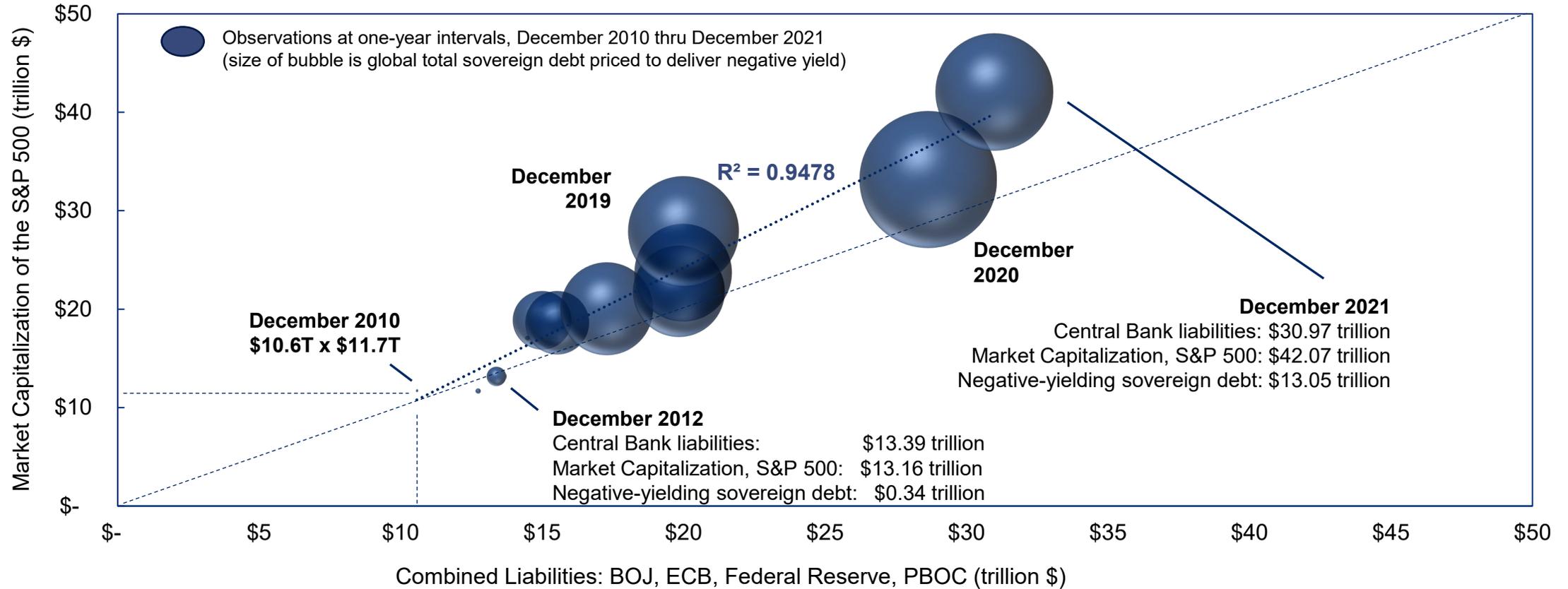
Source: GIE, BLR, TPH Investment Banking. Note: data are midday as of October 14, 2021.

United States	1981	1991	2001	2011	2021
Nominal GDP (billion \$)	\$3,207 10.7% CAGR (10Y)	² \$6,158 6.7% CAGR (10Y)	\$10,582 5.6% CAGR (10Y)	\$15,600 4.0% CAGR (10Y)	¹ \$22,085 3.5% CAGR (10Y)
Fed. Budget Balance (bil \$)	+\$78	-\$267 ⁴	+\$94	-\$1,250 ³	-\$2,580 ⁵
Public Debt (billion \$)	\$1,029 9.3% CAGR (10Y)	\$3,665 13.5% CAGR (10Y)	\$5,807 4.7% CAGR (10Y)	\$15,223 10.1% CAGR (10Y)	⁶ \$29,617 6.9% CAGR (10Y)
Public Debt to GDP Ratio	32%	60%	55%	98%	⁷ 134%
CPI 10-Year CAGR	8.4%	4.1%	2.7%	2.4%	1.9%
CPI % YoY in December	8.9% ⁸	3.0%	1.6%	3.1%	7.1% ⁸
Equity Market Capitalization, All US Listed Shares (billion \$)				\$15,483	\$49,001 ⁹
Total Liabilities, Four Largest Central Banks* (billion \$)				\$12,744	\$30,972 ¹⁰
Negative-Yielding Sovereign Debt (billion \$)				\$20	\$13,048

* Bank of Japan, ECB, Federal Reserve, People's Bank of China. Note: values are as of December 31 unless otherwise indicated.

Bubble Trouble

Experimental monetary and fiscal policy unleash asset bubbles

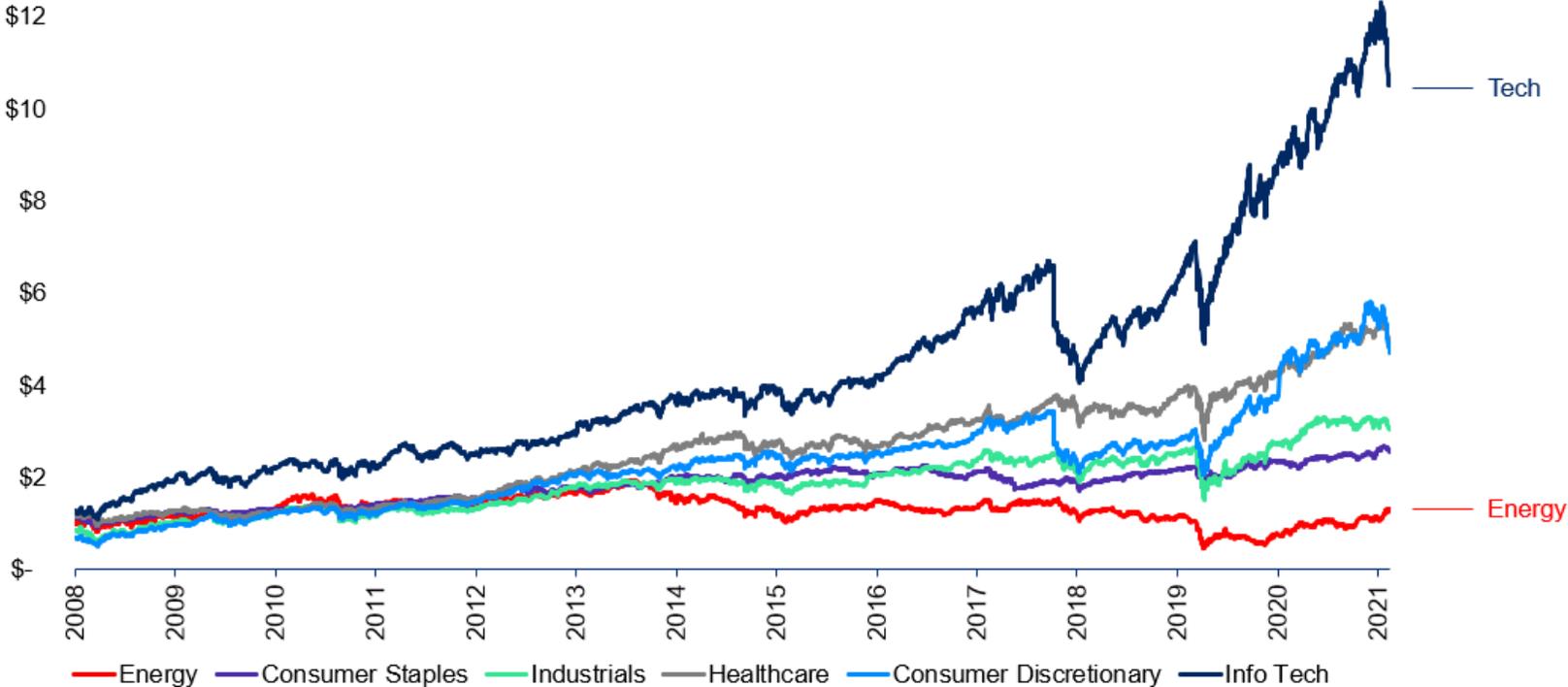


Which sector is more at risk if 2022 brings crisis or calamity?



Market Cap, All Energy Firms in the S&P 500: \$1.32 Trillion
Smaller than Industrials, Staples, and Consumer Discretionary

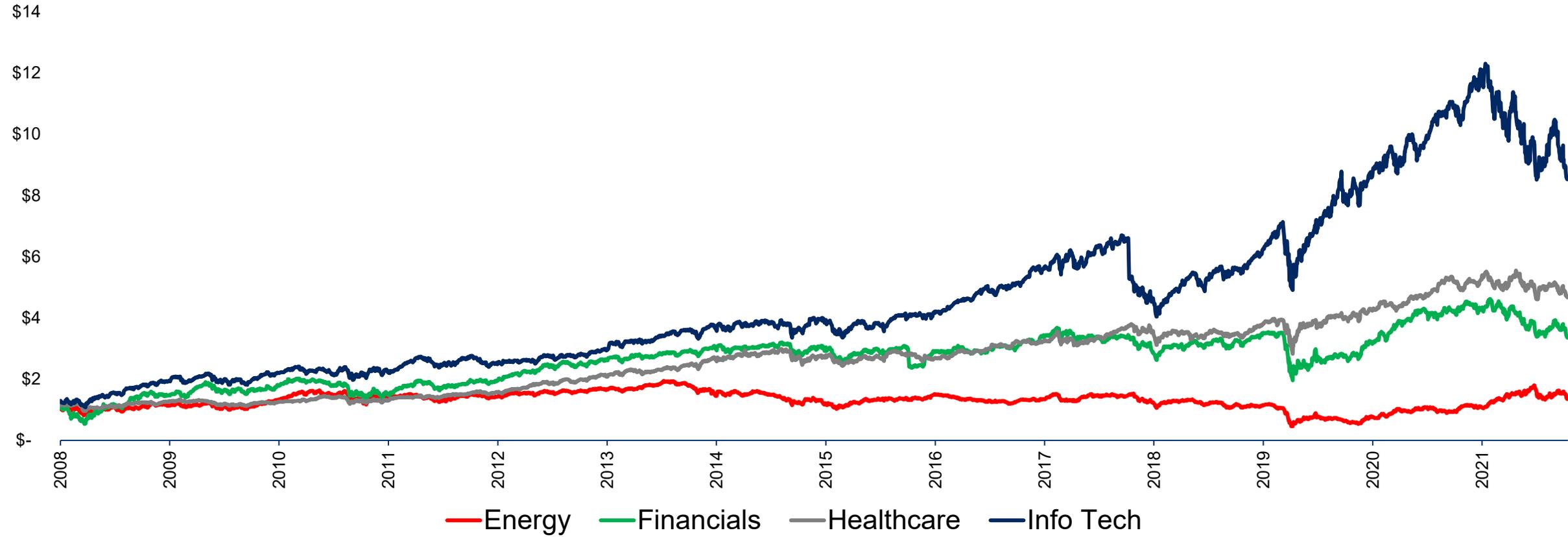
\$14 Market capitalization for six S&P 500 sectors (trillions USD)



Source: Bloomberg, Veriten. Note: data as of closing prices on January 31, 2022. The twenty-one firms in the S&P 500 Energy Sector GICS Level 1 Index (n=21) all work in oil and gas.

Market Capitalization Through September 28, 2022

trillions USD



Source: Bloomberg, Veriten.

