

Triodos Pioneer Impact Fund

For professional investors and financial advisors only

Quarterly Report Q4 2020

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 to a sustainable society. The fund selects companies for their leading contribution to one or more of our seven sustainable transition themes, which are Sustainable Food and Agriculture, Sustainable Mobility and Infrastructure, Renewable Resources, Circular Economy, Prosperous and Healthy People, Social Inclusion and Empowerment, and Innovation for Sustainability.

Key figures as of 31-12-2020

Net assets EUR 485.4 million

Number of shares outstanding 7,874,828

Share class* I-cap

NAV per share EUR 60.55

Ongoing charges**

0.86% (incl. 0.70% management fee)

Morningstar rating™ ★★★★★

Fund performance in brief

- Triodos Pioneer Impact Fund generated a return (after costs) of 16.8%, while the benchmark yielded 16.1%.
- Positive vaccine developments globally reduced investor fears of prolonged lockdowns and new COVID-19 surges, supporting global equity markets over the quarter.
- The fund continued to trim positions with high valuations while selectively adding cyclical and value names, as well as companies that had lagged in the broader market run-up.

* This report is based on the I-cap share class.

See www.triodos-im.com for a full overview of EUR, GBP, institutional and retail share classes.

** The ongoing charges figure shown here is an estimate of the charges. Due to the amendments made to the fund charges as per 1 January 2021, the ex-post figure is no longer reliable. The UCITS' annual report for each financial year will include detail on the exact charges made.

Return in % as of 31-12-2020

	3 months	YTD	1 year	3 year avg	5 year avg	3 year volatility	5 year volatility
Fund	16.8	22.2	22.2	13.8	8.9	18.6	15.7
Benchmark	16.1	6.3	6.3	7.5	8.1	20.3	16.9

All returns stated were calculated based on net asset value I-cap share. Past performance is not a reliable indicator for future performance. Until April 2018 the fund used a different benchmark, which is displayed in the 'Return table' chart of the fund until that date. Source: Triodos Investment Management

Ecological footprint relative to benchmark

74% less
GHG Emissions



Equal to emissions of driving
15,640 times around the globe

28% less
Water consumption



Equal to the water use of
20.1 million daily showers

46% less
Landfill waste



Equal to 317.947 household
garbage bags of waste

Triodos Pioneer Impact Fund footprints are calculated using carbon emissions data from ISS ESG, and water and waste data from S&P Trucost Ltd. For the MSCI World Small & Mid Cap Index, 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.

Financial review Q4 2020

Market developments

Global equity markets extended their upward trend during the final quarter of the year, mostly as a result of positive vaccine developments and more stimulus hope. In December, most developed markets gave regulatory approval to one or several vaccines and started the rollout. This reduced investor fears over COVID-19 upsurges and prolonged lockdown measures, which had initially triggered a sell-off in October. While business activity globally appeared to hold up well during new rounds of restrictions, European services sector activity did deteriorate. Late December, a new and more infectious virus mutation discovered in the UK made European countries consider further lockdown measures. This did not affect the upbeat investor sentiment.

Besides the vaccine rollout, important developments that contributed to the positive investor sentiment were: Joe Biden's US presidential election win and the agreement on a new US fiscal stimulus package; the long-awaited conclusion of a Brexit trade deal between the UK and the EU; and the launch of an additional EUR 500 billion stimulus package by the European Central Bank (ECB).

Portfolio developments

As expectations of a rebound in economic activity dominated headlines and investor sentiment was overwhelmingly positive in the wake of vaccine newsflow, value stocks caught up with growth stocks a little, but by no means was there a style or factor reversal in the market. With stock market valuations starting to discount a sizeable economic improvement and investors paying up handsomely for growth in free cash flow streams, supported by the narrative of ongoing and unlimited central bank support, the fund continued to trim positions with lofty valuations while selectively adding to cyclical and value names, as well as companies that had lagged in the broader market run-up.

Dirk Hoozemans

Fund Manager



"Renewable energy holdings performed especially well in Q4 as a Green Deal was struck in the EU and Joe Biden won the US presidential election, boding well for green energy in the United States."

