Triodos Impact Mixed Fund - Offensive

For professional investors and financial advisors only

Quarterly Report Q4 2020

Triodos Impact Mixed Fund - Offensive aims to generate positive impact and competitive returns from a concentrated portfolio of global equity positions and investment-grade corporate, sovereign and sub-sovereign bonds. The fund selects investments for their contribution to our seven sustainable transition themes including 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 31-12-2020

Net assets EUR 27.7 million

Number of shares outstanding 997,016

Share class* R-cap

NAV per share EUR 27.72

Ongoing charges**
1.45% (incl. 1.20% management fee)

* This report is based on the R-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.

Fund performance in brief

- Triodos Impact Mixed Fund - Offensive generated a return (after costs) of 6.5%, while the benchmark yielded 7.3%.
- Global equity markets performed well, mostly as a result of positive vaccine developments. The large fiscal and monetary stimulus packages have kept both interest rates and risk premiums low and as a result all bond markets performed well in the fourth quarter.
- The fund remains defensively positioned with an underweight position in equities and an overweight position in high-quality bonds.

Return in % as of 31-12-2020

	3 months	YTD	1 year
Fund	6.5	4.8	4.8
Benchmark	7.3	6.2	6.2

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

Ecological footprint relative to benchmark

29% less
GHG Emissions
Equal to emissions of driving 175 times around the globe

57% less
Water consumption
Equal to the water use of 3.2 million daily showers

29% less
Landfill waste
Equal to 4,327 household garbage bags of waste

The footprints are calculated only for the listed equity holdings of the fund. We use carbon emissions data from ISS ESG, and water and waste data from S&P Trucost (copyright c 2019 S&P Trucost Limited). For Triodos Impact Mixed Fund - Offensive, the ecological footprint is based on the equity part (or 75%) of the portfolio. For the MSCI World Index, coverage by weight is 98% for carbon, 98% for water data and 98% for waste. Coverage of assets invested – by weight – is 100% for carbon, 100% for water, and 100% for waste.

Financial review Q4 2020

Market developments

Global equity markets extended their upward trend during the final quarter of the year, mostly as a result of positive vaccine developments and more stimulus hope. In December, most developed markets gave regulatory approval to one or several vaccines and started the rollout. This reduced investor fears over COVID-19 upsurges and prolonged lockdown measures, which had initially triggered a sell-off in October. While business activity globally appeared to hold up well during new rounds of restrictions, European services sector activity did deteriorate. Late December, a new and more infectious virus mutation discovered in the UK made European countries consider further lockdown measures. This did not affect the upbeat investor sentiment.

Besides the vaccine rollout, important developments that contributed to the positive investor sentiment were: Joe Biden's US presidential election win and the agreement on a new US fiscal stimulus package; the long-awaited conclusion of a Brexit trade deal between the UK and the EU; and the launch of an additional EUR 500 billion stimulus package by the European Central Bank (ECB). European government bond yields moved lower on the back of this new monetary stimulus and continued low inflation expectations. The general increase in risk appetite also led to a decline in eurozone investment-grade corporate yields.

Portfolio developments

Sentiment in the financial markets got boosted by the positive news flows regarding COVID-19 vaccines. Especially, sectors related to a more normalising economy, such as Energy and Financials, performed extremely well, while more defensive sectors like Consumer Staples and Health Care were clearly lagging.

William de Vries
Fund Manager

"Market returns this quarter were determined by hope and fear; fear for the repercussions of COVID-19, Brexit and the US elections and hope on the development of a vaccine and adequate government support policies. And hope prevailed, as most vaccine programs already started before year end"

The large fiscal and monetary stimulus packages have kept both interest rates and risk premiums low and as a result all bond markets performed well in the fourth quarter. The fund remains defensively positioned with an underweight position in equities and an overweight position in high-quality bonds.

Companies added to the portfolio during the quarter:

Equities
- **Nomad Foods,** a globally leading British frozen food company, was added as part of the Sustainable Food and Agriculture theme. Nomad Foods is increasingly focusing on offering healthy frozen meals and meat replacement products such as peas, fish, vegetables and potato-related products. Nomad has a sustainability program to secure a "farm to fork" approach, i.e. responsible sourcing, responsible nutrition and responsible operations.
- **Roland Corp,** a Japanese musical instruments manufacturer, was added as part of the Prosperous and Healthy People theme. Roland has an electronic-only musical instrument offering (especially synthesizers, drums and piano's) and is increasingly focusing on providing software services and solutions to facilitate musical performances on social platforms.

