

# Triodos Pioneer Impact Fund

## Quarterly Report Q1 2020

FOR PROFESSIONAL  
INVESTORS  
AND FINANCIAL  
ADVISORS ONLY

Triodos Pioneer Impact Fund aims to generate positive impact and competitive financial returns from a concentrated portfolio of small- and mid-cap companies pioneering the transition towards a sustainable society. The fund selects companies for their pioneering contribution to our seven sustainable transition themes which are sustainable food and agriculture, sustainable mobility and infrastructure, renewable resources, circular economy, social inclusion and empowerment, innovation for sustainability, and prosperous and healthy people.

### Key figures as of 31-03-2020

#### Net assets

EUR 287.4 million

#### Number of shares outstanding

7,175,022

#### Share class\*

I-cap

#### NAV per share

EUR 39.19

#### Ongoing charges (31-12-2019)

1.22% (incl. 0.75% management fee)

#### Morningstar rating™ ★★

### Fund facts

Fund inception date March 2007

I-cap launch date July 2013

Asset type Long-only global equities

#### Benchmark

MSCI World Small Mid Cap Net  
Total Return

ISIN code LU0309382678

Bloomberg code TRSPFIC:LX

#### Investment manager

Triodos Investment Management

Fund manager Dirk Hoozemans

Currency EUR

Valuation Daily

Domicile Luxembourg

#### Legal status

Open-ended sub fund of SICAV I

Supervisor CSSF in Luxembourg

Risk level based on European guideline

6 (1= low 7= high risk)

Investment horizon Long term

Custodian, paying agent, registrar,  
transfer agent

RBC Investor Services Bank SA

Auditor PwC Luxembourg\*

This report is based on the I-cap share class.  
See [www.triodos-im.com](http://www.triodos-im.com) for a full overview of  
EUR, GBP, institutional and retail share classes.

### Fund performance in brief

- The fund generated a return (after costs) of -29.9%, while the benchmark yielded -26.3%.
- Uncertainty surrounding the rapid spread of COVID-19 and an oil price war between Russia and Saudi Arabia resulted in the worst quarter for global equity markets since the financial crisis in 2008.
- The portfolio was defensively positioned per our view that an equity correction was on the horizon. While no one could have predicted the extent of these black swan events (Covid-19 outbreak and oil price collapse), the portfolio's defensive positioning enabled the fund to weather the storm better than the broader market.
- The fund's net assets decreased from EUR 355.6 million to EUR 287.4 million as part of this overall market adjustment.

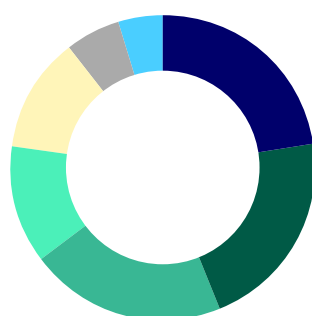
### Return in % as of 31-03-2020

	3 months	YTD	1 year	3 year avg	5 year avg	3 year volatility	5 year volatility
Fund	-20.9	-20.9	0.9	0.3	-0.4	16.0	15.1
Benchmark	-26.3	-26.3	1.2	-3.7	0.0	17.3	15.9

All returns stated were calculated based on net asset value I-cap share. Past performance is not a reliable indicator for future performance. Source: Triodos Investment Management

### Impact

Our investment selection centres around positive impact. We select companies that contribute to the progress of our seven sustainable transition themes and that meet our strict minimum standards. The breakdown of fund holdings across themes is as follows:



Renewable Resources	22.7%
Innovation for Sustainability	21.2%
Prosperous and Healthy People	20.9%
Sustainable Food and Agriculture	12.5%
Sustainable Mobility and Infrastructure	12.4%
Social Inclusion and Empowerment	5.8%
Circular Economy	4.5%



### Dirk Hoozemans

Fund Manager

"Triodos Pioneer Impact Fund drives positive impact and competitive financial return by investing in companies that are at the forefront of innovative sustainable solutions."