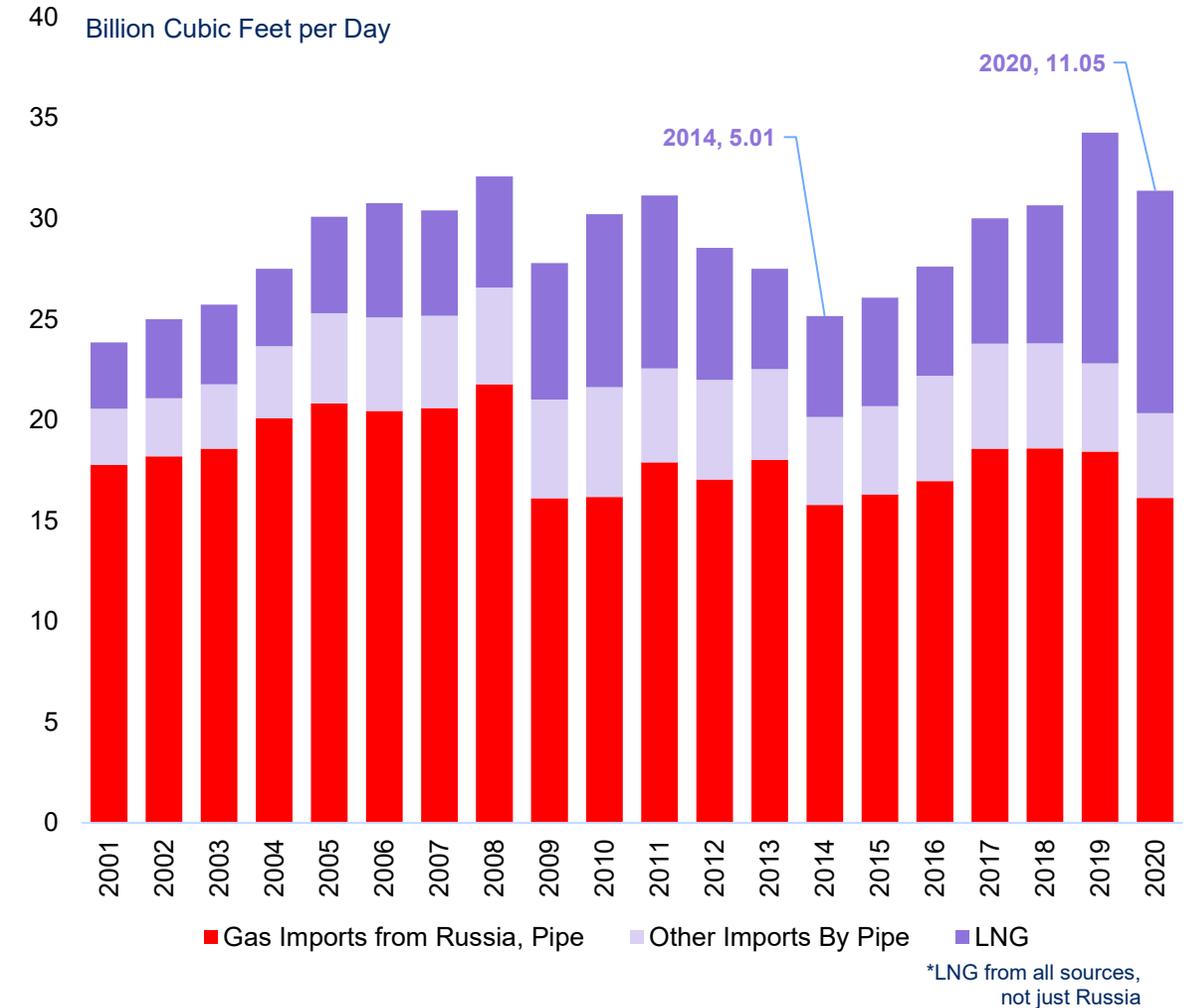
Russia and European Energy

EU Gas Policies Increased EU Gas Import Dependency

Natural Gas Balance, European Union (Bcf/d)				
	2001	2014	2020	Change 2014 v 2020
Production	12.82	9.67	4.61	-52%
Consumption	35.93	32.06	36.66	+14%
Balance	-23.11	-22.39	-32.05	-9.66
Import Dependency	64%	70%	87%	+17%-pts

Natural Gas Balance, Rest of Europe (Bcf/d)				
	2001	2014	2020	Change 2014 v 2020
Production	17.55	16.08	16.48	+2%
Consumption	19.17	16.32	15.55	-5%
Balance	-1.62	-0.24	+0.93	+1.17
Import Dependency	8%	1%	6% Surplus	-7%-pts

Europe Fills Its Gap With LNG & Russian Pipe Gas



Source: BPSR, BLR. Note: in 2020, 85% of Russian gas exports by pipeline went to Europe (16.1 Bcf/d of 19.0 Bcf/d total). Russia shipped 3.9 Bcf/d in LNG cargoes in 2020, of which 1.7 Bcf/d (43%) went to Europe. The European Union accounted for almost all this inflow, led by France (0.48 Bcf/d), Spain (0.33 Bcf/d), and the United Kingdom (0.28 Bcf/d). Russia supplied 15% of all Europe's LNG imports in 2020.

Gazprom Gas Flows To: European Union (EU) / EU Plus Ukraine
Billion cubic feet per day (Bcf/d)

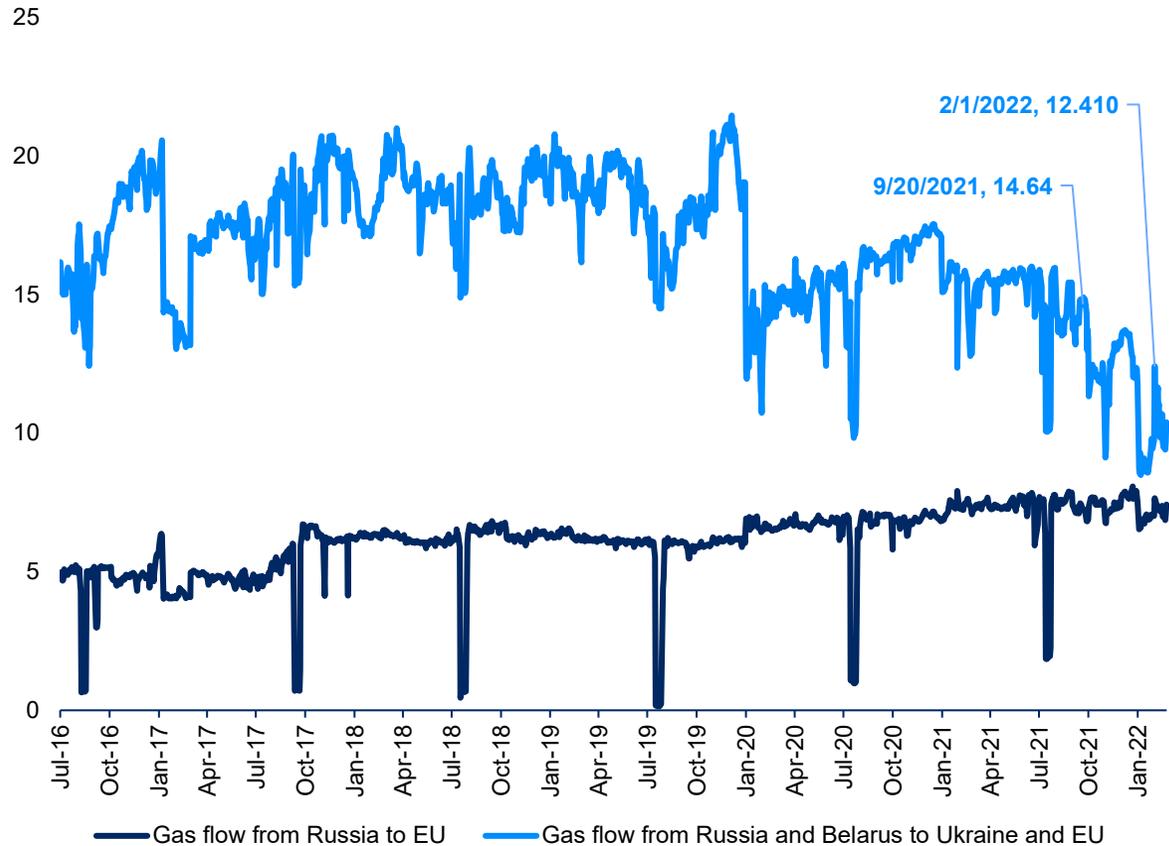
7.206 / 13.447

(Trailing One-Year Average as of February 18, 2022)

7.421 / 10.393

(February 23, 2022)

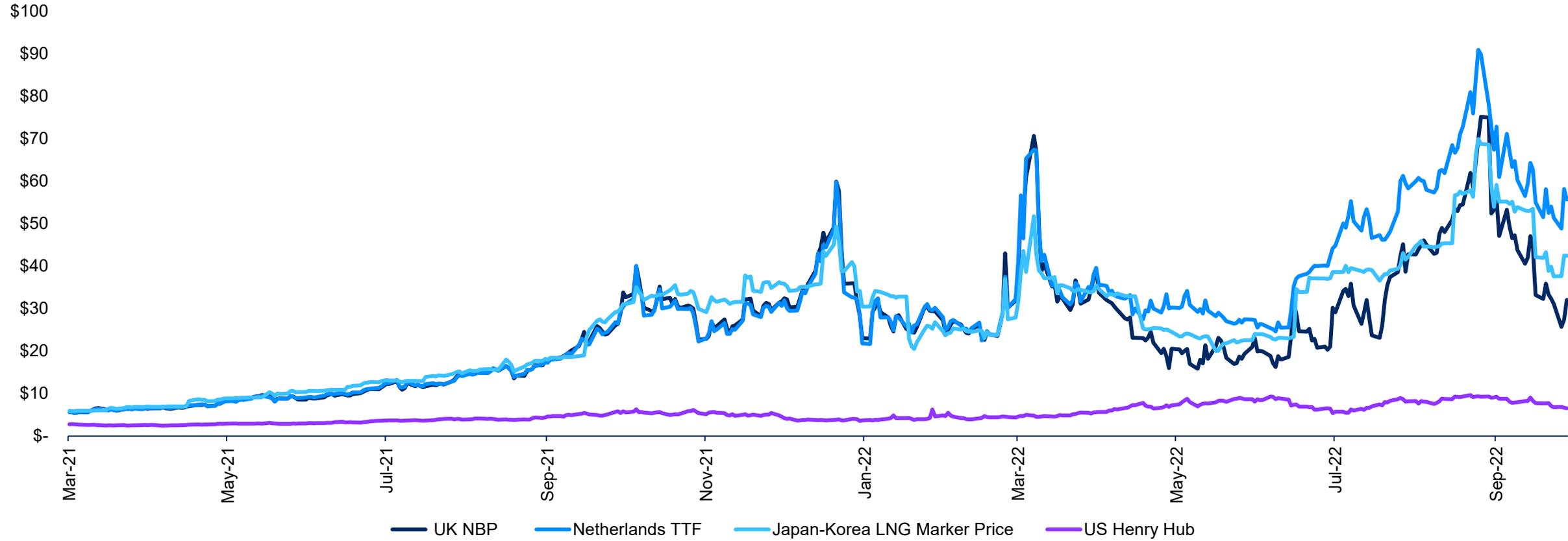
Gazprom Pipeline Gas Flows into Europe
Billion cubic feet per day (Bcf/d)



Source: Gazprom, Veriten. Note: Gazprom flows to Ukraine averaged 6.271 Bcf/d in the year-ending Friday, February 18, 2022. On February 23, 2022, these flows were 2.972 Bcf/d, or -53%. The latter date is the day before Russia launched its full-scale war against Ukraine and also the date of the last data provided by Gazprom.

