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ARTICLE 9 FUND REVIEW



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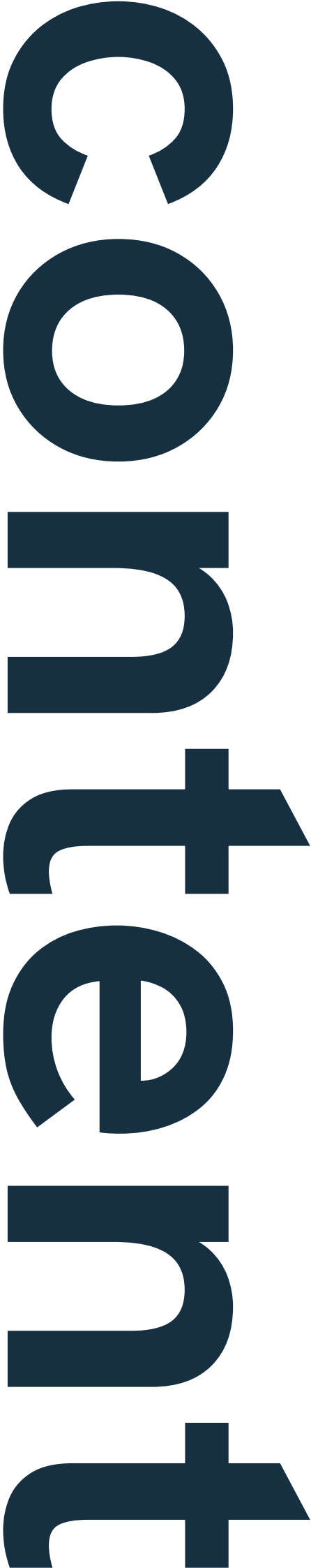
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First Quarter 2024

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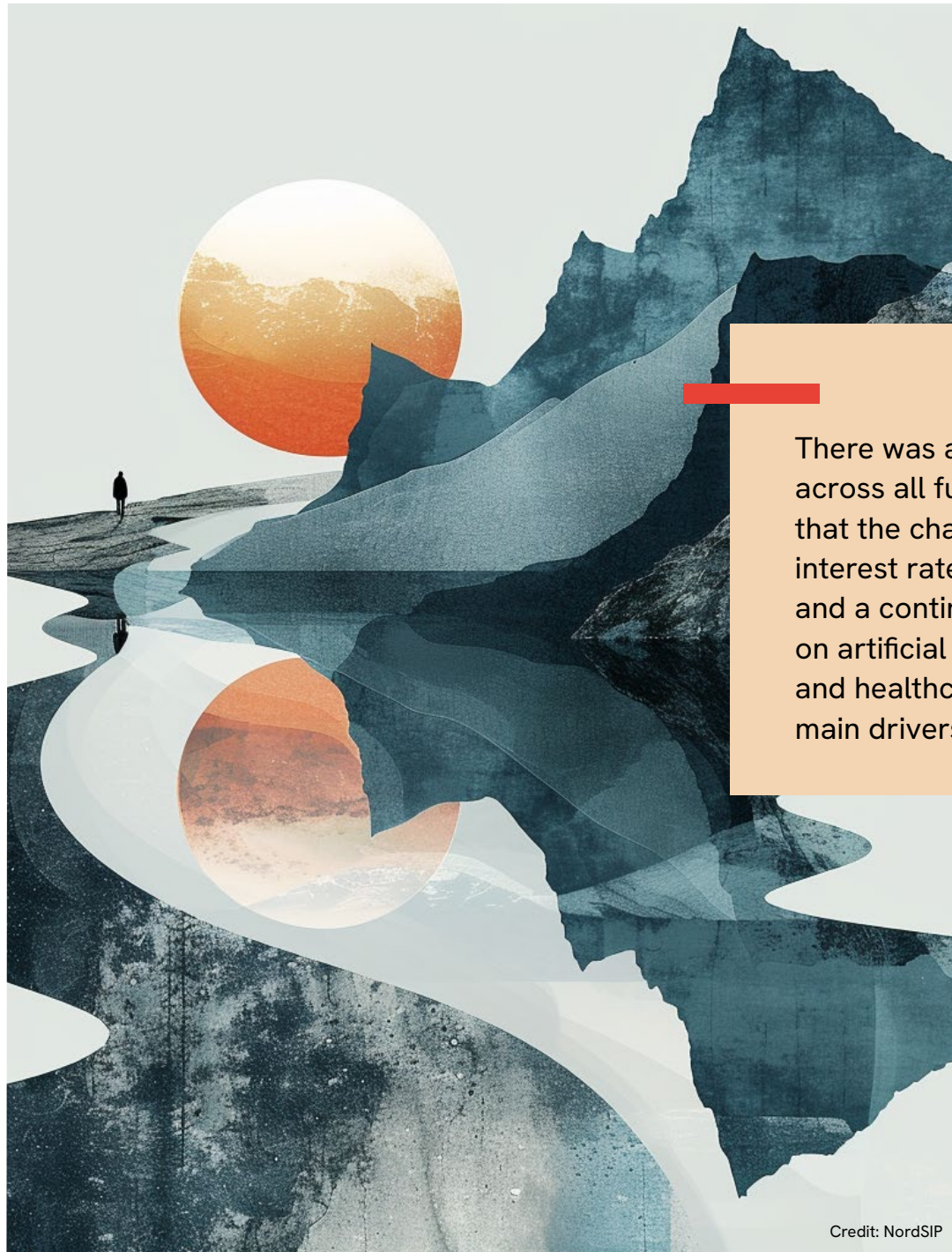
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There was a consensus across all funds surveyed that the changes in the interest rate environment and a continued bullishness on artificial intelligence (AI) and healthcare were the main drivers of the market.

Aline Reichenberg Gustafsson, CFA

THE EDITOR'S WORD

Having started reviewing funds on a quarterly basis one year ago, we are pleased to showcase our newly formatted performance review for Article 9 funds.

Our goal in publishing a quarterly review of Article 9 funds is to enable investors to consider how this universe evolves over the years, through periodical snapshots. We also noticed how the Article 9 fund universe evolves at a rapid pace given regulatory changes but also shift in managers' focus.

It is clear that sustainable investors shouldn't be impatient. The value of sustainability lies in longer-term trends. However, the business of asset management tends to be more short-term focused and it is therefore interesting to check with managers on a regular basis, to understand how the concepts and priorities that lie behind their strategies are evolving.

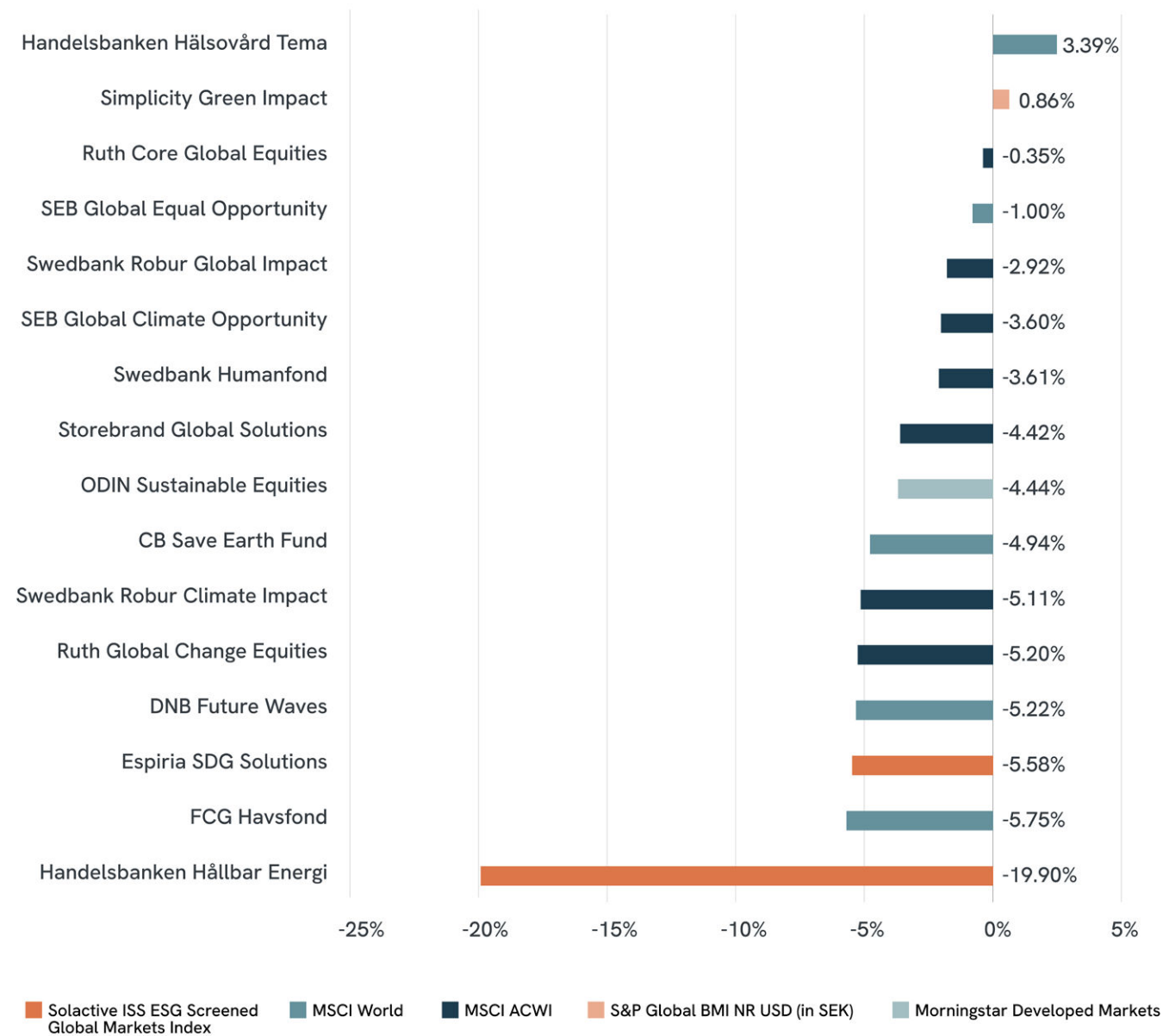
To limit the universe of our survey we have considered two groups. The first one consists in Nordic-based managers which offer Article 9-classified funds to Swedish retail investors. Out of those, we only consider those with a track-record of at least a quarter and those with actively managed strategies, both for global equities and for fixed income. The second group is composed of the international asset managers who have entered into a partnership with NordSIP over the past 12 months and have accepted to participate either with publicly listed funds in global equities or fixed income or with private asset funds.