## Financial review Q1 2020

### Market developments

At the start of the new year, global equity markets continued their seemingly never-ending upward trend. Then COVID-19, better known as the Corona-virus, emerged. The virus' rapid spread outside China increased concerns over a long lasting and heavy blow to the global economy, as nearly the entire world became affected by lockdowns or other precautionary measures. Equity markets plunged and safe-haven assets rallied. Disagreement between Saudi Arabia and Russia on how to stem the slide of oil prices ignited a price war. In the meantime, governments around the world declared national emergencies and implemented complete country lockdowns to slow the spread of COVID-19. These developments resulted in the worst quarter for global equity markets since the financial crisis in 2008.

A global recession seems inevitable, although severe government stimulus measures were announced across the world in attempt to prop up the economy. All the major central banks lowered their interest rates and/or ramped up their quantitative easing programmes. Governments followed suit by announcing enormous fiscal stimulus packages to support households and companies in distress. As a result, equity markets somewhat recovered towards the end of the first quarter. Traditional safe-haven yields decreased, which indicate the possibility of an additional shockwave still looming over financial markets.

### Investments

In the first quarter of 2020, the fund continued to be positioned relatively defensively, based on lofty stock market valuations and slowing profit growth. Towards the end of the quarter, the late-cycle economy was confronted with two external shocks as oil prices collapsed and the Corona-virus triggered lockdowns and quarantines across the globe. Stock markets corrected dramatically as growth and earnings outlooks were downgraded substantially. The fund initially used the sharp fall in equity markets to put cash to work; towards the end of the quarter the fund increased cash levels again.

### Companies added to the portfolio

- **Mueller Water Industries**, a US industrial equipment manufacturer, was added as part of the Renewable Resources theme. Mueller Water is a supplier to the US water infrastructure industry (90% valves for water and gas systems and 10% metering equipment) with mainly long-term customers (60% water utilities, 30% residential, 10% gas utilities). The company's infrastructure products, smart metering, and leak detection software enable resilient water infrastructure leading to more efficient use of water and better distribution and transmission of drinking water.
- **GN Store Nord**, a Danish hearing aid manufacturer, was added to the portfolio as part of the Prosperous and Healthy People theme. However, the company also has a strong link to our Social Inclusion and Empowerment theme. GN Store Nord's business is split roughly 50/50 between GN Hearing (hearing aids) and GN Audio (remote working & office equipment such as headsets).
- **Corbion**, a Dutch food additive and bio-based technologies company, was added as part of the Sustainable Food and Agriculture theme. Corbion produces fermentation-based food ingredients for a large part of its business. Through its lactic acid (LA) business the company is now venturing into the fabrication of PLA (poly-lactid acid) biodegradable plastics business, making the company part of the Renewable Resources theme as well.

### Companies sold

- No companies were sold during the quarter.

### Performance analysis

The MSCI World Small Mid Cap Net Total Return dropped 26.3% over the quarter, whereas the fund was able to better contain its decline to 20.9% (I-cap). Defensive sectors Consumer Staples, Health Care and Utilities outperformed in one of the steepest and fastest market corrections on record, while Energy took a beating as oil prices fell and the interest rate sensitive Financials & Real Estate sectors were hurt as bond yields continued to come down.

