

# Triodos Microfinance Fund

a sub-fund of Triodos SICAV II

Annual report 2018

# Microfinance

is the provision of financial services to low-income people in developing countries. An inclusive financial sector, where the majority of people have access to financial services, provides a sustainable basis for balanced socio-economic development.

## Triodos SICAV II - Triodos Microfinance Fund Annual report 2018

Triodos Microfinance Fund is a sub-fund of Triodos SICAV II (Société d'Investissement à Capital Variable), which is established in the Grand Duchy of Luxembourg. Triodos SICAV II, including its sub-funds, is supervised by the Luxembourg regulator, the Commission de Surveillance du Secteur Financier (CSSF). Triodos Investment Management BV is the external alternative investment fund manager of Triodos SICAV II - Triodos Microfinance Fund. Triodos Investment Management BV is incorporated under the laws of the Netherlands and is a wholly-owned subsidiary of Triodos Bank NV. Triodos Investment Management BV is supervised by the Dutch regulator, Autoriteit Financiële Markten.

The value of investments may fluctuate. Past performance is no guarantee of future results.

No subscription can be accepted on the basis of financial reports. Subscriptions are only valid if they are made on the basis of the latest published prospectus accompanied by the latest annual report and the most recent semi-annual report, if published thereafter. The prospectus is available free of charge at the registered office of Triodos SICAV II in Luxembourg and from Triodos Investment Management BV: [www.triodos-im.com](http://www.triodos-im.com).

## Key figures

(amounts in EUR)	2018	2017	2016	2015	2014
Net assets (end of reporting period)	371,492,510	365,347,204	339,201,563	290,558,880	220,383,152
Income	24,990,618	22,612,293	19,728,202	17,371,442	11,646,611
Expenses	7,618,459	7,383,501	6,511,209	5,375,167	4,166,043
Net operating gain	17,372,159	15,228,792	13,216,993	11,996,275	7,480,568
Realised and unrealised gains/losses on investments, swaps and foreign exchange contracts	(1,632,713)	(12,874,985)	(2,384,961)	(3,598,013)	4,995,123
Net result	15,739,446	2,353,807	10,832,032	8,398,261	12,475,691
<b>Ongoing charges per share class*</b>					
B-cap (EUR)	2.60%	2.59%	2.54%	2.67%	2.50%
B-dis (EUR)	2.61%	2.63%	2.57%	2.71%	2.57%
I-cap (EUR)	1.92%	1.91%	1.92%	1.97%	2.05%
I-dis (EUR)	1.93%	1.91%	1.93%	1.96%	2.04%
I-II-cap (EUR)	1.77%	1.76%*	n.a.	n.a.	n.a.
I-II-dis (EUR)	1.78%	1.76%*	n.a.	n.a.	n.a.
R-cap (EUR)	2.59%	2.65%	2.60%	2.73%	2.72%
R-dis (EUR)	2.61%	2.63%	2.60%	2.78%	2.70%
Z-cap (EUR)	2.12%	2.14%	2.12%	2.16%	2.35%
Z-dis (EUR)	2.13%	2.11%	2.11%	2.15%	2.34%
K-I-cap (GBP)**	1.93%	2.00%	2.00%	2.00%	2.00%
K-I-dis (GBP)**	1.93%	1.92%	1.92%	1.94%	2.02%
K-Z-cap (GBP)**	2.12%	2.17%	2.14%	2.13%	2.26%
K-Z-dis (GBP)**	2.13%	2.14%	2.12%	2.13%	2.27%

### Net asset value (NAV) per share

(amounts in EUR or GBP)	December 31, 2018	December 29, 2017	December 30, 2016	December 31, 2015	December 31, 2014
B-cap (EUR)	36.72	35.39	35.32	34.09	33.24
B-dis (EUR)	28.50	28.78	29.31	28.28	28.98
I-cap (EUR)	39.33	37.66	37.32	35.79	34.64
I-dis (EUR)	28.89	29.19	29.70	28.50	29.18
I-II-cap (EUR)	26.27	25.12	n.a.	n.a.	n.a.
I-II-dis (EUR)	25.13	25.12	n.a.	n.a.	n.a.
R-cap (EUR)	36.63	35.31	35.24	34.00	33.16
R-dis (EUR)	28.52	28.82	29.34	28.31	29.01
Z-cap (EUR)	30.31	29.08	28.88	27.75	26.91
Z-dis (EUR)	26.52	26.79	27.26	26.18	26.77
K-I-cap (GBP)**	27.24	n.a.	n.a.	n.a.	n.a.
K-I-dis (GBP)**	22.65	22.66	23.00	21.91	22.24
K-Z-cap (GBP)**	25.07	23.84	23.56	22.49	21.78
K-Z-dis (GBP)**	21.86	21.86	22.19	21.15	21.48

### Return based on NAV per share\*\*\*

Share class	1-year return p.a.	3-year return p.a.	5-year return p.a.	Return p.a. since inception
B-cap (EUR)	3.8%	2.5%	3.1%	4.1%
B-dis (EUR)	3.8%	2.5%	3.1%	4.1%
I-cap (EUR)	4.4%	3.2%	3.8%	4.8%
I-dis (EUR)	4.5%	3.2%	3.8%	4.7%
I-II-cap (EUR)	4.6%			3.0%
I-II-dis (EUR)	4.6%			3.0%
R-cap (EUR)	3.7%	2.5%	3.1%	4.1%
R-dis (EUR)	3.7%	2.5%	3.1%	4.1%
Z-cap (EUR)	4.2%	3.0%	3.6%*****	4.4%*****
Z-dis (EUR)	4.2%	3.0%	3.6%*****	4.4%*****
K-I-cap (GBP)**, ****				
K-I-dis (GBP)**	5.4%	3.9%	4.3%	5.0%
K-Z-cap (GBP)**	5.2%	3.7%	4.0%*****	4.6%*****
K-Z-dis (GBP)**	5.3%	3.8%	4.1%*****	4.5%*****

\* The ongoing charges reflect the total normalised expenses charged to the result, divided by the average net asset value. For the calculation of the average net asset value, each computation and publication of the net asset value is taken into account. The ongoing charges are calculated over the twelve-month period ending at the end of the reporting period. The ongoing charges for the K-I-cap share class is based on best estimate, since the K-I-cap share class was launched in April 2018.

\*\* The GPB-denominated share classes are hedged against the euro.

\*\*\* NAV per share is based on share prices as per December 31, 2018, i.e. the last price at which shares were traded in the reporting period.

\*\*\*\* The K-I-cap class was launched on April 30, 2018. Annual returns are therefore not available.

\*\*\*\*\* The Z-share class and K-Z share class have a limited history. Returns prior to the launch date of the Z-share class and the K-Z-share class are based on the returns of the comparable R-share class and the K-B-share class (which were closed on June 30, 2017) respectively.

# Table of Contents

Page

---

Report of the Alternative Investment Fund Manager	7
Report of the Board of Directors	19
Summary of annual accounts 2018	22
Audit report	45
Appendix: microfinance institutions and banks in the portfolio	48
Management and administration	50
Colophon	53

# Report of the Alternative Investment Fund Manager

---

## General Information

### Legal structure

Triodos Microfinance Fund (the fund) was launched in March 2009 as a sub-fund of Triodos SICAV II. The fund has a semi open-end fund structure and is not quoted on any stock market. Triodos Microfinance Fund has euro- as well as British pound-denominated share classes for (i) retail investors, (ii) institutional investors and (iii) private banks and other investors who do not have access to the retail or institutional share classes.

Triodos SICAV II was incorporated under the laws of the Grand Duchy of Luxembourg as a “société d’investissement à capital variable” (SICAV) in the form of a “société anonyme” on April 10, 2006, for an unlimited period. Triodos SICAV II is governed by Part II of the Luxembourg Law of December 17, 2010, as amended. Triodos SICAV II is an alternative investment fund (AIF) subject to the requirements of Directive 2011/61/EU of June 8, 2011 on Alternative Investment Fund Managers (AIFMD), as implemented in Luxembourg through the law of July 12, 2013 on alternative investment fund managers. Triodos SICAV II, including its sub-funds, is supervised by the Luxembourg regulator, the Commission de Surveillance du Secteur Financier (CSSF). The registered office of Triodos SICAV II is established at 11-13, Boulevard de la Foire, L-1528 Luxembourg.

### Investment policy

Triodos Microfinance Fund primarily invests, either directly or indirectly, in microfinance institutions (MFIs), banks that provide funding to small and medium-sized enterprises (SME FIs) and other relevant financial institutions with a solid track record that have gone through the first phase of rapid growth and are financially sustainable. The fund is also allowed to invest in greenfield MFIs. In most cases, institutions will be supervised by the relevant local government authorities.

Triodos Microfinance Fund invests in equity, subordinated debt, senior debt and other debt instruments of qualifying financial institutions. The fund will generally take minority equity positions in its investee companies. The fund’s investments are denominated in US dollars, euros and/or local currencies. The geographic focus of the fund is on developing countries and emerging economies.

### Alternative Investment Fund Manager

The Board of Directors of Triodos SICAV II has appointed Triodos Investment Management BV (Triodos Investment Management) as the Alternative Investment Fund Manager (AIFM) of Triodos SICAV II. Triodos Investment Management is incorporated under the laws of the Netherlands and is a wholly-owned subsidiary of Triodos Bank NV (Triodos Bank). Triodos Investment Management is supervised by the Dutch regulator, Autoriteit Financiële Markten (AFM). The Management Board of Triodos Investment Management consists of:

Jacco Minnaar (Chair as of January 1, 2019)  
Kor Bosscher (as of March 1, 2018)  
Marilou van Golstein Brouwers  
(Chair until January 1, 2019)  
Dick van Ommeren

### Depositary and Paying Agent, Domiciliary, Corporate and Administrative Agent, Registrar and Transfer Agent

RBC Investor Services Bank SA (RBC Investor Services Bank) has been appointed as depositary for Triodos SICAV II. Furthermore, RBC Investor Services Bank acts as Paying Agent, Domiciliary, Corporate and Administrative Agent, and Registrar and Transfer Agent for Triodos SICAV II.