Across four articles, this publication covers the performance of 59 global actively-managed Article 9 funds: 16 Nordic-based Equity funds, 14 Nordic-based Fixed Income funds, 20 funds from international partners investing in public assets and 9 funds from international partners investing in private assets.

There was a consensus across all funds surveyed that the changes in the interest rate environment and a continued bullishness on artificial intelligence (AI) and healthcare were the main drivers of the market. The "higher for longer" interest rate environment was beneficial for long duration bond funds but painful for renewable energy stocks due to their reliance on leveraged demand. Nevertheless, there was some hope that the recent woes of renewables would soon be at an end.

A lack of clarity about future macroeconomic developments led most of our partners' funds investing in public assets to assume a neutral stance going forward. Partners investing in private assets were bullish on emerging markets, agriculture, financial inclusion and their ability to continue to weather the market."

Relative Performance of Selected Nordic Actively Managed Global Equity SFDR Article 9 Funds (1Q 2024)



Source: Fund manager data

NORDIC MANAGERS

Equity Funds

Renewables
remain in sight
despite challenges

Filipe Albuquerque

During the first quarter of 2024, as expectations of interest rate cuts stabilised and equity markets reached new heights, with the S&P 500 enjoying its best first quarter in five year. To better understand how these and other trends affected the performance of funds classified as Article 9 ("Dark Green") under the EU's Sustainable Finance Disclosures Regulation (SFDR), NordSIP reached out to 16 global funds actively managed by Nordic-based managers.

Despite diminished expectations of rate cuts by Fed in 2024, the first quarter of 2024 was a strong period for global stock markets and several equity benchmarks reached new all-time highs during the period.

The performance of Nordic-based actively managed Article 9 SFDR funds appears to have been down during the first quarter of 2024, vis-à-vis the last quarter of 2024, on a relative performance basis. The adjustment to a scenario of fewer than expected interest rate cuts was a significant contributor to this performance shift, particularly in sectors such as renewable energy, which rely on retail borrowing to sustain demand. Nordic managers' experiences echo those elsewhere, with funds enjoying positive contributions from IT and healthcare stocks.

Going forward, portfolio managers are bullish on sustainable themes and healthcare, although they are wary of the effect of electoral and geopolitical developments on the world and sustainable investments in particular.

Adjusting to 'Higher for Longer'

From a macroeconomic perspective, 2024 started on a roll. "Economic stability and the attraction of AI contributed to market strength, although the slower-than-anticipated interest rate reductions had a mixed impact across sectors. In the US, communications, energy, information technology, and financial sectors benefited from positive corporate earnings and the anticipation of future rate decreases," Oskar Schyberg, portfolio manager of the FCG Havsfond explains.

The same positive momentum was observed in Europe and Japan. "European stocks also moved forward, with the IT sector gaining from the heightened demand for AI technologies. Despite the ongoing energy crisis and sluggish growth, the economic climate in Europe showed signs of improvement. Moderation in Eurozone inflation and a measured approach to rate cuts by the European Central Bank hinted at a potential uplift in European equities. In Japan, the Nikkei reached record levels, fueled by foreign investment and economic optimism.

Major policy changes by the Bank of Japan, including the ending of negative interest rates, also boosted the market," Havsfond's Schyberg adds.

However, the readjustment of interest rate expectations at the start of 2024 trickled down to stocks. "The general theme in the market was expectations of a softer FED policy interest rates cuts being priced in after the last years softening inflation numbers. This was good news for capital intensive companies like many companies within renewable energy and green buildings that bounced back. However, this view has gradually been revised during the quarter as new macro data has been stronger than expected which has led to revised interest path where higher rates for longer is now the most likely scenario," Tom Santamaria Olsson, portfolio manager of the SEB Global Climate Opportunity and of the SEB Global Equal Opportunity funds, explains. "The market continues to be sensitive to data and sentiment connected to interest rates, particularly US interest rates," Phillip Ripman, portfolio manager of the Storebrand Global Solutions fund, adds.

Although some stocks weathered the adjustment well, others struggled. "Despite diminished expectations of rate cuts by Fed in 2024, the first quarter of 2024 was a strong period for global stock markets and several equity benchmarks reached new all-time highs during the period," Johanna Ingemarson, portfolio manager of the Simplicity Green Impact fund explains. "The repricing of interest rate risk led interest rate sensitive companies to come down which negatively affected the SEB Global Climate Opportunity on a relative benchmark comparison, especially," SEB's Olsson adds.

Trying to Ride the AI Wave

At market level, the order of the day was the continued popularity of AI and Healthcare witnessed during 2023. "Overall, the market has been mainly driven by the

changing expectations of interest rate trajectory, as well as certain themes such as AI infrastructure and a rapidly evolving obesity drug market," Huizi Zeng, portfolio manager of the Espiria SDG Solutions fund argues.

"Performance can be mainly attributed to holdings within energy efficiency performed really well led by companies active in IT optimizations, infrastructure or automation. Other contributors was holdings producing building insulation solutions," Johan Eriksson, portfolio manager of the Swedbank Robur Climate Impact, the Swedbank Robur Global Impact and the Swedbank Humanfond funds notes.

At the same time, the Magnificent 7 showed some more varied performance. "We can't say what will be the themes in the rest of 2024, but we are positive to the market in general. There are also some positives regarding market breath, with the Magnificent 7 now showing more dispersion," Marcus Grimfors, portfolio manager of the CB Save Earth Fund explains.

Funds with exposure to Nvidia, the main provider of Graphic Processing Units (GPUs) used by AI all highlighted the stock's positive contribution to performance. "The funds main contributions came from Industrials, IT and Consumer Discretionary where Nvidia continuing to ride the AI boom was the company with the highest impact. Nvidia was the single largest contributor for both of SEB's Article 9 Equity Funds," SEB's Olsson says, before noting that Applied materials and Carlise Cos also had a noteworthy impact on the SEB Global Climate Opportunity's fund portfolio.

"Simplicity Green Impact started 2024 with a strong first quarter, beating its broad global benchmark index. The fund's largest individual contributors during the period were Nvidia (designer and manufacturer of graphics processing units), Sprouts Farmers Market (supermarket chain), and IES Holdings (provider of electrical contracting services)," Simplicity's Ingemarson adds.

Meanwhile, those unable to ride the AI wave suffered, "Against the MSCI World, 1.8% was lost on FX. 3.35% was lost on the portfolio allocation. Mandatory underweight to big tech and energy was the main reason," Mikkel Tobias Nyholt-Smedseng, portfolio manager of the DNB Future Waves fund explains.

Healthcare Still a Winning Theme

On the healthcare front, providers of obesity medicine continued to do well. Some names featured repeatedly in fund managers' commentary.

"Obesity/diabetes (Eli Lilly, Novo Nordisk, and Zealand Pharma) was the strongest theme during





We started to see a broader increase in the global markets outside Mag 7, but ESG and sustainability are still out of favor.

the quarter and the top contributors to performance. Novo presented positive data on their oral amycetin during their CMD in the beginning of March, and Zealand Pharma also presented positive ph II data on MASH during the quarter which contributed to performance. Merck Co Inc also contributed positively to the portfolio, as well as Krystal Biotech following a positive earnings report that was ahead of consensus estimates,” Gisela Gardelius, assistant portfolio manager of the Hälsovård Tema Fund says.

