Triodos Euro Bond Impact Fund

For professional investors and financial advisors only

Quarterly Report Q1 2021

Triodos Euro Bond Impact Fund aims to generate positive impact and competitive returns from a concentrated portfolio of investment-grade corporate, sovereign and sub-sovereign Euro denominated bonds. The fund selects investments for their contribution to our seven sustainable transition themes. As per 10 March 2021, all Triodos IM funds available for investors have been classified as article 9 products under SFDR which means that sustainability is a binding and mandatory part of the investment process and the objectives for these products.

Key figures as of 31-03-2021

Net assets EUR 356.6 million

Number of shares outstanding 12,709,064

Share class* I-cap

NAV per share EUR 38.25

Ongoing charges**
0.51% (incl. 0.35% management fee)

Morningstar rating™ ★★★

* This report is based on the I-cap share class.
See www.triodos-im.com for a full overview of EUR, 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.

Fund performance in brief

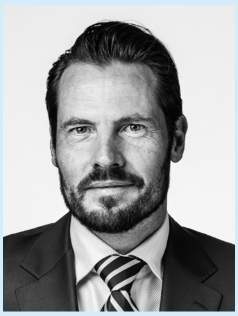
- Triodos Euro Bond Impact Fund generated a return (after costs) of -1.9%, while the benchmark yielded -1.7%.
- European bond markets performed negatively during the first quarter, as the reflation theme gathered momentum. Corporate bond markets were hit by higher rates but outperformed on a relative basis on the back of strong risk sentiment.
- The fund maintained its defensive positioning by keeping its overweight to high-quality names, as we expect a more difficult environment for company fundamentals, when the full impact of the economic fallout becomes more visible.

Return in % as of 31-03-2021

	3 months	YTD	1 year	3 year avg	5 year avg	3 year volatility	5 year volatility
Fund	-1.9	-1.9	1.7	1.7	1.1	3.2	3.0
Benchmark	-1.7	-1.7	3.7	2.4	1.8	3.6	3.3

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

Jeroen van Herwaarden
Fund Manager



"Global bond yields got lifted by higher expected growth and inflation, as the reflation theme gathered momentum. Lower-quality outperformed higher-quality on the back of positive risk sentiment in financial markets."

Market developments

Rapid vaccination campaigns in both the US and UK stood in sharp contrast with slow vaccine rollouts in the EU. This led to divergence in business activity, with the US being the clear front runner and the eurozone falling behind.

All major central banks continued their highly accommodative policy stance. The Federal Reserve did not present any significant changes and continued to stress that the expected rise in inflation in 2021 is likely to be transient, while the European Central Bank (ECB) pledged to increase the pace of its asset purchases to address the rising borrowing costs within the eurozone.

Bond markets performed negatively during the first quarter, as the reflation theme gathered momentum. Global bond yields got lifted by higher expected growth and inflation, although the expected economic rebound is predominantly US driven. Calming words from Fed chairman Jerome Powell, who stressed that the economic recovery is still in its early stages, that higher inflation would likely prove temporary, and that any talks about scaling back asset purchases are still a long way off, only partially helped to reassure the bond markets.

Ecological footprint relative to benchmark

37% less
GHG Emissions
Equal to emissions of driving 1,151 times around the globe

76% less
Water consumption
Equal to the water use of 14.7 million daily showers

36% less
Landfill waste
Equal to 25,144 household garbage bags of waste

The footprints are calculated using carbon emissions data from ISS ESG, and water and waste data from S&P Trucost (copyright © 2020 S&P Trucost Limited). Triodos Euro Bond Impact Fund footprints are calculated using carbon emissions data from ISS ESG, and water and waste data from S&P Trucost Ltd. For the iBoxx Europe ex Sovereign benchmark, coverage by weight is 56% for carbon, 56% for water data and 53% for waste. Coverage of assets invested – by weight – is 97% for carbon, 97% for water, and 97% for waste.

In light of the new EU SFDR regulation, Triodos Investment Management has conducted a review of the model used to calculate the relative ecological footprint of our Impact Equities and Bonds funds. Much to our regret we found an oversight in the methodology used, which has resulted in reporting of incorrect numbers. This oversight has been addressed and the correct numbers are now included in this quarterly report.