## Performance attribution in % (gross returns vs. benchmark)\*

Q1 2020	Average weight		Total return		Total attribution	Allocation	Selection	Currency
	Portfolio	Benchmark	Portfolio	Benchmark				
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>-21.17</b>	<b>-26.33</b>	<b>5.16</b>	<b>4.64</b>	<b>0.12</b>	<b>0.20</b>
Communication Services	2.34	4.21	-39.76	-24.57	-0.41	-0.04	-0.52	-0.07
Consumer Discretionary	9.83	11.64	-27.75	-36.17	1.06	0.16	0.89	0.21
Consumer Staples	8.34	4.46	-21.41	-13.22	-0.08	0.51	-0.17	-0.25
Energy	0.00	2.57		-58.49	1.03	1.01	0.00	0.03
Financials	0.00	13.19		-31.89	0.70	0.78	0.00	-0.07
Health Care	15.28	10.64	-6.94	-13.88	1.50	0.56	0.61	0.09
Industrials	26.03	17.52	-26.59	-27.29	0.11	-0.06	0.03	0.24
Information Technology	22.02	14.10	-21.91	-19.19	0.01	0.42	-0.36	0.09
Materials	5.88	7.29	-27.85	-27.03	0.05	0.06	0.11	-0.12
Real Estate	1.67	9.98	-35.12	-28.11	-0.01	0.15	-0.80	0.00
Utilities	1.07	4.40	-7.00	-14.89	-0.31	-0.39	0.33	0.02
Not Classified	7.55	0.00	0.58		1.51	1.48	0.00	0.03

\* Returns stated are quarterly gross returns, thus before any charges are deducted. Returns stated elsewhere are net returns.  
Source: Bloomberg/Triodos Investment Management

As equity markets tumbled, the fund's allocation to cash contributed positively to performance. The fund's underweight positions in Energy, Financials and Real Estate also contributed positively, as did the overweight positions in Health Care, Consumer Staples and Information Technology. Stock selection was neutral during the quarter, as positive effects in Consumer Discretionary and Health Care were offset by negative stock selection in the Communication Services, Information Technology and Real Estate sectors. Currency allocation contributed neutrally to performance.

### Investment outlook

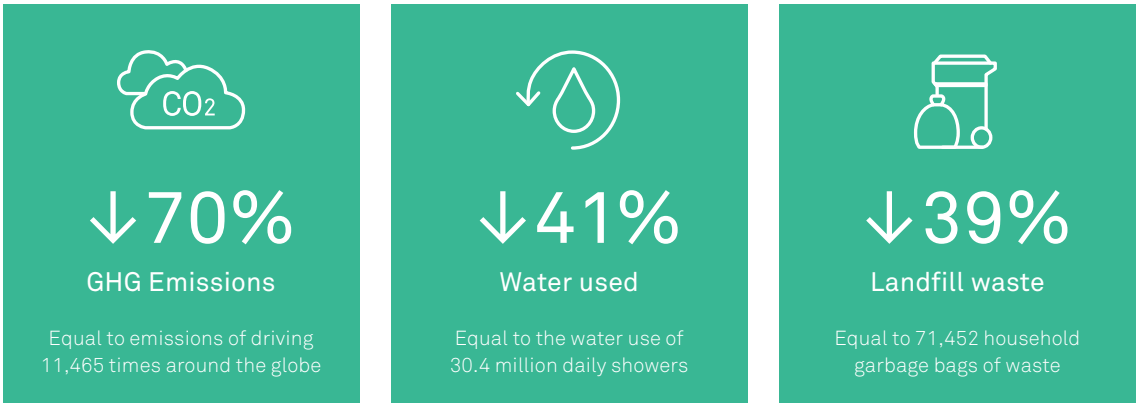
The worldwide implementation of Corona-virus containment measures has drastically altered the short-term outlook for the global economy, as different types of lockdown measures have halted economic activity. Considering the situation in most regions, where the peak of virus infections is projected to materialise in the second quarter of the year, a swift reduction of measures seems unlikely. Only China and some other Asian countries are in the process of resuming operations, as they have moved past the infections peak. However, these countries will still be hampered by low economic activity elsewhere in the world. We therefore expect substantial negative quarterly economic growth rates on a global level.

Although we have already seen severe equity market corrections, we feel that some of the upcoming negative effects have not yet been fully priced in by financial markets. Substantial negative earnings revisions are still in the pipeline, and incoming economic data over the next few weeks are also likely to indicate that trouble is still ahead. Next to that, uncertainty about the duration of the pandemic and its economic consequences could lead to new spikes in volatility. Therefore, in our view, statements that markets have bottomed out seem premature.

