



Nia Impact Capital Market Commentary Q3 2022

Despite a strong start, we saw significant market declines in the third quarter, driven by the same macro factors as the year's first two quarters. Rising inflation in both the US and abroad combined with expectations for further interest rate hikes set traders on edge. Economic and political uncertainty, the social, economic and geo-political damage from the Russian invasion of Ukraine, heightened tensions between the United States and China were also contributors to market volatility. These factors combined with weakness of many currencies versus the US Dollar all continue to weigh on the equity markets at large.

The sum of these various issues creates a challenging market environment for the higher quality, higher growth, global companies in which NIA invests. Lower economic growth rates and inflation-driven pressure on profit margins lead to lower earnings expectations. At the same time, rising interest rates negatively impact the way companies are being valued by the market.

The impacts of climate change continue to accelerate around the globe. With the ongoing effects from the pandemic and the war in Ukraine still raging, the global economy and the energy markets are certainly in flux. Energy prices have been increasing for months on end underscoring the big risk much of the world has embraced in tying so much of our energy supply to methane gas--a just-in-time fuel delivered through a narrow pipe. The need to transition to cleaner and easier energy sources is becoming more and more clear to many and yet those invested in the fossil fuel industry are slow to shift.

Amidst party disagreements, Congress recently passed the most sweeping energy and climate legislation in history. The legislation isn't without flaws yet it is a really big deal that will accelerate the clean energy economy. The investment stemming from this bi partisan legislation will be a tailwind for our renewable energy companies.

We at Nia applauded the Senate for passing the historic Inflation Reduction Act of 2022, which represents the largest climate action in history. The bill contains \$369 billion for climate and energy provisions, including \$4 billion to combat drought in the western U.S.



Nia, and the companies in which we invest, have managed through other challenging times. Success requires the ability to navigate through heightened short-term uncertainties and a commitment to longer-term strategies and goals. We remain committed to our investment focus: identifying and investing into the companies offering sustainable long-term opportunities. We are actively assessing Nia company responses to more immediate risks and opportunities.

The geopolitical situation causing macro headwinds is not likely to subside in the short term, and we expect continued volatility as election results come in in November. During these tumultuous times, we at Nia remain dedicated to our sustainable investment philosophy and process. We believe that companies with enduring business models and the resilience to manage through rocky and uncertain times will prevail. We are particularly bullish on those companies continuing to support the transition to a truly sustainable economy—one that serves the real needs of society and operates within our planet's natural resource boundaries. As we take a long term approach, these companies are well positioned to thrive over the years ahead.