Triodos Impact Mixed Fund - Defensive

For professional investors and financial advisors only

Quarterly Report Q4 2020

Triodos Impact Mixed Fund - Defensive 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 33.8 million

Number of shares outstanding 1,289,983

Share class* R-cap

NAV per share EUR 26.16

Ongoing charges**
1.25% (incl. 1.00% 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 - Defensive generated a return (after costs) of 2.5%, while the benchmark yielded 3.3%.
- 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	2.5	3.4	3.4
Benchmark	3.3	4.7	4.7

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

43% less
GHG Emissions
Equal to emissions of driving 271 times around the globe

51% less
Water consumption
Equal to the water use of 7.0 million daily showers

37% less
Landfill waste
Equal to 8,526 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 - Defensive, the ecological footprint is based on the equity part (or 25%) 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.

Triodos Investment Management

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 COVIDCovid-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. 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 defensively with an underweight position in equities and an overweight position in high-quality bonds.

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"

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 the newly issued green bonds from grid operators **Fluvius** and **TenneT**. We have classified the bond of TenneT as a regular corporate bond due to the long lookback period of eligible projects under the green bond framework. The bonds are 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
- **Unibail Rodamco** was removed, based on the deteriorated outlook for the commercial real estate sector.

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	68.38	74.49	0.89	1.25	0.16	-0.28	0.00
Equity	23.70	25.51	10.20	9.35	-0.49	0.13	0.41
Cash	7.92	0.00	0.00		-0.33	0.00	0.00
Total	**100.00**	**100.00**	**2.95**	**3.31**	**-0.66**	**-0.14**	**0.41**

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 2.5%, while the benchmark yielded 3.3%. Both the allocation and selection effect were negative. The allocation effect was negative as a result of our underweight position in equity and overweight position in cash. The focus on higher quality bonds was the driver for the negative selection effect. The currency effect was positive.

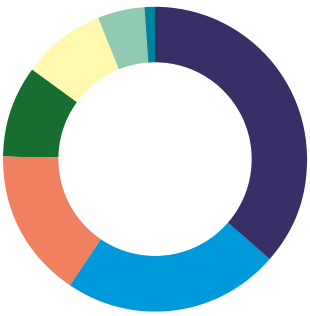
Investment outlook

- 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 economic 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
Sustainable Mobility and Infrastructure	36.5%
Social inclusion and Empowerment	23.1%
Prosperous and Healthy People	15.8%
Renewable Resources	9.7%
Innovation for Sustainability	8.8%
Sustainable Food and Agriculture	5.0%
Circular Economy	1.1%

The pie chart represents the holdings in corporate, sub-sovereign, impact bonds and equity. Regular sovereign bonds are used for risk mitigation and 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% Nordic Investment Bank 2019 - 2026	1.8%
2.	0.000% German Government bond 2020 - 2025	1.5%
3.	0.500% Kreditanstalt fuer Wiederaufbau 2018 - 2026	1.5%
4.	0.500% Dutch Government bond 2019 - 2040	1.5%
5.	0.000% German Government bond 2020 - 2030	1.3%

Top 5 Equity holdings

1.	KDDI	1.0%
2.	Vestas Wind Systems	0.8%
3.	Taiwan Semiconductor	0.8%
4.	Roche Holding	0.8%
5.	Danone	0.7%

Asset allocation

As per end of December 2020

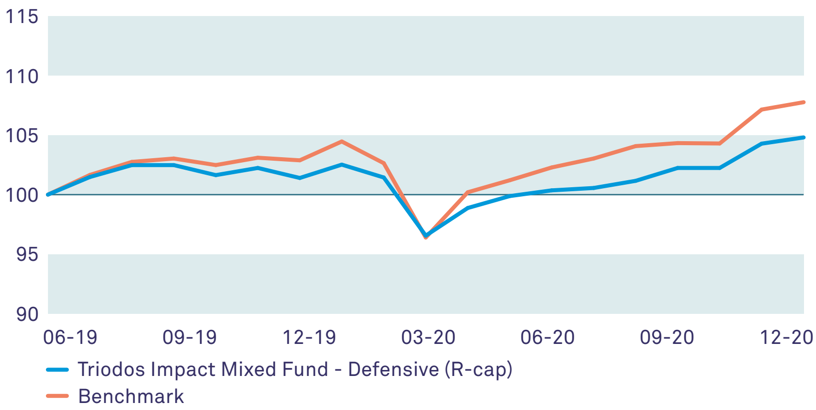
	% of portfolio
Equities	23.6%
Bonds	68.8%
Liquidities	7.6%

Return last calendar years in %

	2019
Fund	1.2
Benchmark	3.1

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

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

* 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 **Fluvius**, we zoom in to the theme ‘Sustainable Mobility and Infrastructure’. Learn more about how we invest in this theme here.

Case Study: Fluvius

Fluvius is a multi-utility company in Flanders. It provides grid-based services such as the distribution of electricity and gas, public lighting, sewerage, cable television infrastructure and fibre-to-the-home grids. Fluvius has the mission to sustainably connect society to its grids and the target to be carbon-neutral by 2050. To align with its sustainability strategy, the company has recently issued a green bond. The proceeds of the bond are used for digital metering of electricity, switching to LED in public lighting, upgrading sewerage grids and expanding electricity grids to facilitate renewable energy generation. Thereby, the green bond leads to avoided CO_2 emissions through energy efficiency, more renewable energy generation and clean water sources. It also contributes to building future-proof grids and to Fluvius’ pivotal role in the energy transition.

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.

The pharmaceutical company **Merck Kgaa** had previously set the absolute GHG emission reduction target of 20% by 2020 (base year 2006). In a call with Merck Kgaa in December, the significant growth of the company and the acquisition of Versum were given as an explanation as to why only a 15% reduction was achieved. Process improvements and new technologies to curb the company’s high emissions will be key for Merck’s stated ambition to set science-based targets in the future.

The Swiss healthcare company **Roche** has set the objective to have zero emissions by 2050 and reduce the environmental impact of its operations and products by 50% from 2020-2029 (base year 2019). The publicly disclosed sub-target entails the reduction of total scope 1 and 2 greenhouse gas emissions in terms of kg CO_2/employee by 40% until 2025. In a call, Roche explained that the additional implicit reduction target of greenhouse gas emissions resulting from the eco-balance goal is roughly a 75% reduction until 2029.

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
25% MSCI World Net Total Euro
45% iBoxx Euro Non-Sovereigns Eurozone Net Total Return
30% iBoxx Euro Sovereigns Eurozone Net Total Return

ISIN code LU1956010893

Bloomberg code TRIMDRA:LX

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
3 (1= low 7= high risk)

Investment horizon Long term

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

Auditor PwC Luxembourg