“Health Care companies lead by Novo Nordisk and Merck & CO Inc did also have material impact followed by Financials, SEB Global Equal Opportunity fund,” SEB’s Olsson agrees.

“Quality companies performed strongly during the period as their long-term growth drivers proved sustainable. Certain companies where near-term cycles signalled bottoming-out were also strong during the period, such as those in pulp and paper. During Q1, the Fund’s overall relative performance was positively supported by its top large holdings, such as Novo Nordisk, TSMC, and Trimble, whose fundamental outlook remains positive. Smaller holdings such as leading electric forklift and warehouse automation solution provider Kion and women-focused pharma company Organon were also strong in the period as their free cash flow improved significantly,” Espiria’s Zeng adds.

Equal Opportunities and Waste Management and the Blue Economy

“Of the four themes in Global Solutions (Renewable Energy, Smart Cities, Circular Economy and Equal Opportunities) Equal Opportunities was the best performing during the first quarter of the year, followed by Smart Cities and Circular Economy,” Storebrand’s Ripman explains.

Waste management was another winning theme. DNB’s Nyholt-Smedseng noted that core return compounders in the quarters were Tomra, Core & Main, Advanced Drainage Systems, and Organo. “Waste Management, WSP Global and Republic services were the individual investments that contributed the most during Q1,” CB Fonder’s Grimfors adds.

Another themes that was popular was the blue economy, i.e.: companies related to water. “For the fund, it was the blue economy bucket that performed the best, as we see a continued drive from megatrends in water shortage and thus a political focus and investing willingness into e.g. water infrastructure and tech sectors. We don’t see this slowing anytime soon,” DNB’s Nyholt-Smedseng says.

“Havsfonden faced some challenges from the underperforming utilities sector but saw excellent performance in sustainable seafood and clean energy technology sectors. The fund saw benefits from its significant investments in Japanese stocks, despite the yen weakening against the krona,” Havsfond’s Schyberg explains.

“During this quarter, our management team applied insights from its quantitative methodology to optimize returns relative to risk. This led to adjustments in geographic and sectoral portfolio allocations. Specifically, exposure to Germany was reduced from 8.90% to 5.81%, while exposure to Japan increased from 16.83% to 19.27%. At the company level, investments in the Pollution Prevention sector were expanded by six companies, and the Green Marine Transportation sector saw an addition of two companies. Conversely, the portfolio reduced its stake by one company in both the Clean Energy Production and Wastewater Management sectors,” Havsfond’s Schyberg continues.

Renewables continue to lag

Renewable energy companies continue to suffer, particularly given the new apparent interest rate cut schedule. “We started to see a broader increase in the global markets outside Mag 7, but ESG and sustainability are still out of favor,” DNB’s Nyholt-Smedseng says. “Renewable energy had another bad quarter, while cleantech and water contributed well but still underperformed MSCI World Net. Belimo, Infineon and Nibe were the largest individual detractors. Nibe was the fund’s only investment in renewable energy and it was sold during the quarter, reducing the fund’s direct exposure to renewable energy to 0%,” CB Fonder’s Grimfors adds.

“Renewable Energy continues to be challenging after a more uplifting end to 2023. During the final two months of 2023, the Renewable Energy sector rallied due to market expectations that the Federal Reserve (FED) would implement more aggressive interest rate cuts than initially projected. However, these predictions have since been revised. Factors such as a slowdown in the trend toward lower inflation, robust economic data, and the FED’s communication signaling a cautious approach to rate reductions have impacted the sector negatively,” Storebrand’s Ripman explains.

“The renewable value chain as a whole remains uncertain with the timing of inventory destocking coming to an end, but the EV battery prices may have already troughed in the quarter. (...) Among the bottom attributers, renewable utility company EDPR was weak as power prices across European markets continued to stay at a low level,” Espiria’s Zeng continues.

Benchmark Adjustments

Fund managers often note that the use of general benchmarks such as the MSCI ACWI and the MSCI World is not ideal, as it provides an inappropriate comparison for Article 9 SFDR which operate in a much more restricted investment universe. To this effect, it is not unusual to for investors to caveat the relative performance of their funds on this basis.

On this occasion, two such funds provided caveats to this effect. “MSCI World is still the registered benchmark index, but will be changed for MSCI AC Sustainable Impact starting June approx. This index has a more similar universe and stock selection criteria,” DNB’s Nyholt-Smedseng says. While the DNB Future Waves fund underperformed the MSCI World Index, the use of the MSCI AC Sustainable Impact would have shown an outperformance of 7.72%.

FCG Havsfond’s Schyberg also noted that “the MSCI World Index is used solely to set a risk level for the fund; it is not used as a performance benchmark.”

Enthusiasm for healthcare and renewables

Generally speaking fund managers were upbeat about the future. “We can’t say what will be the themes in the rest of 2024, but we are positive to the market in general. There are also some positives regarding market breath, with the Mag 7 now showing more dispersion,” CB Fonder’s Grimfors argues.

Healthcare and renewable energy were some of the sectors that investors held the most hope for. “We are positive on the Healthcare sector and especially see a significant future potential within oncology and obesity/diabetes. We also see potential in smaller companies in the sector in earlier stages of clinical development within areas where there is a large unmet medical need and potential for medical progress,” Handelsbanken’s Gardelius says.

Renewables was one of the sectors that investors were most bullish. “The performance of different sustainability indices varies a lot. Given that the market is showing some signs of broadening to more than just the Mag 7 rising and that the we during 2022 and 2023 had a very unique situation with cleantech, renewable energy and water all underperforming MSCI World both years, which has never happened before with more than 20 years of data, we can probably expect some ‘mean-reversion’ within those sectors, even if we remain sceptical about the investment case for renewable energy,” CB Fonder’s Grimfors argues.

Storebrand’s Ripman is hopeful for a brighter future for renewables. “Looking ahead, we remain optimistic about longer-term opportunities in the sector. As an example, on March 14, a consortium led by KKR launched a takeover offer for Encavis AG at EUR 17.5 per share—a substantial 54 percent premium over the undisturbed closing price on March 5, and a 30 percent premium over the closing share price the day before the offer. Encavis AG and its peers have grappled with inflation-related challenges, including rising investment costs, while also dealing with falling electricity prices. While we don’t have Encavis AG in the Global Solutions portfolio the bid serves as an example of, as we see it, looking beyond the short term headwinds in the sector,” Ripman says.

Gardelius’ and Ripman’s enthusiasm for renewables was also shared by Espiria’s Zeng. “I think there is a fair chance that the most suppressed part of sustainable end-markets, such as the renewable energy value chain, can start seeing positive momentum towards the end of 2024, as destocking nears its end and interest rate cut materializes in major economies. Our fund has a diversified portfolio construction based on 5 sustainable themes, therefore its performance doesn’t necessarily depend on the timing of the renewable sector recovery alone, but it will likely bring additional alpha to the performance when it does. Most recently, we also foresee a higher likelihood of a broader market performing outside the mega tech names, whose growth outlook towards the end of the year will decelerate to a level that is no longer outstanding compared to the rest of the market. As a result, asset rotation away from these names might happen, and that will also benefit the relative performance of our fund.” Zeng argues.

ESG themes might not be out just yet. “We remain positive towards the fund’s sustainable investment themes – including the energy transition, circular economy, sustainable infrastructure, and water,” Simplicity’s Ingemarson adds.

The US Election, the Middle East and Inflation

Beyond these sectoral and thematic consideration, asset managers are also considering the impact of electoral, geopolitical and macroeconomic developments.

“For 2024 we believe the focus will be on upcoming elections, as many economies are up this year. This will

affect policy making on sustainable themes which have slowed down or been delayed during 2023,” DNB’s Nyholt-Smedseng argues.

There is a fair chance that the most suppressed part of sustainable end-markets, such as the renewable energy value chain, can start seeing positive momentum towards the end of 2024, as destocking nears its end and interest rate cut materializes in major economies.

“I would say that the most important areas to monitor for the rest of the year is the US presidential election and trade politics. Should Donald Trump win the election there is a risk that he changes or slows down green policies, such as the inflation reduction act, currently underway. Regarding trade politics president Biden this week ramped up tariffs on products from China including lithium-ion batteries, electric vehicles and solar cells. This of course impacts companies active in the energy transition in various ways and also increases the risk of retaliatory actions from China,” Swedbank’s Eriksson adds.

“The present macro-outlook, with stable or lowered interest rates, is a better scenario for companies than the challenging one prevailing during most of 2023. Supply chains should also be more robust as many of these new technologies companies’ offer matures,” SEB’s Olsson says.

“New regulations and continued improvements in reporting standards and transparency should also help investors do more informed decisions. But there are some black swans on the horizon, EU parliament and US elections are two events that could have negative impact in the short run but the overall theme of sustainable investing is too big and strong to be stopped by individual events,” SEB’s Olsson continues.