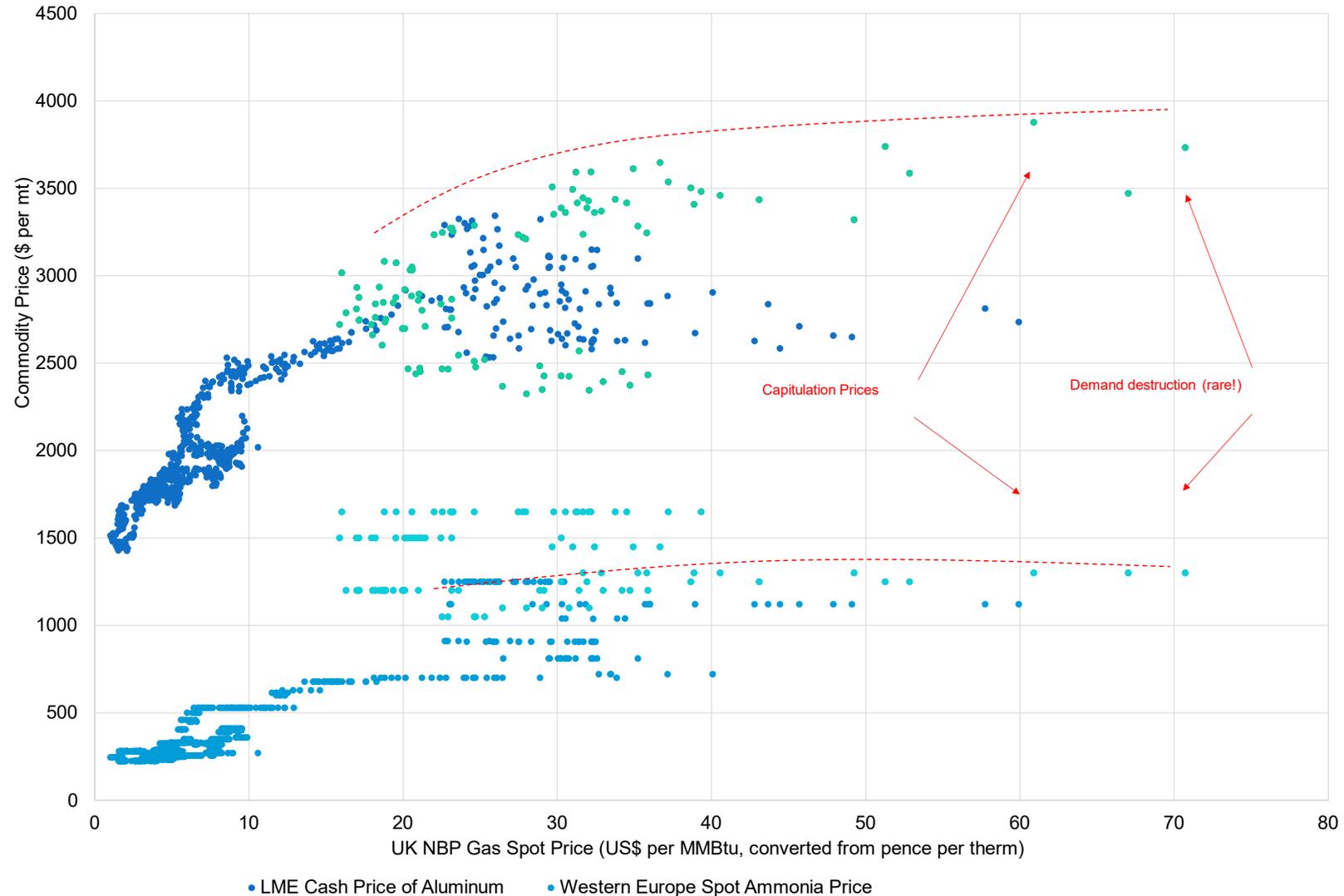
US Gas Prices Will Likely Rise Further as US Comes to Europe's Aid with Supply

US\$ per MMBTU



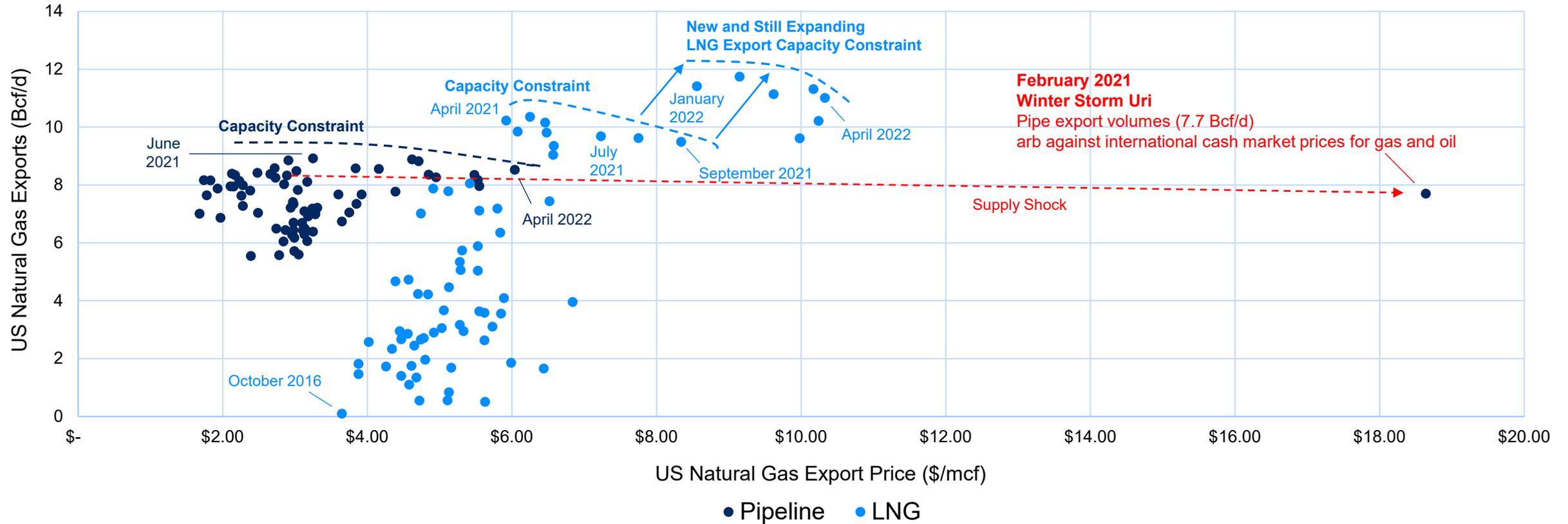
European Factories Forced To Cut Output

Gas-intensive industrial businesses respond to high price



U.S. Natural Gas Exports by Supply Channel

June 2016 through April 2022

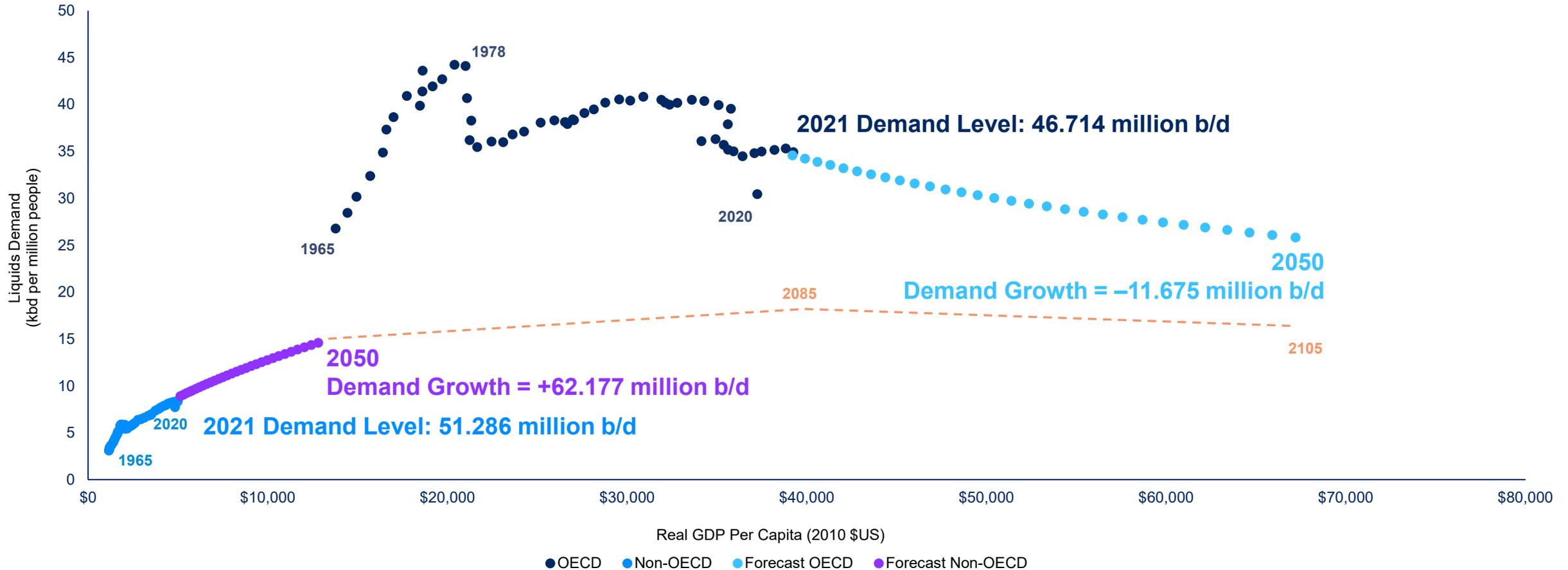


Long Run World Oil Outlook

Projections For Global Oil Demand Typically Miss This Crucial Fact

Even if all oil demand in all rich countries disappeared by 2050, global oil demand would still be bigger than today

