

Triodos Pioneer Impact Fund

For professional investors and financial advisors only

Quarterly Report Q1 2021

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 economy and 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. 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 554.4 million

Number of shares outstanding 8,463,545

Share class* I-cap

NAV per share EUR 64.34

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 6.3%, while the benchmark yielded 11.7%.
- Positive vaccine developments and optimism about reopening and economic growth, plus a massive US stimulus package supported global equity markets during the quarter.
- In the wake of rising interest rates, the fund trimmed exposure to growth stocks by reducing positions in some of the more expensive renewables and semiconductor-related names, while adding exposure in cyclical and value stocks.

* 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 31-03-2021

	3 months	YTD	1 year	3 year avg	5 year avg	3 year volatility	5 year volatility
Fund	6.3	6.3	64.2	17.4	12.1	18.5	15.2
Benchmark	11.7	11.7	61.1	12.9	11.7	20.3	16.4

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

Market developments

Global equity markets extended their upward trend during the first quarter of the year, mostly in response to vaccine rollouts and a massive US fiscal stimulus package. Increasing inflation expectation on the back of growing money supply and value chain bottlenecks, led to more volatility in equity markets. Upbeat investor sentiment was however unaltered, supported by highly accommodative policy stances by all major central banks. During the quarter, investors rotated from the pandemic winners in the tech and consumer sectors to sectors such as energy and financials, which usually benefit most from an economic recovery.

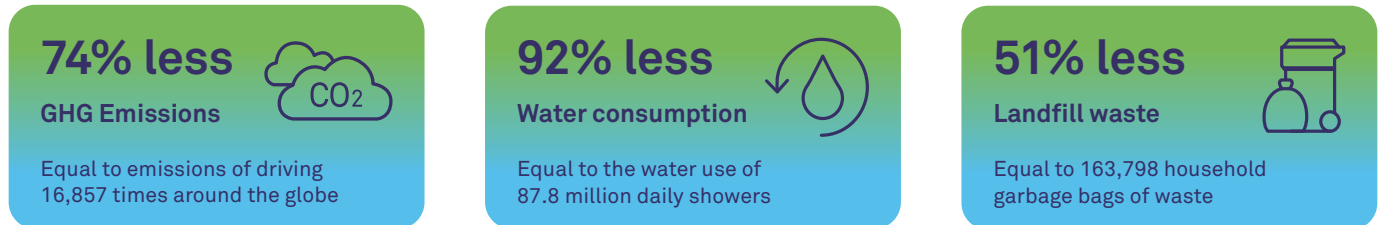
Dirk Hoozemans Fund Manager



"Growth stocks in the renewables and tech space underperformed as investors rotated into value stocks that stand to benefit from higher inflation and rising interest rates."

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.

Ecological footprint relative to benchmark



Triodos Pioneer Impact Fund relative footprints are calculated using carbon emissions data from ISS ESG, and water and waste data from S&P Trucost. Coverage by weight for the MSCI World Small & Mid Cap Index is 98% for carbon emissions, 98% for water use and 98% for waste produced. Coverage of assets invested – by weight – is 98% for carbon, 96% for water and 95% 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

Broader equity markets continued to move upwards during the quarter, but the balance of power shifted significantly as expectations of higher inflation drove interest rates higher. This triggered a massive investor rotation from growth stocks into value stocks, which stand to benefit if long-term interest rates rise and yield curves steepen. Despite soothing talk by the world's central bankers, signs of inflation in the real economy had been mounting for some time now, with oil prices on the rise, freight cost rising, strong demand for electronics driving component shortages and money supply sharply increasing on the back of massive stimulus finding its way into the monetary system. With stock market valuations now discounting a firm economic recovery and growth stocks under pressure, the fund trimmed exposure to the growth factor by reducing positions in some of the high-flying renewables and semiconductor-related names, while adding exposure in cyclical and value stocks.

Company added to the portfolio during the quarter:

- During the quarter, the fund established a position in **East Japan Railway**, operator of the largest rail network in Japan, including five Shinkansen bullet train lines. The company has a good fit with the Sustainable Mobility and Infrastructure theme: train rides compete on cost, time and comfort with

domestic flights in Japan, plus have significantly lower emissions. East Japan Railway is a value stock that stands to benefit from increased travel as the Japanese economy reopens, as well as from the first ticket price hikes in about 30 years. Next to its railway operations, the company has interests in a series of renewable energy developments and a significantly undervalued portfolio of real estate in Tokyo.

Company sold during the quarter:

- The fund's holding in obstructive sleep apnea and respiratory care company **ResMed** was sold during the quarter, as valuation had gotten ahead of itself.