“I think inflation will come down during 2024, but with the recent events in the Middle East there is an increased risk that energy prices will rise, and inflation will start increasing again. In that case, the general scenario of reduced interest rates will probably be pushed for later this year or 2025,” SEB’s Olsson adds.

“When, or if interest rates are cut, we also believe will be a turning point for when risk appetite returns to investors



As this point gradually has been pushed backwards so far, it’s difficult to say with certainty when it happens. Whether the remainder of 2024 will be the period when sustainability comes fully back on the radar is impossible to say, but I think it’s fair to assume 2023 was a pretty low point, and thus it will struggle to get any worse. Outside of the markets we still see strong focus on sustainability, and thus there are lots of great investment opportunities. We continue to spend our time looking for companies that have great business models with competitive advantages, strong outlooks and which contribute to making the world a better place,” DNB’s Nyholt-Smedseng concludes.

NORDIC MANAGERS

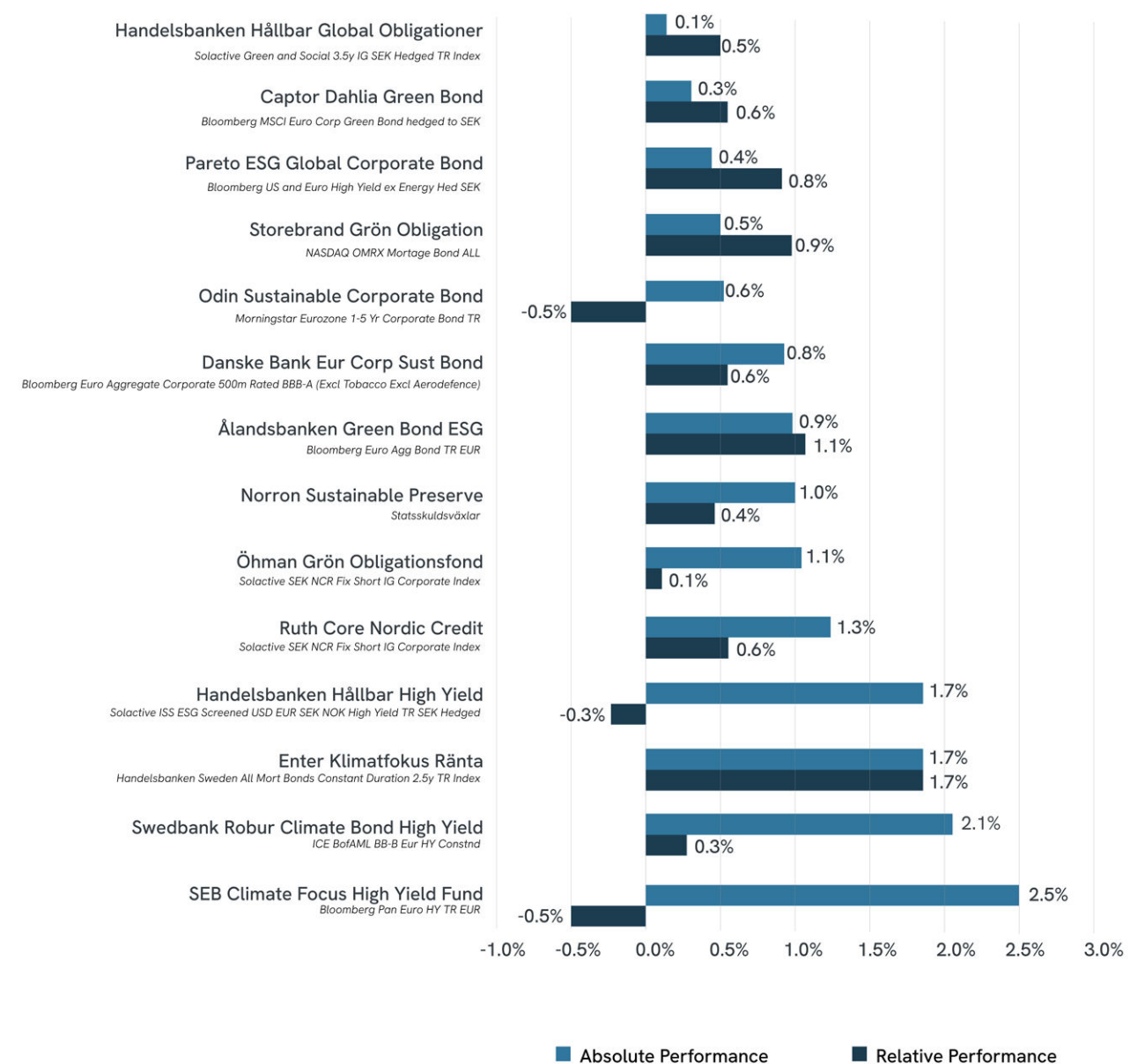
Fixed Income Funds

“Higher for longer” to grow Article 9 fixed income market in 2024


Filipe Albuquerque

Despite market hopes at the end of 2023 that aggressive interest rate cutting would materialise during 2024, both the Federal Reserve, the ECB and Danmark's Nationalbank have continued to resist pressures to follow such a path since the summer of 2023, while Norges Bank last increased interest rates in December 2023. Meanwhile, Sweden's Riksbanken waited until May to take the lead in cutting their rates. Meanwhile, figures from Swedbank showed ESG bond issuance at \$US 316 billion, 14% higher than in the same quarter last year, the highest single quarter increase on record.

Performance of Nordic-based Global Art9 SFDR Global Fixed Income Funds (1Q 2024)



Source: Fund manager data. Benchmarks specified below each respective fund name for relative performance figures



The interest rate decline from the autumn started reversing at the beginning of the year, with government bond yields trending higher in Q1 as uncertainty surrounding the timing and the number of interest rate cuts we would see in 2024.

To better understand how these dynamics played out and how these developments affected sustainable investors during the first quarter of 2024, NordSIP reached out to the portfolio managers of 14 actively managed Nordic-based fixed-income funds classified as Article 9 (dark green) under the EU's Sustainable Finance Disclosures Regulation (SFDR), available to retail investors in Sweden.

Overall, performance was positive but not as buoyant as in the last quarter of 2023. This is consistent with a downside adjustment of expectations regarding the future path of interest rates, particularly in the USA. High duration, tight credit spreads, real estate, healthcare, financials stand out as the main sources of success for the funds we surveyed, while there seems to be a consensus that these conditions will hold steady and attract a broader range of borrowers going forward.

Peak Interest Rates?

"By the end of 2023, the market priced in an aggressive interest rate cut path with six rate cuts being priced in during 2024 in the US. During Q1 2024, the narrative shifted to pricing in only two to three rate cuts during the year and indications that more data is needed before the FED can start cutting rates," says Julia Stålbros, portfolio manager of the Öhman Grön Obligationsfond.

"The big theme during Q1 has been if and when the central banks will initiate interest rate cuts. After the market priced in quite a few interest rate cuts at the end of last year, the market has now corrected expectations during the first quarter. Macro statistics from the US remain strong and inflation is not as low as had been predicted," Cecilia Dahlstedt, portfolio manager of the Captor Dahlia Green Bond fund adds.

Charlotte Lind, portfolio manager of the SEB Climate Focus High Yield Fund, agrees. "Interest rate decline from the autumn started reversing at the beginning of the year, with government bond yields trending higher in Q1 as uncertainty surrounding the timing and the number of interest rate cuts we would see in 2024. Despite this, high yield spread continued to tighten," Lind continues.

Overall, the consensus is that these factors helped fund performance. "Positive market sentiment and revaluation were the main drivers of the fund's performance," Gustaf Tegell, portfolio manager of the Enter Klimatfokus Ränta fund argues.

Increased Risk Appetite and Maturity Extensions

This improved environment appears to have led to an increase in risk taking. "The interest rate decline from the autumn started reversing at the beginning of the year, with government bond yields trending higher in Q1 as uncertainty surrounding the timing and the number of interest rate cuts we would see in 2024. Despite this high yield spread continued to tighten," SEB's Lind adds. "The high yield market has developed quite well during the first quarter with continued good demand for a 'moderate' amount of risk. BB-rated credits in euros have performed better than more risky bonds, while investment grade credits have been disadvantaged by duration," Klas Wennerstein, portfolio manager of the Handelsbanken Hållbar High Yield fund, explains.

"Given an increased risk appetite, activity in the primary market (Nordic as well as global) has picked up and many issues have been well received by the market. We have seen record levels of issuance in IG (investment grade) USD and EUR as companies are taking advantage of lower levels and front load issuance ahead of what could be a more volatile market in the fall given an US presidential election and general macro uncertainty," Julia Stålbros, portfolio manager of the Öhman Grön Obligationsfond, adds. According to Enter's Tegell, this environment appears to have facilitated refinancing efforts and maturity extensions

"During the first quarter the Nordic companies in the fund outperformed the rest of Europe which helped us perform well both in absolute terms and relatively compared

to the European high yield (HY index). Also, some of the worst performers in the index are not considered environmentally sustainable in our view and hence not part of our investment universe," SEB's Lind explains.

