

# Triodos Global Equities Impact Fund

## Quarterly Report Q1 2020

FOR PROFESSIONAL  
INVESTORS  
AND FINANCIAL  
ADVISORS ONLY

Triodos Global Equities Impact Fund aims to generate positive impact and competitive returns from a concentrated portfolio of global equity positions. The fund selects companies for their contribution towards 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 768.3 million

#### Number of shares outstanding

20,510,905

#### Share class\*

I-cap

#### NAV per share

EUR 41.52

#### Ongoing charges (31-12-2020)

1.00% (incl. 0.55% management fee)

Morningstar rating™ ★★★

### Fund facts

Fund inception date July 2007

I-cap launch date July 2007

#### Asset type

Long-only global equities

#### Benchmark

MSCI World Net Total Return Euro

ISIN code LU0309381191

Bloomberg code TRVEFIC LX

#### Investment manager

Triodos Investment Management

Fund manager Pieter-Jan Husken

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  
5 (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 -16.0%, while the benchmark yielded -19.2%.
- 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 898.6 million to EUR 768.3 million as part of this overall market adjustment.

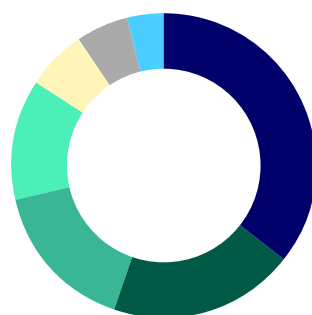
### Return in % as of 31-03-2020

	3 months	YTD	1 year	3 year avg	5 year avg	3 year volatility	5 year volatility
<b>Fund</b>	-16.0	-16.0	-7.0	2.1	1.4	11.2	12.0
<b>Benchmark</b>	-19.2	-19.2	-8.3	1.1	2.8	14.2	13.9

All returns stated were calculated based on net asset value I-cap share. Past performance is not a reliable indicator for future performance. The stated volatility is measured as annualised standard deviation, based on monthly returns. 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:



Prosperous and Healthy People	35.8%
Sustainable Mobility and Infrastructure	19.5%
Innovation for Sustainability	16.2%
Social Inclusion and Empowerment	12.8%
Sustainable Food and Agriculture	6.5%
Renewable Resources	5.5%
Circular Economy	3.7%



### Pieter-Jan Husken

Fund Manager

"Triodos Global Equities Impact Fund invests globally in industry sustainability leaders, actively including companies that provide solutions to our seven sustainable transition themes."

## 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 during the quarter

Based on lofty equity market valuations Triodos Global Equities Impact Fund continued to be positioned defensively (i.e. with a relatively high cash position, low beta, and investments in companies with healthy balance sheets). After oil price and COVID-19 shocks hit the equity markets, global growth, company earnings and dividends all became victim of dramatic downgrades. Equity markets behaved as expected in such an environment and came down substantially. The fund initially used the sharp fall in equity markets to put cash to work by selectively buying stocks at lower trading prices, and at the end of the quarter, the fund increased its cash levels again.

#### Companies added to the portfolio:

- **STMicroelectronics**, a French/Italian semi-conductor company, was added as part of the Innovation for Sustainability theme. The company offers strong solutions for enabling electrification of vehicles, autonomous driving and the Internet of Things. STMicroelectronics is also a frontrunner in applying new production technologies like silicon carbide, which the fund manager see as a competitive advantage.
- **Evonik**, a German chemical company, was added as part of the Sustainable Mobility and Infrastructure theme. The company is transforming itself into a specialty chemical company with a focus on specialty additives, nutrition and care, smart materials and performance materials. The company is expanding into new areas such as bio-based cosmetics, bio-surfactants in cooperation with Unilever, and a joint venture with DSM in producing algae oil to feed farmed salmon without reducing the Omega-3 fatty acids in the fish.
- **Intuitive Surgical**, a US medical technology company, was added to the Prosperous and Healthy People theme. Intuitive Surgical is the pioneer and global technology leader in robot-assisted (Da Vinci surgical systems) minimal invasive surgeries.
- **Persol**, a Japanese temporary employment, recruitment and outsourcing company was added within the Social Inclusion and Empowerment theme. Persol was one of the first women founded businesses in Japan, and was instrumental in empowering women to join the Japanese workplace.
- **Kyoritsu Maintenance**, a Japanese social housing and hotel management company, was added to the Prosperous and Healthy People theme. The company offers a variety of living arrangement and stay needs to people across Japan.