Bonds
- The fund invested in multiple newly issued social bonds from the **European Commission**, issued under the EU SURE programme. The proceeds will be used to provide financial assistance to member States to tackle the economic disturbance caused by the COVID-19 outbreak. The aim of the bond is to reduce the risk of unemployment and loss of income. The social bonds are classified under our Social Inclusion theme.
- The fund also participated in a newly issued green bond from grid operator **Fluvius**. The bond is qualified under the theme of Sustainable Mobility and Infrastructure.

Companies sold during the quarter:

Equities
- Positions in German enterprise software company **SAP**, Japanese car component OEM supplier **Denso** and Spanish fashion retailer **Inditex** were sold. For all three companies the main drivers were performance and/or valuation. Moreover, for Inditex the thematic fit was considered too thin.

Bonds
- No bonds were sold.

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

Q4 2020	Average weight		Total return		Allocation effect	Selection effect	Currency effect
	Portfolio	Benchmark	Portfolio	Benchmark			
Fixed Income	24.74	24.51	0.78	1.25	-0.05	-0.15	0.00
Equity	67.20	75.49	10.43	9.35	-1.11	0.50	1.32
Cash	8.06	0.00	0.00		-0.81	0.00	0.00
Total	**100.00**	**100.00**	**7.09**	**7.36**	**-1.97**	**0.36**	**1.32**

Source: Triodos Investment Management, Bloomberg. Note: based on average weights, fund performance gross of management fees and dividends.

Performance analysis

The fund generated a return of 6.5%, while the benchmark yielded 7.3%. The allocation effect was negative mainly as a result of our underweight position in equity and overweight position in cash. While the equity selection effect was positive, the result of our focus on higher quality bonds was negative. The overall selection effect was positive. Also, the currency effect was positive.

Investment outlook

- Although vaccines will be rolled out in most developed markets, the coronavirus will likely continue to surge in both Europe and the US throughout most of the first quarter of 2021. Pre-pandemic activity levels can only be reached once a vaccine has become widely available, which we do not expect to happen before the end of 2021;
- This means that the global economic recovery will find it difficult to fully lift off in the first quarter of 2021;
- Weak demand will likely remain the dominant force influencing inflation and monetary and fiscal policies will remain extremely accommodative.
- Government bond yields are near historic lows. Low eurozone inflation expectations and subdued economic growth prospects will likely force the ECB to remain accommodative. This will keep European government bond yields low for longer;
- The same goes for yields on credits, which are heavily supported by central bank purchases;
- We prefer high-quality credits with strong balance sheets, as the dreadful growth environment is likely to trigger a rise in downgrades;
- We therefore maintain a neutral position in bonds.
- Because of last quarter's rally, equity valuations have become even more elevated in relation to earnings power. The US equity market continues to look most expensive on a variety of metrics, while European and Asian markets look cheap relative to the US;
- Earnings estimates have declined, but we think that the anticipated broad and firm earnings recovery in 2021 is unrealistic. Negative earnings surprises are lurking, in which case lower equity prices and valuations would be justified;
- We assume that central banks cannot keep financial assets inflated forever.
- We therefore remain underweight in equities.

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 are as follows:

Breakdown by transition theme

	% of portfolio
Prosperous and Healthy People	25.9%
Sustainable Mobility and Infrastructure	23.7%
Social inclusion and Empowerment	17.3%
Innovation for Sustainability	15.9%
Renewable Resources	7.2%
Sustainable Food and Agriculture	7.1%
Circular Economy	2.9%

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

Source: Triodos Investment Management, RBC Investor Services

Portfolio as of 31-12-2020

Top 5 Bond holdings

1.	0.000% German Government bond 2020 - 2025	1.1%
2.	0.000% Nordic Investment Bank 2019 - 2026	0.9%
3.	1.250% Belgium Government bond 2018 - 2033	0.9%
4.	0.000% German Government bond 2020 - 2030	0.8%
5.	0.625% Enexis 2020 - 2032	0.8%

