

Triodos Global Equities Impact Fund

Quarterly Report Q3 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 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 30-09-2020

Net assets

EUR 915.6 million

Number of shares outstanding

21,198,753

Share class*

I-cap

NAV per share

EUR 48.42

Ongoing charges (30-06-2020)

0.76% (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 for a full overview of EUR, GBP, institutional and retail share classes.

Fund Performance in brief

- Triodos Global Equities Impact Fund generated a return (after costs) of 4.7%, while the benchmark yielded 3.5%.
- The fund's net assets increased from EUR 864.7 million to EUR 915.6 million at the end of Q3.
- Portfolio was defensively positioned per our view that the probability of an equity correction has significantly increased.

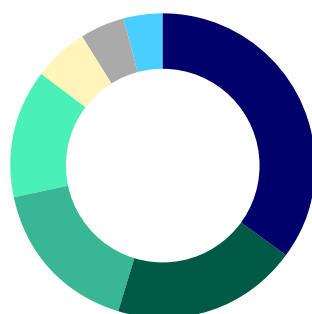
Return in % as of 30-09-2020

	3 months	YTD	1 year	3 year avg	5 year avg	3 year volatility	5 year volatility
Fund	4.7	-2.0	2.3	7.5	6.6	12.2	11.5
Benchmark	3.5	-2.6	2.7	8.0	9.4	15.8	14.0

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 exposure across themes are as follows:



Prosperous and Healthy People	35.2%
Innovation for Sustainability	19.6%
Sustainable Mobility and Infrastructure	17.1%
Social Inclusion and Empowerment	13.5%
Sustainable Food and Agriculture	5.9%
Renewable Resources	4.8%
Circular Economy	3.9%



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 Q3 2020

Market developments

Global equity markets continued their upward trend until the beginning of September. During this period, incoming economic data was better than expected. Continued strong equity market performance was a result of (1) the record fiscal and monetary stimulus that had been implemented earlier in the year, (2) the ultra-low interest rate environment, (3) the shift from countrywide COVID-19-related lockdowns to localised restrictions and (4) anticipated compressed vaccine timelines.

In September, however, equity markets experienced a correction. It started with some healthy repricing of the dominant US technology stocks, then also spread to other sectors. This risk-off mode was caused by virus upsurges in Europe, fading hopes for a quick additional US fiscal stimulus deal, increased uncertainty surrounding the upcoming US presidential elections and signs that the global economic recovery was losing momentum.

Meanwhile, geopolitical tensions intensified as US president Trump further hardened the country's stance towards China, and the UK announced plans to override parts of the Brexit withdrawal agreement. All major central banks kept their policies on hold, but the US Federal Reserve did present its new long-run strategy, which will be based on an average inflation target that allows for temporary overshooting going forward. This likely means quantitative easing and ultra-low policies will be around for even longer.

Investments

Based on the disconnect between economic fundamentals and equity market valuations, the fund continued to be positioned defensively during the quarter (i.e., a relatively high cash position, a low beta versus the market and investments in companies with healthy balance sheets).

Investors from across the globe continued to jump on the 'FAANG' (Facebook, Amazon, Apple, Netflix, Google) bandwagon which, along with a few other names, clearly spearheaded the equity markets. Due to our views on data privacy, abuse of market power, labour standards and other company-specific issues that violate Triodos' Minimum Standards, as well as the current valuation multiples paid for these companies, the fund missed out on the strong performance contribution of these names on their way up. And also on their way down, as their stock prices were corrected towards the end of the quarter.

Companies added to the portfolio during the quarter:

- **Sekisui House** (Japan), one of the largest (pre-fabricated) house builders in the world with an international footprint was added within the Sustainable Mobility and Infrastructure theme. Sekisui House designs and constructs single-family houses, apartment and condominium buildings. It is also involved in developing commercial facilities such as offices, retail facilities, hotels, hospitals and nursing care homes. Sekisui House has a very strong foothold in Zero Energy Houses in Japan. The company also is a leader in the 'Gohon no ki' (five trees) native tree landscaping concept that promotes biodiverse landscaping and embeds houses and buildings into the surrounding ecosystem, which fits nicely with our sustainable investment beliefs.
- **NortonLifeLock** (US), a consumer cyber security software and identity protection service provider, was added to the portfolio within the Innovation for Sustainability theme. NortonLifeLock, previously known as Symantec, divested its enterprise security business at the end of 2019 and now operates exclusively in the consumer cybersecurity sector.

