

Triodos Pioneer Impact Fund

Quarterly Report Q3 2020

FOR PROFESSIONAL
INVESTORS
AND FINANCIAL
ADVISORS ONLY

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 30-09-2020

Net assets

EUR 399.2 million

Number of shares outstanding

7,552,162

Share class*

I-cap

NAV per share

EUR 51.85

Ongoing charges (30-06-2019)

0.88% (incl. 0.75% management fee)

Morningstar rating™ ★★★

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

* 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

- The fund generated a return of 9.2% (after costs), while the benchmark yielded 3.2%.
- The fund's net assets increased to EUR 399.2 million, up from EUR 359.7 million at the end of previous quarter.
- Portfolio was defensively positioned per our view that the probability of an equity correction has significantly increased.

Return in % as of 30-09-2020

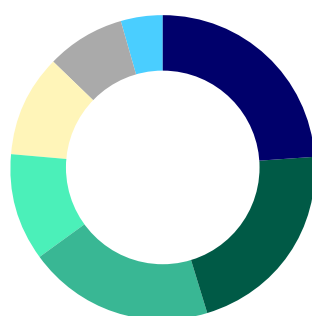
	3 months	YTD	1 year	3 year avg	5 year avg	3 year volatility	5 year volatility
Fund	9.2	4.6	12.2	9.2	8.5	17.6	15.2
Benchmark	3.2	-8.4	-3.3	3.7	7.1	19.0	16.5

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 in % as of 30-09-2020' chart of the fund until that date.

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 exposure across themes are as follows:



Renewable Resources	23.9%
Innovation for Sustainability	21.6%
Prosperous and Healthy People	19.5%
Sustainable Mobility and Infrastructure	11.4%
Sustainable Food and Agriculture	11.0%
Social Inclusion and Empowerment	8.1%
Circular Economy	4.4%



Dirk Hoozemans

Fund Manager

"Triodos Pioneer Impact Fund drives positive impact and competitive financial return by investing in companies that are at the forefront of innovative sustainable solutions."

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, 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

Equity markets continued their upward trend during the third quarter, with the US and Chinese stock markets leading the pack. While economic activity recovered during the quarter, growth is still below-trend and corporate profits still have quite some way to go before they are back to pre-corona levels. A handful of stocks in the technology sector (FAANG) dominated headlines and market index performance during the quarter – and as these are household names, the narrative has become a more important driver of stock performance than actual operational or financial performance of the underlying companies. In the real economy, a lot of uncertainty remains: uncertainty around corporate profits, a new round of central bank stimulus, a (timely) vaccine for the coronavirus, geopolitical issues such as Brexit, trade wars and the outcome of the upcoming US presidential election. In the wake of increased volatility and stock market valuations largely driven by sentiment, the fund continued to trim positions with lofty valuations while selectively adding to cyclical and value names and names that lagged in the broader market run-up.

Companies added to the portfolio during the quarter

- **Terveystalo** (Finland), the largest healthcare service provider in Finland, was added to the portfolio within the Prosperous and Healthy People theme. Terveystalo offers a wide range of healthcare services from primary healthcare, to secondary care, aftercare and dental care. We expect the company to perform well as there is structural growth in the Finnish healthcare market (demographics), the company has a strong brand name, loyal customers and employees, it has a strong nationwide clinic network, and Terveystalo has increased its focus on digital capabilities. The coronavirus outbreak has hampered growth somewhat in 2020 (delayed clinic visits), but we see the company's long-term strategy as intact.

Companies sold during this quarter

- No companies were sold from portfolio during the quarter.

Performance Analysis

Triodos Pioneer Impact Fund (9.2% I-cap) outperformed the MSCI World Small Mid Cap Net Total Return (3.2%) this quarter. Energy was by far the worst performing sector as low global travel activity (minimal work commutes and vacations postponed) kept oil prices hovering around low levels, putting pressure on oil company balance sheets. The best performing sector was Consumer Discretionary, which benefited from increased consumer confidence as consumers got back on their feet, supported by global fiscal stimulus.