Companies added to the portfolio during the quarter:

- The fund established a position in **Renova** in the Renewable Resources theme. Renova is the number five independent power producer in Japan, the company's value could double by winning the large Japan offshore wind project off the coast of Yurihonjo.
- The fund also built a position in US stormwater handling company **Advanced Drainage Systems** in the Circular Economy theme. The company is the second-largest US plastics recycler and the leading US manufacturer of durable plastic products for stormwater management solutions, from pipes to fittings to chambers and basins. Penetration of plastic pipes in stormwater management is increasing, as they are easier and cheaper to fit than concrete, plus have much longer service life and lower maintenance costs.
- The fund also participated in the IPO of Japanese company **Roland Corp.** As a leading global manufacturer and distributor of electronic musical instruments and other music-related equipment and devices, Roland enables the positive impacts of both listening to music and creating it.
- The last addition was US education company **Strategic Education**: a for-profit provider of higher education (post high school) in the US. With a focus on improving college affordability, student engagement and workforce readiness, Strategic Education is supporting the growing majority of non-traditional students and ensuring that its graduates have the skills required to succeed in today's jobs.

Companies sold during the quarter:

- Portfolio holdings in organic retail grocery chain **Sprouts Farmers Market** (execution issues), **Becton Dickinson** (lack of theme fit and conviction in business model) and insulation material company **Kingspan** (associated with playing a role in the 2017 UK Grenfell tower fire) were sold from portfolio during the quarter.

Performance analysis

The MSCI World Small Mid Cap Net Total Return rose by 16.1% over the quarter, whereas the fund yielded 16.8% (I-cap). Energy bounced from worst to best sector as investors started believing in a recovery of economic activity based on positive vaccine news – this investor optimism also benefited other cyclical sectors such as Financials, Industrials and Materials. The technology sector kept performing well unabatedly.

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

Q4 2020	Average weight		Total return		Total attribution vs. Benchmark	Allocation	Selection	Currency
	Portfolio	Benchmark	Portfolio	Benchmark				
Total	100.00	100.00	17.11	16.01	1.10	-2.90	5.48	0.77
Communication Services	2.93	4.80	24.06	21.07	0.06	-0.08	-0.13	0.26
Consumer Discretionary	9.45	12.21	10.79	14.59	-0.21	0.03	-0.41	0.12
Consumer Staples	6.91	4.12	3.12	3.22	-0.49	-0.39	-0.12	0.14
Energy	0.00	2.35		33.57	-0.31	-0.37	0.00	0.06
Financials	2.12	11.95	45.13	21.26	0.20	-0.51	2.93	0.23
Health Care	13.82	11.07	1.66	12.16	-1.78	-0.10	-1.40	0.10
Industrials	25.98	17.29	19.79	15.89	0.76	-0.06	0.79	-0.36
Information Technology	22.33	15.86	38.19	20.36	3.71	0.38	2.61	-0.22
Materials	6.80	8.13	7.14	16.34	-0.60	0.01	-0.94	0.20
Real Estate	0.00	8.40		11.30	0.63	0.42	0.00	0.21
Utilities	1.25	3.82	68.46	7.56	0.90	0.24	2.17	0.03
Cash	8.42	0.00	0.00	-6.04	-1.75	-2.46	0.00	0.00

* Returns stated are quarterly gross returns, thus before any charges are deducted. Returns stated elsewhere are net returns.

Source: Bloomberg/Triodos Investment Management

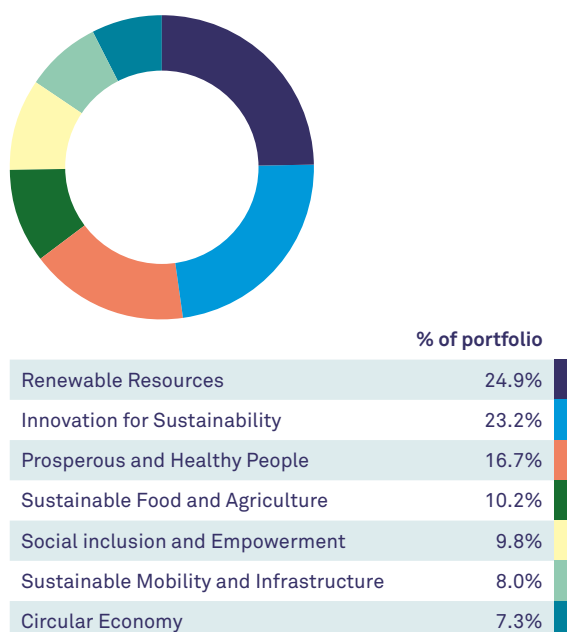
As equity markets continued to rise during the quarter, fund allocation to cash contributed negatively; currency allocation on the other hand was positive as the dollar depreciated. The fund's underweight positions in Energy and Financials contributed negatively to relative performance, as did the overweight position in Consumer Staples. The overweight in the strong Information Technology sector contributed positively, along with an underweight in Real Estate and Utilities. Stock selection was positive during the quarter, with most positive effects in Financials, Information Technology and Utilities; and most negative selection in the Materials and Health Care sectors.