#### Companies sold during the quarter:

- **Diageo**, a British global leader in spirits and liqueurs. This was the portfolio's last inherited ESG best-in-class name. Due to a lack of clear fit with our transition themes, Diageo was removed from the portfolio.
- **Acuity**, a US company that designs, produces, and distributes (LED) lighting, was sold for a number of reasons like reducing the exposure to small capitalised stocks, reducing overlap with Triodos Pioneer Impact Fund, and due to continued disappointing quarterly earnings.

### Performance analysis

The MSCI World Net Total Return dropped 19.2% over the quarter, whereas the fund was able to better contain its decline to 16.0% (I-cap). This quarter Energy was the worst performing sector as oil prices collapsed. Financials also struggled due to the lower interest rate environment and the broader stress in the financial markets. Healthcare, Information Technology and Consumer Staples all outperformed.

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

Q1 2020	Average weight		Total return		Total attribution vs. Benchmark	Allocation	Selection	Currency
	Portfolio	Benchmark	Portfolio	Benchmark				
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>-15.59</b>	<b>-19.26</b>	<b>3.66</b>	<b>3.76</b>	<b>-0.39</b>	<b>-0.19</b>
Communication Services	9.78	8.60	-15.58	-15.57	0.10	0.05	0.30	-0.29
Consumer Discretionary	17.09	10.28	-23.32	-20.21	-0.58	-0.12	-0.37	0.19
Consumer Staples	11.47	8.49	-13.58	-11.32	0.02	0.20	-0.09	-0.04
Energy	0.00	4.22		-43.51	1.18	1.14	0.00	0.03
Financials	0.00	14.95		-30.33	1.63	1.61	0.00	0.02
Health Care	16.43	13.33	-8.13	-9.44	0.52	0.30	0.19	-0.03
Industrials	13.30	10.76	-20.51	-24.45	0.45	-0.14	0.46	0.03
Information Technology	12.14	18.31	-15.77	-11.19	-1.13	-0.46	-0.87	-0.09
Materials	9.04	4.17	-18.37	-24.66	0.44	-0.15	0.22	0.08
Real Estate	2.56	3.29	-29.88	-21.51	-0.21	0.05	-0.23	-0.06
Utilities	0.00	3.61		-11.86	-0.29	-0.26	0.00	-0.03
Cash	8.21	0.00	0.00		1.53	1.53	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 tumbled, the fund's allocation to cash contributed positively. The portfolio's zero exposure to Financials and Energy contributed strongly to performance and drove a positive allocation effect. Currency allocation was slightly negative during the quarter and stock selection was also negative, overall. Negative selection effect in the Information Technology and, to some extent, the Consumer Discretionary sectors offset the positive contributions from Industrials, Communication Services, Materials and Health Care.