For some indicators, the recalculated and correct numbers display a higher ecological footprint than expected, especially for waste generated relative to the benchmark. The main cause for this is that our Impact Equities and Bonds funds have a concentrated number of holdings relative to the benchmark, hence higher relative weights in individual positions, resulting in relatively large deviations in ecological footprint exposure.

Furthermore, while we select companies based on overall positive impact, not all of this impact is measured, disclosed or reported on. Whereas the model calculations for the ecological footprint figures only take into account current (negative) impact (Scopes 1-2 as defined by the GHG Protocol for water, waste and emissions generated), the positive impact of many of our portfolio companies is transitional (such as water, waste and emissions avoided), for which data is still hardly available and thus not used in the calculations. For instance, as we invest in companies promoting the transition from plastic to paper packaging, the model calculations only measure Scopes 1-2 (waste-generating manufacturing operations), leaving out the indirect positive impact (such as plastic waste avoided, Scope 4).

In order to meet the requirements of the new SFDR regulation by the end of this year, we will further improve our impact management reporting in the coming months, which will entail both direct and indirect positive impact of our portfolios.

Financial review Q1 2021

Portfolio developments

All market segments posted negative returns, with steeper curves hurting long-dated bonds most. European yields got support from the ECB stepping up the pace of its bond purchases under the pandemic emergency programme (PEPP). Government bonds of European peripheral countries outperformed the broader government bond market as country spreads tightened further over the quarter, with the appointment of Mario Draghi as Italy's new prime minister seen as a political stabiliser for the country.

Corporate bond markets were hit by higher rates but outperformed on a relative basis on the back of strong risk sentiment. Credit spreads were stable despite large new issue volumes. Lower-quality BBB names outperformed the broader investment grade market. The fund maintained its defensive positioning by keeping its overweight to high-quality names.

Positions added to the portfolio during the quarter:

- The fund has participated in the newly issued green bond from German public transport corporation **Hamburger Hochbahn**. The proceeds of the bond will be used to finance new projects including acquiring new metro rolling stock, zero-emission buses, and upgrading depots and tracks for better energy efficiency and larger passenger capacity. The green bond contributes to our Sustainable Mobility and Infrastructure theme.
- The fund also invested in a new green bond issued by Japanese precision motor manufacturer **Nidec**. The proceeds of the bond are used for capital expenditures and R&D expenses related to the production of traction motors used in electric vehicles. The green bond contributes to our Sustainable Mobility and Infrastructure theme.
- Contributing to the same transition theme, the fund has also increased its holdings in **Italy**, **NRW Bank** and **Japan Finance Organisation for Municipalities**, by investing in recently issued green bonds from these issuers.

Companies sold during the quarter:

- No removals during the first quarter.

Performance analysis

The fund generated a return of -1.9% after costs over the quarter, while the benchmark yielded -1.7%. The performance difference stems from a slightly negative allocation effect resulting from our underweight in corporates and overweight in government-related bonds relative to the benchmark. A negative selection effect resulted from our focus on higher-quality corporates and governments relative to the benchmark, while low-quality corporate bonds got lifted by positive risk sentiment. The curve change and curve carry contributions were broadly neutral.

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

Q1 2021	Average weight		Total return		Curve Change Contribution	Allocation	Selection
	Portfolio	Benchmark	Portfolio	Benchmark			
Total	**100.00**	**100.00**	**-1.76**	**-1.72**	**0.01**	**-0.03**	**-0.05**
Treasury	27.27	39.93	-2.19	-2.35	0.39	-0.02	0.02
Corporates	23.90	28.26	-1.00	-0.74	0.04	0.00	-0.06
Government-related	46.02	22.20	-1.95	-2.17	-0.50	-0.03	-0.01
Securitized	1.95	9.61	-1.19	-0.96	0.08	0.02	0.00
Cash	0.85	0.00	0.00		0.00	0.00	0.00

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

Investment outlook

- Most advanced economies will have administered vaccines to the majority of their citizens in the first half of 2021. The coming months will therefore be a transition phase, in which restrictions can gradually be lifted and global economic activity can start picking up.
- Successful vaccination campaigns in the US and UK mean that these countries can lift restrictions earlier than eurozone countries.
- Monetary and fiscal policies will remain extremely accommodative.
- Government bond yields have been rising but are still near historic lows.
- Low eurozone medium-term inflation expectations and subdued near-term economic growth prospects will likely force the ECB to remain extremely accommodative. This will keep European government bond yields low for longer.
- The same goes for credits, where the focus seems to be on central bank measures and the anticipated strong economic recovery.
- We prefer high quality names as the COVID-induced recession is bound to lead to financial difficulties further down the road.