## Market developments

The global economy started 2018 with strong, synchronised growth, but the momentum faded as the year progressed and growth trends diverged. Notably, the economies of the eurozone, the UK, Japan, and China began to weaken. The US economy, on the other hand, accelerated in response to fiscal stimulus. World trade growth dropped sharply in 2018, falling from over 5% at the beginning of 2018 to nearly zero at the end.

Growth in the emerging and frontier countries topped out in 2018. At 4.8%, emerging market growth remained steady in 2018 (2017: 4.9%). Some economies, including Brazil and India, experienced a mild pickup in growth in 2018. Others, such as Argentina, South Africa, and Turkey, came under intense financial pressure and suffered recessions or near-recessions. China's real GDP growth has been steadily edging down and on an annual basis the pace of expansion slowed from 6.9% in 2017 to 6.6% in 2018, as the government has been attempting to reduce debt levels.

Oil prices were very volatile in 2018. In the late summer of 2018, oil prices shot up to nearly USD 90 per barrel, as renewed sanctions imposed on Iran and collapsing oil production in Venezuela gave rise to fears of a supply shortage. However, in September higher Saudi output, along with rapidly rising US production and gains in Russia, already triggered the opposite fears and prices plunged below USD 60 per barrel, before recovering a little. Over the full year 2018, oil decreased 19% in price.

### Currencies: another volatile year for emerging market currencies

In 2018, the US dollar made up some of the ground that was lost in 2017, strengthening by 4.6% against the euro over the full year. Emerging market currencies that are pegged to the dollar, such as the Bolivian boliviano and the Jordanian dinar, strengthened over the year. Overall, about half of the currencies in the sub-fund's portfolio strengthened, while the other half weakened against the euro in

2018. Substantial depreciations occurred for the currencies of Tunisia (-17%), South Africa (-11%), Kazakhstan (-10%) and Colombia (-4%).

### The financial inclusion sector continues to evolve

Financial inclusion increased globally, as shown by the latest Findex<sup>1</sup> survey, with the share of adults with an account at a financial institution or through a mobile money service rising globally from 62% to 69%. This trend is even more evident in emerging economies, where the share rose by 9% to 63%<sup>2</sup>. This has coincided with an increase in microfinance investments, as shown by the expansion of the portfolios of microfinance investment vehicles (MIVs), which in 2018 recorded their highest growth rate since 2013<sup>3</sup>. At the same time gaps remain, with certain groups, such as women, staying behind. Although the results reflect the substantial progress made in the financial inclusion market, with more people and businesses gaining long-sought access to the financial system, they also show that more work is needed to ensure inequalities are properly addressed.

The year 2018 was also marked by growing awareness and recognition that access to financial products and services is not a goal in itself but a means to improve people's quality of life, while catalysing change to support the achievement of the Sustainable Development Goals (SDGs). Examples include providing people with the means to meet basic needs, such as education for children, access to medical treatment, the ability to buy a first home, and access to clean energy and water. In line with this growing awareness, the financial inclusion market has seen an increased inflow of investment capital into impact themes beyond pure microfinance, such as agriculture, affordable housing and access to renewable energy, which now represent 11% of the MIV's total portfolios, up from 9% in 2016<sup>4</sup>.

<sup>1</sup> Global database with the world's most comprehensive data set on how adults save, borrow, make payments, and manage risk.

<sup>2</sup> <https://globalfindex.worldbank.org/>

<sup>3</sup> <http://symbioticsgroup.com/wp-content/uploads/2018/10/Symbiotics-2018-MIV-Survey.pdf>

<sup>4</sup> Ibidem



In 2018 technology continued to shape the financial inclusion sector and capture investors' interest, with global investments in financial technology (fintech) growing dramatically in recent years<sup>5</sup>. Mobile wallets and mobile money transfers, peer-to-peer and other alternative lending platforms, pay-as-you-go asset finance and digital micro-credit are examples of recent innovations reaching consumers and small businesses. In this spirit, Triodos Microfinance Fund in 2018 invested in Capital Float, an Indian company providing working capital to underserved small and medium-sized businesses in India through a digital platform. It also invested in Accion Quona Inclusion Fund, a global fintech fund that invests in companies that leverage technology to develop low-cost and convenient financial products and services designed to meet the needs of low-income consumers and businesses.

Traditional financial institutions and fintech players alike are increasingly realising the benefits that result from collaboration and the specific synergies that each can bring to the table: the latter can benefit from the advantages that the large scale of financial institutions brings, including brand recognition and geographical presence, while the former can benefit from the fresh attitude to risk, the flexible culture and the tech-skills<sup>6</sup> of fintech companies. While digitisation trends clearly create opportunities for increasing outreach as well as improving the accessibility of financial services, there is an increasing need to ensure that digital financial services are developed responsibly. Recognising this, over 50 leading organisations, including Triodos Investment Management, have signed a set of investor guidelines for responsible funding of inclusive digital financial services. The aim of these guidelines<sup>7</sup> is to help assess opportunities, mitigate risks and contribute to a more responsible and inclusive digital finance ecosystem.

<sup>5</sup> McKinsey&Company, "Synergy and disruption: Ten trends shaping fintech", page 2

<sup>6</sup> Ibidem, page 6

<sup>7</sup> <https://responsiblefinanceforum.org/investor-guidelines/>

## Investments

Triodos Microfinance Fund's investment portfolio grew by 9.2% to EUR 340.6 million (2017: EUR 311.8 million), which represents 91.7% of the fund's net assets of EUR 371.5 million (2017: EUR 365.3 million). The fund made 48 disbursements (senior debt, subordinated debt and equity) in 2018 (2017: 63), for a total amount of EUR 48.1 million (2017: EUR 82.7 million). The geographical spread of the fund was further diversified through the addition of three new countries: Mexico, the Republic of Moldova, and Ukraine.

During 2018, the fund added 12 new debt investments in MFIs, SME banks and leasing companies in Asia, Latin America, and Central Asia to its portfolio.

The equity portfolio grew by 17.2%, from EUR 82.1 million in 2017 to EUR 96.3 million in 2018, representing 25.9% of the net assets of the fund on December 31, 2018 (2017: 22.5%). The growth of the equity portfolio was primarily due to a strong performance as well as expansion through several follow-up investments in existing investees. The fund also invested in the equity of Enda, a Tunisian MFI that focuses on serving low income segments of the population, including women, young people and people in rural areas. In addition, the fund became an investor in Accion Quona Inclusion Fund, which invests in fintech companies that aim to enhance financial inclusion for the underbanked and unbanked populations in emerging markets.

Overall, the performance of the equity investees was strong and continued to show an upward trend, with the investees in Bolivia, Kazakhstan, India and Kyrgyzstan all recording strong operational performances. At the same time, the fund marked down its equity stake in Georgia and Cambodia due to lower growth as a result of increased competitive pressure. In Nicaragua, the fund marked down its investment following the decline of the economy as a result of the political unrest, which stabilised somewhat towards the end of the year.

In addition to the overall positive operational performance, the appreciation of local currencies, particularly the Bolivian boliviano, the Kyrgyz som and the US dollar, had a positive impact on the valuation of the investments, whereas the change in value of the Indian rupee, Tunisian dinar and Kazakh

tenge had a negative impact. Although the net effect of currency movements was positive, the effect on the investments in US dollar was limited, due to the hedging contracts that are in place.

**Fund data, December 31, 2018**

Net assets	EUR 371,492,510
Portfolio value	EUR 340,611,831
Number of investment funds	3
Number of SME financial institutions	23
Number of MFIs	62
Number of microfinance holdings	5
Number of leasing companies	4
Number of loans	116
Number of subordinated loans	13
Number of equity investments	19
Number of countries	42

**Results**

**Financial results**

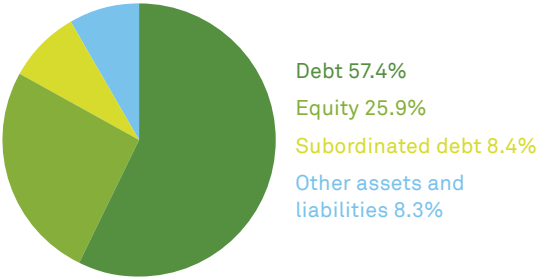
Triodos Microfinance Fund’s net assets grew by 1.7% to EUR 371.5 million at the end of 2018 (2017: EUR 365.3 million). The 2018 net result of Triodos Microfinance Fund amounts to EUR 15.7 million (2017: EUR 2.4 million). The fund’s interest income from loan investments increased by 15.1% to EUR 22.3 million (2017: EUR 19.4 million), which is in line with the expansion of the debt portfolio. Dividend income from equity investments in 2018 was EUR 2.2 million (2017: EUR 2.7 million).

The fund realised a gain of EUR 1.6 million (2017: EUR 5.1 million) on debt and equity investments. The realised losses on investments amounted to EUR 3.7 million (2017: EUR 2.1 million), of which EUR 1.8 million constituted currency exchange losses on loans maturing during the year.

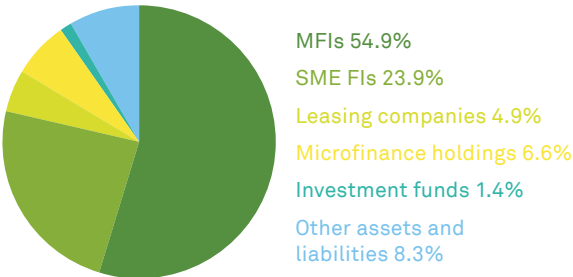
During 2018, the fund suffered a net loss of EUR 1.0 million on foreign exchange contracts (2017: EUR 0.6 million). The net change in unrealised appreciation of investments was EUR 14.2 million for both debt and equity investments (net change in unrealised depreciation of investments in 2017: EUR 31.9 million). This amount includes unrealised gains on currency movements due to the appreciation of the US dollar against the euro and most other currencies in the investment portfolio.