Companies sold during the quarter:

- **Kubota**, a Japanese company manufacturing farm machinery (tractors), construction machinery engines and fluid piping systems. Kubota was sold as we felt its stock price performance was ahead of its fundamentals. While Kubota fits well within the Sustainable Food & Agriculture theme, the company is still lacking a set of clearly defined ESG-related management KPIs, which was a bit disappointing.
- **Jones Lang Lasalle**, a US company providing real estate and investment management services, was sold given the deteriorating fundamentals of the real estate sector in general. We think that working from home will have a structural impact on the office real estate market and, therefore, that JLL's business will be impacted as well.

Performance analysis

Triodos Global Equities Impact Fund (4.7% I-cap) outperformed the MSCI World Net Total Return (3.4%) this quarter. Energy was the worst performing sector despite relatively stable oil prices, while Financials and the Real Estate sector also delivered negative returns. Consumer Discretionary, Information Technology, Materials, Industrials and Communication Services all outperformed the market.

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

Q3 2020	Average weight		Total return		Total attribution vs. Benchmark	Allocation Effect	Selection Effect	Currency Effect
	Portfolio	Benchmark	Portfolio	Benchmark				
Total	100.00	100.00	4.52	3.36	1.16	2.06	-1.25	1.65
Communication Services	10.30	8.91	-2.34	3.74	-0.69	0.02	-0.72	0.15
Consumer Discretionary	16.04	11.51	5.45	11.06	-0.62	0.37	-0.71	0.07
Consumer Staples	10.23	8.22	1.05	2.99	-0.27	-0.01	-0.30	0.12
Energy	0.00	2.91		-19.51	0.84	0.75	0.00	0.09
Financials	0.00	12.35		-2.51	1.18	0.81	0.00	0.37
Health Care	17.33	13.80	1.33	0.35	-0.05	-0.11	-0.13	0.22
Industrials	11.75	10.20	12.51	6.93	0.67	0.07	0.41	0.14
Information Technology	14.46	21.51	9.39	7.10	0.24	-0.29	0.28	0.37
Materials	10.14	4.46	7.89	7.00	0.13	0.14	0.02	-0.05
Real Estate	0.42	2.85	-6.47	-2.20	0.16	0.12	-0.08	0.06
Utilities	0.00	3.28		0.28	0.22	0.12	0.00	0.10
Cash	9.33	0.00	0.00	0.00	-0.65	0.07	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 their rally, allocation to cash contributed negatively to fund performance. The fund's zero exposure to Financials and Energy contributed strongly to a positive allocation effect, while being underweight Information Technology contributed negatively. Currency allocation was positive during the quarter. Stock selection was negative overall as the positive selection impact in Industrials and Information Technology was offset by a negative contribution from Communication Services, Consumer Discretionary, Consumer Staples, Health Care and Real Estate.