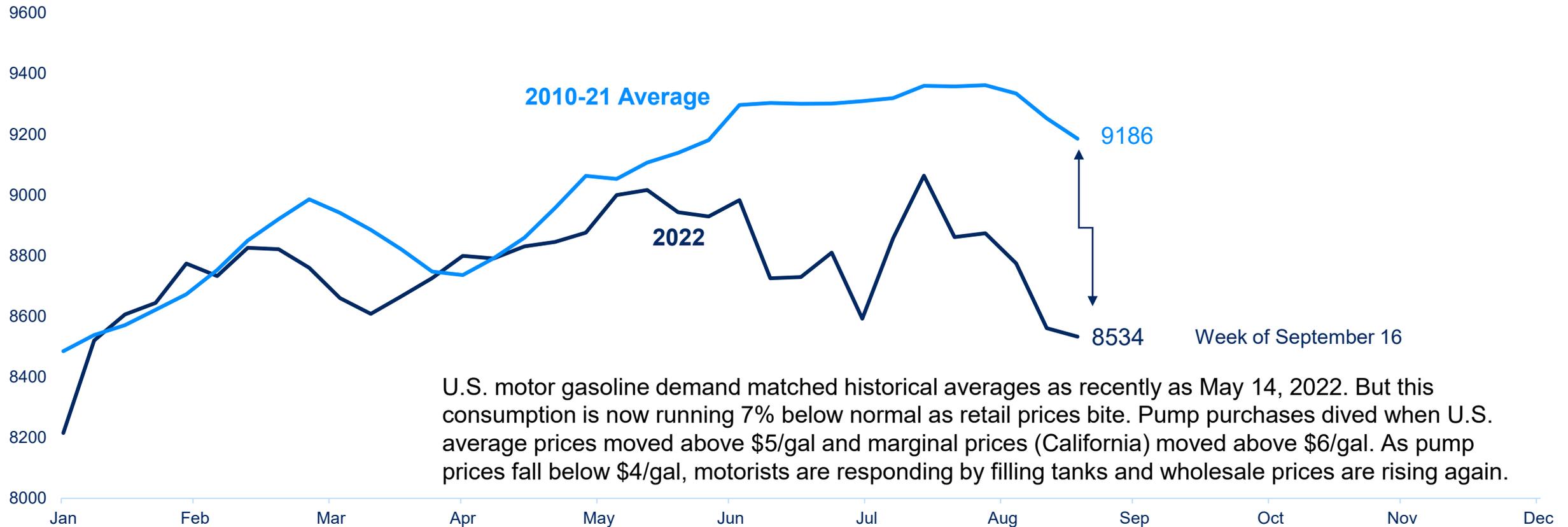
More People, More Wealth, More Liquids Demand – Even With Meaningful Conservation



Source: IEA World Energy Outlook 2020 (October 10, 2020), IEA Net Zero by 2050: A Roadmap for the Global Energy Sector (May 17, 2021), BP Energy Outlook 2020 (September 14, 2020), BNEF New Energy Outlook 2021 (July 2021), bp, World Bank, UN, BLR. Note: IEA's WEO 2020, and its March 2021 five-year outlook for oil, both feature a forecasted long plateau in global oil demand as most consistent with likely policies and economic reality. IEA's Net Zero roadmap differs materially. It draws an aspirational plan for "a sharp decline in fossil fuel demand", with global oil demand at 75 million b/d in 2030, 45 million b/d in 2040, and 25 million b/d in 2050. The roadmap says: "There is no need for investment in new fossil fuel supply in our net zero pathway. Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway.." This raises the question of how carefully the analysis considered decline rates, maintenance capital, and capex in existing "oil and gas fields". OECD = Organization for Economic Cooperation and Development (38 wealthy countries). Non-OECD = all countries and territories other than OECD countries (n=180 developing economies). TPH Base Case projects global liquids demand will be 148.5 million b/d in 2050, a net increase of 50.5 million b/d (+52%) from 2021, as a 62 million b/d gain in Non-OECD offsets a 12 million b/d drop in OECD. In this case, if all current OECD demand (46.7 million b/d) vanished, global demand would still grow.

U.S. Gasoline Demand

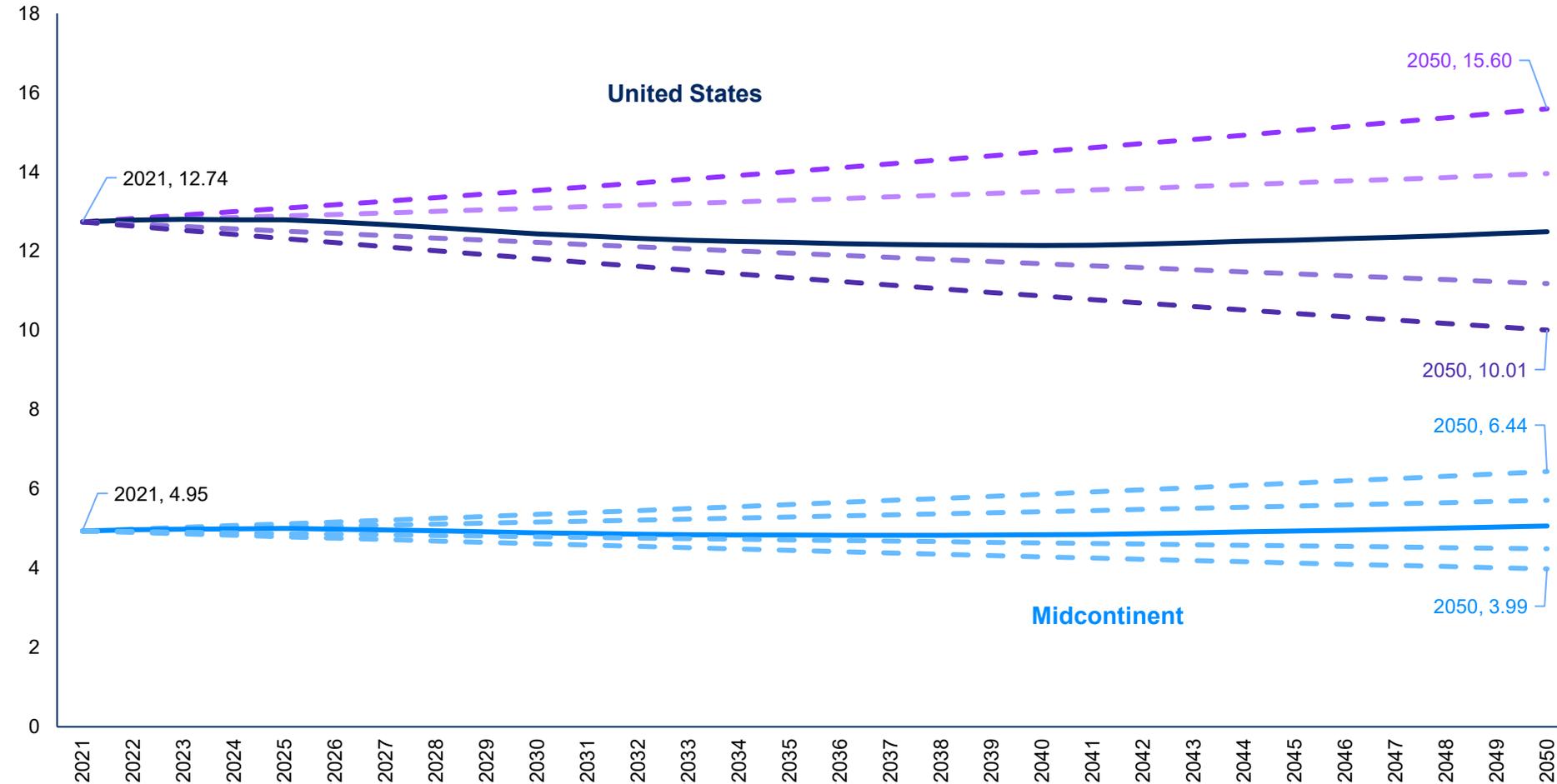
thousand b/d (smoothed by four-week moving averages)



U.S. motor gasoline demand matched historical averages as recently as May 14, 2022. But this consumption is now running 7% below normal as retail prices bite. Pump purchases dived when U.S. average prices moved above \$5/gal and marginal prices (California) moved above \$6/gal. As pump prices fall below \$4/gal, motorists are responding by filling tanks and wholesale prices are rising again.

Gasoline Plus Distillate Demand Paths by Scenario

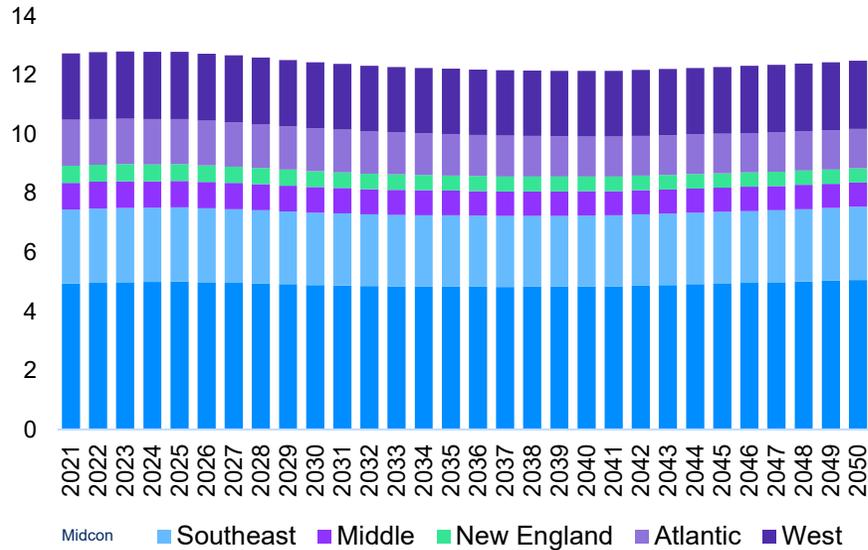
million b/d



95% confidence intervals also see upside scenarios, even in projections with non-normal probability distributions

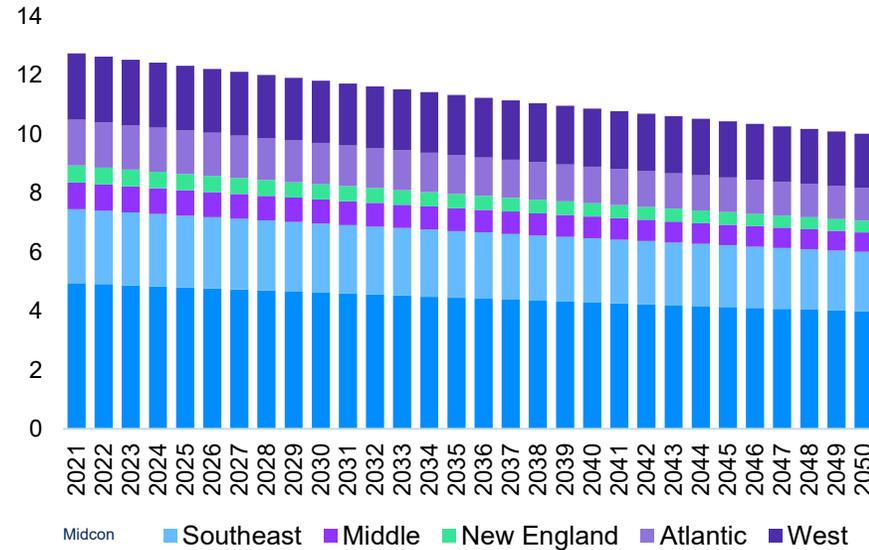
Base Case: -248 thousand b/d (-1.9%)

Demand for Gasoline Plus Distillate (Base Case)
million b/d



Low Case: -2.73 million b/d (-21.4%)

Demand for Gasoline Plus Distillate (Low Case)
million b/d



Base Case	U.S. Demand Change by 2050
Motor Gasoline	-409 thousand b/d (-4.6%)
Distillate Fuel	+161 thousand b/d (+4.1%)
Base Case	Midcon. Demand Change by 2050
Motor Gasoline	-23 thousand b/d (-0.7%)
Distillate Fuel	+148 thousand b/d (+8.3%)

Low Case	U.S. Demand Change by 2050
Motor Gasoline	-1908 thousand b/d (-21.6%)
Distillate Fuel	-820 thousand b/d (-21.0%)
Low Case	Midcon. Demand Change by 2050
Motor Gasoline	-624 thousand b/d (-19.7%)
Distillate Fuel	-335 thousand b/d (-18.8%)

Source: BLR. Note: the Low Case is consistent with model factor inputs that are two-standard deviations below the Base Case. On this page, demand changes are relative to estimated full-year average levels for 2021.