Performance analysis

The MSCI World Small Mid Cap Net Total Return rose by 11.7% over the quarter, whereas the fund rose by 6.3% (I-cap). Energy was once again the best performing sector during the quarter, closely followed by the Financials sector as investors sharply rotated from growth stocks – especially in Big Tech but also in e.g. semiconductors and renewable energy companies – to value stocks. Furthermore, cyclical sectors such as Consumer Discretionary, Industrials and Materials outperformed traditionally more defensive sectors such as Utilities, Consumer Staples and Healthcare.

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

Q1 2021	Average weight		Total return		Total attribution vs. Benchmark	Allocation	Selection	Currency
	Portfolio	Benchmark	Portfolio	Benchmark				
Total	100.00	100.00	6.44	11.83	-5.40	-2.40	-1.45	-1.54
Communication Services	2.75	4.79	1.78	10.48	-0.27	-0.01	-0.07	-0.19
Consumer Discretionary	11.48	12.47	2.21	18.90	-1.95	-0.06	-1.34	-0.55
Consumer Staples	7.10	3.87	12.27	8.32	0.28	-0.06	0.22	0.12
Energy	0.00	2.91		30.88	-0.57	-0.46	0.00	-0.11
Financials	1.91	12.52	-7.93	18.77	-1.54	-0.67	-0.55	-0.32
Health Care	12.67	10.96	2.57	4.67	-0.42	-0.23	0.00	-0.20
Industrials	25.20	17.28	14.04	12.52	0.74	0.10	0.66	-0.02
Information Technology	21.59	15.20	4.70	5.24	-0.49	-0.46	-0.01	-0.02
Materials	6.93	8.16	11.07	12.38	-0.12	0.01	-0.18	0.05
Real Estate	0.00	8.14		9.95	-0.08	0.14	0.00	-0.22
Utilities	1.46	3.69	-9.14	6.65	-0.18	0.09	-0.20	-0.07
Cash	8.93	0.00	0.00		-0.78	-0.78	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 broader equity markets continued to rise during the quarter, fund allocation to cash contributed negatively. Currency allocation also contributed negatively as the US dollar gained strength on the back of rising US interest rates. The fund's underweight positions in Energy and Financials contributed negatively to relative performance, as did the overweight position in the lagging Healthcare and Information Technology sectors. Stock selection was also negative during the quarter, as many growth industries were the victim of rotation: effects were most negative in Consumer Discretionary (especially in Japanese names), Utilities and Financials.

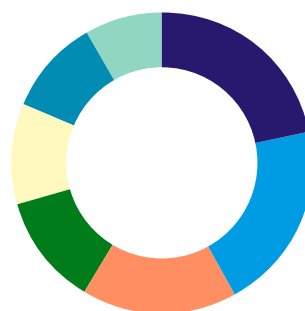
Investment outlook

- Most advanced economies will have administered vaccines to the majority of 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 means these countries can lift restrictions earlier than eurozone countries;
- Monetary and fiscal policies will remain extremely accommodative;
- Equity valuations are still elevated, with the US equity market continuing to look expensive compared to its European and Asian counterparts;
- We believe that current earnings expectations are still relatively high and that negative earnings surprises are lurking, in which case lower equity prices and valuations would be entirely warranted;
- Rising inflation expectations resulting in sudden rises in bond yields form an additional risk for equity markets. We assume that central banks can't keep financial assets inflated forever.

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

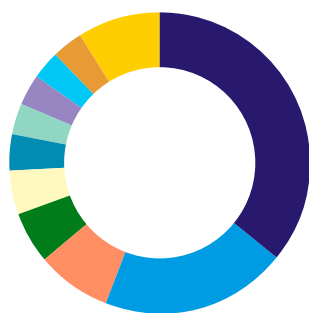


	% of portfolio
Renewable Resources	21.9%
Innovation for Sustainability	20.3%
Prosperous and Healthy People	16.6%
Sustainable Food and Agriculture	11.9%
Social Inclusion and Empowerment	10.9%
Sustainable Mobility and Infrastructure	10.3%
Circular Economy	8.1%

Portfolio as of 31-03-2021

Breakdown by country*

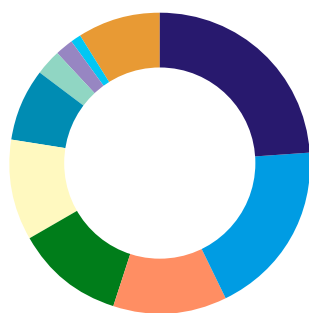
As per end of March 2021



	% of NAV
United States	35.8%
Japan	20.2%
Denmark	7.9%
Netherlands	5.5%
Great Britain	4.7%
Switzerland	4.0%
France	3.4%
Germany	3.2%
Faroe Islands	3.1%
Others	3.3%
Liquidities	8.8%