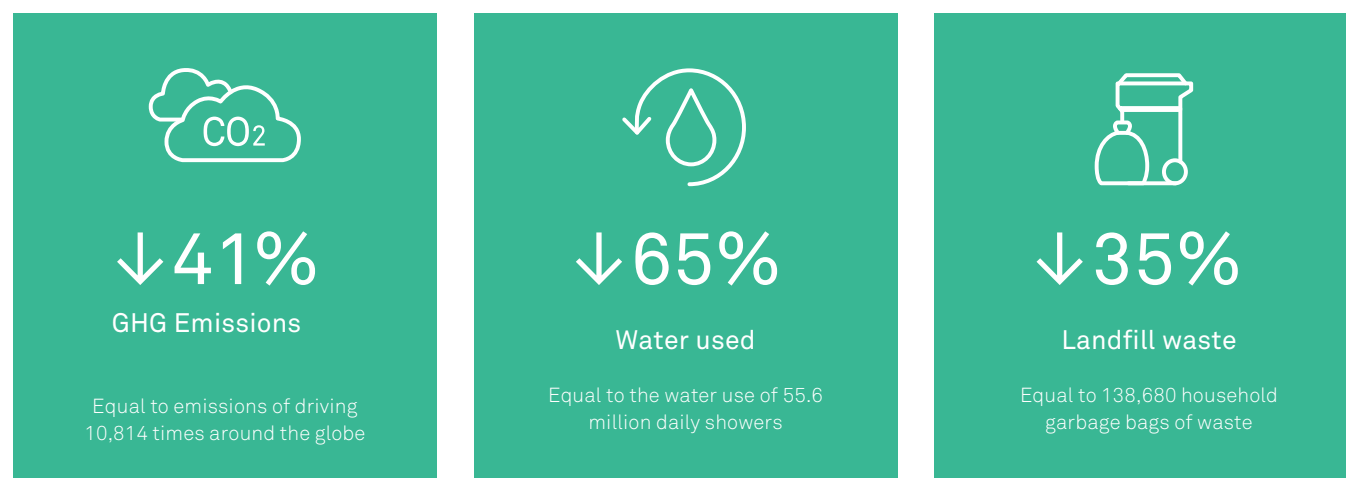
Investment outlook

Globally, we have entered a trial-and-error phase, in which localised COVID-19-related restrictive measures are gradually lifted until the situation forces a pause or step back. Recent virus upsurges in Europe have already led to more stringent national measures and harsher measures could become inevitable. This is still not our baseline scenario, as governments will do everything possible to prevent lockdown measures that would hurt economic activity as much as they did earlier this year. Furthermore, chances of a disputed US presidential election result on November 3 and resulting turmoil have severely increased in the wake of recent comments by Trump, not to mention POTUS falling ill himself. Overall, we think this means that the global economic recovery will likely further stall in the last quarter of the year.

The fund remains cautious, as in our view equity valuations are still elevated beyond what the fundamentals imply and central banks cannot keep financial assets inflated forever. We think negative earnings surprises are lurking, in which case a stock market correction would be entirely warranted. 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 ISS ESG, and water and waste data from S&P Trucost (copyright c 2019 S&P Trucost Limited). For the MSCI World Index, 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.

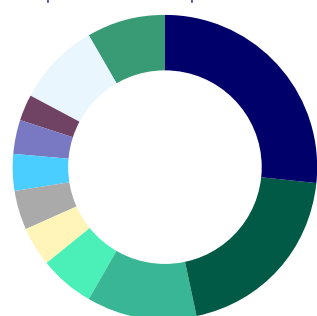
Portfolio as per end of September 2020

Top 10 holdings*

Company name	Country	Sector	% of NAV
1. KDDI	Japan	Communication Services	3.3%
2. Roche Holding	Switzerland	Health Care	3.0%
3. Danone	France	Consumer Staples	2.9%
4. Taiwan Semiconductor	Taiwan	Information Technology	2.9%
5. Central Japan Railway	Japan	Industrials	2.7%
6. Vestas Wind Systems	Denmark	Industrials	2.6%
7. Fresenius Medical Care	Germany	Health Care	2.4%
8. Shin-Etsu Chemical	Japan	Materials	2.4%
9. Telenor	Norway	Communication Services	2.3%
10. Toyota Motor	Japan	Consumer Discretionary	2.3%
Total top 10 holdings (out of 59 equity holdings)			27.0%

Breakdown by country*

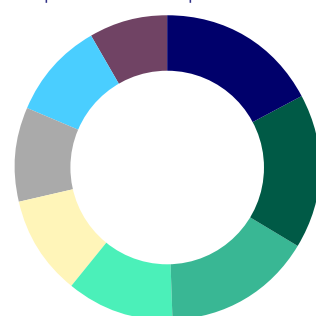
As per end of September 2020



	% of NAV
Japan	26.7%
United States	20.0%
Germany	11.7%
Denmark	5.9%
Switzerland	4.3%
France	4.0%
Sweden	4.0%
Netherlands	3.4%
Ireland	2.9%
Others	8.8%
Liquidities	8.3%