Impact

Our investment selection centers 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 are as follows:

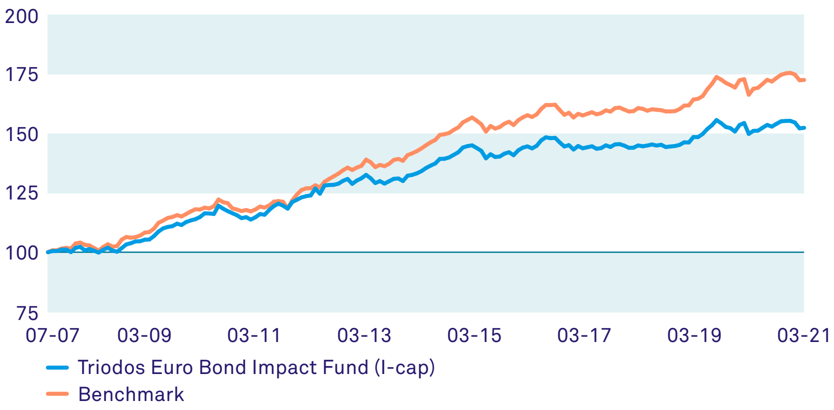
Breakdown by transition theme

	% of portfolio
Sustainable Mobility and Infrastructure	52.9%
Social Inclusion and Empowerment	26.0%
Prosperous and Healthy People	8.6%
Renewable Resources	7.0%
Sustainable Food and Agriculture	3.3%
Innovation for Sustainability	2.1%

The pie chart represents the holdings in corporate, sub-sovereign and impact bonds. Regular sovereign bonds are used for risk mitigation and liquidity management of the portfolio.

Portfolio as of 31-03-2021

Return chart since inception*



Liquidity profile

Sovereigns
(strategic weight 40%):
Time to liquidate portfolio at fair price:
1 hour

Credits
(strategic weight 60%):
Est.time to liquidate portfolio at fair price:
max. 1 week

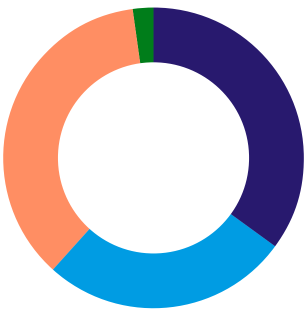
Breakdown by risk category*
As per end of March 2021

	% of portfolio
AAA	15.5%
AA	33.1%
A	26.7%
BBB	24.7%

Breakdown by duration*
As per end of March 2021

	% of portfolio
0-2 year	8.3%
2-5 year	25.0%
5-10 year	44.9%
10-15 year	13.7%
> 15 year	8.0%

Breakdown by investments*
As per end of March 2021



	% of NAV
Corporate bonds	35.1%
Green	4.9%
Regular	28.8%
Social	1.5%
Sovereign bonds	26.6%
Green	13.0%
Regular	13.6%
Sub-sovereign bonds	36.2%
Green	18.1%
Regular	11.7%
Social	6.4%
Liquidity	2.1%

Top 5 Non-Sovereign holdings*

1. 0.150% Eurofima 2019 - 2034	Green bond	1.6%
2. 0.000% NRW Bank 2019 - 2029	Green bond	1.4%
3. 1.875% North Rhine-Westphalia 2014 - 2024	Regular bond	1.4%
4. 0.100% Ile de France 2020 - 2030	Green bond	1.4%
5. 1.750% Council of Europe Development Bank 2014 - 2024	Regular bond	1.3%