The Midcontinent is the most populous, the youngest, the most middle income, the most rural, and the most oil-consumption oriented

Midcontinent

	2020	Share of USA
Population	109,319,069	33%
Population 0-19	29,533,721	34%
Population 65+	16,849,590	31%
DPI per Capita	\$49,610	93% of US avg
Pers. Inc. Taxes	10.4% (rate)	27%
Licensed Drivers	73,694,921	32%
Rural VMT*	437 bil (38%)	45%
Motor Vehicles	98,950,763	35%
–of which, BEVs	113,768	15%

Southeast

	2020	Share of USA
Population	64,912,002	20%
Population 0-19	16,119,688	19%
Population 65+	11,303,979	21%
DPI per Capita	\$47,264	89% of US avg
Pers. Inc. Taxes	11.1% (rate)	16%
Licensed Drivers	46,447,413	20%
Rural VMT*	213 bil (30%)	22%
Motor Vehicles	55,400,389	20%
–of which, BEVs	100,113	13%

Middle

	2020	Share of USA
Population	23,499,543	7%
Population 0-19	5,867,880	7%
Population 65+	4,117,052	8%
DPI per Capita	\$47,371	89% of US avg
Pers. Inc. Taxes	10.7% (rate)	6%
Licensed Drivers	16,328,231	7%
Rural VMT*	76 bil (32%)	8%
Motor Vehicles	21,189,487	8%
–of which, BEVs	14,077	2%

West

	2020	Share of USA
Population	69,998,999	21%
Population 0-19	18,634,877	22%
Population 65+	10,747,291	20%
DPI per Capita	\$57,404	108% of US avg
Pers. Inc. Taxes	12.6% (rate)	24%
Licensed Drivers	47,973,958	21%
Rural VMT*	131 bil (22%)	14%
Motor Vehicles	58,609,320	21%
–of which, BEVs	563,620	55%

Atlantic

	2020	Share of USA
Population	49,845,400	15%
Population 0-19	12,137,239	14%
Population 65+	8,140,825	15%
DPI per Capita	\$61,707	116% of US avg
Pers. Inc. Taxes	13.9% (rate)	21%
Licensed Drivers	33,118,830	14%
Rural VMT*	78 bil (21%)	8%
Motor Vehicles	33,844,866	12%
–of which, BEVs	97,504	13%

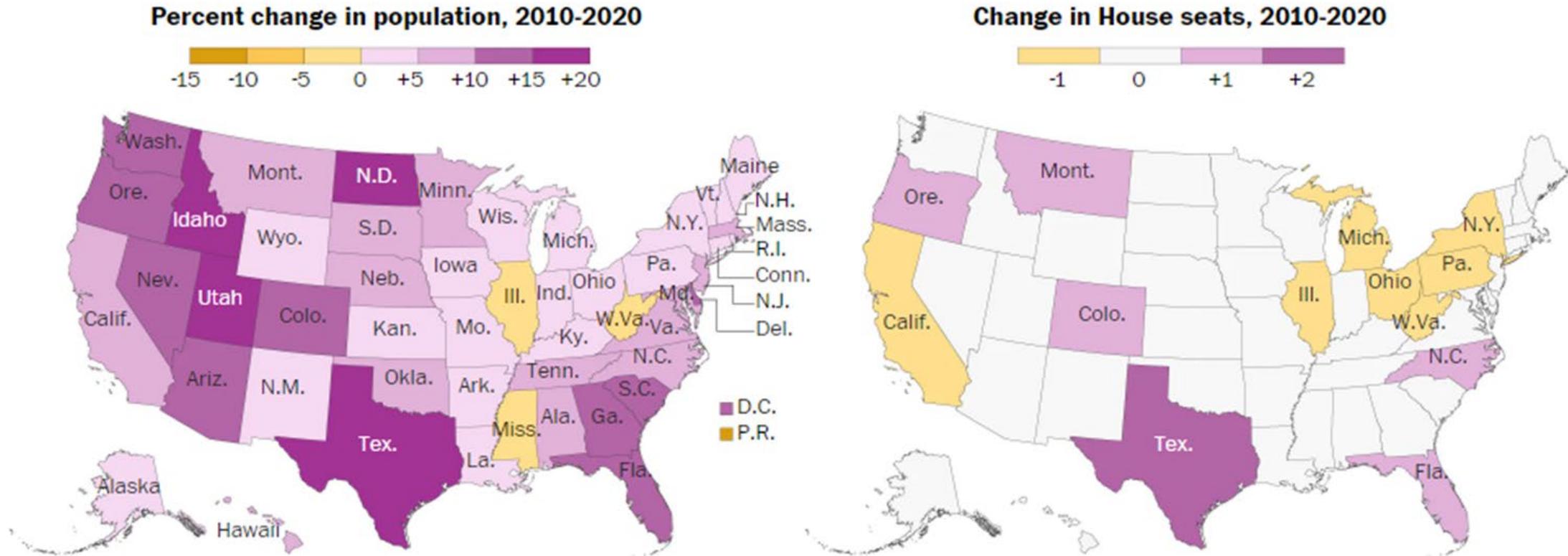
New England

	2020	Share of USA
Population	14,952,534	4%
Population 0-19	3,465,772	4%
Population 65+	2,617,989	5%
DPI per Capita	\$64,398	121% of US avg
Pers. Inc. Taxes	13.9% (rate)	7%
Licensed Drivers	11,132,600	5%
Rural VMT*	28 bil (20%)	3%
Motor Vehicles	11,939,355	4%
–of which, BEVs	20,037	3%

Source: US Census Bureau, BEA, US Department of Transportation, Weldon Cooper Center for Public Service (University of Virginia), BLR., Note: DPI = Disposable Personal Income. Pers. Inc. Taxes (rate) = total personal income taxes paid divided by total personal income. BEVs = Battery Electric Vehicles. *VMT = Vehicle Miles Traveled. Data show total rural VMT (billion miles), rural share of total VMT (%) for each region, and region's share of US rural VMT in 2017.

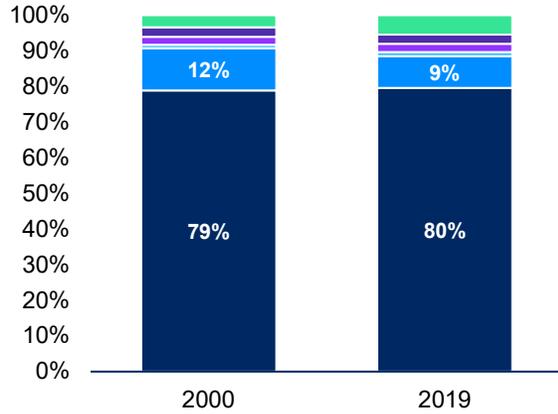
Reality 1: A Major Rotation In US Demographics Is Already Underway

Population is migrating from West, Middle, and Atlantic toward Midcontinent and Southeast

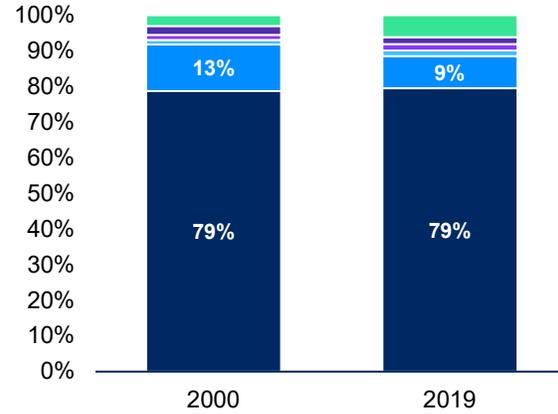


Reality 2: Durable American Preference for “My Car”

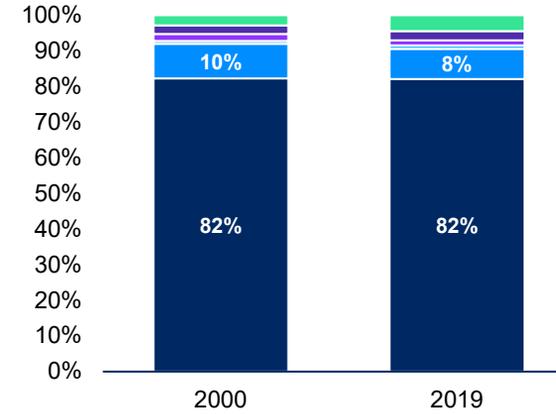
Midcontinent: 80% (+Carpool = 89%)



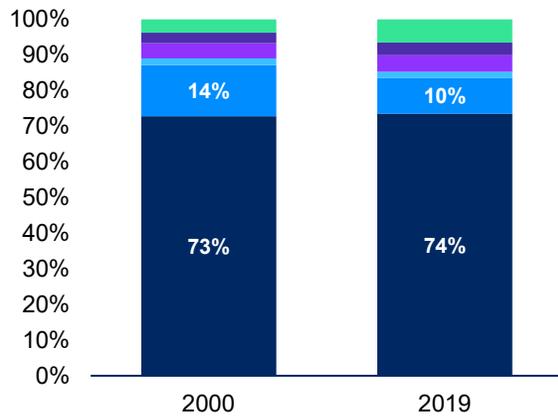
Southeast: 79% (+Carpool = 88%)



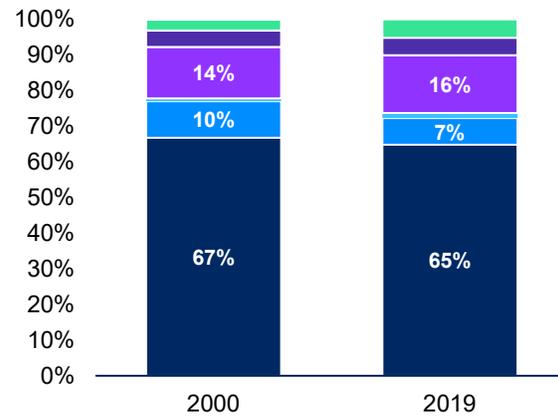
Middle: 82% (+Carpool = 90%)



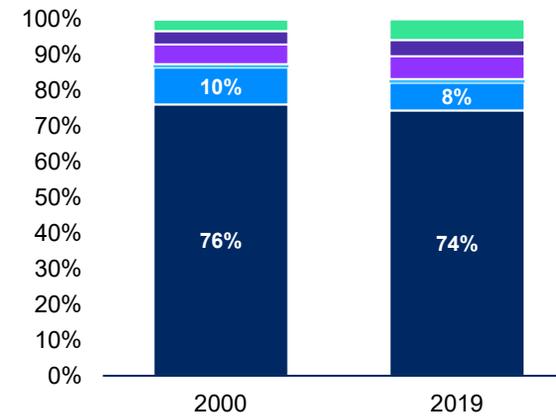
West: 74% (+Carpool = 84%)



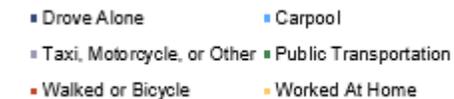
Atlantic: 65% (+Carpool = 72%)



New England: 74% (+Carpool = 82%)