Total operating expenses in 2018 came to EUR 7.6 million (2017: EUR 7.4 million). Most of these expenses consist of management, distribution and service fees, which rose to EUR 6.5 million (2016: EUR 5.9 million). This increase is in line with the growth of the net assets of the fund.

**Asset allocation (% of fund’s net assets), December 31, 2018**



**Types of institutions (% of fund’s net assets), December 31, 2018**



## Provisions

The fund partially reversed its provisions for the loans in Bosnia Herzegovina, following the execution of the sale agreement for the outstanding credit portfolio. During the year, the fund also received substantial principal repayments from institutions in Azerbaijan for amounts that were previously deemed uncollectible. The provision level for a loan to an investee in Nigeria was increased to reflect the increase in the credit risk profile of the institution. Further provisions were also established for outstanding loans to three investees in Nicaragua, in reaction to continued political unrest and violence in the country. As at December 31, 2018, the total provisions for loans outstanding increased slightly to EUR 4.2 million, 1.1% of the fund's net assets (2017: EUR 4.1 million, 1.1% of the fund's net assets).

## Return

In 2018 the EUR-denominated institutional share class generated a return of 4.4% (2017: 0.9%). The equity and debt portfolios contributed positively to the fund's overall return, both through strong performance of the underlying investments and because of an overall appreciation of currencies in the portfolio against the euro. Hedging contracts, on the other hand, had a negative impact and offset unrealised and realised gains due to currency movements. Interest income from the debt portfolio continued to increase compared to the previous year, in line with the growth of the debt portfolio. The return was furthermore positively affected by the partial reversal of provisions.

Differences in performance between the share classes are mainly attributable to the different management fees and to currency hedging for the GBP-denominated share classes.

## Return based on net asset value (NAV) per share\*

Share class	1-year return	3-year return p.a.	5-year return p.a.	Return p.a. since inception
B-cap (EUR)	3.8%	2.5%	3.1%	4.1%
B-dis (EUR)	3.8%	2.5%	3.1%	4.1%
I-cap (EUR)	4.4%	3.2%	3.8%	4.8%
I-dis (EUR)	4.5%	3.2%	3.8%	4.7%
I-II-cap (EUR)	4.6%			3.0%
I-II-dis (EUR)	4.6%			3.0%
R-cap (EUR)	3.7%	2.5%	3.1%	4.1%
R-dis (EUR)	3.7%	2.5%	3.1%	4.1%
Z-cap (EUR)	4.2%	3.0%	3.6%**	4.4%**
Z-dis (EUR)	4.2%	3.0%	3.6%**	4.4%**
K-I-cap (GBP)***, ****				
K-I-dis (GBP)****	5.4%	3.9%	4.3%	5.0%
K-Z-cap (GBP)****	5.2%	3.7%	4.0%**	4.6%**
K-Z-dis (GBP)****	5.3%	3.8%	4.1%**	4.5%**

\* NAV per share is based on share prices as per December 31, 2018, i.e. the last price at which shares were traded in the reporting period.

\*\* The Z-share class and K-Z-share classes have a limited history. Returns prior to the launch date of the Z-share class and the K-Z-share classes are based on the returns of the comparable R-share classes and the K-B-share classes (which were closed on June 30, 2017) respectively.

\*\*\* The K-I-cap share class was launched on April 30, 2018. Annual returns are therefore not available.

\*\*\*\* The GBP-denominated share classes are hedged against the euro.

## Liquidity

Triodos Microfinance Fund aims to retain sufficient buffers in cash or cash equivalents to be able to facilitate redemptions in the fund. The fund's liquidity ratio at year-end 2018 amounted to 9.5% of the fund's net assets (2017: 13.8% of the fund's net assets). See also the Risks paragraph.

## Costs

The largest item in the cost structure of Triodos Microfinance Fund is the management fee paid to the AIFM, Triodos Investment Management. The AIFM uses this fee primarily to cover staff-related costs, including travel expenses incurred in connection with the labour-intensive investment process. This is particularly true for the management of the fund's equity investments, which requires frequent trips to the countries where investments are made. The lead times for first investments are relatively long because of the thorough due diligence analysis that is required. Other costs include the fees paid to RBC Investor Services Bank for their depositary and administrative services.

The ongoing charges for Triodos Microfinance Fund, which include the management fee, ranged from 1.78% to 1.93% for the institutional share classes (2017: 1.76% to 1.92%) and from 2.12% to 2.61% for the other share classes (2017: 2.11% to 2.65%) as per December 31, 2018. More detailed information about management fees and ongoing charges can be found on pages 36 and 43.

## Risks

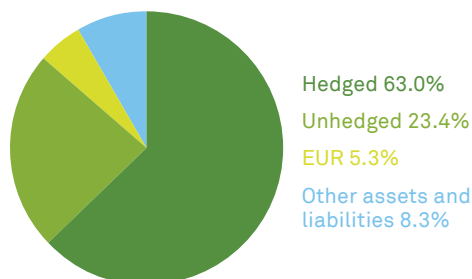
Investments in Triodos Microfinance Fund are subject to several risks, which are described in detail in the particulars relating to the sub-fund included in the prospectus of Triodos SICAV II. Some of the relevant risks are highlighted below.

### Currency risk

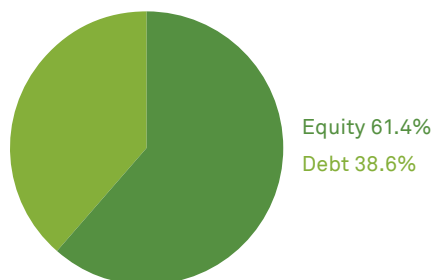
Currency risk is the risk that changes in exchange rates may have a negative impact on the fund's profits and assets. The reference currency for Triodos Microfinance Fund is the euro, whereas investments may be denominated in foreign currencies. Exposure to volatile exchange rates can affect the value of the investments and the fund's assets. Triodos Microfinance Fund is therefore exposed to currency risk. The currency risk is mitigated by restrictions on the relevant exposures and, where feasible and economically viable, by the use of hedging instruments. The fund may invest up to 90% of its net assets in non-euro denominated assets. The fund's investments denominated in unhedged local currencies are restricted to a maximum of 60% of the fund's net assets. Furthermore, the unhedged exposure to any single local currency is limited to a maximum of 10% of its net assets. Currency exposures in the loan portfolio are mostly hedged, whereas currency exposures resulting from equity holdings are mainly unhedged. At year-end 2018, 86.4% of the net assets of the fund were invested in non-euro denominated assets (2017: 81.5%) and 22.7% of the net assets of the fund were invested in unhedged local currencies (2017: 23.5%). The largest single unhedged local-currency exposure as at December 31, 2018, was the Indian rupee (INR), at 4.9% of the fund's net assets (2017: 3.4%).

During 2018, the fund benefited from unrealised currency gains due to market fluctuations, totalling EUR 6.3 million (2017: an unrealised loss of EUR 37.1 million). The result of the hedging contracts was negative and amounted to EUR -13.1 million, resulting in a net unrealised currency loss of EUR 6.8 million.

**Hedged and unhedged positions**  
(% of fund's net assets), December 31, 2018



**Allocation unhedged positions**  
(% of unhedged positions), December 31, 2018



**Exposure by currency**  
(% of fund's net assets), December 31, 2018

USD	40.1%	
<i>Hedged</i>		98.1%
<i>Unhedged</i>		1.9%
Local currency	46.3%	
<i>Hedged</i>		51.0%
<i>Unhedged</i>		49.0%
EUR	5.3%	
Other assets and liabilities	8.3%	
<b>Total</b>	<b>100.0%</b>	

**Concentration risk**

Triodos Microfinance Fund has a very specific, sector-based investment focus on microfinance and financial inclusion. The risks that are typically associated with microfinance will be spread to a limited extent only. The concentration risk is mitigated by applying an investment limit of up

to 15% of the fund's net assets for securities and financing instruments issued by or provided to the same investee. The largest single investee exposure as at December 31, 2018, was ACLEDA Bank in Cambodia, representing 9.5% of the fund's net assets.

**Country risk**

Country risk is the risk that political, fiscal or economic changes have a negative impact on the fund's profits and assets. Triodos Microfinance Fund invests in countries that may be subject to substantial political risks, that may be suffering from an economic recession, perhaps entailing high and rapidly fluctuating inflation, that often have poorly developed legal systems and where the standards for financial auditing and reporting may not always be in line with internationally accepted standards. The country risk is mitigated by applying an upper limit of 20% of the fund's net assets for securities and financing instruments issued by or provided to entities that operate in a single country. Representing 15.3% of the fund's net assets (2017: 12.6%), India was the fund's biggest country exposure as at December 31, 2018.

Due to the default of a large infrastructure lender in September 2018, volatility in the Indian capital markets increased, especially for lending institutions. While borrowing costs for financial institutions have increased significantly and mobilising debt funding has become more challenging for non-bank financial institutions, the impact on the Indian investees in the fund in 2018 was limited. None of the Indian investees in the portfolio has defaulted on payment obligations to the fund.

In Nicaragua, widespread protests erupted in April 2018. The direct reason was social security reform, but the underlying cause was dissatisfaction with the current political system and President Ortega's increased control over government institutions. Protests were countered with extensive and violent police and paramilitary containment operations. By the end of the year, rioting had ceased and violence

**Top ten country allocations**  
(% of fund's net assets), December 31, 2018

Country	Percentage
India	15.3%
Cambodia	11.1%
Kazakhstan	5.7%
Ecuador	4.7%
Sri Lanka	3.9%
Georgia	3.3%
Peru	3.2%
Bolivia	3.2%
Costa Rica	3.2%
Panama	3.0%
<b>Total</b>	<b>56.6%</b>

subsidized, but business activity in Nicaragua continues to be affected. The socio-political crisis in Nicaragua has led to a significant deterioration of the economic outlook, caused severe liquidity issues in the banking system and has heightened the country and currency risks. In general, the fund's investees are subject to a deterioration of portfolio quality and a slowdown of portfolio growth, which is expected to continue in the short term, especially for those MFIs that have larger exposures in urban areas. Although not in the top ten of country exposures, as at December 31, 2018 the fund's exposure in Nicaragua was 3.0%.

