

Triodos Impact Mixed Fund - Defensive

For professional investors and financial advisors only

Quarterly Report Q1 2021

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. 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 37.6 million
 Number of shares outstanding 1,433,988
 Share class* R-cap
 NAV per share EUR 26.11
 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.

Return in % as of 31-03-2021

	3 months	YTD	1 year
Fund	-0.2	-0.2	8.3
Benchmark	1.0	1.0	12.9

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

Rob van Boeijen, Fund Manager



“Rising interest rates on the back of inflation fears and the massive fiscal support in the US was a game changer for stock selection. Reopening sectors and equities with low valuation were clearly outperforming the growth and momentum stocks. In this ‘risk-on’ market sentiment bonds posted negative returns.”

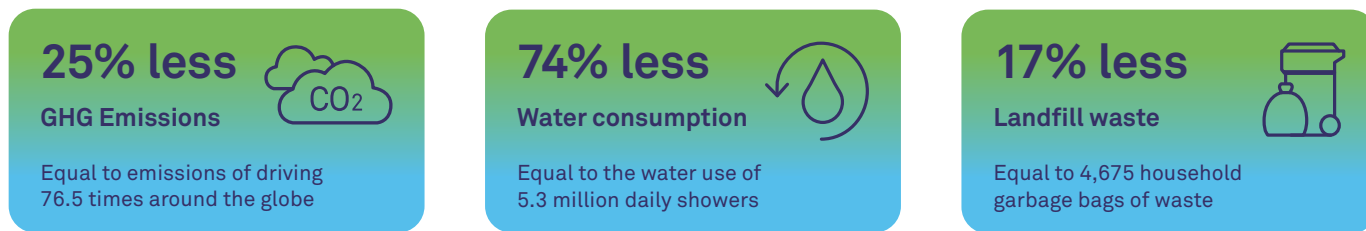
Fund performance in brief

- Triodos Impact Mixed Fund - Defensive generated a return (after costs) of -0.2%, while the benchmark yielded 1.0%.
- Global equity markets performed well, mostly as response to vaccine roll outs and the US fiscal stimulus package. All bond market segments posted negative returns, with steeper curves hurting long-dated bonds most.
- The fund remains defensively positioned with an underweight position in equities versus cash and a neutral position in bonds with an overweight to high-quality names.

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 expectations 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 the most from an economic recovery. 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. Eurozone government bond yields moved higher during the quarter, as investors reacted to rising inflation expectations, soothing central bank statements and the anticipated strong economic recovery. In line with the government bond market, eurozone investment-grade corporate bond yields increased during the quarter. Investment-grade corporate bonds outperformed sovereigns, while credit spreads remained largely unchanged on the quarter.

Ecological footprint relative to benchmark*



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). For Triodos Impact Mixed Fund - Defensive, the ecological footprint is based on the equity and corporate bond of the portfolio. For the benchmark coverage by weight is 98% for carbon, 98% for water data and 98% for waste. Coverage of assets invested – by weight – is 73% for carbon, 65% for water, and 65% 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

The fund continued to focus on the long-term integrated financial and sustainability potential of companies in the equity portfolio. The steepening of yield curves triggered a massive investor rotation from growth stocks into value stocks which typically have a more cyclical character and benefit from a rise in long-term interest rates and/or a yield curve steepening. We continue to be of the view that equity markets will sooner or later correct to reflect more normalised cashflow-based valuations.

The fund maintained its defensive positioning within the bond portfolio by keeping its overweight to high-quality names. All bond market segments posted negative returns, with steeper curves hurting long-dated bonds most. Government bonds of European peripheral countries outperformed the broader government bond market as country spreads tightened further over the quarter. Corporate bond markets were hit by higher rates but outperformed on a relative basis on the back of strong risk sentiment. Lower-quality BBB names outperformed the broader investment grade market.

Companies added to the portfolio during the quarter:

Equities

- **Pearson**, a British company providing education products and services, was added as part of the Social Inclusion and Empowerment theme. Pearson has refocused its business, hiring a new CEO with in-depth digitalisation knowledge and we believe the company is undervalued and has strong growth potential. Pearson is focused on growing its business in virtual learning, higher education, English language learning, workforce skills and assessments & qualifications.

Bonds

- 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, and refurbishing stations with better energy efficient lighting and new user-friendly ticketing systems. The green bond contributes to our Sustainable Mobility and Infrastructure theme.

- The Fund 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. This green bond contributes to our Sustainable Mobility and Infrastructure theme.
- Contributing to the same transition theme, the fund has also participated a green bond issued by **Italy**.

Companies sold during the quarter:

Equities

- In January, **Xylem** and **Baxter International** were removed from the portfolio. The latter, a US medical technology company, due to lack of clear theme fit and falling confidence in the execution of its strategy and business model.
- In February **Symrise**, a German flavor and fragrance company, was removed from the portfolio due to increased risk of disappointing short-term growth outlook despite being fully valued.