- Earnings estimates have overall declined in 2020, but we think that the anticipated broad and firm earnings recovery in 2021 is unrealistic. Negative earnings surprises are lurking, in which case lower equity prices and valuations would be justified;

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 exposure across themes are as follows:

Breakdown by transition theme



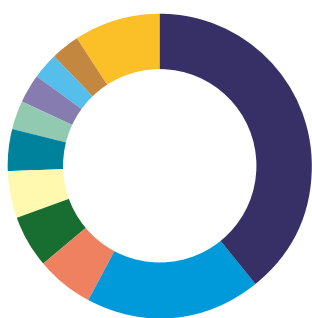
Source: Triodos Investment Management, RBC Investor Services

Investment outlook

- Although vaccines will be rolled out in most developed markets, the coronavirus will likely continue to surge in both Europe and the US throughout most of the first quarter of 2021. Pre-pandemic economic activity levels can only be reached once a vaccine has become widely available, which we do not expect to happen before the end of 2021;
- This means that the global economic recovery will find it difficult to fully lift off in the first quarter of 2021;
- Weak demand will likely remain the dominant force weakening inflationary expectations while monetary and fiscal policies will remain extremely accommodative;
- Because of last quarter's upward trend, equity valuations have become even more elevated in relation to earnings power. The US equity market continues to look most expensive on a variety of metrics, while European and Asian markets look cheap relative to the US;

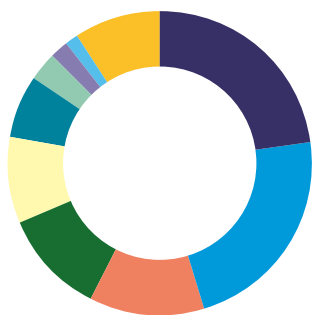
Portfolio as of 31-12-2020

Breakdown by country As per end of December 2020



	% of NAV
United States	39.3%
Japan	18.7%
Denmark	6.1%
Netherlands	5.6%
Switzerland	5.0%
Great Britain	4.3%
France	3.1%
Germany	3.0%
Luxembourg	2.8%
Others	3.2%
Liquidities	8.9%

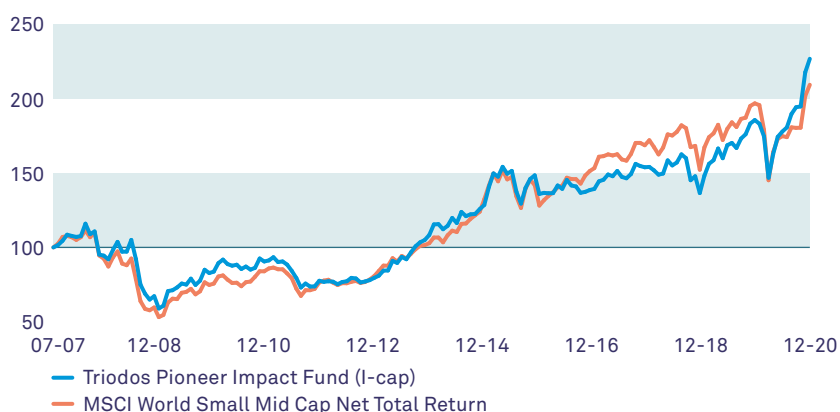
Breakdown by sector As per end of December 2020



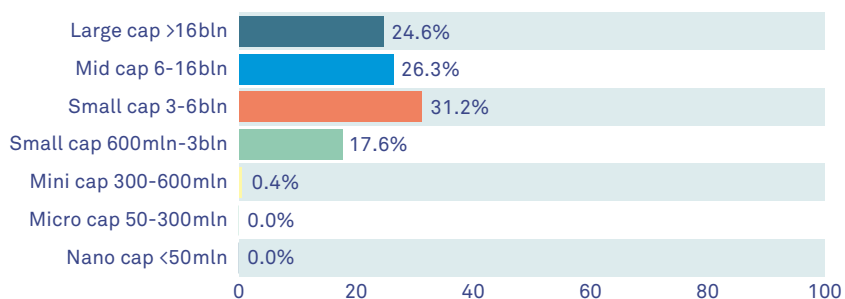
	% of NAV
Information Technology	22.9%
Industrials	22.5%
Health Care	12.1%
Consumer Discretionary	11.2%
Materials	9.1%
Consumer Staples	6.9%
Communication Services	2.8%
Real Estate	2.1%
Utilities	1.5%
Liquidities	8.9%