### Investment outlook

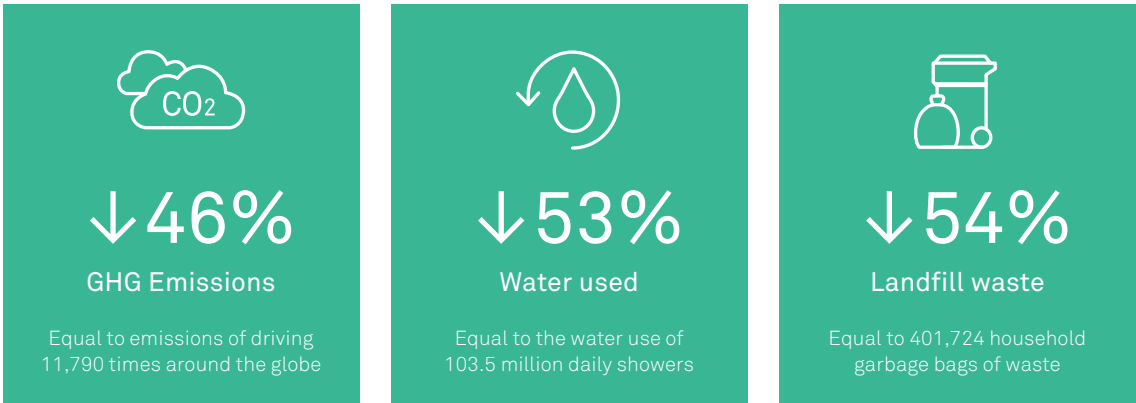
The worldwide implementation of Corona-virus containment measures has drastically altered the short-term outlook for the global economy, as different types of lockdown measures have halted economic activity. Considering the situation in most regions, where the peak of virus infections is projected to 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 carbon, water and waste footprints of the fund’s portfolio, below, demonstrate the lower environmental impacts of the portfolio companies’ activities compared to the MSCI World Index. 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.



The footprints are calculated using carbon emissions data from Oekom research AG, and water and waste data from S&P Trucost (copyright c 2019 S&P Trucost Limited). For the MSCI World Index benchmark, coverage by weight is 98% for carbon, 98% for water data and 98% for waste. For the Triodos Global Equities Impact Fund portfolio, coverage of assets invested – by weight – is 100% for carbon, 100% for water, and 100% for waste.

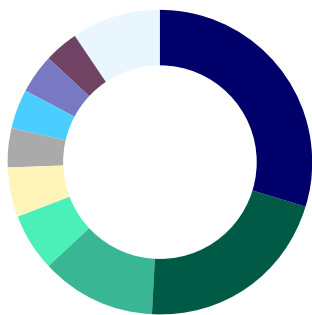
## Portfolio as per end of March 2020

### Top 10 holdings\*

Company name	Country	Sector	% of NAV
1. KDDI	Japan	Communication Services	3.8%
2. Roche Holding	Switzerland	Health Care	3.7%
3. Central Japan Railway	Japan	Industrials	3.5%
4. Danone	France	Consumer Staples	3.1%
5. Bridgestone	Japan	Consumer Discretionary	2.7%
6. Vestas Wind Systems	Denmark	Industrials	2.6%
7. Taiwan Semiconductor	Taiwan	Information Technology	2.4%
8. Novo Nordisk	Denmark	Health Care	2.4%
9. Toyota Motor	Japan	Consumer Discretionary	2.4%
10. Telenor	Norway	Communication Services	2.3%
Total top 10 holdings (out of 59 equity holdings)			28.9%

### Breakdown by country\*

As per end of March 2020

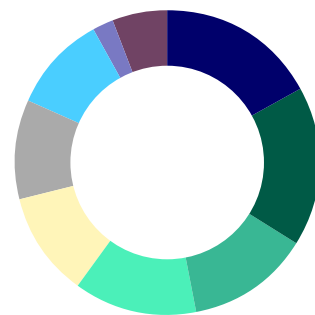


% of portfolio

Japan	29.8%
United States	21.2%
Germany	12.1%
Denmark	6.3%
Switzerland	5.1%
Sweden	4.3%
France	4.2%
Great Britain	4.0%
Netherlands	3.6%
Others	9.4%

### Breakdown by sector\*

As per end of March 2020



% of NAV

Health Care	17.2%
Consumer Discretionary	16.8%
Industrials	13.1%
Information Technology	12.9%
Consumer Staples	11.1%
Communication Services	10.6%
Materials	10.3%
Real Estate	2.1%
Liquidities	5.8%