### Liquidity risk

Liquidity risk is the risk that the fund is unable to obtain the financial means necessary to meet its financial obligations at a certain point in time. Triodos Microfinance Fund aims to maintain sufficient liquid assets to meet its obligations under normal circumstances. As Triodos Microfinance Fund is a semi open-end fund, it may face large redemptions on each valuation day. This could potentially lead to a situation in which the fund needs to temporarily close for redemptions. The following measures can be taken to mitigate the liquidity risk:

- The fund aims to maintain sufficient buffers in the form of cash or cash equivalents or to offer sufficient other guarantees. The cash buffers are determined every month based on historical inflow and outflow, projections of the inflow and the results of certain stress tests.
- The investments in the fund are illiquid in nature, but can still be sold on a secondary market. Triodos Microfinance Fund has included transfer rights in its legal documentation.
- The fund may decide to temporarily close for redemptions or subscriptions by suspending or restricting the purchase and issue of shares of the fund.

On December 31, 2018, the fund held 9.5% of its net assets in cash and cash equivalents (2017: 13.8%). In 2018, Triodos Microfinance Fund received repayments of maturing loans representing 8.6% of the fund's net assets and received interest and dividend income on a quarterly basis. In 2018, liquidity was adequate for the fund to meet its payment obligations and facilitate the monthly subscriptions to and redemptions of its shares.

### Outlook

Global growth is set to cool down in 2019 due to tighter monetary conditions, the effect of protectionist trade policies and fading benefits from the expansionary US fiscal policy. Protracted US-China trade tensions are causing a broad slowdown in economic activity across the emerging Asia region, despite recent more positive sounds about a possible deal. Recently-released growth figures for the region reflect a decline in growth, although Asia Pacific is expected to outperform other regions in 2019. A growth acceleration is expected in Sub-Saharan Africa, although growing political risks could slow reform momentum. Globally, a clear shift from loose to neutral or tighter liquidity implies a more challenging environment for highly indebted countries.

In 2019 elections are due to be held in various countries that are represented in the portfolio,

including India, Indonesia, Nigeria, South Africa and Ukraine. Despite the potential for greater political risk, generally leadership continuity is expected. Still, to secure re-election, parties will likely resort to populist rhetoric to take the initiative away from opponents, which will stall economic reform momentum.

The financial inclusion market shows significant progress, with more people and businesses gaining access to the financial system. The recognition of the catalytic role that financial inclusion plays in supporting the Sustainable Development Goals and the disruption brought by technology are signs of a deep transformation of the sector, positioning access to finance as a strong means to supporting overall economic growth and meeting broader development goals. In this context of market evolution, Triodos Microfinance Fund will continue its holistic strategy of working with financial institutions that focus on traditionally excluded microfinance and SME clients. The fund will continue to broaden its impact portfolio to support financial institutions that provide innovative digital financial products to the underserved segments of the markets as well as institutions that focus on providing access to basic needs.

## Additional information Triodos SICAV II

### Risk Management

#### Operational risks

Triodos Investment Management ensures adequate control of relevant risks. The AIFM has therefore established an integral risk management system, which includes the risk management policy of each of the sub-funds of Triodos SICAV II and the risk management framework of the AIFM. The non-financial risks consist of operational risks and compliance risks. Operational risks are the risks of damage resulting from inadequate or failed internal processes, people and systems or from external events. Compliance risks are the risks related to failure to (timely) comply with laws and regulations. These risks are determined, measured, managed

and monitored on an ongoing basis by means of appropriate procedures and reporting methods. For the risk assessment, Triodos Investment Management uses a risk appetite based on the risk appetite on Triodos group level.

The risk control framework was developed on the basis of the 'three-lines-of-defence' model. The executive function of the AIFM, the risk management function and the internal audit function operate independently. The risk management function is functionally and hierarchically separated from the portfolio management function.

#### Risk management function

As a result of the growth and development of Triodos Investment Management, the number of staff in the Risk & Compliance department was increased, co-workers joined knowledge-sessions and awareness training, and a Risk & Compliance Management application was purchased. This application allows for an audit trail of all risk events identified in an audit period, the lessons learned and the adjustments and improvements that as a result have been implemented in the internal control framework. Furthermore, the outcome of the so-called "risk and control self-assessments" will be recorded in the application, as well as the translation of the outcomes of these sessions in the internal control framework.

Preceding actions have further professionalised the Manager's risk management function and have made it possible to mitigate the fund's risks more effectively and efficiently.

#### Valuation risk

In order to ensure an independent, sound, comprehensive, consistent and auditor-approved valuation methodology, Triodos Investment Management has implemented a comprehensive valuation framework including valuation methodologies and procedures. This framework sets out general requirements regarding the selection, implementation and application of valuation methodologies and techniques for all asset types, considering the varied nature of asset types and the related market practices for the valuation of



these assets. In addition, this framework sets out the requirements regarding the valuation function at the sub-fund level. It ensures consistent procedures regarding the selection, implementation and application of valuation methodologies and ensures a consistent approach to the valuation function, independent valuation committees and, in some cases, the use of external valuers at the sub-fund level.

Valuation risk refers to the risk that the values of assets do not reflect their fair market value because valuations are based on infrequent market-based data, assumptions and peer group comparisons. As the sub-funds of Triodos SICAV II invest almost exclusively in assets that are not traded on a regulated market and are not listed on any stock exchange, its investments may not have readily available prices and may be difficult to value. In order to determine the value of these investments, the sub-funds employ a consistent, transparent and appropriate valuation methodology.

### **Risk profile**

The sub-funds of Triodos SICAV II each have a sector-specific focus and generally invest in risk-bearing, non-listed assets that cannot be made liquid in the short term and therefore have a relatively high risk profile. In most cases, added value in the sub-funds is generated over the longer term. An investment in the sub-funds of Triodos SICAV II therefore requires a medium to long-term investment horizon of the investor. In general, the sub-funds of Triodos SICAV II will only take on such risks that are deemed reasonable to achieve their investment objectives. The sub-funds of Triodos SICAV II have different risk profiles. There is no guarantee that the sub-funds will achieve their objectives, due to market fluctuations and other risks to which the investments are exposed.

### **ISAE 3402**

The objective of an ISAE 3402 Assurance Report is to provide assurance about the quality of the control measures related to the services provided. The ISAE 3402 guideline provides two types of reports. An ISAE 3402 type I report provides assurance about the framework and the existence

of the implemented control measures. On April 11, 2017, Triodos Investment Management obtained an ISAE 3402 type I report as at December 31, 2016. An ISAE 3402 type II report provides not only assurance about the framework and the existence of the implemented control measures, but also provides assurance about the effective functioning of the implemented control measures. On March 1, 2019, Triodos Investment Management obtained an ISAE 3402 type II report for the period January 1, 2018 until December 31, 2018.

### **Solvency**

Triodos Investment Management amply meets the minimum solvency requirements for asset managers. This makes Triodos Investment Management a solid party that is sufficiently able to absorb setbacks.

### **Remuneration policy**

Based on Article 22(2) of the AIFMD and section XIII (Guidelines on disclosure) of the 'ESMA Guidelines on sound remuneration policies under the AIFMD', AIFMs are required to at least disclose information about their remuneration practices for co-workers whose professional activities have a material impact on its risk profile (so-called 'identified staff').

As of January 1, 2018, all staff members of Triodos Investment Management are employed by Triodos Investment Management. In 2018 the total remuneration of the 186 co-workers working for the AIFM amounted to EUR 17,305,929 (2017: 186 co-workers, EUR 14,664,564). The increase in remuneration of 2018 versus 2017 can entirely be explained by a combination of a yearly increase in wages (no bonus or distribution of profits), a CLA impact and increased pension costs. Triodos Bank and Triodos Investment Management believe good and appropriate remuneration for all its co-workers is very important. The core elements of the international remuneration policy of Triodos Bank are set out in the Principles of Fund Governance, which can be accessed via [www.triodos-im.com](http://www.triodos-im.com). The wage system used by Triodos Bank and as per January 1, 2018 also used by Triodos Investment

Management, does not include bonuses or share option schemes. Financial incentives are considered an inappropriate way to motivate and reward co-workers. Variable remuneration is therefore limited. The Management Board of Triodos Investment Management annually assesses the remuneration policy. Identified staff are co-workers as defined in the AIFMD remuneration guidelines and include all co-workers who may influence the risk profile of the sub-funds. Besides the members of the Management Board of Triodos Investment Management, these include the fund manager and the managers of support departments.

The tables below provide an overview of the total remuneration, broken down into fixed and variable remuneration, and the remuneration of the senior management and the identified staff. The cost allocation model of the AIFM is used for the allocation of staff to Triodos Microfinance Fund. In this model, allocations are based on activities of the co-workers (activity-based costing method). As these tables are intended to show the remuneration of co-workers, all other costs incurred by the AIFM, such as housing, workplace and travel costs and the cost of outsourced activities and external consultants, are excluded. The amounts shown

### Triodos Investment Management

Applicable for the year 2018 (remuneration in EUR)	Co-workers at AIFM		'Identified staff' in senior management positions		Other identified staff	
	2018	2017	2018	2017	2018	2017
<i>Number of staff</i>	186	186	8	9	24	21
<i>Average FTEs</i>	158.6	153.7	8.3	6.9	22.1	18.4
Fixed remuneration	17,180,253	14,546,082	1,642,019	1,425,534	3,162,612	2,518,295
Variable remuneration	125,676	118,481	0	2,107	75,590	14,340
<b>Total remuneration</b>	<b><u>17,305,929</u></b>	<b><u>14,664,563</u></b>	<b><u>1,624,019</u></b>	<b><u>1,427,641</u></b>	<b><u>3,238,202</u></b>	<b><u>2,532,635</u></b>

### Triodos Microfinance Fund

Applicable for the year 2018 (remuneration in EUR)	Co-workers directly involved in Triodos Microfinance Fund		'Identified staff' in senior management positions		Other identified staff	
	2018	2017	2018	2017	2018	2017
<i>Number of staff involved</i>	87	90	7	7	10	10
<i>Average FTEs</i>	26.2	27.5	1.3	1.2	2.7	2.8
Fixed remuneration	2,683,651	2,387,272	250,986	232,192	407,116	396,189
Variable remuneration	17,750	18,851	0	373	16,131	1,551
<b>Total remuneration</b>	<b><u>2,701,401</u></b>	<b><u>2,406,123</u></b>	<b><u>250,986</u></b>	<b><u>232,565</u></b>	<b><u>423,247</u></b>	<b><u>397,740</u></b>

in the tables include income tax, social security contributions, pension contributions and tokens of appreciation.