Breakdown by sector*

As per end of September 2020



	% of NAV
Health Care	17.3%
Consumer Discretionary	16.5%
Information Technology	15.7%
Industrials	11.5%
Materials	10.5%
Consumer Staples	10.1%
Communication Services	10.1%
Real Estate	0.0%
Financials	0.0%
Utilities	0.0%
Energy	0.0%
Liquidities	8.3%

Market caps (USD)*

% of portfolio ex cash

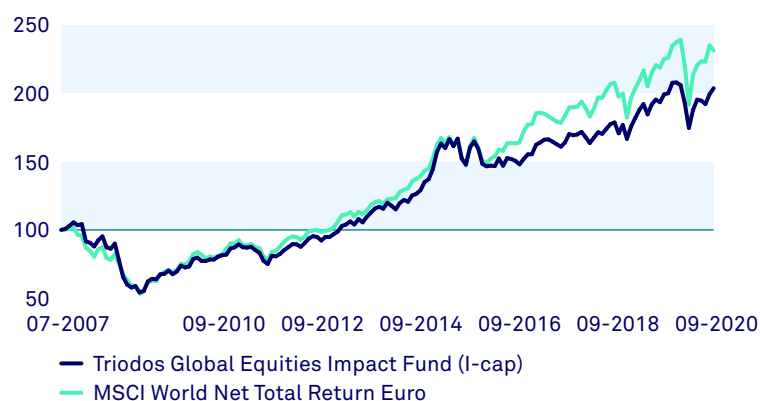
Large cap >16bln	77.4%
Mid cap 6-16bln	18.5%
Small cap 3-6bln	2.8%
Small cap 600mln-3bln	1.3%
Mini cap 300-600mln	0.0%
Micro cap 50-300mln	0.0%
Nano cap <50mln	0.0%

Liquidity profile

Term required for liquidation	% of portfolio liquid within term
Less than 1 day	68.0
2 - 5 days	96.0
6 - 30 days	100

Source: Triodos Investment Management, Bloomberg, based on average traded volume of last 20 days of September 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: Sustainable Mobility and Infrastructure

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

What is Sustainable Mobility and Infrastructure?

Mobility and infrastructure cover a broad range of facilities, structures, systems and services that support the day-to-day operations of human society. Energy supply, transportation, waste management, water and sewage supply, real estate and communication systems are among the most important elements of infrastructure. Sustainable mobility and infrastructure are designed, constructed and operated to optimise the environmental, social and economic impact.

The Triodos Perspective

As the built environment accounts for 8% of total fuel combustion worldwide, a change in the way we build our houses and offices is essential. We should collectively work towards energy neutral buildings and the use of circular materials. Real estate should be designed, built, operated, and maintained using environmentally responsible and resource-efficient processes.

Transportation systems are the backbone of our cities and rural communities. To keep societies and economies running smoothly an extensive network with different modes of transportation is needed. Carbon emissions from transportation account for 20% of total fuel combustion worldwide. Sustainable mobility is therefore paramount if we want to achieve climate stability and clean air. We need to shift from traditional models of mobility (transport in private petrol cars and trucking) to sustainable alternatives (e.g. modes of transport with a lower or no carbon footprint, such as public transport solutions and electric vehicles).

In a planet stressed by climate change and diminishing natural resources, infrastructure needs to be sustainable. That is, it should be climate resilient, socially inclusive, and should contribute to a reduction of absolute carbon emissions.

Investing in Sustainable Mobility and Infrastructure

- **Sustainable transportation modes**

We invest in companies that provide green mobility solutions and services, such as electric vehicles, ride-sharing initiatives or mobility services that integrate several modes of transportation into one multimodal offering that could replace private petrol car ownership. Public transportation modes also make an interesting investment proposition as they are key in reducing CO₂ emissions, noise pollution and traffic congestion. Cycling related goods and services also qualify, as more and more governments promote cycling for health and environmental reasons.