We will closely monitor developments, and, if market corrections present opportunities, we will act accordingly. Relative to history, however, we still do not find equity valuations very cheap. So, for now, we maintain our defensive positioning, as it is the best way to guard against further market corrections. Overall, we will continue investing in companies with solid impact and sustainability fundamentals, sound balance sheets, strong management teams and decent cash flow visibility.

Environmental impact

The data below are the carbon, water and waste footprints of the fund's portfolio, showing the lower environmental impact of the portfolio companies' activities compared to the MSCI World Small Mid Cap Net Total Return. These figures are intended to provide an indication of the fund's sustainability performance. The fund's positive impact, i.e. the contribution to a sustainable future, derives from our seven transition themes and is not in scope here.



Triodos Pioneer Impact Fund footprints are calculated using carbon emissions data from Oekom research AG, and water and waste data from S&P Trucost Ltd. For the MSCI World Small Mid Cap Net Total Return benchmark, coverage by weight is 98% for carbon, 98% for water data and 98% for waste. Coverage of assets invested – by weight – is 98% for carbon, 96% for water, and 95% for waste.

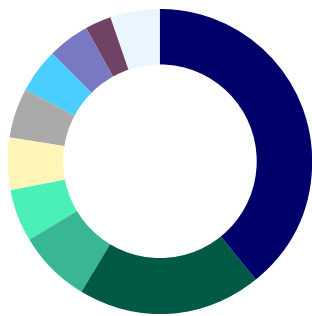
## Portfolio as per end of March 2020

### Top 10 holdings\*

Company name	Country	Sector	% of NAV
1. Danone	France	Consumer Staples	4.1%
2. Vestas Wind Systems	Denmark	Industrials	3.6%
3. Fresenius Medical Care	Germany	Health Care	3.2%
4. Shimano	Japan	Consumer Discretionary	3.2%
5. Kurita Water	Japan	Industrials	2.8%
6. BE Semiconductor Industries	Netherlands	Information Technology	2.8%
7. Cree	United States	Information Technology	2.7%
8. Xylem	United States	Industrials	2.7%
9. Christian Hansen Holding	Denmark	Materials	2.6%
10. Kingspan Group	Ireland	Industrials	2.6%
Top 10 holdings out of 48 holdings in the portfolio			30.3%

### Breakdown by country\*

As per end of March 2020

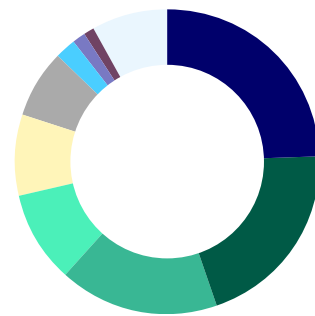


% of portfolio

United States	39.2%
Japan	19.5%
Denmark	7.7%
Netherlands	5.8%
Germany	5.5%
Switzerland	5.3%
Great Britain	4.7%
France	4.4%
Ireland	2.8%
Others	5.1%

### Breakdown by sector\*

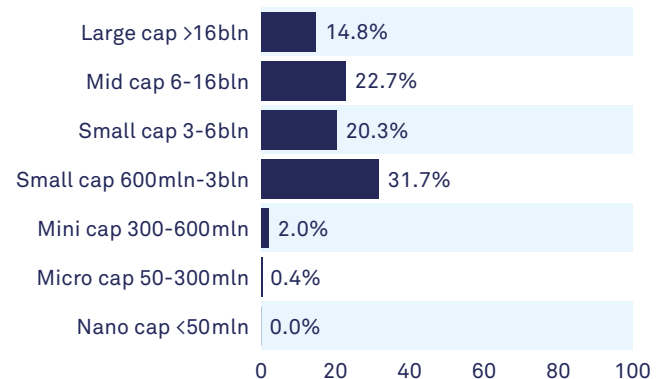
As per end of March 2020



% of NAV

Industrials	24.7%
Information Technology	20.2%
Health Care	16.8%
Consumer Discretionary	9.7%
Consumer Staples	8.7%
Materials	7.3%
Communication Services	2.1%
Real Estate	1.5%
Utilities	1.1%
Liquidities	7.9%