Triodos Bank and Triodos Investment Management may provide additional individual tokens of appreciation to co-workers up to a maximum of one month's salary. These tokens of appreciation are for extraordinary achievements and are at the discretion of management in consultation with Human Resources. Such a token is not based on pre-set targets and is always offered in retrospect. An annual collective token of appreciation may be paid for the overall achievements and contribution of all co-workers. This very modest amount is the same for all co-workers, with a maximum of EUR 500 per co-worker. This amount may be paid in cash or in Triodos Bank NV depository receipts. In 2018, no collective end-of-year token of appreciation was awarded. In 2017, every co-worker received a one-off benefit of EUR 500 as an outcome of the collective labour agreement negotiations. This amount is reported under variable remuneration 2017. In 2017 and 2018, there are no co-workers at Triodos Investment Management with a total remuneration of EUR 1 million or more. Triodos SICAV II does not have any co-workers.

# Report of the Board of Directors

The Board of Directors has the broadest powers to act in any circumstances on behalf of Triodos SICAV II, subject to the powers expressly assigned by law or the articles of incorporation of Triodos SICAV II. The Board of Directors is responsible for overall product strategy, relations with investors, the regulator and the auditor and for ensuring the AIFM performs its functions with due care and diligence. It is the Board's responsibility to provide independent review and oversight in the best interests of the investors of the sub-funds of Triodos SICAV II.

## Board composition

In 2018, no changes occurred in the composition of the Board of Directors. As at December 31, 2018, the Board of Directors consisted of:

Director	Qualification	Appointment in
Garry Pieters*	Independent director, Class-P director	2012
Monique Bachner	Independent director	2016
Marilou van Golstein Brouwers	Class-P director	2010
Corinne Molitor	Independent director	2018
Jeroen Smakman	Class-P director	2017

\* Chair of the Board since June 24, 2016

The biographies of the directors are included in chapter 'Management and Administration'.

## Board committees

The Board of Directors does not currently consider it necessary to create committees.

## Board meetings

The Board of Directors meets at least four times a year. Additional meetings are arranged when necessary. In 2018, four regular Board meetings and one additional meeting were held.

At each regular Board meeting, the AIFM, Triodos Investment Management, also reports on various topics, amongst others, the state of affairs of the

sub-funds, anti-money laundering and 'know your customer' (KYC) matters, regulatory changes, marketing and sales activities, investment compliance monitoring and risk management. The Board further discusses matters relating to its oversight of delegated parties (of which the AIFM is one).

## Attendance of the Board meetings

Director	Meetings attended
Garry Pieters	5
Monique Bachner	5
Marilou van Golstein Brouwers*	4
Corinne Molitor	5
Jeroen Smakman	5

\* The director was represented by way of proxy during her absence.

In 2018, the prospectus of Triodos SICAV II was amended. These modifications did not change the risk profiles of the sub-funds. Furthermore, the shareholders approved the amendments to the articles of incorporation of Triodos SICAV II as proposed by the Board of Directors. The revised version of the articles of incorporation and the revised version of the prospectus are effective as per September 5, 2018.

## Conflicts of interest

At each Board meeting, the Directors declare whether there are conflicts of interest regarding agenda items. A Director who has conflicts of interest relating to an agenda item will declare such conflicts and abstain from voting on any decisions relating to that agenda item. The Board also monitors potential conflicts by maintaining a conflicts of interest register.

## Board remuneration

According to the remuneration policy of Triodos SICAV II, each of the Directors not employed by the Triodos Group, is paid an equal fixed annual

remuneration. The Board believes the remuneration of the Board reflects its responsibilities and experience and is fair given the size and complexity of Triodos SICAV II. The remuneration of the Directors is disclosed in the notes to the financial statements and approved annually by the shareholders at the Annual General Meeting of shareholders. There was no change to the Director remuneration proposed during the Annual General Meeting of 2018. Details on the remuneration paid to directors are provided in the Notes to the Financial Statements.

### Annual General Meeting of shareholders

The Annual General Meeting of shareholders was held in Luxembourg on April 25, 2018. During this meeting, the shareholders:

- approved the management report of the Board of Directors and the report of the auditor for the financial year ended December 31, 2017;
- approved the audited statements of assets and liabilities and the statement of operations for the financial year ended December 31, 2017;
- approved the allocation of the net results for the financial year ended December 31, 2017;
- granted full discharge to the members of the Board of Directors with respect to their performance of duties for all or part of the financial year ended December 31, 2017;
- elected Corinne Molitor as non-Class P Independent Director to serve for a period of four years ending on the date of the Annual General Meeting to be held in 2022;
- elected PricewaterhouseCoopers Société coopérative Luxembourg as the auditor to serve for the financial year ended December 31, 2018, and
- approved the remuneration of Directors for the financial year ended December 31, 2018.

To approve the amendments of the articles of association of Triodos SICAV II as proposed by the Board of Directors, two Extraordinary General Meetings were convened. During the Extraordinary General Meeting convened for July 31, 2018, the necessary attendance quorum was not reached. As a result, the Extraordinary General Meeting

was re-convened for September 5, 2018, where the shareholders:

- changed the corporate purpose of Triodos SICAV II as follows:

*“The exclusive purpose of Triodos SICAV II is to invest the funds available to it in securities and other assets permitted by Part II of the law of 17 December 2010 relating to undertakings for collective investment as may be amended from time to time (the “Law of 2010”) with the aim of spreading investment risks and affording its shareholders the results of the management of its assets.*

*Triodos SICAV II may take any measures and carry out any transaction which it may deem useful for the fulfilment and development of its purpose to the largest extent permitted by Part II of the Law of 2010.”*

- changed the signatory power of the Fund in the context of daily management;  
*“Vis-à-vis third parties, Triodos SICAV II is validly bound by the joint signatures of any two directors or by the joint or single signature of any person(s) to whom authority has been delegated by the board of directors.*

*Within the limits of the daily management, Triodos SICAV II shall be bound towards third parties by the signature of any person(s) to whom such power may have been delegated, acting individually or jointly, within the limits of such delegation.”*

- amended and fully restated the articles of association in order – amongst others – to reflect the Luxembourg companies law reform, and the amended Law of 2010;

No other meetings of shareholders were held in 2018.

### Complaints handling policy

Triodos SICAV II has a complaints handling policy to ensure proper handling of complaints as and when they may arise. Triodos SICAV II has appointed a Complaints Handling Officer, who is responsible for implementation of the complaints handling policy.

The complaints handling policy is available upon request from Triodos SICAV II. During 2018, the

Complaints Handling Officer did not receive any complaints relating to Triodos SICAV II.

Complaints can be submitted in writing to:

Triodos SICAV II

Attention: Complaints Handling Officer

11-13, Boulevard de la Foire

L-1528 Luxembourg

Grand-Duché de Luxembourg

E-mail address: TriodosIM@triodos.com

### Best practices

The Board of Directors aspires to best practices and good governance. For example, the Board has made efforts to ensure the diversity of its members, in terms of gender, complementary experience and expertise, and a good representation of independent Directors. The Board of Directors conducts periodic self-assessments in which it reflects on its performance and strategy.

The Board of Directors has adhered to the principles of the ALFI Code of Conduct and monitors its application.

Luxembourg, April 8, 2019

The Board of Directors of Triodos SICAV II

Garry Pieters (Chair)

Monique Bachner

Marilou van Golstein Brouwers

Corinne Molitor

Jeroen Smakman

# Summary of annual accounts 2018

Page

---

Statement of net assets	23
Statement of operations	24
Statement of changes in net assets	25
Cash flow statement	27
Statement of changes in the number of shares outstanding	28
Statistics	30
Notes to the financial statements	32



# Statement of net assets as at December 31, 2018

(amounts in EUR)	Notes	December 31, 2018	December 31, 2017
<b>Assets</b>			
<b>Fixed assets</b>			
Investment in financial assets (Historic cost: EUR 313,032,301 as at December 31, 2018, EUR 300,438,714 as at December 31, 2017)	2	334,177,669	307,414,108
<b>Current assets</b>			
Cash and cash equivalents		40,911,908	53,877,264
Net unrealised gain on swap contracts	10	158,039	–
Net unrealised gain on forward foreign exchange contracts	9	–	1,817,098
Interest receivable	2	6,434,162	4,401,886
Other current assets		53,030	1,067,780
<b>Total assets</b>		<b><u>381,734,808</u></b>	<b><u>368,578,136</u></b>
<b>Liabilities</b>			
<b>Liabilities due within one year</b>			
Net unrealised loss on swap contracts	10	–	297,267
Net unrealised loss on forward foreign exchange contracts	9	5,849,651	–
Investment management, distribution and service fees payable	5	1,722,563	1,662,298
Accounts payable and accrued expenses	8	2,670,084	1,271,367
<b>Total liabilities</b>		<b><u>10,242,298</u></b>	<b><u>3,230,932</u></b>
<b>Net assets</b>		<b><u><u>371,492,510</u></u></b>	<b><u><u>365,347,204</u></u></b>

The accompanying notes form an integral part of these financial statements.