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

Q3 2020	Average weight		Total return		Total attribution	Allocation Effect	Selection Effect	Currency Effect
	Portfolio	Benchmark	Portfolio	Benchmark				
Total	100.00	100.00	9.37	3.01	6.35	1.03	7.30	0.87
Communication Services	2.50	4.68	11.48	6.53	0.11	-0.06	0.19	0.11
Consumer Discretionary	9.12	11.73	1.42	10.65	-0.96	-0.21	-1.09	0.14
Consumer Staples	7.61	4.35	-6.33	3.23	-0.89	0.00	-0.49	0.00
Energy	0.00	2.48		-16.33	0.60	0.52	0.00	0.09
Financials	1.86	11.99	43.45	-1.86	1.57	0.51	5.26	0.31
Health Care	15.28	11.08	8.72	4.24	0.62	0.09	0.40	0.01
Industrials	25.58	17.09	22.42	5.98	3.92	0.23	2.59	-0.15
Information Technology	21.03	15.97	9.33	1.58	1.42	-0.04	1.29	-0.17
Materials	6.57	8.09	1.92	6.48	-0.32	-0.04	-0.54	0.20
Real Estate	0.00	8.64		-1.94	0.72	0.45	0.00	0.27
Utilities	0.88	3.89	-10.72	-1.40	0.13	0.15	-0.30	0.07
Cash	9.58	0.00	0.00		-0.58	-0.58	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, Financials and Real Estate contributed positively to relative performance, as did the overweight position in Industrials. An underweight to the Consumer Discretionary sector, which performed strong this quarter, contributed negatively. Stock selection was positive during the quarter, with most positive effects in Financials, Industrials, Information Technology and Health Care. The most negative selection effects were in the Materials, Utilities, Consumer Staples and Consumer Discretionary sectors.

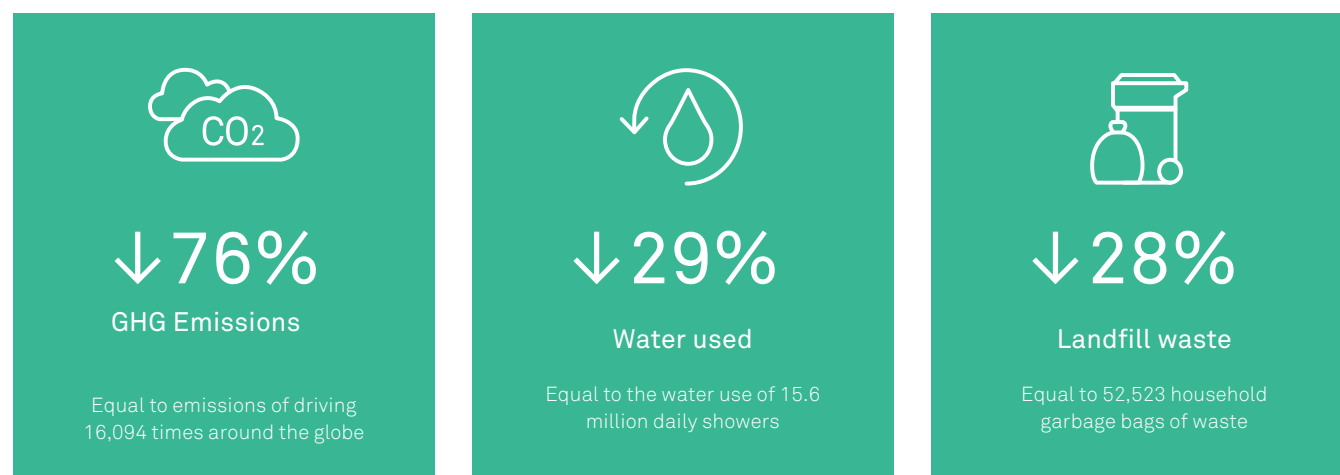
Investment outlook

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 data below are the carbon, water and waste footprints of the fund's portfolio, showing the lower environmental impact of portfolio company activities compared to the MSCI World Small Mid Cap Net Total Return. 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.