Top 5 Sovereign holdings*

1. 1.750% French Governm. bond 2016 - 2039	Green Bond	2.4%
2. 1.350% Irish Governm. bond 2018 - 2031	Green Bond	2.2%
3. 0.500% Dutch Governm. bond 2019 - 2040	Green Bond	2.1%
4. 0.000% German Governm. bond 2020 - 2025	Green Bond	1.7%
5. 1.250% Belgium Governm. bond 2018 - 2033	Green Bond	1.7%

Return last calendar years in %

	2020	2019	2018	2017	2016
Fund	3.0	3.9	0.2	-0.1	3.0
Benchmark	3.7	5.7	0.1	0.8	3.3

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

Triodos Euro Bond Impact Fund	Portfolio	Benchmark
Modified duration	7.3	7.1
Yield	0.03	0.08
Convexity	0.88	1.05
Average rating	AA-/A+	A+/A
SII capital charge	4.4	3.5
SWAP spread	16.51	24.15
Duration Times Spread	1.7	2.3

*Source: Triodos Investment Management, RBC Investor Services

Sustainability in the spotlight Sustainable Mobility and Infrastructure

The fund invests in seven transition themes that are key to helping society overcome systematic sustainability challenges. In the below case study on **Nidec**, we zoom in to the theme 'Sustainable Mobility and Infrastructure'. Learn more about how we invest in this theme here.

Case Study: Nidec

Nidec is a Japanese company that develops and manufactures small precision motors that are used in many applications, such as automotive, home appliances, information technology, office automation and robotics. Nidec's precision motors are smaller, lighter and more energy efficient, realising reduction in energy use and CO_2 footprint. The company has issued a green bond to finance R&D and capital expenditures related to the production of traction motors, which are an essential part of electric vehicles. Nidec has made a strategic shift to develop these traction motors and to increase exposure to electrical driving, targeting a market share of 40% of all traction motors for electric vehicles globally. The green bond helps making this shift and contributes to the transition towards electric driving.

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

Active engagement with companies in portfolio

As part of our engagement project on excessive remuneration American logistics REIT **Prologis** was identified as having a generous compensation package. A call was set up with the company to discuss the topics executive remuneration as well as ESG strategy. In the meeting we called attention to transparency on the types of green building certifications included in the certification target, since comprehensive certifications (e.g. BREEAM, LEED) should be preferred. We also underscored that expanding the number of buildings certified should not be a goal in itself, as the level of sustainability achieved should be the focus. Prologis explained minimum thresholds for the level of certification had been set as part of the Green Bond Framework and efforts will continue to progress on this topic. On remuneration the dialogue focused on the excessive compensation package compared to peers, intelligibility of the proxy statement, limited disclosure on bonus targets and CEO salary which was lowered to $1. Prologis stated it is unlikely that the fixed pay of the CEO will increase in the short-term, but the company was open to receiving our feedback to improve their proxy statement disclosure in a follow-up call.

Triodos Investment Management

Triodos Investment Management (Triodos IM) is a globally active impact investor. We see impact investing as a driving force in the transition to a green, inclusive and resilient economy.

We have built up in-depth knowledge throughout our 25+ years of impact investing in sectors such as Energy & Climate, Financial Inclusion and Sustainable Food & Agriculture. Triodos IM also invests in listed companies that support sustainable solutions for the future. Assets under management as per end of December 2020: EUR 5.4 billion. Triodos IM is a wholly owned subsidiary of Triodos Bank, a leading expert in sustainable banking.

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 July 2007

I-cap launch date July 2007

Benchmark
60% iBoxx Euro Non-Sovereigns Eurozone Net Total Return
40% iBoxx Euro Sovereigns Eurozone Net Total Return

ISIN code LU0309381605

Bloomberg code TRVBFIC:LX

Investment manager
Triodos Investment Management

Fund manager Jeroen van Herwaarden

Currency EUR

Valuation Daily

Domicile Luxembourg

Legal status Open-ended sub fund of SICAV I

Regulator CSSF in Luxembourg

Risk level based on European guideline
3 (1= low 7= high risk)

Investment Horizon Long term

Custodian, paying agent, registrar, transfer agent
RBC Investor Services Bank SA

Auditor PwC Luxembourg