# Statement of operations for the year ended December 31, 2018

(amounts in EUR)	Notes	December 31, 2018	December 31, 2017
<b>Income</b>			
Dividend income	2	2,231,509	2,683,938
Interest on loans	2	22,281,967	19,363,395
Bank interest		3,573	(8,028)
Other income	6	473,569	572,988
<b>Total income</b>		<b><u>24,990,618</u></b>	<b><u>22,612,293</u></b>
<b>Expenses</b>			
Investment management, distribution and service fees	5	6,782,591	6,503,775
Administrative and depositary fees	4	307,034	322,184
Audit and reporting expenses		41,707	99,349
Other interest paid		238,883	247,317
Other expenses	7	248,244	210,876
<b>Total expenses</b>		<b><u>7,618,459</u></b>	<b><u>7,383,501</u></b>
<b>Net operating income</b>		<b>17,372,159</b>	<b>15,228,792</b>
Realised gain on investments		1,565,618	5,184,206
Realised loss on investments		(3,713,521)	(2,103,101)
Realised gain on swap contracts		462,564	492,514
Realised loss on swap contracts		(359,130)	(941,943)
Realised gain on forward foreign exchange contracts		2,939,175	7,403,563
Realised loss on forward foreign exchange contracts		(8,968,104)	(6,811,832)
Realised gain on foreign exchange		464,846	387,906
Realised loss on foreign exchange		(982,689)	(596,823)
Change in net unrealised appreciation on investments		14,320,858	28,735
Change in net unrealised depreciation on investments		(150,885)	(31,917,227)
Change in net unrealised appreciation on swap contracts		–	(35,489)
Change in net unrealised depreciation on swap contracts		(1,376,720)	–
Change in net unrealised appreciation on forward foreign exchange contracts		70,059	16,040,976
Change in net unrealised depreciation on forward foreign exchange contracts		(5,904,784)	(6,470)
<b>Net increase/(decrease) in net assets resulting from operations</b>		<b><u>15,739,446</u></b>	<b><u>2,353,807</u></b>

The accompanying notes form an integral part of these financial statements.

# Statement of changes in net assets for the year ended December 31, 2018

(amounts in EUR)	December 31, 2018	December 31, 2017
<b>Operations</b>		
Net operating income	17,372,159	15,228,792
Realised gain on investments	1,565,618	5,184,206
Realised loss on investments	(3,713,521)	(2,103,101)
Realised gain on swap contracts	462,564	492,514
Realised loss on swap contracts	(359,130)	(941,943)
Realised gain on forward foreign exchange contracts	2,939,175	7,403,563
Realised loss on forward foreign exchange contracts	(8,968,104)	(6,811,832)
Realised gain on foreign exchange	464,846	387,906
Realised loss on foreign exchange	(982,689)	(596,823)
Change in net unrealised appreciation on investments	14,320,858	28,735
Change in net unrealised depreciation on investments	(150,885)	(31,917,227)
Change in net unrealised appreciation on swap contracts	–	(35,489)
Change in net unrealised depreciation on swap contracts	(1,376,720)	–
Change in net unrealised appreciation on forward foreign exchange contracts	70,059	16,040,976
Change in net unrealised depreciation on forward foreign exchange contracts	(5,904,784)	(6,470)
<b>Net increase/(decrease) in net assets resulting from operations</b>	<b><u>15,739,446</u></b>	<b><u>2,353,807</u></b>
<b>Capital transactions</b>		
<b>Capital subscriptions</b>		
I Capitalisation Share Class (EUR)	13,890,132	11,175,583
I Distribution Share Class (EUR)	4,997,934	18,362,372
B Distribution Share Class (EUR)	132,170	473,872
R Capitalisation Share Class (EUR)	4,722,479	5,875,422
R Distribution Share Class (EUR)	3,150,205	3,369,411
K-Institutional Capitalisation Share Class (GBP)	900,900	–
K-Institutional Distribution Share Class (GBP)	134,830	246,600
K-B Capitalisation Share Class (GBP)	–	64
K-B Distribution Share Class (GBP)	–	10,009
K-Retail Distribution Share Class (GBP)	–	2,675
K-Z Capitalisation Share Class (GBP)	131,747	411,300
K-Z Distribution Share Class (GBP)	–	722,671
Z- Capitalisation Share Class (EUR)	3,838,148	17,333,728
Z- Distribution Share Class (EUR)	3,473,843	1,659,396
I-II Institutional Capitalisation Share Class (EUR)	–	50,900,439
I-II Institutional Distribution Share Class (EUR)	–	25,376,427
<b>Total subscriptions</b>	<b><u>35,372,388</u></b>	<b><u>135,919,969</u></b>

The accompanying notes form an integral part of these financial statements.

# Statement of changes in net assets for the year ended December 31, 2018

(amounts in EUR)	December 31, 2018	December 31, 2017
<b>Capital redemptions</b>		
I Capitalisation Share Class (EUR)	(27,999,897)	(73,808,208)
I Distribution Share Class (EUR)	(3,901,356)	(26,062,228)
B Capitalisation Share Class (EUR)	(112,715)	(82,503)
B Distribution Share Class (EUR)	(267,943)	(238,096)
R Capitalisation Share Class (EUR)	(666,890)	(310,236)
R Distribution Share Class (EUR)	(1,970,120)	(1,902,632)
K-Institutional Distribution Share Class (GBP)	(186,411)	(433,186)
K-B Capitalisation Share Class (GBP)	–	(680,883)
K-B Distribution Share Class (GBP)	–	(598,245)
K-Retail Distribution Share Class (GBP)	–	(426,158)
K-Z Capitalisation Share Class (GBP)	(176,557)	–
K-Z Distribution Share Class (GBP)	(67,245)	–
Z- Capitalisation Share Class (EUR)	(1,181,709)	(50,557)
Z- Distribution Share Class (EUR)	(1,656,568)	(1,873,221)
I-II Institutional Capitalisation Share Class (EUR)	–	(3,000,000)
<b>Total redemptions</b>	<b><u>(38,187,411)</u></b>	<b><u>(109,466,153)</u></b>
<b>Net increase/(decrease) in net assets resulting from capital transactions</b>	<b><u>(2,815,023)</u></b>	<b><u>26,453,816</u></b>
<b>Net assets</b>		
Net assets at the beginning of the year	365,347,204	339,201,563
Total increase in net assets	12,924,423	28,807,623
Dividend distribution (see note 12)	(6,779,117)	(2,661,982)
<b>Net assets at the end of the year</b>	<b><u>371,492,510</u></b>	<b><u>365,347,204</u></b>

The accompanying notes form an integral part of these financial statements.

## Cash flow statement for the year ended December 31, 2018

(amounts in EUR)	December 31, 2018	December 31, 2017
<b>Cash provided by operating activities</b>		
Profit after taxation	15,739,446	2,353,807
(-) increase/(+) decrease in unrealised gains and losses on investments, forward foreign exchange contracts and swap contracts	(6,958,528)	15,889,475
(-) increase/(+) decrease in realised gains and losses on investments	2,147,903	(3,081,105)
(+) increase/(-) decrease in receivables and other assets	(1,017,526)	(774,115)
(+) increase/(-) decrease in payables	1,458,982	(479,568)
(-) Net cash from acquisitions and disposals of investments	(14,741,493)	(43,688,902)
<b>Net cash provided by operating activities</b>	<b><u>(3,371,216)</u></b>	<b><u>(29,780,408)</u></b>
<b>Cash provided by financing activities</b>		
(+) proceeds from shares issued	35,372,388	135,919,969
(-) decrease from shares redeemed	(38,187,411)	(109,466,153)
(-) distributions paid to shareholders	(6,779,117)	(2,661,982)
<b>Net cash provided by financing activities</b>	<b><u>(9,594,140)</u></b>	<b><u>23,791,834</u></b>
<b>Cash</b>		
Net increase/(decrease) in cash and cash equivalents	(12,965,356)	(5,988,574)
Cash at the beginning of the year	53,877,264	59,865,838
<b>Cash at the end of the year</b>	<b><u>40,911,908</u></b>	<b><u>53,877,264</u></b>

The accompanying notes form an integral part of these financial statements.

# Statement of changes in the number of shares outstanding for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
<b>Number of Shares outstanding at the beginning of the year</b>		
I Capitalisation Share Class (EUR)	3,629,471.501	5,301,817.620
I Distribution Share Class (EUR)	1,568,362.374	1,822,667.287
B Capitalisation Share Class (EUR)	9,100.749	11,433.275
B Distribution Share Class (EUR)	55,787.040	47,554.040
R Capitalisation Share Class (EUR)	743,507.313	585,237.404
R Distribution Share Class (EUR)	603,689.298	553,845.064
K-Institutional Capitalisation Share Class (GBP)	–	–
K-Institutional Distribution Share Class (GBP)	445,027.951	451,407.527
K-B Capitalisation Share Class (GBP)	–	21,624.914
K-B Distribution Share Class (GBP)	–	21,913.453
K-Retail Capitalisation Share Class (GBP)	–	–
K-Retail Distribution Share Class (GBP)	–	16,225.830
K-Z Capitalisation Share Class (GBP)	37,056.635	22,070.223
K-Z Distribution Share Class (GBP)	137,844.731	109,246.605
Z- Capitalisation Share Class (EUR)	684,913.505	84,952.883
Z- Distribution Share Class (EUR)	1,046,464.101	1,053,897.597
I-II Institutional Capitalisation Share Class (EUR)	1,915,049.798	–
I-II Institutional Distribution Share Class (EUR)	1,015,057.084	–
<b>Subscriptions over the year</b>		
I Capitalisation Share Class (EUR)	365,030.751	298,550.470
I Distribution Share Class (EUR)	175,319.905	618,960.470
B Capitalisation Share Class (EUR)	–	–
B Distribution Share Class (EUR)	4,703.000	16,388.000
R Capitalisation Share Class (EUR)	131,941.138	167,081.178
R Distribution Share Class (EUR)	109,852.916	115,833.234
K-Institutional Capitalisation Share Class (GBP)	29,961.327	–
K-Institutional Distribution Share Class (GBP)	5,353.834	9,610.133
K-B Capitalisation Share Class (GBP)	–	–
K-B Distribution Share Class (GBP)	–	371.787
K-Retail Distribution Share Class (GBP)	–	103.905
K-Z Capitalisation Share Class (GBP)	4,736.640	14,986.412
K-Z Distribution Share Class (GBP)	–	28,598.126
Z- Capitalisation Share Class (EUR)	129,951.189	601,705.622
Z- Distribution Share Class (EUR)	132,430.016	61,742.181
I-II Institutional Capitalisation Share Class (EUR)	–	2,036,017.540
I-II Institutional Distribution Share Class (EUR)	–	1,015,057.084

The accompanying notes form an integral part of these financial statements.