Breakdown by sector*

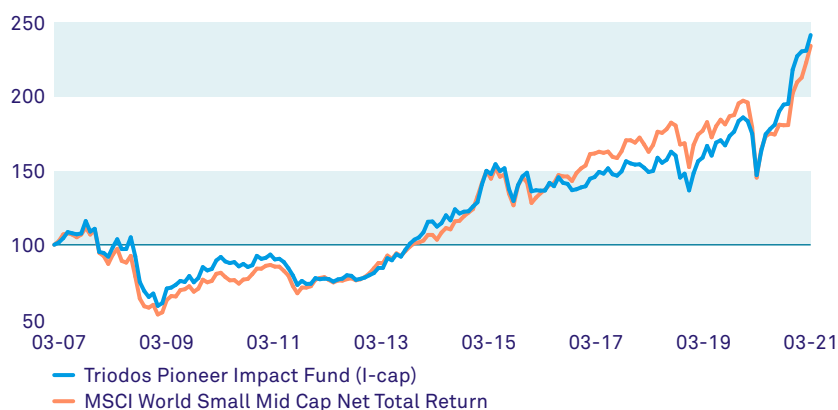
As per end of March 2021



	% of NAV
Industrials	24.1%
Information Technology	18.8%
Health Care	12.2%
Consumer Discretionary	11.9%
Materials	10.6%
Consumer Staples	7.8%
Communication Services	3.0%
Real Estate	1.7%
Utilities	1.2%
Liquidities	8.8%

* Source: Triodos Investment Management, RBC Investor Services

Return chart since inception*



Market caps (USD)*

	% of portfolio
Large cap >16bln	22.2%
Mid cap 6-16bln	39.0%
Small cap 3-6bln	22.1%
Small cap 600mln-3bln	16.7%
Mini cap 300-600mln	0.0%
Micro cap 50-300mln	0.0%
Nano cap <50mln	0.0%

Return last calendar years in %

	2020	2019	2018	2017	2016
Fund	22.2	36.0	-11.3	11.1	-6.7
Benchmark	6.3	29.3	-9.8	11.5	6.6

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 at 10% market participation	% of portfolio liquid within term
Less than 1 day	50.8
1 - 5 days	91.0
6 - 30 days	100.0

Source: Triodos Investment Management, Bloomberg, based on average traded volume of last 20 days of March 2021.

Top 10 holdings*

Company name	Country	Sector	% of NAV
1. Danone	France	Consumer Staples	3.4%
2. Bakkafrøst	Faroe Islands	Consumer Staples	3.1%
3. Signify	Netherlands	Industrials	3.0%
4. Millicom International Cellular	Luxembourg	Communication Services	3.0%
5. Fresenius Medical Care	Germany	Health Care	2.8%
6. D S Smith	Great Britain	Materials	2.8%
7. Christian Hansen Holding	Denmark	Materials	2.8%
8. Advanced Drainage Systems	United States	Materials	2.8%
9. GN Store Nord	Denmark	Health Care	2.7%
10. Kurita Water	Japan	Industrials	2.7%
Top 10 holdings out of 48 holdings in the portfolio:			29.0%

Sustainability in the spotlight Renewable Resources



The fund invests in seven transition themes that are key to helping society overcome systematic sustainability challenges.

In the below case study on

Mueller Water Products, we zoom in to the theme 'Renewable Resources'. Learn more about how we invest in this theme [here](#).

Case study: Mueller Water Products

We met with the CEO and CFO of **Mueller Water Products** (MWP) to discuss the company's strategy for digital products. MWP already has a strong position in the market for water infrastructure products and while its digital products business is still small, the company is developing the software and devices to monitor water infrastructure. This allows water utilities to have a real-time view on their assets and spot issues such as leakage or loss when they happen. Many water utilities currently do not have the capability to do so, hence this is an interesting growth opportunity for MWP digital products. We also believe that it can be a catalyst for the company's conventional water products business, as leaks usually need to be fixed using products from MWP.

Active engagement with companies in portfolio

In March 2021, short seller Hindenburg came out with a research report accusing geothermal energy supplier **Ormat Technologies** of widespread corruption in the organisation, mainly related to the company's activities in Guatemala, Kenya and Honduras. We had a meeting with Ormat to discuss the corruption allegations, which turned out to be based on indirect evidence only. The short seller's report provided no concrete proof and our discussion with Ormat reassured us that there seems to be no structural misconduct at the company. We felt sufficiently reassured by the company's answers to stay invested but we did advise Ormat to be more transparent on its disclosure of legal cases and its customer acquisition practices going forward.

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 (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 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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