### Market caps (USD)\*

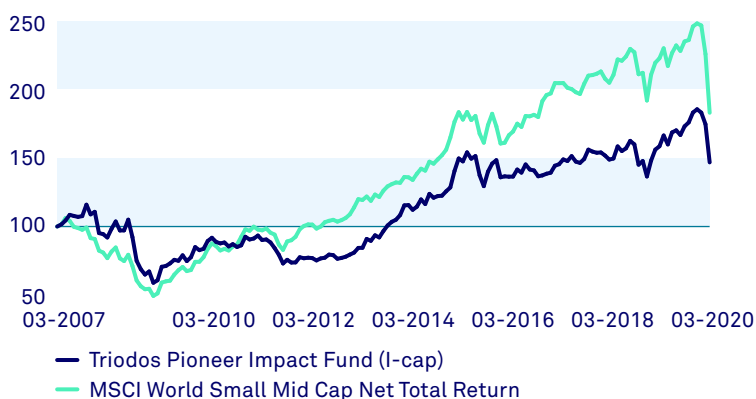


### Liquidity profile

Term required for liquidation	% of portfolio liquid within term
Less than 1 day	72%
2 - 5 days	99%
6 - 30 days	100%

Source: Triodos Investment Management, Bloomberg, based on average traded volume of last 20 days of March 2020.

### Return chart since inception\*\*



### Return last calendar years in %

	2019	2018	2017	2016	2015
Fund	36.0	-11.3	11.1	-6.7	18.1
Benchmark**	29.3	-9.2	7.9	13.2	10.9

All returns stated were calculated based on net asset value I-cap share. Past performance is not a reliable indicator for future performance. Source: Triodos Investment Management

\* Source: Triodos Investment Management, RBC Investor Services  
\*\* Before Q2 2018 another benchmark was applicable.



## Sustainability in the spotlight

### The Triodos transition themes: Prosperous and Healthy People

Seven sustainable transition themes drive the fund's impact investment rationale. In this section, we zoom into 'Prosperous and Healthy people' including how the fund orients its position around this theme and how it is investable.

#### What are Prosperous and Healthy People?

Prosperous and Healthy People experience physical, mental and social well-being, going beyond the mere absence of disease or illness. A well-functioning health system that improves the well-being of individuals, protects against the financial consequences of ill-health and provides equitable access for all, is essential to achieving a prosperous and healthy society.

#### The Triodos perspective

We believe that sustainable development is determined by more than the financial position of people within a society. Fulfilment of basic needs such as food and water, shelter, sanitation, education, and health care are fundamental to human development. Though, higher needs such as belonging, esteem and self-actualisation are critical for achieving real prosperity and high quality of life.

Accessibility, availability and affordability of health care remains a problem in many countries. Our perspective is that this must improve as prevention, diagnosis and treatment of diseases are primary contributors to a healthy life. With increased demand for health care services (because people are getting older) and fewer people on staff (because of baby boomers who leave the labour market), health care facilities should adopt medical technology to fill the supply and demand gaps, keeping in mind and balancing that technological progress can often result in costlier treatment.

Lifestyle is the outcome of the choices that individuals make which influence their health and well-being. More affluence for a bigger part of the population can lead to unhealthy dietary changes and sedentary lifestyles, increasing the risk of noncommunicable diseases. We believe that active lifestyles and a shift from calorie-dense and nutrient-poor diets to nutrient-dense diets are important. Moreover, in a society that seems to continuously be speeding up, a meaningful fulfillment of leisure time contributes to a healthy physical and mental well-being.