# Statement of changes in the number of shares outstanding for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
<b>Redemptions over the year</b>		
I Capitalisation Share Class (EUR)	731,327.551	1,970,896.589
I Distribution Share Class (EUR)	135,035.888	873,265.383
B Capitalisation Share Class (EUR)	3,135.263	2,332.526
B Distribution Share Class (EUR)	9,536.000	8,155.000
R Capitalisation Share Class (EUR)	18,611.103	8,811.269
R Distribution Share Class (EUR)	70,357.424	65,989.000
K–Institutional Capitalisation Share Class (GBP)	–	–
K–Institutional Distribution Share Class (GBP)	7,102.872	15,989.709
K–B Capitalisation Share Class (GBP)	–	21,624.914
K–B Distribution Share Class (GBP)	–	22,285.240
K–Retail Distribution Share Class (GBP)	–	16,329.735
K–Z Capitalisation Share Class (GBP)	6,521.263	–
K–Z Distribution Share Class (GBP)	2,738.144	–
Z– Capitalisation Share Class (EUR)	40,203.000	1,745.000
Z– Distribution Share Class (EUR)	62,992.415	69,175.677
I–II Institutional Capitalisation Share Class (EUR)	–	120,967.742
I–II Institutional Distribution Share Class (EUR)	–	–
<b>Number of Shares outstanding at the end of the year</b>		
I Capitalisation Share Class (EUR)	3,263,174.701	3,629,471.501
I Distribution Share Class (EUR)	1,608,646.391	1,568,362.374
B Capitalisation Share Class (EUR)	5,965.486	9,100.749
B Distribution Share Class (EUR)	50,954.040	55,787.040
R Capitalisation Share Class (EUR)	856,837.348	743,507.313
R Distribution Share Class (EUR)	643,184.790	603,689.298
K–Institutional Capitalisation Share Class (GBP)	29,961.327	–
K–Institutional Distribution Share Class (GBP)	443,278.913	445,027.951
K–B Capitalisation Share Class (GBP)	–	–
K–B Distribution Share Class (GBP)	–	–
K–Retail Distribution Share Class (GBP)	–	–
K–Z Capitalisation Share Class (GBP)	35,272.012	37,056.635
K–Z Distribution Share Class (GBP)	135,106.587	137,844.731
Z– Capitalisation Share Class (EUR)	774,661.694	684,913.505
Z– Distribution Share Class (EUR)	1,115,901.702	1,046,464.101
I–II Institutional Capitalisation Share Class (EUR)	1,915,049.798	1,915,049.798
I–II Institutional Distribution Share Class (EUR)	1,015,057.084	1,015,057.084

The accompanying notes form an integral part of these financial statements.



## Statistics

(amounts in EUR)	December 31, 2018	December 31, 2017	December 31, 2016
<b>Total net asset value at the end of the year</b>			
I Capitalisation Share Class (EUR)	128,341,413	136,676,802	197,871,313
I Distribution Share Class (EUR)	46,473,554	45,786,352	54,136,355
B Capitalisation Share Class (EUR)	219,038	322,112	403,858
B Distribution Share Class (EUR)	1,452,162	1,605,790	1,393,645
R Capitalisation Share Class (EUR)	31,384,250	26,251,540	20,621,870
R Distribution Share Class (EUR)	18,345,252	17,396,067	16,248,988
K–Institutional Capitalisation Share Class (GBP)	909,413	–	–
K–Institutional Distribution Share Class (GBP)	11,185,196	11,359,409	12,161,689
K–B Capitalisation Share Class (GBP)	–	–	695,672
K–B Distribution Share Class (GBP)	–	–	607,768
K–Retail Distribution Share Class (GBP)	–	–	434,338
K–Z Capitalisation Share Class (GBP)	985,205	995,459	609,146
K–Z Distribution Share Class (GBP)	3,289,955	3,395,351	2,839,382
Z– Capitalisation Share Class (EUR)	23,481,893	19,917,437	2,453,175
Z– Distribution Share Class (EUR)	29,598,201	28,039,378	28,724,365
I–II Institutional Capitalisation Share Class (EUR)	50,317,067	48,104,169	–
I–II Institutional Distribution Share Class (EUR)	25,509,911	25,497,338	–
	<u>371,492,510</u>	<u>365,347,204</u>	<u>339,201,564</u>

The accompanying notes form an integral part of these financial statements.

## Statistics

(amounts in EUR)	December 31, 2018	December 31, 2017	December 31, 2016
<b>Net asset value per share at the end of the year</b>			
I Capitalisation Share Class (EUR)	39.33	37.66	37.32
I Distribution Share Class (EUR)	28.89	29.19	29.70
B Capitalisation Share Class (EUR)	36.72	35.39	35.32
B Distribution Share Class (EUR)	28.50	28.78	29.31
R Capitalisation Share Class (EUR)	36.63	35.31	35.24
R Distribution Share Class (EUR)	28.52	28.82	29.34
K-Institutional Capitalisation Share Class (EUR)	30.35	–	–
K-Institutional Capitalisation Share Class (GBP)	(GBP27.42)	–	–
K-Institutional Distribution Share Class (EUR)	25.23	25.53	26.94
K-Institutional Distribution Share Class (GBP)	(GBP22.65)	(GBP22.66)	(GBP23.00)
K-B Capitalisation Share Class (EUR)	–	–	32.17
K-B Capitalisation Share Class (GBP)	–	–	(GBP27.46)
K-B Distribution Share Class (EUR)	–	–	27.73
K-B Distribution Share Class (GBP)	–	–	(GBP23.67)
K-Retail Distribution Share Class (EUR)	–	–	26.77
K-Retail Distribution Share Class (GBP)	–	–	(GBP22.85)
K-Z Capitalisation Share Class (EUR)	27.93	26.86	27.60
K-Z Capitalisation Share Class (GBP)	(GBP25.07)	(GBP23.84)	(GBP23.56)
K-Z Distribution Share Class (EUR)	24.35	24.63	25.99
K-Z Distribution Share Class (GBP)	(GBP21.86)	(GBP21.86)	(GBP22.19)
Z- Capitalisation Share Class (EUR)	30.31	29.08	28.88
Z- Distribution Share Class (EUR)	26.52	26.79	27.26
I-II Institutional Capitalisation Share Class (EUR)	26.27	25.12	–
I-II Institutional Distribution Share Class (EUR)	25.13	25.12	–

The accompanying notes form an integral part of these financial statements

# Notes to the financial statements

---

## 1. General

Triodos Microfinance Fund is a sub-fund of Triodos SICAV II.

Triodos SICAV II (the "SICAV") has been incorporated under the laws of the Grand Duchy of Luxembourg as a "société d'investissement à capital variable" (SICAV) under the form of a "société anonyme" on April 10, 2006 for an unlimited period. Triodos SICAV II is governed by Part II of the Luxembourg Law of December 17, 2010, as amended from time to time. The SICAV is an alternative investment fund ("AIF") subject to the requirements of the Directive 2011/61/EU of June 8, 2011 on Alternative Investment Fund Manager's Directive ("AIFMD") as implemented in Luxembourg through the law of July 12, 2013 on alternative investment fund managers (the "Law of 2013").

The Registered Office of the SICAV is established at 11/13, Boulevard de la Foire, L-1528 Luxembourg.

The Articles have been deposited with the Chancery of the District Court of Luxembourg on April 27, 2006 and published in the Mémorial C, Recueil des Sociétés et Associations (the "Mémorial"). The SICAV has been registered with the Companies Register of the District Court of Luxembourg under number B 115.771. The Articles were last amended at the extraordinary general meeting of shareholders held on September 5, 2018 and published in the Recueil des Sociétés et Associations ("RESA") which replaced the "Mémorial".

The SICAV is structured as an umbrella fund, which provides both institutional and retail investors with a variety of sub-funds, each of which relates to a separate portfolio of assets permitted by law and managed within specific investment objectives.

As at December 31, 2018, the SICAV has three sub-funds: Triodos Renewables Europe Fund, Triodos Microfinance Fund and Triodos Organic Growth Fund.

**Triodos Microfinance Fund, to which this annual report relates, does not constitute a separate legal entity, but there are two other sub-funds which together with Triodos Microfinance Fund form a single entity (Triodos SICAV II). The annual report of Triodos SICAV II, which has been fully prepared in accordance with the laws and regulations applicable for investment funds in Luxembourg, includes also the statement of investments of Triodos Microfinance Fund. This annual report is available at the registered office of the SICAV.**

The overall objective of the sub-fund is to offer investors a financially and socially sound investment in the microfinance sector mainly through investments in microfinance institutions (MFIs). The sub-fund has the prospect of an attractive financial return combined with the opportunity for investors to make a pro-active, measurable and sustainable contribution to the development of the microfinance sector into an inclusive financial sector in which the majority of people have access to financial services.

The first subscription period ended on February 27, 2009 and the first net asset value was calculated on March 31, 2009.

Shares may be subscribed once a month, on the Business Day preceding the Valuation Date. The sub-fund is semi open-ended, i.e. shares may be redeemed in principle once a month subject to a notice period. However, the SICAV is entitled to (temporarily) stop trading and thus the execution of the redemption applications received, if trading is not possible, in accordance with the stipulations of the Prospectus.