- **Sustainable buildings**

We invest in companies supplying products and services that facilitate the decarbonisation of the existing building stock. We are also interested in products and services that facilitate the move towards the construction of energy- and material efficient new buildings.

- **Sustainable infrastructure**

We seek companies that offer sustainable infrastructural solutions. Especially in the field of transport, sanitation and waste. Companies active in the field of clean energy and water infrastructure are investable solutions in our renewable resource theme.

Case Study: Sekisui Chemical

Sekisui Chemical is a material producer active across transportation, infrastructure, buildings and housing, based in Osaka, Japan. During the quarter, we discussed the company's new mid-term plan 'Innovation for the Earth' with its management team.

Sekisui Chemical joined [RE100](#), which is a coalition of companies that aim for 100% of the electricity they use to come from renewable sources. The company also received accreditation from the Science Based Targets initiative (SBTi) for its CO₂ emission reduction targets. Currently over 80% of the company's customers buy a house equipped with solar panels, and Sekisui Chemical started buying the excess electricity generated from these to use in its own operations. An interesting innovation in the company is the integration of ESG into the firm's cost of capital. Each business unit has a hurdle rate for new investments, which is adjusted for several ESG factors, for example safety, compliance, environmental impact, ethics, etc. This will stimulate the company's business units to develop products that have positive environmental impacts (these kinds of products are currently 60% of sales, but the company has set a target of 100% for 2030). Other initiatives focus on mitigating resource depletion using Reduce, Reuse and Recycle principles. The company already has zero waste-to-landfill from its production sites and is taking further initiatives to incorporate end-of-life reuse or recycle solutions in the development of new products. Earlier this year, Sekisui Chemical ranked 12th in the Global 100 Most Sustainable Companies announced at the World Economic Forum and is now the highest-ranking Asian company.



Active engagement with companies in portfolio

- **Starbucks (Child labour allegations)**

In September, Triodos concluded the engagement with Starbucks on the allegation of child labour in its supply chain after several rounds of communication with the company. In the end, Starbucks' supply chain due diligence programme was assessed to be credible and comprehensive with adequate control mechanisms in place. Improvements are being made by increasing the number of audits both in terms of frequency of verifications and sampling procedures, and by updating the CAFÉ practices programme (version 3.5). The company's focus on detection and verification, as well as root-cause analyses to identify the underlying/systemic issues at community-level, is a promising approach to prevent child labour.

- **Inditex (Labour rights and living wages)**

As part of the Platform on Living Wage Financials (PLWF), Triodos IM was the lead-investor for Inditex on behalf of the investor initiative. Our analyst team assessed the company on its living wage policy, impact measurement, performance tracking and transparency. Inditex achieved similar results to its previous years performance. Furthermore, in a separate assessment, we examined the company's response to the COVID-19 challenges. The results were shared in the annual [PLWF webinar](#) on 6th and 7th October.

- **International Paper (Energy productivity targets)**

International Paper is one of the world's largest producers of fibre-based packaging, pulp and paper. Through the collaborative investor network, ShareAction, the company was requested to set energy productivity targets, in addition to its existing targets on reducing absolute GHG emissions. These additional targets are to align the company's business goals with reducing operational energy consumption. As part of its new Vision 2030, International Paper focuses on four targets, with sustainable operations being one of them. In 2020, International Paper set the target to reduce their scope 3 greenhouse gas emissions within the supply chain by 35% in line with the latest climate science.

- **Nike (Political campaign contributions)**

Corporate political contributions may influence elections and could be viewed as interfering with the democratic process. Hence, at the AGM of Nike, we voted in favour of a shareholder resolution that urged the company to construct policies and procedures for making political donations, and to publish the monetary and non-monetary contributions, including the identity of the recipient as well as the amounts paid. Triodos IM generally opposes political donations, but in case these are made, supports proposals to disclose contribution amounts, and the objectives and rationale for making such a contribution.

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 & Climate, Inclusive Finance, and Sustainable Food & 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 June 2020: 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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