#### Investing in Prosperous and Healthy People

Our investment analysts evaluate to what extent a company offers products and services that contribute to the health and well-being of people as aligned with our long-term views on:

- **Health care**

We look for companies offering products and services that support prevention, diagnosis and treatment of diseases. We primarily focus on the treatment and prevention of wide-spread diseases and the production of generic medicines. Companies that help reduce health care costs or improve access to health care can also qualify for the Prosperous and Healthy People theme.

- **Lifestyle and leisure**

We invest in companies that promote active lifestyles, leisure activities that fit our views on sustainability and cultural expression and well-being or that promote healthy diets. Investable companies range from music instrument makers and publishers, to producers of sports apparel.

- **Household and personal products**

Companies in the household and personal products sector can also be an investable solution for Prosperous and Healthy People. As proper and adequate hygiene enhances overall health, companies that provide products to improve personal and household hygiene also qualify for investment under this theme.

## Case study: Teladoc Health

Teladoc Health is a telehealth (or e-health) platform, delivering 24/7 on-demand health care services via mobile devices, the internet, video and phone. It connects patients with physicians and behavioural health professionals who treat a broad array of health care needs. Teladoc was the first and is currently the largest provider of telehealth solutions in the US. As of 2019, the company completed more than 4.1 million virtual care visits, with offerings including general medical, behavioral health, expert opinion and dermatology.

Teladoc Health is a subscription-based service model. It charges a fixed fee per member per month, as well as an appointment fee averaging USD 50 per visit. Employers, health plans, health systems and other entities collectively purchase access to Teladoc for more than 56 million members across the globe.

The company is well positioned in a high-growth market fueled by the secular shift towards affordable, accessible telemedicine. Furthermore in current circumstances, Teladoc Health is in a unique position to develop best practices for virtually evaluating and treating patients who believe they have been exposed to COVID-19. The company is pioneering the way for health systems to provide virtual care at scale.

## Active engagement with companies in portfolio

- We held an engagement call with Mueller Water in which we touched upon the company's limited ESG reporting and proposed to think along with the company on how to improve this. The company acknowledged that improvement on ESG reporting is on its agenda and responded positively to our proposal for closer collaboration.
- We met with Signify, together with Eumedion, which is a Dutch corporate governance platform, to discuss the agenda of the company's AGM, Signify's governance framework, cyber risks, and management of diversity beyond executive level. Additionally, we discussed how the company could further increase the alignment of board remuneration with non-financial targets. This is important for Triodos IM as we believe that the alignment of sustainability targets with board remuneration embeds sustainability deeper into the long-term strategy and ensures full attention of the board. Ideally this alignment results in a fully integrated strategy in which investment decisions are based on both financial and sustainability targets. Also, this enables investors to more easily monitor sustainability performance as the company needs to report on these targets in its Annual Report. Signify has since increased the number of sustainability targets in its incentive plans.
- We actively engaged with legislators and the public on content of the EU's Sustainable Finance dossier. The European Commission adopted an action plan on sustainable finance, which sets out a comprehensive strategy with ten key actions to more closely govern the sector. Triodos IM is very positive about this comprehensive ambition of the European Commission and actively contributes to the plan by acting as an expert and participating in consultations.

See how Triodos Investment Management maximises its influence on the companies we invest in through impact-driven shareholder action [here](#).

## Triodos Investment Management

Triodos Investment Management is a dedicated impact investment manager, making money work for positive change across sectors that are key in the transition to a world that is fairer, more sustainable, and humane, including Energy and Climate, Inclusive Finance, and Sustainable Food and Agriculture. We also invest in listed companies that offer products and services, which facilitate the transition to a sustainable society. Assets under management as per end of December 2019: EUR 4.9 billion.

*Triodos Investment Management is a globally active impact investor and consists of Triodos Investment Management BV and Triodos Investment & Advisory Services BV, both wholly-owned subsidiaries of Triodos Bank NV.*

### Contact

We welcome you to contact our Investor Relations team to learn more about our impact investment opportunities.

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### Disclaimer

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