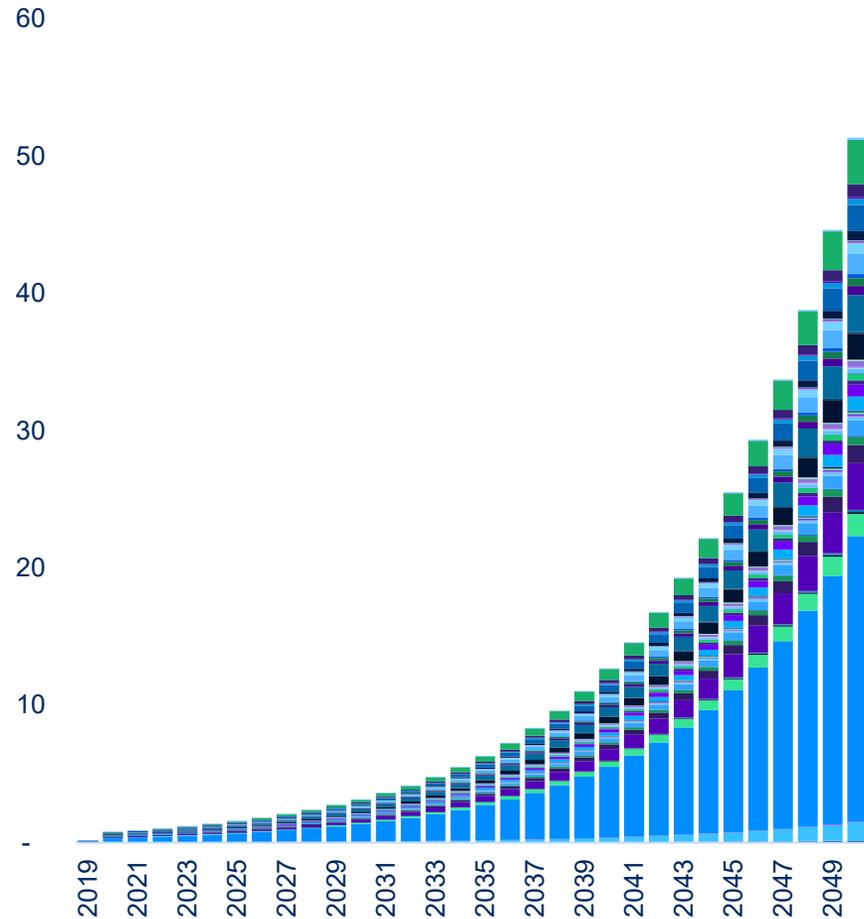
Commuters' Normal Mode of Transport to Get to Work



Reality 3: Replacement of Total Vehicle Stock Takes Decades

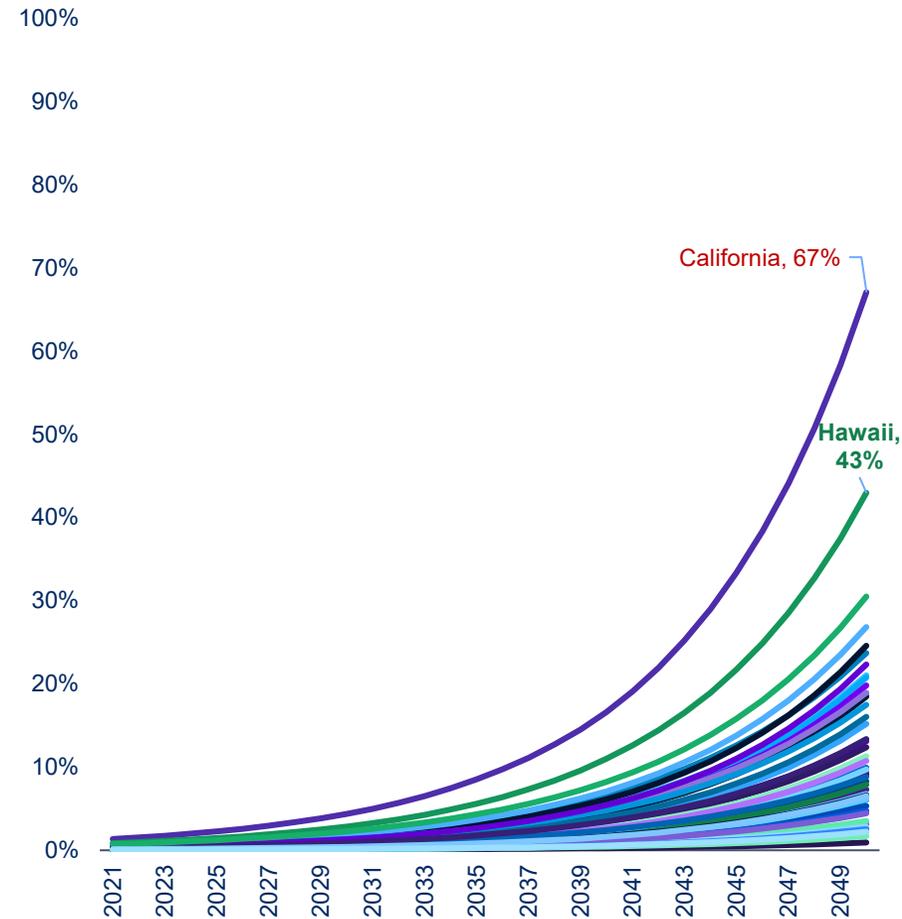
Most EV Uptake Is More Than Two Decades Away

US Battery Electric Vehicle Uptake at a 15% CAGR
million units in the U.S. on-road vehicle stock



Compound Growth is a Huge Effect, But Back-Ended!

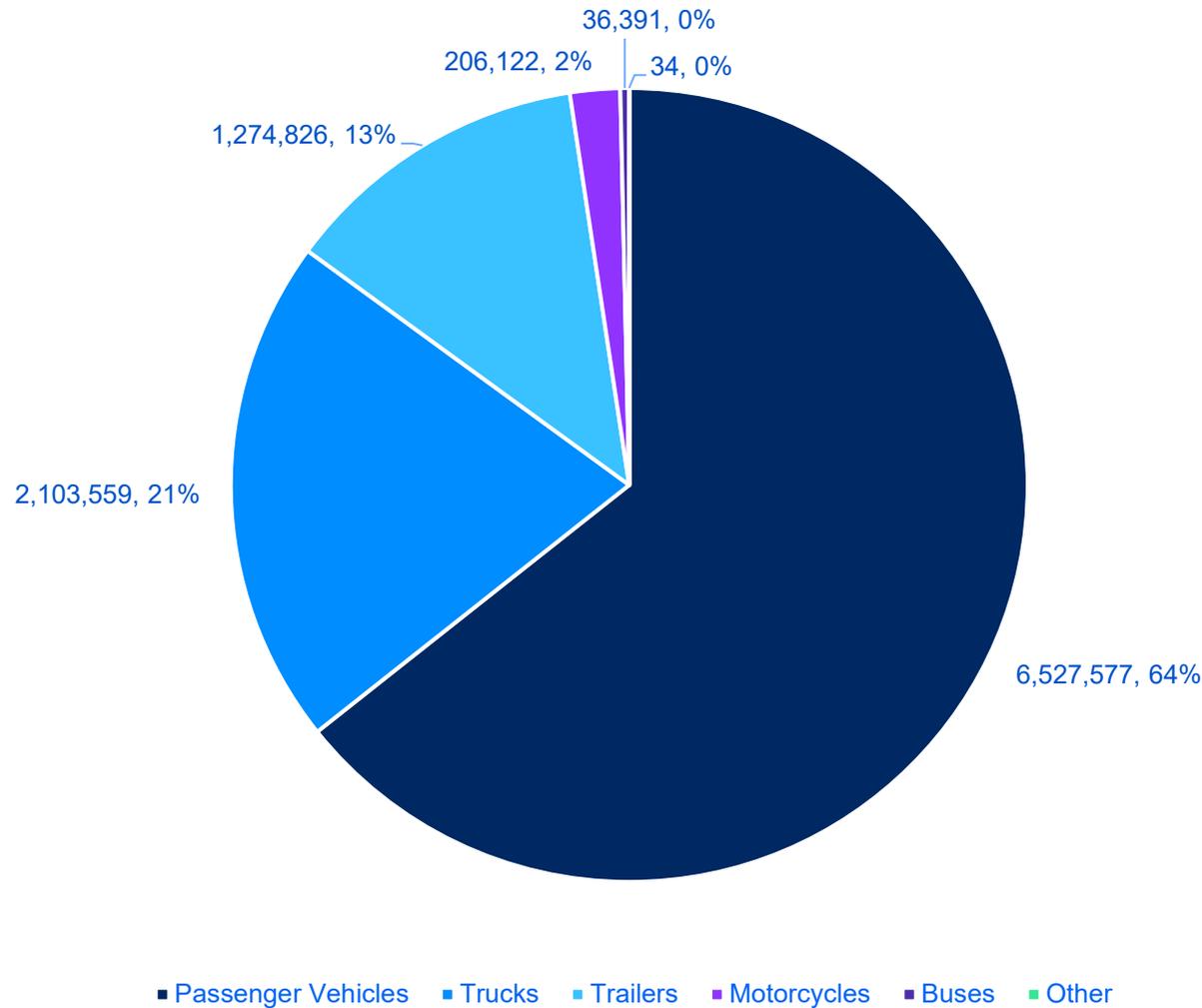
EV Penetration Rates by US State at 15% CAGR
share of on-road total vehicle stock by state



Even if/when “EV Transition” arrives, on-road electrification is very unlikely to be 100% complete by 2050

Source: FHWA/DOT, IHS-Markit, BLR, TPH Investment Banking. Note: in 2021, the average life of U.S. on-road vehicles reached 12 years, a new high. For households with incomes below the national median, vehicle life is averaging closer to 18 years. The BEV penetration rate in the United States is 0.37% as of June 2021, ranging among states from a high at 1.33% in California to a low of 0.02% in North Dakota. Across the EPD Area, the BEV penetration rate is 0.17%, which is the second lowest of the six regions in this analysis. Current figures for the other regions are: Middle (0.12%), Southeast (0.24%), Atlantic (0.30%), New England (0.32%), and West (0.98%). Required 2021-2050 CAGRs to achieve 100% BEV penetration in the total projected on-road vehicle stock by region are: EPD Area (26%), Southeast (25%), Middle (28%), New England (25%), Atlantic (22%), and West (19%).