Stefan Ericson, portfolio manager of the Pareto ESG Global Corporate Bond fund, attributes the performance of the fund to "a more cautious approach in general to risk. As market really took off we lagged," Ericson says. "An increase in interest rates would normally lead to a decrease in risk appetite. However, despite higher rates, we have seen an increase in risk appetite. Risk premiums for both investment grade and high yield credit have decreased during the quarter. Market sentiment has benefited from a stable economy that is causing the market to lean towards a soft landing," Öhman's Stålbros argues.

Duration was another important factor. "Relative to its index, the fund had a slightly shorter duration during the first two months of the period, which contributed to the fund outperforming its index during a period of rising interest rates. We saw an attractive entry point to add duration during March and ended the period with a slightly long duration position, which ended up having a positive impact on the fund's performance after rates ended the month lower," Öhman's Stålbros explains.

Cross currency dynamics also may have played a role in determining the performance of the funds. "I would say that the main reason why the fund has underperformed its benchmark is that Swedish yields have risen slightly more than EUR yields in the first quarter of 2024," Captor's Dahlstedt says.



Real Estate, Healthcare, Infrastructure and Financials

For Jyri Suonpää, portfolio manager of the Ålandsbanken Green Bond ESG Fund, the real estate and construction sector was king, a sentiment shared by SEB's Lind and the asset management team at ODIN. "Nordic investments yielded clearly better than before, especially Finnish and Swedish ones. The real estate and construction sectors were the best sectors," Suonpää says. "Construction and new builds in certain markets are currently subdued, with the European heat pump market facing overcapacity. We anticipate that certain supply and demand imbalances will persist in 2024, but the long-term sustainability megatrends remain strong," the team behind the ODIN Sustainable Corporate Bond fund agree.

ODIN chose to also highlight the contributions of their holdings in the healthcare and infrastructure sectors. "Several holdings contributed to the positive first-quarter performance in 2024. Edwards Lifesciences, a global leader in solutions for structural heart diseases, stood out as a top performer due to its strong outlook. Additionally, we are observing robust demand for infrastructure projects. Tetra Tech, a global consulting and engineering company, is experiencing strong demand for its water and environmental services. However, higher interest rates have led to reduced activity across various industries. Investments in new drug development have experienced a slowdown for some time," the asset management team at ODIN adds.

"During the first quarter, the fund continued to have a more defensive orientation as we still believe in a weaker market for credits moving forward. We are overweight in financials, and one of the larger holdings is Banco de Credito Social Cooperativo SA, which has performed very well, as well as Banco Bilbao Vizcaya Argentaria SA, against the backdrop of a positive development in the Spanish economy generally and Spanish banks in particular," Handelsbanken's Wennerstein says.

We expect credit spreads to remain at low levels in the short term, but we see a possibility of higher market volatility during the fall given the US presidency election and uncertainty about central bank activity. All in all, yield is still looking attractive and running yields are still at relatively high levels.

A More Diversified Pool of Sustainable Bond Issuers Going Forward

After exuberant expectations about the number of policy rate cuts in the USA that characterised the end of 2023, Öhman's Stålbros presents the argument for less drastic interest rate movements going forward. "Central banks are now even more 'data-dependent' than before and will need to see service inflation slow down significantly before they can start cutting interest rates. The complex inflation picture, together with a very strong US economy, suggests that we will probably see a somewhat more restrained approach to interest rate cuts by central banks, and there is very little to suggest an aggressive rate cutting cycle. At present, we believe that the market's pricing of central banks is fair and do not see any overwhelming potential for drastic interest rate movements in the shorter term. Both the development of inflation and the general US macro picture (especially the labour market) will be decisive for the future development of interest rates. We expect credit spreads to remain at low levels in the short term, but we see a possibility of higher market volatility during the fall given the US presidency election and uncertainty about central bank activity. All in all, yield is still looking attractive and running yields are still at relatively high levels," Stålbros explains.

Higher interest rate levels than anticipated might be painful for borrowers further along the credit rating curve, but are welcomed by investors. "With the 'Higher for longer' theme in the market, it will become a bit more challenging for the HY companies going forward, but with yields at this level makes the asset class attractive and it can handle some volatility with continued positive returns.

However, we hope for more supply with more new issuers choosing to issue sustainable bonds during the year," Handelsbanken's Wennerstein says.

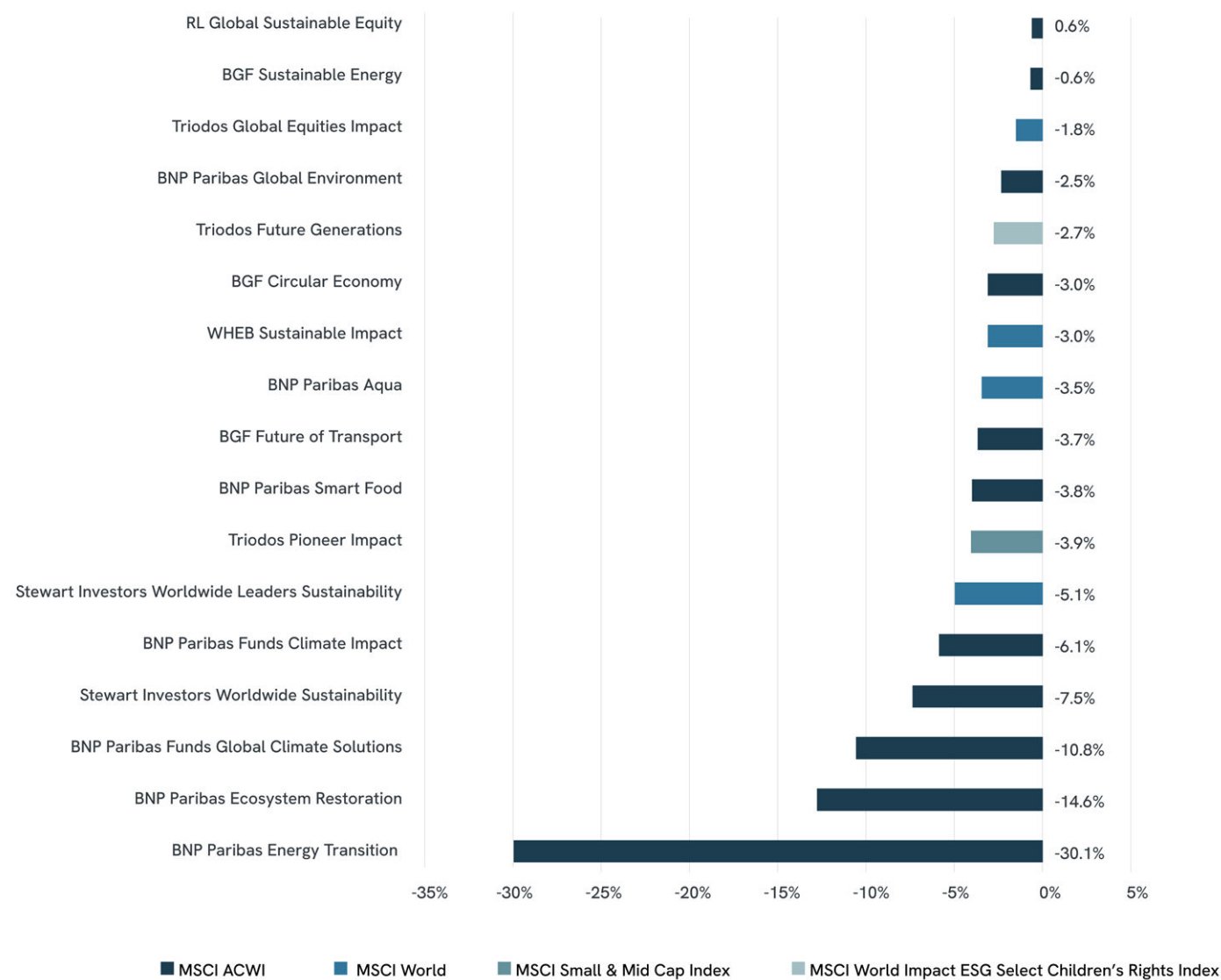
With tight credit spreads, the extra borrowing cost for HY borrowers is not that far from investment grade issuers, which might attract a more diversified pool of borrowers to the market. "Credit spreads for mainly Swedish real estate companies fell sharply in 2023. This is mostly due to expectations of interest rate cuts from the Riksbank. For example, the credit spread on Fabage's 4-year bond fell from +410 basis points (bps) to +190 bps in 2023. We cannot expect a similar development in 2024, which will lead to somewhat worse development for credit funds during the year. We also see an increased interest in issuing green and sustainable bonds from sectors other than real estate and municipalities. This is something we welcome and think is very positive," Captor's Dahlstedt argues. Ålandsbanken Suonpää also sees the appeal across sustainability ranges as being levelled. "Sustainable assets will yield just in line with non sustainable investments, neither better nor worse," Suonpää adds.