### Market caps (USD)\*

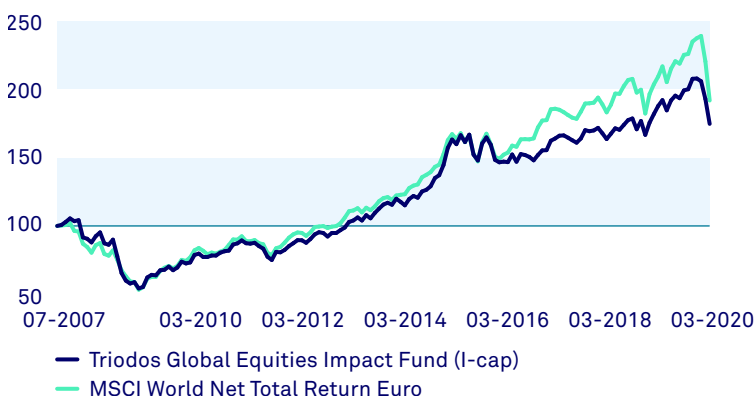
Large cap >16bln	72.2%
Mid cap 6-16bln	13.6%
Small cap 3-6bln	5.5%
Small cap 600mln-3bln	2.7%
Mini cap 300-600mln	0.0%
Micro cap 50-300mln	0.0%
Nano cap <50mln	0.0%

### Liquidity profile

Term required for liquidation	% of portfolio liquid within term
Less than 1 day	85.6
2 - 5 days	99.6
6 - 30 days	100.0

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

### Return chart since inception\*



\* Source: Triodos Investment Management, RBC Investor Services

### Return last calendar years in %

	2019	2018	2017	2016	2015
Fund	24.7	-1.9	9.4	-2.6	16.3
Benchmark	30.2	-4.2	7.4	10.8	10.4

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



## 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: Essity

Essity (stemming from the words essentials and necessities) is a leading global hygiene and health company dedicated to improving well-being through products and solutions essential for everyday life. The group is a spin-off of the SCA Group (2017). It sells its products in approximately 150 countries under the leading global brand names such as TENA, Leukoplast, Libresse, Lotus, Tempo and Vinda (a leading Chinese consumer tissue brand). It has about 48,000 employees worldwide and realised SEK 118.5bn (EUR 11.3 bn) in net sales for 2019. The Essity headquarters is in Stockholm, Sweden, and the company is divided in three main business areas:

- Consumer Tissue (38% of sales; product offering includes toilet paper, household towels, handkerchiefs and facial tissues).
- Personal Care (38% of sales; product offering includes: incontinence products, feminine care, baby care and medical solutions).
- Professional Hygiene (24% of sales; includes complete hygiene solutions and targets institutional and business clients).

The company fits well in the Prosperous and Healthy People transition theme. Essity has a strong focus on sustainability and has several ambitious targets on this front, for instance:

- Currently 76% of its procured wood is certified by FSC, and it targets 100% by 2030.
- Essity commits to reduce absolute Scope 1 and 2 GHG emissions by 25% and absolute Scope 3 emissions by 18%, by 2030 from a 2016 baseline. The Scope 3 target covers purchased key raw materials, transport, waste generated in operations and end of life treatment of sold products.
- Essity has committed to the Ellen MacArthur Foundation's New Plastic Economy global commitment known as "A line in the sand."

## Active engagement with companies in portfolio

### During the quarter

- We joined the recently established Partnership Biodiversity Accounting Financials (PBAF), which is a group of financial institutions that seeks to investigate how banks or investors can contribute to the protection of biodiversity. PCAF will explore how the impacts of investments that affect biodiversity can be measured. Financial institutions would then be able to use this knowledge to formulate investment policies that consider biodiversity and steer on biodiversity impacts.
- 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.
- Had a conference call with Inditex to discuss the assessment results for the platform on living wages (PLWF). Inditex publicly manifests its commitment to living wages and labor rights as part of their 'workers-at-the-center strategy'. During the PLWF assessment we found that the company makes quite a lot of references to living wages in its Annual Report and Code of Conduct. And that the company actively collaborates with other stakeholders and governments alike through the ACT platform.

What has changed in 2019 is that the company has extended its agreement with IndustriALL, one of the largest global trade unions in the garment & textile industry with over 50 million members. Inditex and IndustriALL have agreed to set up a Global Union Committee on which worker representatives from Inditex will sit, with the aim of sharing best practices across the industry. This will reinforce the companies' supply chain worker's labor rights with a focus on the freedom of association and the right to collective bargaining.

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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