Source for all tables and numbers: Triodos Investment Management, RBC Investor Services

Return chart since inception



Market caps (USD)



Return last calendar years in %

	2019	2018	2017	2016	2015
Fund	36.0	-11.3	11.1	-6.7	18.1
Benchmark	29.3	-9.8	11.5	6.6	14.5

All returns stated were calculated based on net asset value i-cap share. Until April 2018 the fund used a different benchmark, which is displayed in the 'Return last calendar years in %' chart of the fund until that date. Past performance is not a reliable indicator for future performance.
Source: Triodos Investment Management

Liquidity profile

Term required for liquidation	% of portfolio liquid within term
Less than 1 day	49.7
1 - 5 days	92.5
6 - 30 days	100.0

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

Top 10 holdings*

Company name	Country	Sector	% of NAV
1. Cree	United States	Information Technology	3.1%
2. TPI Composites	United States	Industrials	3.1%
3. Danone	France	Consumer Staples	3.1%
4. Solaredge Technologies	United States	Information Technology	3.0%
5. Millicom International Cellular	Luxembourg	Communication Services	2.8%
6. Vestas Wind Systems	Denmark	Industrials	2.8%
7. BE Semiconductor Industries	Netherlands	Information Technology	2.7%
8. Rohm	Japan	Information Technology	2.7%
9. Signify	Netherlands	Industrials	2.7%
10. Bakkafrost	Faroe Islands	Consumer Staples	2.6%
Top 10 holdings out of 48 holdings in the portfolio			28.6%

Sustainability in the spotlight

Circular economy



The fund invests in seven transition themes that are key to helping society overcome systematic sustainability challenges. In the below case study on **Advanced Drainage Systems**,

we zoom in to the theme 'Circular Economy'. Learn more about how we invest in this theme [here](#).

Case study:

Advanced Drainage Systems

Advanced Drainage Systems (ADS) is the leading manufacturer of thermoplastic corrugated pipe. ADS' products are designed to manage the entire lifecycle of a raindrop, from capturing and conveying stormwater runoff to storing and treating the water. Its The company's core products are high-density polyethylene and polypropylene pipes, which are lighter, more durable, more cost effective and easier to install than alternatives made with traditional materials like concrete and steel. In addition, ADS provides products adjacent to pipes like such as leach field chambers, storm chambers, septic tanks and water quality filters. ADS is the second largest plastics recycler in the US, using recycled raw material as inputs for its products: The more recycled content ADS uses in its products, the higher its operating margins.

Active engagement with companies in portfolio

In Q4, an engagement project on climate change was initiated with the long-term goal to urge companies with high carbon emissions to limit global warming impact to 1.5°C by 2030. To reach this goal, companies were urged to set science-based targets for greenhouse gas (GHG) emissions reduction, supported by an effective transition plan and reporting on progress.

As such, we engaged with **GN Store Nord** on the company's environmental disclosure, which has gained relevance in its ESG strategy this year. A sustainability officer has been appointed and data collection is in progress, currently at 70% of total emissions. Consolidated emissions data are expected in 2021 enabling GN Store Nord to set realistic reduction targets.

Gerresheimer is a German manufacturer of specialty glass and plastic products for the pharmaceutical and healthcare industries and seeks to reduce GHG emissions by switching to new melting technologies, replacing furnaces at the end of their lifetime and using recycled glass. In a call in October, Gerresheimer confirmed that its previous GHG reduction target (annual reduction of CO₂ intensity per unit of revenue without any specific target value) was no longer meeting the company's ambition level, announcing the publication of a new target in December. The new 50% reduction target of scope 1+2 emissions by 2030 (base year 2019) is in line with the Paris goals.

See how Triodos Investment Management maximises its influence on the companies we invest in through deliberate shareholder action: www.triodos-im.com

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 2020: EUR 5 billion.

Triodos Investment Management is a globally active impact investor and consists of Triodos Investment Management BV and Triodos Investment and 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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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

Disclaimer

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