The increased number of market participants and the diversification it brings is also appealing to SEB's Lind who argues that "as interest rate cuts in Europe are getting close we are optimistic that the positive momentum from the start of the year in the high yield space should continue. We believe that companies focused on environmental sustainability will be the winners going forward and thanks to green bonds, fixed income funds have the ability to earmark green projects whilst allowing for sector diversification and hence lowering concentration risks in the portfolio."

Pareto's Ericson expects sustainable markets to perform better than in 2023. "I think we are in for another positive trend in terms of sustainable investing. I expect renewable energy will continue to grow in importance," Ericson says. "Good quality companies will perform well over time and 2024 should be no exception," Enter's Tegell concludes.

We are in for another positive trend in terms of sustainable investing. I expect renewable energy will continue to grow in importance.

Relative Performance of Selected Global Article 9 SFDR Equity Funds in EUR (1Q 2024)



Source: Fund manager data

INTERNATIONAL PARTNERS

Public Market Funds

Neutral in the face of economic uncertainty

Filipe Albuquerque

During the first quarter of 2024, the MSCI All Country Index (MSCI ACWI) and the MSCI World Index grew (in Euro amounts) by 10.61% and 11.33%, respectively, while the Bloomberg Barclays MSCI Global Green Bond Index (Euro Hedged) fell by 0.36%.

NordSIP surveyed the performance of 20 global actively managed funds classified as Article 9 under the Sustainable Finance Disclosures Regulation (SFDR): 17 equity funds and 3 global fixed-income funds, from non-Nordic asset managers with whom NordSIP has an ongoing partnership. Article 9 funds not only invest in sustainable assets, but also have sustainable investment as their objective. They are also referred to as “dark green” funds.

Overall, performance was very similar to what we witnessed at the end of 2023, with most Article 9 funds underperforming their benchmark with the exception of the Royal London Global Sustainable Equity fund. The buoyant AI and healthcare sectors continued to dominate, renewables and sustainable transport struggled, despite some green shoots.

Interest rates and inflation were the main macroeconomic factor on fund managers’ minds, despite a lack of clarity about their future path. As a result, most managers, whether of fixed income or equity funds, are taking a neutral stance going forward.

AI and Healthcare Still Dominate

From a macroeconomic perspective, the consensus seems to be continuity, stability and resilience. “The dominating themes of 2023 were also of importance in the first quarter of 2024,” William de Vries, Director Impact Equities & Bonds at Triodos explains. “At a macro level many of the themes which we saw through 2023 continued in Q1 2024 with the main theme being a resilient economic backdrop in much of the developed world combined with the view that we are likely at peak interest rates and have passed peak inflation,” George Crowdy, portfolio manager of Royal London’s Global Sustainable Equity fund, adds.

From a microeconomic perspective, the main theme was continuity of demand for health care and AI



George Crowdy
Royal London
Asset Management

companies, even if the Magnificent 7 are no more. “Excitement around AI and investment in physical infrastructure continued in the first quarter but we also saw a broadening of market trends with less sustainability-aligned sectors such as fossil fuel energy performing strongly as a result of strong economic growth and geopolitical tensions driving the oil price higher,” Royal London’s Crowdy explains. “The market continues to look very concentrated, particularly for any company connected to AI. And, while the Magnificent 7 is no more as the likes of Tesla and Apple have slowed, NVIDIA, Microsoft and Meta continue to climb,” says Nick Edgerton, portfolio manager of the Stewart Investors’ Worldwide Sustainability Fund.

According to Ted Franks, partner and fund manager at WHEB, these facts conspired to bring about “the best first quarter performance in five years for the MSCI World Index” and low volatility (as measured by the VIX index). Japan and the USA led while Europe lagged. “Japan was the best performing region, where growing confidence in the economy and rising prices for domestic chip related stocks have driven the recent rally. The USA also performed strongly, with signs of resilient domestic growth and the continued dominance of the ‘magnificent seven’ stocks supporting the S&P 500 index. European stocks lagged the US and Japan but ended the quarter on a stronger note,” WHEB’s Franks continues.

On a less positive note, Royal London’s Crowdy notes that “we also saw a broadening of market trends with less sustainability-aligned sectors such as fossil fuel energy performing strongly as a result of strong economic growth and geopolitical tensions driving the oil price higher.”

Sustainable Funds Look for AI and Healthcare Opportunities...

The performance of Article 9 SFDR Equity funds reflected these realities and the challenges that their sustainable mandates pose to their ability to ride these headwinds. As WHEB’s Franks puts it “despite the positive overall market performance, it was a more challenging time for sustainability themes with comparatively few of the companies that we consider to deliver positive impact, keeping up with the broader market.” Triodos’ de Vries reminds us that their funds “apply very strict minimum standards and exclude sectors like fossil fuels, tobacco, weapons and other harmful activities,” which is normal for Article 9 funds.

These challenges are patent in the stocks highlighted as positive contributors to funds’ returns. “Performance contribution in the first



Ted Franks
WHEB

quarter was broad based but with particular strength coming from semiconductor companies enabling the advancements in AI and digitalisation including NVIDIA, ASML and TSMC,” Royal London’s Crowdy says about his fund. Even the funds that do not hold these stocks sought to benefit from this trend. “Although we do not hold NVIDIA, Microsoft or Meta, we are excited about the possibilities of AI to contribute to innovative solutions and drive human development, as reflected in some new positions in the portfolio, including TSMC and Samsung Electronics. Both companies are fabricating the chips that are designed by AI companies and are an essential part of the semiconductor value chain,” Sashi Reddy, portfolio manager of the Stewart Investors Worldwide Leaders Sustainability and Stewart Investors’ Edgerton.

American cyber security firm Fortinet and Dutch payments platform Adyen also contributed positively to the performance of Stewart Investors’ funds. According to WHEB’s Franks, Trane Technologies, a heating and ventilation company specialising in energy- and carbon- saving technologies, “re-iterated the healthy outlook for some of its end-markets at a conference.”

The Healthcare sector also saw continued growth. “Further significant positive contribution to the performance of the funds in Q1 also came from healthcare. Four names contributed significantly to overall performance: Edwards Lifescience, Novo Nordisk, Intuitive Surgical and EssilorLuxottica. All of them showed healthy sales growth numbers and profits. And all of them have a very nice growth profile for the next few years,” Triodos’ de Vries explains. Hearing aid company GN Store Nord was also an important player in the



small caps world of the Triodos Pioneer Impact fund. “We saw Edwards Lifesciences strengthen due to better than expected full year results as well as recognition of core markets growth potential, and Coloplast saw strong growth as the acquisitions made last year start to deliver and cost pressures ease faster than expected,” Stewart Investors’ Edgerton adds. Meanwhile, WHEB’s Franks also highlights the performance of Lonza, “a Swiss contract drug manufacturing company, with a particular strength in the producing biologic drugs, which mimic the actions of the human body in fighting disease. Lonza acquired a biologics manufacturing facility from Roche, which was seen as a positive deal and increased its mid-term growth expectations,” Franks explains.

... but Renewables and Sustainable Transport Struggle

The sectors most relevant for sustainable investors seem to have struggled to keep up. “Although artificial Intelligence and healthcare showed strong performance, renewables suffered,” Triodos’s de Vries warns, noting that “investments in the renewable energy sector [of the Triodos Pioneer Impact Fund] were under pressure” despite of any specific company news. “Cleaner Energy and Sustainable Transport stocks particularly struggled, as concerns around overcapacity and higher interest rates grew,” WHEB’s Franks says.

However, it is possible that the worst is over for renewables. “After a difficult 2023, we remain positive for our equity funds on the sustainable segments in the market like renewable energy. In wind, we already see proof that things are changing in the right direction. New orders are signed at more favorable terms and, for example, the auction system (for offshore projects) is adjusted. This

will result in better profitability for the players in this segment, as we can already see at the improved earnings momentum at Vestas and Nordex. In solar, visibility is low but we believe demand to be around the bottom. Uncertainty about government subsidies (in countries like the Netherlands for example) did have a negative impact on demand. In California, the payback time is increased. However, if we look at the planned capacity expansions, there is still reasonable growth in front of us. A lot of investors have given up on companies in the solar segment and although we have not added extra exposure due to the lack of short-term visibility, we still see long-term opportunities. Renewable utilities like Acciona Renovables, have been hurt mostly by external factors: declining power prices in Europe and a rising interest rate environment. There is nothing wrong with the strategy of the company, the shares are de-rated, cheap. We will therefore remain holders,” Triodos’ de Vries explains.

“We also saw strong performance from companies exposed to electrification, water infrastructure and decarbonisation, particularly in the US, and benefitted from holding names such as Comfort Systems and Core & Main,” Royal London’s Crowdy adds about his fund. WHEB and Stewart Investors also highlight Advanced Drainage Systems (ADS), a provider of stormwater management systems in the USA. “ADS reported strong quarterly results driven by demand in the infrastructure and residential industries and gave a positive outlook for 2024,” WHEB’s Franks says. “ADS managed to improve profitability despite cyclical pressures and take advantage of some bright spots in infrastructure and residential end markets,” Stewart Investors’ Edgerton agrees.