Top 5 Equity holdings

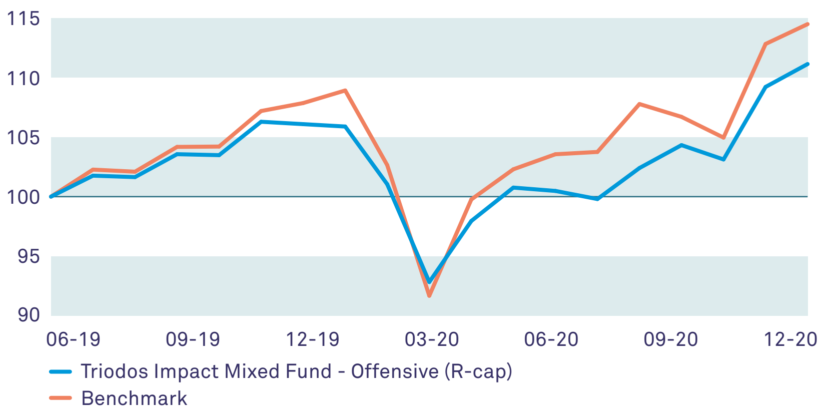
1.	KDDI	2.8%
2.	Vestas Wind Systems	2.6%
3.	Taiwan Semiconductor	2.3%
4.	Danone	2.1%
5.	Roche Holding	2.0%

Return last calendar years in %

	2019
Fund	5.8
Benchmark	7.8

All returns stated were calculated based on net asset value I-cap share.
Source: Triodos Investment Management

Return chart since inception



Source for all tables and numbers: Triodos Investment Management, RBC Investor Services

Asset allocation

As per end of December 2020

	% of portfolio
Equities	67.0%
Bonds	24.8%
Liquidities	8.2%

Liquidity profile

Equities
Time to liquidate 99% within 1 day.

Sovereign bonds
Time to liquidate 100% within 1 day.

Non-Sovereign bonds
Time to liquidate 100% within 1 week.

Source : Triodos Investment Management

Sustainability in the spotlight Sustainable Food and Agriculture

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

Case Study: Nomad Foods

Nomad Foods is a European company that manufactures, sells and distributes a range of branded frozen food products. It's strategy is built around providing affordable, sustainable and nutritious food, the relevance of which has been amplified by the current COVID-19 pandemic. It operates a sustainability program that focuses on responsible:

- sourcing (fish and seafood from sustainable fishing and responsible farming and vegetables grown using sustainable farming practices);
- nutrition (increasing and inspiring healthier meal choices, improving nutritional labelling and eliminating artificial flavours and colorants);
- and operations (reducing carbon emissions, food waste and improving packaging).

Nomad Foods' positive impact stems from accessibility, affordability, wastage avoidance and nutrients' preservation.

Active engagement with companies in portfolio

In Q4, an engagement project on climate change was initiated with the long-term goal to urge companies with high carbon emissions to limit global warming impact to 1.5°C, by 2030. To reach this goal, companies were urged to setting science-based targets for greenhouse gas (GHG) emissions reduction, supported by an effective transition plan and reporting on progress.

In a call with **Bridgestone** on climate change, the company highlighted it realised 34% emission intensity reduction in fifteen years. The company set new targets for 2030, which we checked and confirmed to be science-based. To help Bridgestone join the Science Based Targets initiative (SBTi), we asked SBTi to provide scope 3 guidance for tire manufacturers.

Initiated a call with **Valeo** to discuss its carbon emissions reduction strategy. The company set a 1,5°C target for own emissions and 2°C target for value chains emissions. An approval by SBTi is expected in February 2021. The new strategy includes ISO 15001 certifications, green Power Purchase Agreements, a sustainable material roadmap and supplier audits.

At **Procter & Gamble's** shareholder meeting held on October 13, 2020, we supported the Green Century Funds resolution to address deforestation and forest degradation, which registered 67% of support. Following the voting results, the company announced that it will issue a report with an assessment of actions the company can take to "increase the scale, pace, and rigor of our efforts to eliminate deforestation and the degradation of intact forests."

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 December 2020: EUR 5 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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Fund facts

Fund inception date June 2019

R-cap launch date June 2019

Asset type Long-only, mixed equity / fixed income

Benchmark
75% MSCI World Net Total Euro
15% iBoxx Euro Non-Sovereigns Eurozone Net Total Return
10% iBoxx Euro Sovereigns Eurozone Net Total Return

ISIN code LU1956011511

Bloomberg code

Investment manager
Triodos Investment Management

Fund manager William de Vries

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