Registered On-Road Vehicles in Georgia by Type: August 31, 2021



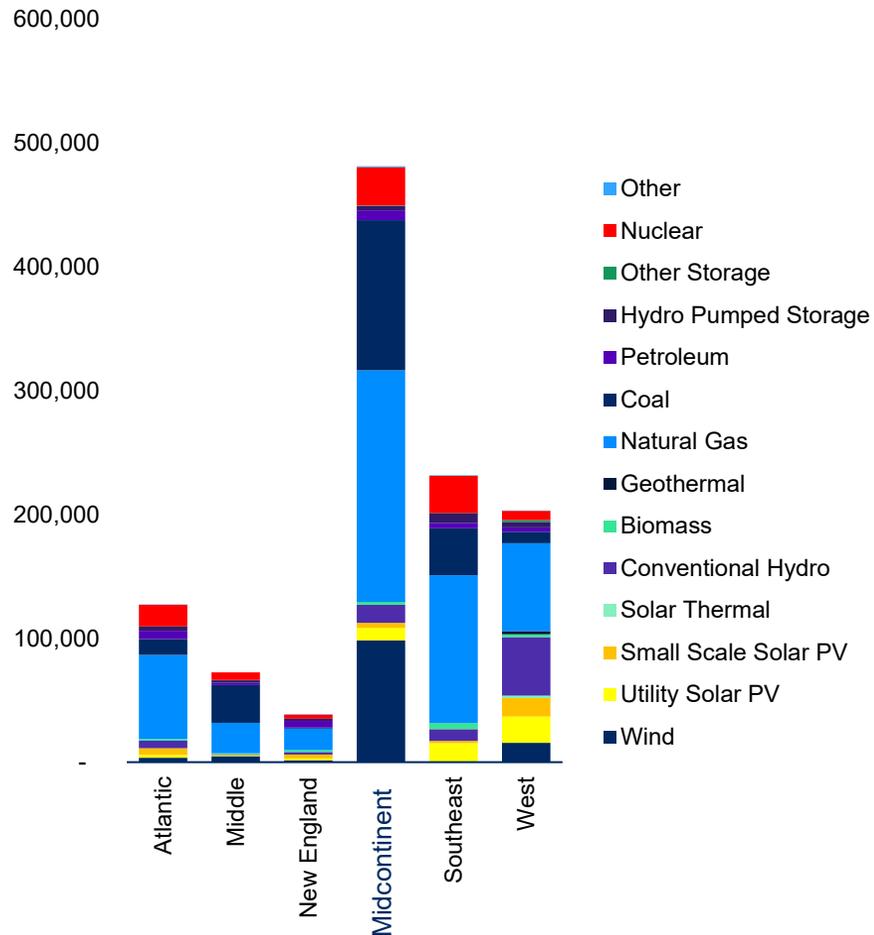
Georgia's EVs by County

- **Fulton County:** 8,137 (28% of state total)
 - Atlanta is the county seat
- **Gwinnett County:** 3,363 (12%)
 - Suburb of Atlanta
- **Cobb County:** 3,852 (13%)
 - Marietta is the county seat
- **DeKalb County:** 4,093 (14%)
 - Suburb of Atlanta
- **Chatham County:** 513 (2%)
 - Savannah is the county seat
- **Total, these 5 Counties:**
 - 19,958, or 69% of total EVs in state
 - There are 159 counties in Georgia.

As of August 31, 2021, there were 29,135 electric vehicles registered in Georgia, 0.28% of total mix

Source: Georgia DOT, TPH Investment Banking. Note: electric vehicles are a subset of the wedges in the pie chart. For example, they will be found in both the passenger vehicles and buses wedges. 'Passenger Vehicles' include ambulance, convertible, coupe, hearse, jeep, limousine, mixer, motor home, multi-purpose vehicle, roadster, station wagon, touring car, van, 2 Door, 3 Door, 4 Door. 'Trucks' include Truck Tractor, Truck, Wrecker. 'Trailers' include boat trailer, camper, cattle/horse trailer, trailer, travel trailer, utility trailer. 'Other' include special mobile equipment and vehicles where the body style was recorded incorrectly.

Summer Net Generation Capacity
megawatts (June 2021)



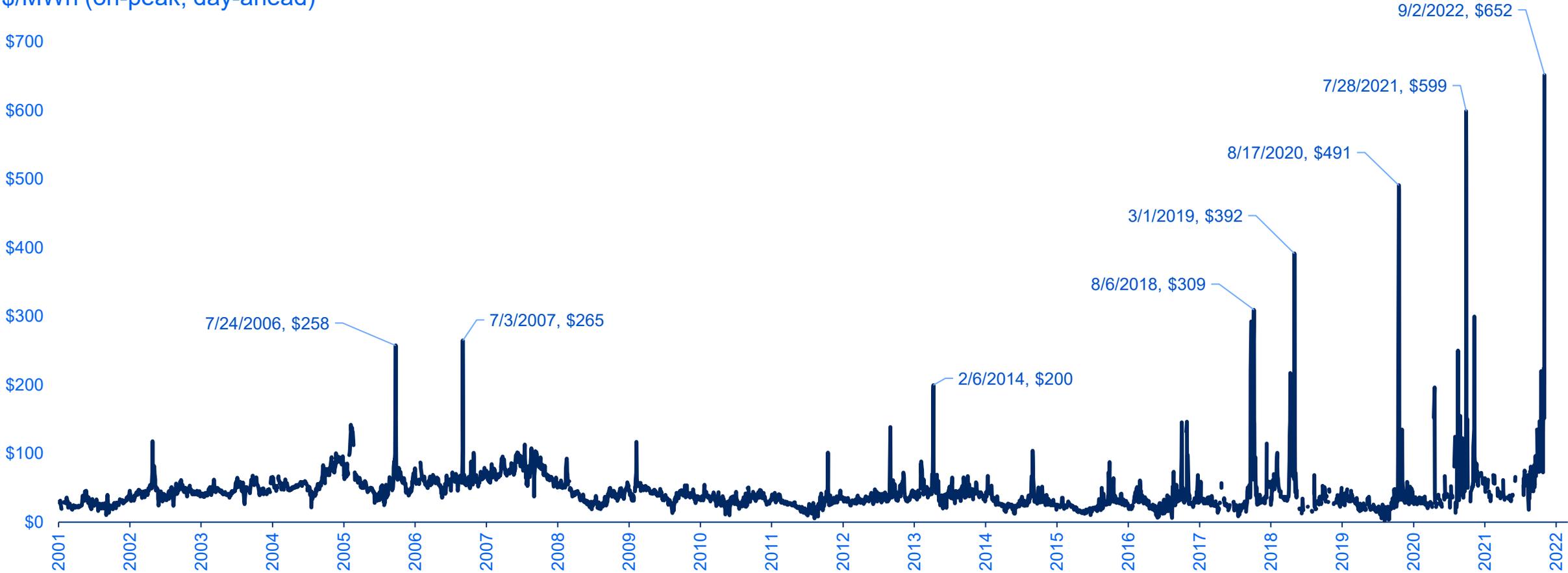
Share of Capacity Mix in the Power Stack (June 2021)

	Share in Midcontinent	Share in USA ex-Midcontinent
Wind	20%	4%
Utility Solar PV	2%	6%
Small Scale Solar PV	1%	4%
Solar Thermal	0%	0%
Conventional Hydro	3%	10%
Biomass	0%	2%
Geothermal	0%	0%
Natural Gas	39%	45%
Coal	25%	14%
Petroleum	2%	3%
Hydro Pumped Storage	1%	3%
Other Energy Storage	0%	0%
Nuclear	6%	10%
Other	0%	0%

Midcontinent is the largest home for US gas-fired capacity (38%) and overall capacity (42%). Southeast is next biggest.

Power price, California-Oregon Border (COB)

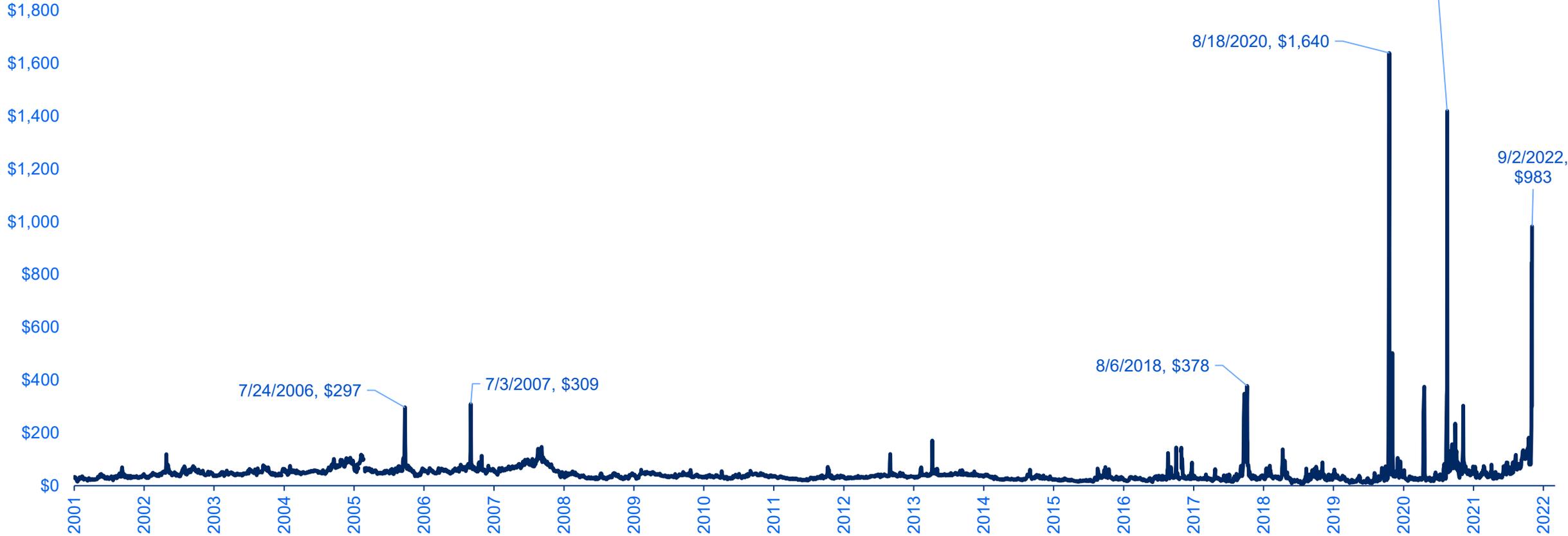
\$/MWh (on-peak, day-ahead)



Source: ICE, Veriten.

Power price, Palo Verde (Arizona)

\$/MWh (on-peak, day-ahead)



Source: ICE, Veriten. Note: CAISO projects California's power demand will exceed 48GW on September 5th and 6th, 2022, which would be the highest since 2017.

A Hot Summer for Fusion Progress

- **June 10, 2021:** China's Experimental Advanced Superconducting Tokamak (EAST) runs at 120 million °C (8X solar core temperature) for 100 seconds.
- **August 8, 2021:** U.S. Lawrence Livermore Laboratory produces 10 quadrillion watts of fusion power for 100 trillionths of 1 second.
- **August 21, 2021:** China's first 4th generation reactor started loading fuel, according to operator Huaneng Group. The 200MW plant, located in Shandong, is the world's first high-temp gas-cooled reactor.

When Are They Household Names?



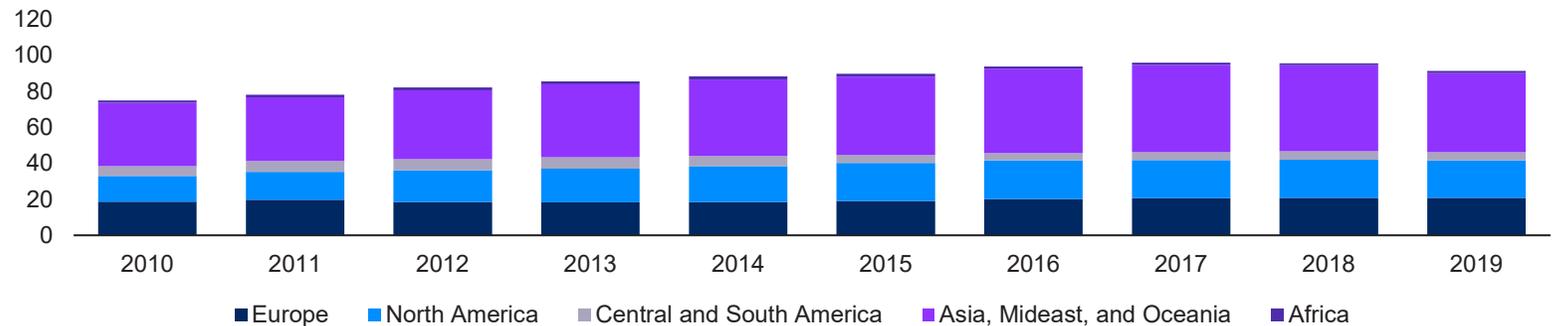
Is LCOE/LCOS the right approach?