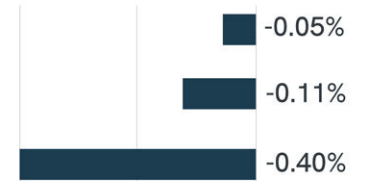
Within the Sustainable Transport theme, semiconductor

Relative Performance of Selected Global Article 9 SFDR Fixed Income Funds in EUR (1Q 2024)

responsAbility Impact - Transition to Net Zero Fund
ICE BofA Global Corporate & High Yield Index (EUR-H)

BNP Paribas Funds Green Bond
Bloomberg Barclays MSCI Global Green Bond Index Euro Hedged

Triodos Euro Bond Impact Fund
iBoxx Corporate (60%) AND iBoxx Sovereign (40%)



Source: Fund manager data

company Infineon Technologies was a negative contributor to the performance of WHEB’s fund. “The automotive and industrial value chain the company serves is working through higher inventory levels, as demand for EVs pauses due to higher interest rates and infrastructure concerns. Investors are also concerned that China has urged electric vehicle manufacturers to buy more Chinese chips,” WHEB’s Franks explains.

Interest Rate Expectations Ruled Sustainable Fixed Income

The consensus among active Article 9 fixed income fund managers was that interest rates were the dominating theme. “The predominant theme in Q1 centered around US interest rates, which sold off significantly. There is risk of further sell-off if US inflation and job market continue to be more resilient than expected. Unlike 2023, when the fund was impacted by volatility in the banking sector, we have strategically underweighted US banks for sustainability reasons, which mitigated some of the volatility compared to last year,” Jeremy Sitruk, portfolio manager of the responsAbility Transition to Net Zero Fund explains. “The fund’s performance aligned with its benchmark and was primarily driven by a sell-off in interest rates and a rally in credit spreads, especially in Investment Grade,” Sitruk adds.

“For Triodos Euro Bond Impact Fund the main drivers are interest rate risk and credit risk. This hasn’t changed in the 1st quarter. For all strategies the main theme is continuous improving of the positive impact of the funds by selecting impactful investments and actively engaging with the companies in portfolio. Also this has not changed from 2023,” Triodos’ de Vries. “The performance of the Triodos Euro Bond Impact Fund was slightly negative (gross of

fees). This was attributed to treasury and government-related bonds. Corporate bonds had a positive return due to tightening credit spreads on the back of strong risk sentiment,” de Vries adds.

What will the Economy do?

Going forward, while fund managers there seem to be confident in their respective funds’ future performance there is no consensus on the path of interest rates and inflation.

Of all the fund managers, Royal London’s Crowdy seemed to be the most bullish. “At a high level, the backdrop of a resilient economy combined with the prospect of interest rate cuts should be a good backdrop for markets. This,



Jeremy Sitruk
responsAbility

Instead of predicting macroeconomic variables, we prefer to focus on finding high-quality companies supported by a diverse range of structural growth drivers, with strong balance sheets and competent management to take advantage of them.

combined with us being early in some enormous multi-year growth trends such as generative AI, decarbonisation, electrification, onshoring driving significant investment in physical infrastructure, and significant new markets emerging in healthcare such as in obesity medicines, keep us optimistic on the market outlook for 2024,” Crowdy says.

Triodos’ de Vries sees inflation on a slow downward path. “We expect headline inflation to keep coming down across advanced economies during the year, but at a slow pace, which might mean stagnation in certain months. We expect that recent wage growth figures will keep inflation sticky, in that way slowing the disinflationary process,” de Vries argues. Despite his optimism about inflation, de Vries acknowledges there are risks. “The major upside risks to inflation seem to be the wars and shipping disruptions, which could potentially provide a supply shock. Given the on-going resilience – especially in labour markets – we consider an abrupt break in global economic activity unlikely, but we do expect weakness in economic activity ahead. Global economic activity likely grew by 3% in 2023. We expect annual growth to be lower in 2024, as the monetary tightening effects are still filtering through economies,” de Vries says.

Other portfolio managers are less sanguine about inflation. “As we head further into 2024, there remains little consensus around whether inflation will continue to fall or rise further, whether interest rates will remain where they are or be cut, or whether we are heading into a stronger or weaker economy. However outside of the stock market we are seeing some return to normality. Companies that we meet with are welcoming the end of a phase of de-stocking that was brought about by the supply chain issues and overstocking of 2022 and are looking forward to a return to more typical growth trends. We remain as reticent as ever to predict the path of macroeconomic variables,” Stewart Investors’ Reddy and Edgerton explain.

Outside these more orthodox macroeconomic concerns two other issues were mentioned. Despite this being the year with the most elections on record across the world,

only one fund manager mentioned politics. “The US primaries and presidential campaign might affect financial markets later in the year, but do not seem to be a significant influence in the short-term,” Triodos’ de Vries argues.

Neutral in the Face of Uncertainty

“Instead of predicting macroeconomic variables, we prefer to focus on finding high-quality companies supported by a diverse range of structural growth drivers, with strong balance sheets and competent management to take advantage of them,” Stewart Investors’ Reddy and Edgerton say.

“Based on our prudent outlook, we are sticking to our neutral equity allocation. The prospect of rate cuts starting later in the year coupled with a relatively strong US economy might well prolong the optimistic assumption of a goldilocks soft landing, supporting equity prices in the coming months,” de Vries explains.

The implications of the expected path of interest rates are more complex for fixed income funds. “For Triodos Euro Bond Impact Fund we will continue its defensive stance, focusing on higher quality bonds. Duration is neutral. We believe that long-term yields will trend down further over the next half year from their current levels, which should provide some gains for bond investors,” Triodos’ de Vries says. “We notice bond markets react to incoming data strongly, and we think inflation surprises to the upside are still plausible. Being on the long end of the curve in such a scenario entails a risk. Secondly, we think it’s plausible that as policy rates come down and economic activity as well as monetary policy ‘normalises’, the elusive term premium might build again. As this could erode some of the potential gains on the long end, we stick to a neutral stance,” de Vries adds.

“We believe that companies leading the transitioning towards zero emissions in their sectors will demonstrate greater resilience and are likely to outperform their peers in the medium term. Given the current level of credit spreads, we expect the fund to slightly outperform its benchmark in 2024,” responsAbility’s Sitruk concludes.



INTERNATIONAL PARTNERS

Private Assets

Surfing 2024 at a steady clip

Filipe Albuquerque

Performance-wise, most funds were able to generate positive returns both during the first quarter of the year, with the exception of the Triodos Energy Transition Europe fund, continuing the trend observed in 2023.

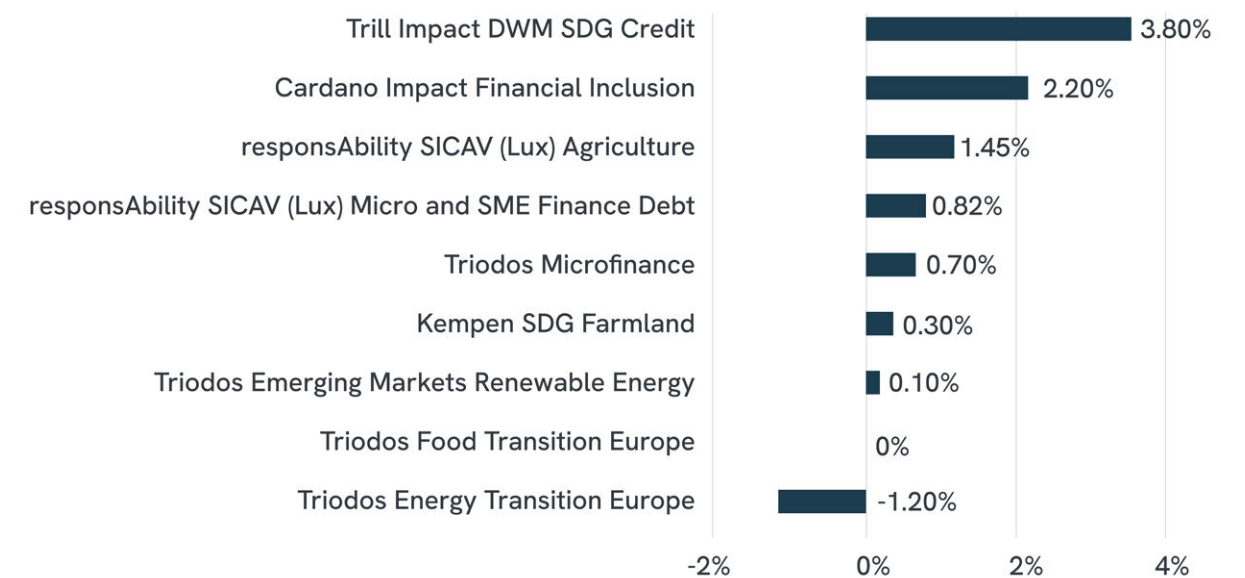
The feedback suggests that market participants have internalised the financial and geopolitical instability that characterised 2023. The focus seems to be on continuity, diversification and some bullishness on emerging markets. Financial inclusion funds were bullish about their ability to continue to weather the market. On the agriculture front, the focus was on cocoa, coffee, cherry orchards and improving weather conditions in the Iberian Peninsula.