Bonds

- No bonds were sold

Performance analysis

The fund generated a return of -0.2%, while the benchmark yielded 1.0%. The contribution of our tactical asset allocation was negative with underweighting equities and holding cash. Currency allocation contributed negatively as the equity positions are more focused on Japan and Europe and were therefore impacted by the stronger US Dollar. The main factors for the low quarterly investment return are the upward move in global interest rates and negative performance for bonds.

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

Q1 2021	Average weight		Total return		Allocation effect	Selection effect	Currency effect
	Portfolio	Benchmark	Portfolio	Benchmark			
Fixed Income	70.48	74.28	-1.74	-1.71	0.09	-0.02	0.00
Equity	23.30	25.72	5.88	9.32	-0.13	-0.13	-0.69
Cash	6.22	0.00	0.00		-0.02	0.00	0.00
Total	100.00	100.00	0.10	1.00	-0.06	-0.15	-0.69

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

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.

Bonds

- 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.
- These considerations make us want to maintain a neutral position in bonds.

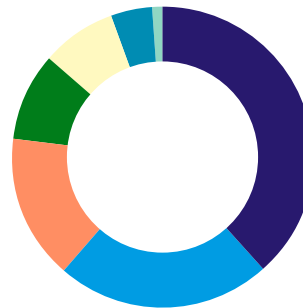
Equities

- Equity valuations are still elevated, with the US equity market continuing to look expensive compared to its European and Asian counterparts;
- We think 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.
- 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	38.5%
Social Inclusion and Empowerment	23.0%
Prosperous and Healthy People	15.5%
Renewable Resources	9.4%
Innovation for Sustainability	8.1%
Sustainable Food and Agriculture	4.4%
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.

Portfolio as of 31-03-2021

Top 5 Sovereign bonds*

1.	2.000% Italian Government bond 2015 - 2025	Regular bond	1.5%
2.	0.000% German Government bond 2020 - 2025	Green bond	1.4%
3.	0.500% Dutch Government bond 2019 - 2040	Green bond	1.2%
4.	1.350% Irish Government bond 2018 - 2031	Green bond	1.2%
5.	1.500% Italian Government bond 2020 - 2045	Green bond	1.2%

Top 5 Non-sovereign bonds*

1.	0.000% Nordic Investment Bank 2019 - 2026	Green bond	1.6%
2.	0.500% Kreditanstalt fuer Wiederaufbau 2018 - 2026	Green bond	1.3%
3.	0.827% Madrid 2020 - 2027	Green bond	1.1%
4.	0.000% European Union 2020 - 2030	Social bond	1.1%
5.	0.000% NRW Bank 2021 - 2031	Green bond	1.1%

Top 5 Equity holdings*

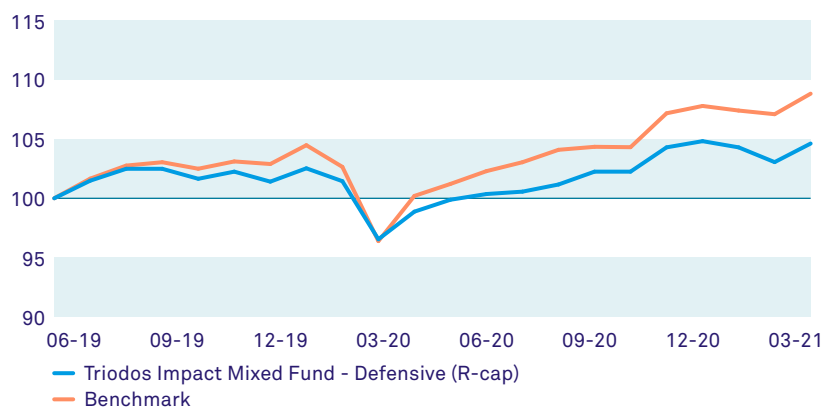
1.	KDDI	1.0%
2.	Anthem	0.8%
3.	Taiwan Semiconductor	0.8%
4.	Danone	0.7%
5.	Roche Holding	0.7%

Return last calendar years in %

	2020	2019
Fund	3.4	-0.1
Benchmark	4.7	3.1

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

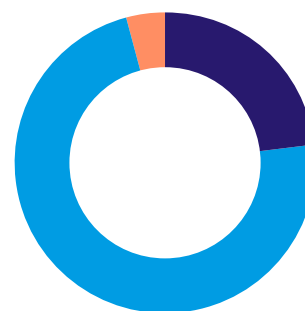
Return chart since inception*



* Source: Triodos Investment Management, RBC Investor Services

Asset allocation*

As per end of March 2021



	% of portfolio
Equities	23.3%
Bonds	72.6%
Liquidities	4.1%

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 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 CO₂ 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.

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.

See how Triodos Investment Management maximises its influence on the companies it invests 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 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 Rob van Boeijen

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

Disclaimer

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