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.

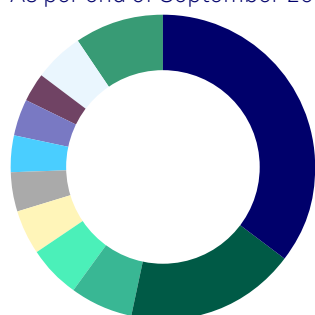
Portfolio as per end of September 2020

Top 10 holdings*

Company name	Country	Sector	% of NAV
1. Danone	France	Consumer Staples	3.8%
2. Signify	Netherlands	Industrials	3.2%
3. Vestas Wind Systems	Denmark	Industrials	3.1%
4. Kingspan Group	Ireland	Industrials	3.0%
5. Rohm	Japan	Information Technology	2.9%
6. Millicom International Cellular	Luxembourg	Communication Services	2.8%
7. Solaredge Technologies	United States	Information Technology	2.8%
8. TPI Composites	United States	Industrials	2.8%
9. Straumann Holding	Switzerland	Health Care	2.7%
10. Cree	United States	Information Technology	2.7%
Top 10 holdings out of 47 holdings in the portfolio:			29.7%

Breakdown by country*

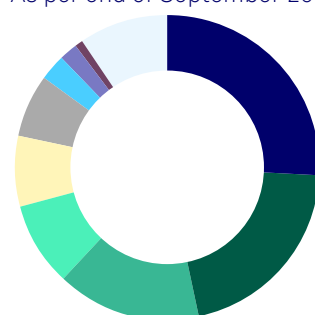
As per end of September 2020



	% of NAV
United States	35.6%
Japan	18.0%
Denmark	6.5%
Netherlands	5.8%
Switzerland	4.6%
Germany	4.2%
Great Britain	3.9%
France	3.8%
Ireland	3.0%
Others	5.4%
Liquidities	9.3%

Breakdown by sector*

As per end of September 2020



	% of NAV
Industrials	26.1%
Information Technology	20.6%
Health Care	15.4%
Consumer Discretionary	9.0%
Consumer Staples	7.4%
Materials	6.6%
Communication Services	2.8%
Real Estate	2.0%
Utilities	0.8%
Energy	0.0%
Financials	0.0%
Liquidities	9.3%

Market caps (USD)*

% of portfolio ex cash

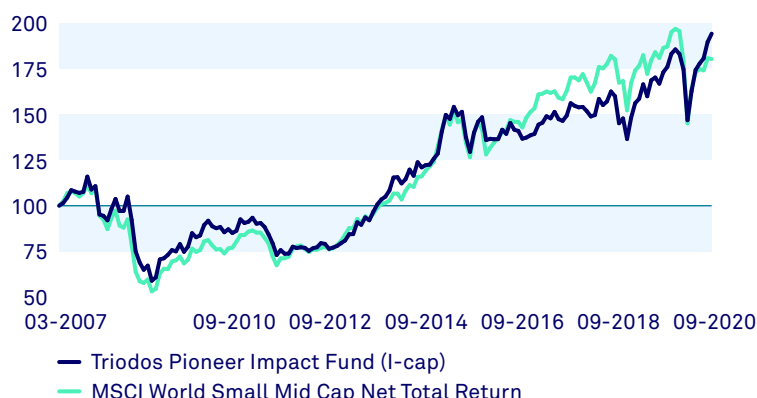
Large cap >16bln	25.4%
Mid cap 6-16bln	28.2%
Small cap 3-6bln	31.0%
Small cap 600mln-3bln	14.9%
Mini cap 300-600mln	0.4%
Micro cap 50-300mln	0.0%
Nano cap <50mln	0.0%

Liquidity profile

Term required for liquidation	% of portfolio liquid within term
Less than 1 day	53.8%
2 - 5 days	91.3%
6 - 30 days	100.0%

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

Return chart since inception



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

* Source: Triodos Investment Management, RBC Investor Services



Sustainability in the spotlight

The Triodos transition themes: Innovation for Sustainability

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

What is Innovation for Sustainability?