Financial Inclusion Weathers Turbulent Market

Of the nine private funds under consideration, four focus on financial inclusion from a (mainly) private debt perspective¹. Discussing their performance during the first quarter of 2024, fund managers highlighted the importance of diversification. “Key to the performance is to mitigate and avoid downside risk. In the Q1 2024 the Fund didn’t experience defaults, whatsoever. The investees performed very well in financial and impact terms and met all payments to the Fund as due. Alongside this, proper deal selection remains very important. In Q1 2024 we broadened diversification in terms of countries, investees and vintages. This has positively contributed to the performance as we were

¹ Although these funds share a common emerging market focus, they differ from risk-return, assets, and currency hedging perspectives.

Instead of predicting macroeconomic variables, we prefer to focus on finding high-quality companies supported by a diverse range of structural growth drivers, with strong balance sheets and competent management to take advantage of them.

Performance of Selected Article 9 SFDR International Private Market Funds in EUR (1Q 2024)

Source: Fund manager data

able to close number of higher yielding transactions,” says Sinisa Vukic, Senior Portfolio Manager of the Cardano Financial Inclusion Fund. “The fund’s performance in Q1 continued to reflect the strong risk-return of the underlying positions. The Fund’s yields were bolstered by attractive yields on new investments during the quarter, with notable investment activity in Asia and Central Europe reflecting the robust local economies in those regions. The fund maintains a high level of diversification, holding investments in over 150 portfolio companies across more than 50 countries,” adds Jaskirat Chadha, Head of Financial Institutions Debt at responsAbility NordSIP, and portfolio manager of the responsAbility SICAV (LUX) Micro and SME Finance Debt Fund.

In terms of wider market factors, the focus was on the interest rate environment and on local currency effects. “There were no new themes in the first quarter of 2024. [The market is still driven by] a higher interest environment, which is beneficial for the strategy’s performance. We have seen some weather related impact from El Nino in some parts of the world, which has decreased business activity somewhat, but nothing significant. We continue to have a stable and reasonably high underlying return. The local currency effect helped as well,” Viktor Andersson, portfolio manager of the Trill Impact DWM SDG Credit Fund explains. “We observed higher demand for local currency funding. Given the Fund’s ability to provide local currency, while hedging the risk, we have been able to enter new markets such as Philippines and Dominican Republic and to broaden exposure to number of existing countries/investees,” Cardano’s Vukic agrees. “Uncertainty regarding the timing and amplitude of US rate cuts posed some challenges in negotiating our private credit transactions in emerging markets, where inflation pressure are less pronounced as in the US,” responsAbility’s Chadha continues.



Sinisa Vukic
Cardano

Going forward all three asset managers remain confident. “We see continued demand in the markets we invest, so we think 2024 will be equally good or better compared to 2023. The Microfinance strategy has performed well over the past three years, despite rather challenging macro contexts, so there is no reason why that should not continue in 2024,” Trill Impact’s Andersson says. “We anticipate financial inclusion sector to provide solid financial and impact performance in 2024. Although, the performance will be uneven across countries and influenced by geopolitical and other risk, the financial inclusion operating environment (informal), highly granular portfolios of productive loans and preparedness is anticipated to provide positive financial and impact results for 2024,” Cardano’s Vukic agrees. responsAbility’s Chadha points to macroeconomic forecasts for emerging markets as encouraging. “For 2024, emerging markets offer an attractive outlook based on strong local demand, contained inflation, and loosening of monetary policies. The International Monetary Fund (IMF) projects emerging markets to grow 4.0%, compared to 1.5% for advanced economies. We expect loan demand and credit quality of micro and SME end-borrowers to be supported by strong growth amid lower inflation

Uncertainty regarding the timing and amplitude of US rate cuts posed some challenges in negotiating our private credit transactions in emerging markets, where inflation pressure are less pronounced as in the US.

and declining global interest rates. The fund is well-positioned to leverage these opportunities in its investment strategy for 2024. We anticipate a similar return profile in sustainable markets as observed in 2023, with high diversification across countries and portfolio companies providing robust mitigation against portfolio downside risks,” Chadha says.

Contrasting Energy Markets

The performance disparity of Triodos’ two energy funds might speak to the broader bullishness of IMF macroeconomic forecasts as well as wind power challenges in developed markets. “The strongest growth in power demand will come from non-OECD countries due to population growth, economic development and current electricity deficits,” Tim Crijns and Willy Bulsink portfolio managers of the



Jaskirat Chadha
responsAbility

Triodos Emerging Markets Renewable Energy Fund note. “Stable global monetary policy and rising commodity prices benefit emerging markets. Declining inflation increases household purchasing power, particularly in low-income countries, supporting consumption. All in all, the energy transition pace in emerging markets remains steady.”

In contrast, the first quarter appears to have been marked by “challenges in offshore wind and recovery in battery storage,” according to Sonja de Ruiter, portfolio manager of the Triodos Energy Transition Europe Fund. However, she noted that “solar is thriving, set to meet COP28 goals, and EU power grid investment is crucial for a reliable 24/7 energy system, with a focus on the EU Action Plan for Grids.” Moreover, the fund also experienced some fallout from the insolvency of Sunvigo.

Agriculture Strategies Remain Optimistic

The remaining three funds focus on agriculture and food focusing on different regions. While the responsAbility Agriculture Fund focuses on Emerging markets, the Kempen SDG Farmland strategy focuses on Europe, North America, Australia and New Zealand.

“Key drivers of the performance in Q1 included strategic investments in direct agricultural deals, especially in the coffee and cocoa sectors in Latin America and Africa. Furthermore, modest repayments from previously impaired investments positively impacted our “debt valuation” figure for the quarter,” Suhasini Singh, Head of Sustainable Food Debt at responsAbility says. “The nuts season in



Suhasini Singh
responsAbility

West Africa saw reduced investment during Q1, primarily due to declining commodity prices and subdued demand, further impacted by financial challenges faced by a buyer in Europe. On a brighter note, cocoa prices experienced a significant upturn during Q1, which has prompted us to conduct thorough evaluations of cocoa clients prior to making further investments,” Singh adds.

Valuations and investments were the main drivers of performance for the Kempen SDG Farmland strategy, according to Tim Van Den Pol, the fund’s portfolio manager. “We have seen strong performance in Denmark, Canada and Australia, mainly due to the rising valuations of our row crop investments. Our cherry orchard projects in New Zealand have impacted slightly some of our return. These assets require significant initial investment and are still two years away from bearing cherries. New Zealand has an ideal harvest window for exporting fresh cherries to Asia, which often coincides with the Chinese New Year. With the introduction of the innovative pergola system for cherry cultivation, we have seized the opportunity to increase efficiency compared to traditional cultivation methods, taking inspiration from the kiwi sector,” Van Den Pol says.

Biodiversity and weather conditions were paramount for Kempen’s fund. “In addition to the broader concept of natural capital, it is clear that investors are increasingly focusing on promoting biodiversity and incorporating it into their investments and investment processes. As far as the arable land fund was concerned, it was primarily about sowing and preparing for the coming season in

the northern hemisphere. Our row crops experienced a wet spring, which affected conditions on most of our farms. Fortunately, the water reservoirs on the Iberian Peninsula are gradually filling up again after several years of drought,” Van Den Pol continues.

Going forward, both of the asset managers appear to be confident in the ability of their agricultural strategies to deliver positive returns, thanks to strong biodiversity demand good returns. “The demand for investments in natural capital aimed at addressing and mitigating the pressing biodiversity and climate challenges we currently face is steadily increasing. We expect this trend to continue as more and more investors recognise the potential of natural capital, beyond pure financial returns, and take advantage of the broader opportunities it offers,” Kempen’s Van Den Pol explains.

“This year, we anticipate a strong performance from our ability to enhance (or sustain high) portfolio yields across diverse markets. This will be supported by a stabilization of expected losses following the dual challenges of Covid and the Russian attack on Ukraine. Looking ahead, we are optimistic about achieving a more robust performance in 2024 compared to the previous year” responsAbility’ Singh argues.



Tim Crijns
Triodos Investment
Management

The demand for investments in natural capital aimed at addressing and mitigating the pressing biodiversity and climate challenges we currently face is steadily increasing. We expect this trend to continue as more and more investors recognise the potential of natural capital, beyond pure financial returns, and take advantage of the broader opportunities it offers.





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QUARTERLY PERFORMANCE
MAY 2024

ARTICLE 9 FUND REVIEW

Q1
2024



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