Newbuild, 2026 service	Cost per megawatthour
Geothermal	\$33.41 – \$39.55
Gas, Combined Cycle	\$31.67 – \$44.68
Wind, Onshore	\$26.33 – \$56.94
Solar, Hybrid	\$39.54 – \$62.11
Hydroelectric	\$41.92 – \$70.60
Nuclear, Advanced	\$64.82 – \$78.15
Coal, Ultra-supercritical	\$64.98 – \$88.45
Biomass	\$70.95 – \$130.97
Battery Storage	\$109.53 – \$131.42
Wind, Offshore	\$97.52 – \$149.53

If BEVs Were 100% of New Sales Today...

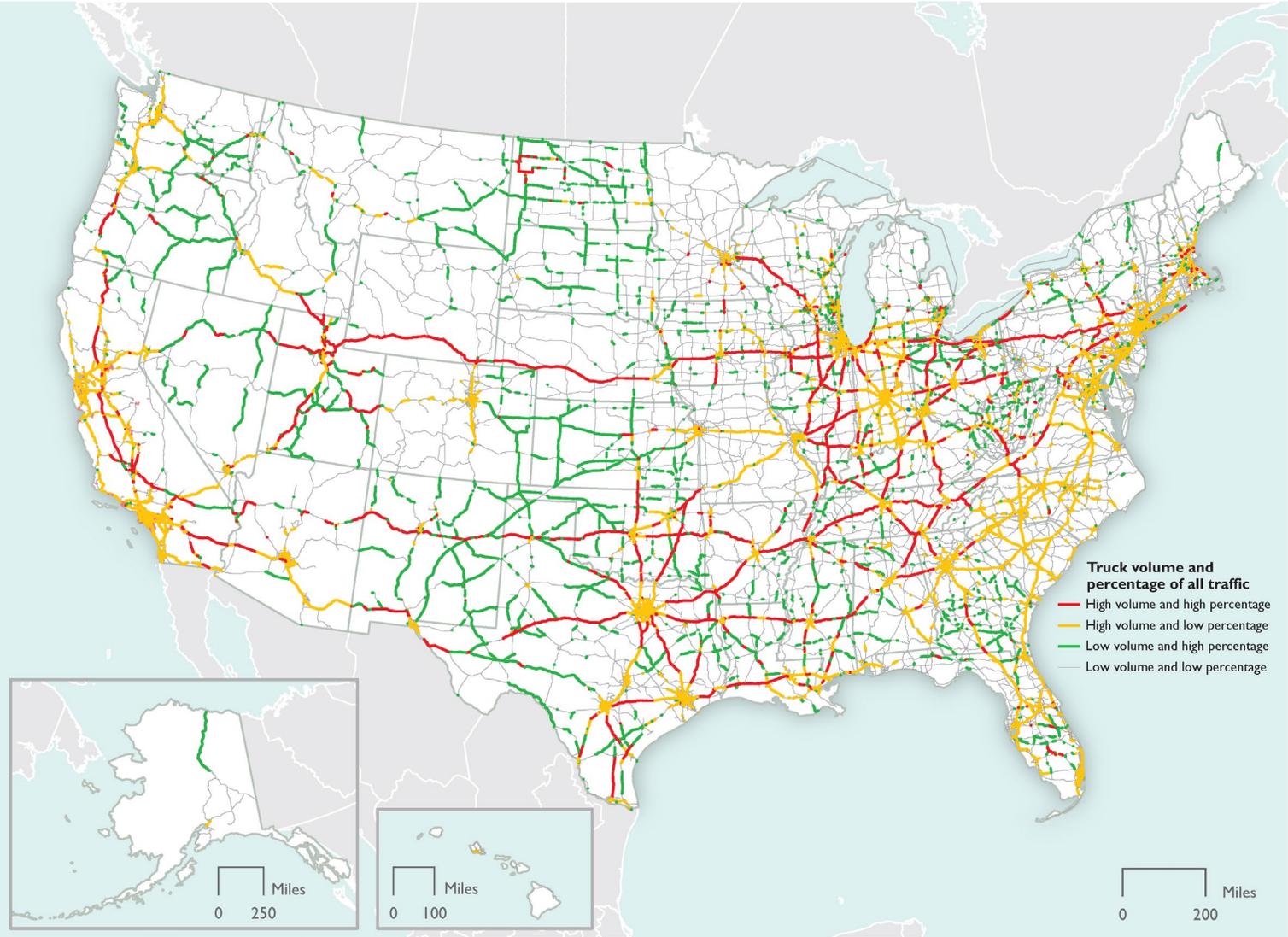
It Would Take >20 Years To Electrify the Global On-Road Vehicle Fleet, Given Fleet Lifecycles

New Vehicle Sales by World Region
million units per year



Source: EIA, Federal Reserve, OICA, BLR, TPH Investment Banking. Note: 10 quadrillion watts is the equivalent of about 6% of the total power of sunlight striking Earth's atmosphere, based on the average total solar irradiance of 1.366 kW/m² (174 petawatts). EIA produced the LCOE/LCOS estimates in the table. The figures are in 2020 real US dollars for new resources approved in 2021 and entering service in 2026 without tax credits. Though we see serious methodological problems with LCOE approaches in general, we neither endorse nor reject these particular estimates. We present them as a barometer of current market opinion about relative economic cost of generation technologies

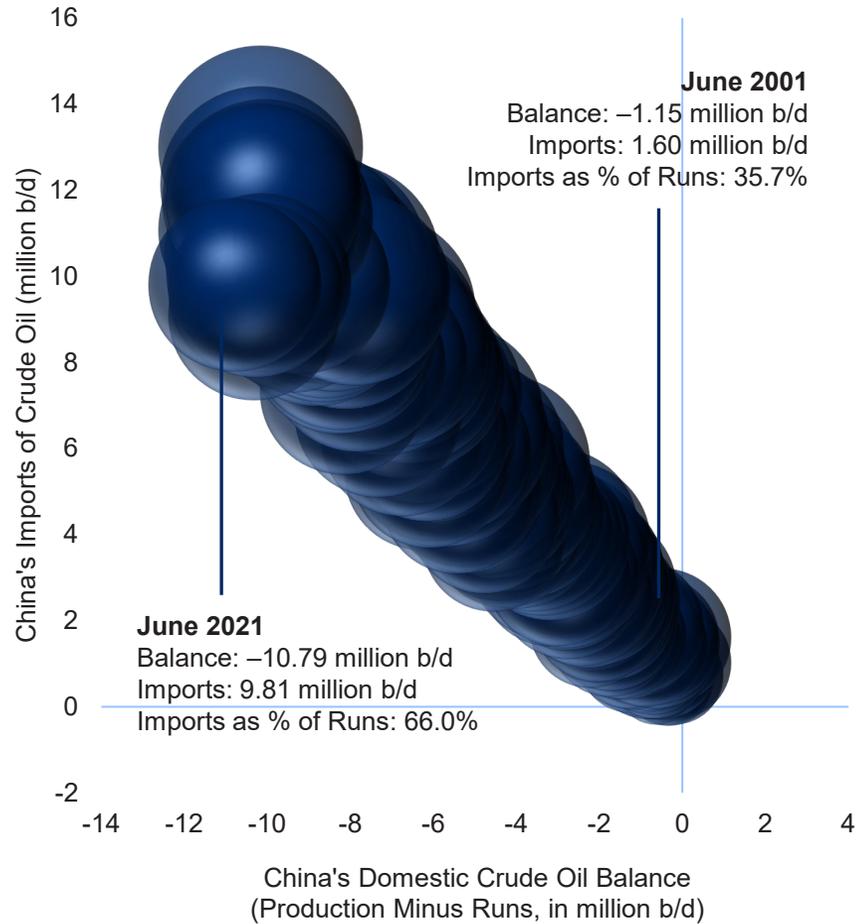
Reality 6: Major Truck Routes On the National Highway System (2045)



These well-established logistical systems are also highly supportive of the outlook, especially for distillates

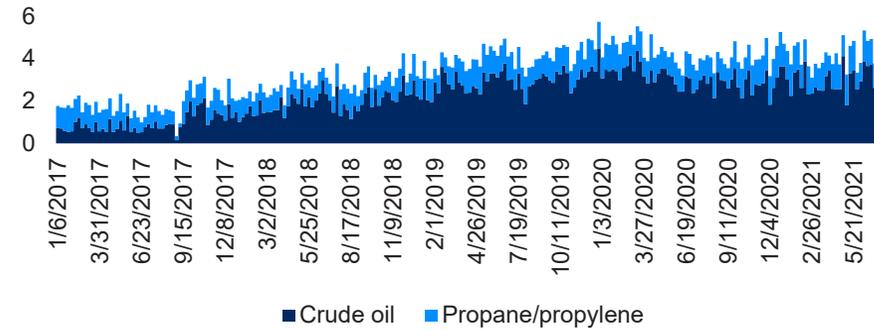
China's Oil Deficit: Crucial Factor for Permian Outlook

Juggernaut—But Totally Import Dependent
China needs to import more than 10 million b/d



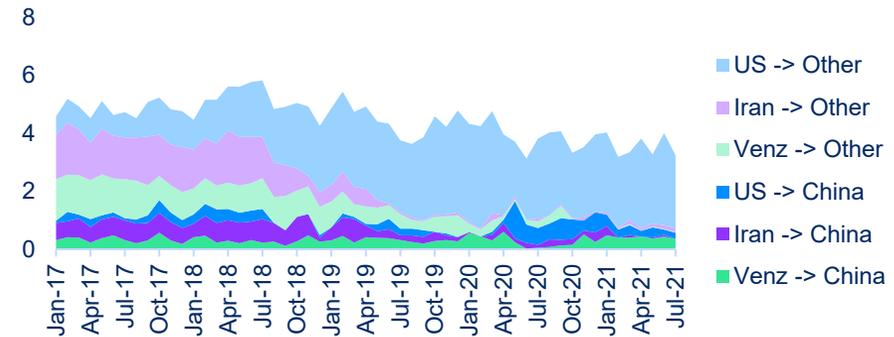
Rewiring of US Supply Channels Already Underway

U.S. Exports of Crude Oil and Propane
million b/d



US Fills Gap Carved by Sanctions on Iran & Venezuela

Crude Oil Exports by Destination
thousand b/d



- 1 Incompleteness Bias:** undercount current U.S. on-road vehicle stock (e.g., 276M in '19 not 200M)
- 2 'Where' Bias:** ignore off-road demand, including all construction and farm equipment; also applies to light duty vehicles vs heavy trucks
- 3 Use Case Bias:** ignore all non-fuel uses (NGLs and petrochemicals), 15% - 25% of some markets
- 4 Fixed Pie Bias:** assume static market size and 1-for-1 substitution of fuel source, rather than seeing growth of total pies (population, vehicles, VMT)
- 5 'Not in Same World' Bias:** projections that may or may not have independent merit, but are incompatible with each other
- 6 Own Worldview Bias:** project urban experience into regions that are and will remain suburban or rural; assume same average age for other states
- 7 'Like Them' Bias:** assume disruption in natural resources must produce extinction outcomes comparable to what happens in the tech sector
- 8 Time Bias:** projection of desired timetable (fast) on demand-side processes that realistically must take longer on cost (capital stock replacement cycles)
- 9 Confirmation Bias:** extrapolate true facts into distorted/untrue portraits of current & future trends
- 10 Sample Bias:** assume rates of uptake in Oregon and California will be matched in Georgia

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