Sustainable innovation is a process where sustainability considerations are integrated into company systems from idea generation through to research and development (R&D) and commercialisation. This applies to products, services and technologies, as well as new business and organisation models. Different innovation levels exist. From small improvements and complete redesigns of existing products to the design of new products, services and complete systems.

The Triodos Perspective

Throughout history, innovation has been instrumental in how mankind increased prosperity and found answers to challenges. It is a key element in creating a sustainable society. ICT-enabled innovations may help reduce GHG-emissions and waste by increasing production efficiency. And in addition, ICT also has the potential to enhance social inclusion.

Other innovations may also help to move society in a more sustainable direction. We have discussed several innovations in our investment themes, but this list is not exhaustive. Moreover, it's hard to predict the technology of the future. One thing is certain: we need technology to overcome the challenges in sustainability.

This does not mean innovation is always a positive. While intentions may be good, the outcomes can be questionable. This is the case, for example, with protection of digital data and privacy. Innovation always requires a balanced approach. When investing two questions always need a positive answer for us: does the innovation help the transition towards a sustainable world and are human quality of life, safety and dignity not compromised.

Investing in Innovation for Sustainability

- **ICT enabled sustainable innovations**

We are in the middle of an ongoing digital revolution. Information Communication Technologies are crucial to bring about this change in the coming years. ICT-enabled, sustainable innovations can bring, for example, better health and transportation systems, improve livability, ensure there is clean water and clean air. Investable solutions range from companies active in the smart supply chain space to companies active in robotics and data-driven innovation. For the latter, we watch closely how they handle data privacy and data security.

- **Cyber security**

ICT is still becoming more important every day in our society, from production and consumption to politics. So is the need for cyber security. We invest in companies offering cyber security solutions to protect consumers and companies against the threats of an increasingly digital society.

- **New technologies**

We also invest in companies that have new technologies not covered by other transition themes. That is, in companies with new products, services or business models.

Case study: Signify

Early in September, Signify announced that it has achieved carbon neutrality for all its operations and is now using 100% renewable electricity. A great result, but the company is doubling down on its sustainability efforts by launching an additional programme in which it will focus on:

- Reducing carbon emissions over its entire value chain. Those reductions are in line with the Paris agreement, and should be achieved by 2025.
- Further reducing waste and making use of sustainable packaging, which implies the removal of plastics from all consumer packaging.
- Improve diversity and inclusion by doubling the percentage of women in leadership positions.
- Doubling revenues from circular products and those that improve health and wellbeing. A 3D printed luminaire is an example of a circular product, while UV-C lighting contributes to health and wellbeing through its ability to sterilise indoor spaces.

We are pleased to see Signify making these efforts and see the company setting an example for others to follow.

Active engagement with companies in portfolio

- In September, we had an investor call with **Straumann Holding**, a Swiss company that develops, produces and sells dental implants and orthodontic products. After postponed activity due to COVID-19 (people not visiting their dentist), the company is currently expecting a recovery in activity and has been gaining market share, both in its cheaper products and its premium proposition, also through new product launches.
- **Universal Display** is the owner of a contract research organization, Adesis, supporting the pharmaceutical, chemical, biomaterials, and catalysts industries. In August, we discussed the second quarter results with the company and inquired about Adesis' potential involvement in animal testing, synthetic biology and genetic engineering (among others). It was confirmed that Adesis does not breach any of our minimum standards.

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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