The sub-fund may offer Shares of the following Classes:

- Euro-denominated Class “R” Shares Capitalisation
  - Euro-denominated Class “R” Shares Distribution
  - Euro-denominated Class “Z” Shares Capitalisation
  - Euro-denominated Class “Z” Shares Distribution
  - Euro-denominated Class “B” Shares Capitalisation
  - Euro-denominated Class “B” Shares Distribution
  - Euro-denominated Class “I” Shares Capitalisation
  - Euro-denominated Class “I” Shares Distribution
  - Euro-denominated Class “I-II” Shares Capitalisation
  - Euro-denominated Class “I-II” Shares Distribution
  - British Pound-denominated Class “K-Z” Shares Capitalisation
  - British Pound-denominated Class “K-Z” Shares Distribution
  - British Pound-denominated Class “K-Institutional” Shares Capitalisation
  - British Pound-denominated Class “K-Institutional” Shares Distribution
  - Euro-denominated Class “P” Shares Capitalisation (not yet launched as at December 31, 2018)
- Class “R” Shares is open to certain retail investors, dependent on their country of residence.
  - Class “Z” Shares is open to certain retail investors, dependent on their country of residence.
  - Class “B” Shares is open to clients of private banks and other investors, who do not have access to Class “I” Shares or to Class “R” Shares.
  - Class “I” Shares is restricted to Institutional Investors.
  - Class “I-II” Shares is restricted to Institutional Investors that invest an initial subscription amount larger than EUR 25 million.
  - Class “K-Retail” Shares was offered to certain retail investors resident in the United Kingdom. Following the implementation of the Retail Distribution Review, no new “K-Retail” Shares have been or will be issued after December 31, 2012. This Class of Shares is hedged towards the Euro.
  - Class “K-Z” Shares is open to certain retail investors who are resident in the United Kingdom. This Class of Shares is hedged towards the Euro.
  - Class “K-B” Shares was offered to investors, who do not have access to Class “K-Institutional” Shares or to Class “K-Retail” Shares and who are resident in the United Kingdom. Following the implementation of the Retail Distribution Review, no new “K-B” Shares have been or will be issued after December 31, 2012. This class of Shares is hedged towards the Euro.
  - Class “K-Institutional” Shares is open to Institutional Investors, which are resident in the United Kingdom. This class is hedged towards the Euro.
  - Class “P” Shares (when launched) is open to entities of Triodos Group. Class “P” Shares gives the right, in accordance with the Articles, to propose to the general meeting of Shareholders a list containing the names of candidates for the position of director of the SICAV out of which a majority of the Directors must be appointed.

For the Classes of Shares which are of the Capitalisation type, there are no distributions of dividends. Income earned in these Classes of Shares is reinvested.

For the Classes of Shares which are of the Distribution type, there are distributions of dividends.

Initially, Shares are issued in registered form. At a later stage, Shares may also be issued in bearer form.

The financial year end of the SICAV is end of December each year.

Triodos SICAV II, including its sub-funds, is supervised by the Luxembourg supervisory authority, the Commission de Surveillance du Secteur Financier (CSSF).

Triodos SICAV II, including its sub-funds, is also registered with the Dutch Supervisory authorities, the Autoriteit Financiële Markten (AFM).

## 2. Summary of significant accounting principles

Investments are valued as follows:

- a) The valuation of private equity investments (such as equity, subordinated debt and other types of mezzanine finance) are based on the International Private Equity and Venture Capital Valuation Guidelines, as published from time to time by the European Venture Capital Association (EVCA), and is conducted with prudence and in good faith.  
In the sub-fund, the subordinated debt investments are valued on the basis of the cost value less repayments and adjustments for any impairment.  
In the sub-fund, the private equity investments are valued based on the application of an earnings multiple valuation methodology.
- b) Investments in securities are accounted for on a trade date basis. Net realised profit/(loss) on sale of investments in securities are based on the average cost basis. The net realised profit/(loss) and change in net unrealised appreciation/(depreciation) on investments are recorded in the Statement of Operations and Changes in Net Assets.

Other assets are valued according to the following rules:

- c) Senior debt instruments, invested in/granted to companies not listed or dealt in on any stock exchange or any other Regulated Market, are valued at fair market value, deemed to be the nominal value, increased by any interest accrued thereon; such value is adjusted, if appropriate, to reflect the appraisal of the Advisor of the sub-fund on the creditworthiness of the relevant debtor. The Board of Directors uses its best endeavors to continually assess this method of valuation and recommend changes, where necessary, to ensure that debt instruments are valued at their fair value as determined in good faith by the Board of Directors.

The senior debt instruments held by the sub-fund are valued on the basis of the cost value less repayments and adjustments for any impairment.

- d) The value of money market instruments not listed on any stock exchange or dealt in on any other Regulated Market and with a remaining maturity of less than 12 months is deemed to be the nominal value thereof, increased by any interest accrued thereon.
- e) The value of securities which are admitted to official listing on any stock exchange is based on the latest available price or, if appropriate, on the average price on the stock exchange which is normally the principal market of such securities, and each security dealt on any other Regulated Market is based on the last available price. In the event that this price is, in the opinion of the Board of Directors, not representative of the fair market value of such securities, for example in the case of illiquid securities and/or stale prices, the directors value the securities at fair market value according to their best judgment and information available to them at that time.

- f) Units or shares of open-end UCIs are valued at their last official net asset values, as reported or provided by such UCI or their agents, or at their last unofficial net asset values (i.e. estimates of net asset values) if more recent than their last official net asset values, provided that due diligence has been carried out by the relevant Advisor, in accordance with instructions and under the overall control and responsibility of the Board of Directors, as to the reliability of such unofficial net asset values.
- g) The liquidating value of futures, forward foreign exchange contracts or options contracts not admitted to official listing on any stock exchange or dealt on any other Regulated Market means their net liquidating value determined, pursuant to the policies established prudently and in good faith by the Board of Directors, on a basis consistently applied for each different variety of contracts.
- h) The value of any cash at hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends declared and interest accrued, and not yet received are deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof is determined after making such discounts as the Board of Directors may consider appropriate to reflect the true value thereof.
- i) Swap contracts, as far as credit swaps are concerned, are valued at fair market values as determined prudently and in good faith by the Board of Directors. Cross-currency interest rate swaps are valued on the basis of the prices provided by the counterparty.
- j) All other securities and assets are valued at fair market value as determined in good faith pursuant to procedures established by the Board of Directors.
- k) Placements in foreign currency are quoted in euros with due observance of the currency exchange rates most recently known.
- l) Realised and unrealised changes in the value of investments are incorporated in the profit and loss account.
- m) The principle for determination of profit is based on the attribution of income and expenses to the relevant year. The income from payments of profit on equity participations is accounted for in the year in which they are made payable. Prepaid costs and costs still to be paid are taken into account in determining the expenses.
- n) Other assets and liabilities are recorded at nominal value after deduction of any provision in respect of anticipated non-recovery.
- o) The costs of investments expressed in currencies other than EUR are translated into EUR at the exchange rate prevailing at purchase date.
- p) Interest income is accrued pursuant to the terms of the underlying investment. Income is recorded net of respective withholding taxes, if any.
- q) Gain and losses arising from un-matured forward foreign exchange contracts are determined on the basis of the applicable forward exchange rates at the valuation date and are booked in the profit and loss accounts.
- r) Dividend income is recognised on cash basis, net of any withholding taxes.
- s) Equity investments of Triodos SICAV II are excluded from consolidation due to exemptions by temporary holding, size and time window (section XVI of the modified law of 10 August 1915).

### 3. Taxation

According to the law in force and current practice, the SICAV, including the sub-fund, is not subject to any Luxembourg tax on income and capital gains nor are dividends paid by the SICAV subject to any Luxembourg withholding tax.

However, each of the SICAV's sub-funds is subject to a subscription tax (taxe d'abonnement) at an annual rate of 0.05% p.a. Such rate may be decreased to 0.01% p.a. for certain sub-funds or Classes of Shares, which are restricted to Institutional Investors as specified in the relevant sub-fund Particulars. This tax is calculated and payable quarterly on the basis of the Net Asset Value of each sub-fund at the end of each quarter. This tax is not due on that portion of the SICAV's assets invested in other Luxembourg UCIs.

Since January 1, 2010, microfinance funds are no longer subject to any subscription tax. Thus subscription tax is no longer applicable for the sub-fund TRIODOS SICAV II – Triodos Microfinance Fund.

In addition, the issue of Shares in the SICAV is not subject to any registration duties or other taxes in Luxembourg.

### 4. Administrative and depositary fees

The Depositary and Paying Agent, the Administrative Agent, the Domiciliary and Corporate Agent and the Registrar and Transfer Agent are entitled to receive fees in accordance with usual practice in Luxembourg and payable quarterly.

The administrative and depositary fees comprise the following:

(amounts in EUR)	December 31, 2018	December 31, 2017
Investment compliance fee	2,818	–
Domiciliary agency fee	3,252	(565)
Administrative fee	57,101	54,322
Transfer agency fee	53,287	65,331
Depositary fee	190,576	203,096
<b>Total</b>	<b><u>307,034</u></b>	<b><u>322,184</u></b>

### 5. Investment management, distribution and service fees

For the services it provides, the Alternative Investment Fund Manager is entitled to an annual fee payable quarterly and calculated as described in the sub-funds' Particulars.

The sub-fund pays for the provision of investment management services and supporting services an annual fee of 1.60% for Class "I-II" Shares, 1.75% for Class "I" Shares, Class "K-Institutional" Shares and Class "P" Shares (when launched), an annual fee of 2.50% for Class "R" Shares, Class "B" Shares, Class "K-Retail" Shares and Class "K-B" Shares and an annual fee of 1.95% for Class "Z" Shares and Class "K-Z" Shares, calculated on the relevant Class, net assets, accrued monthly and payable quarterly.



The costs for marketing and distribution activities related to retail investors and attributable to Class “R” Shares, Class “B” Shares, Class “K-Retail” Shares and Class “K-B” Shares will only be borne by Class “R” Shares, Class “B” Shares, Class “K-Retail” Shares and Class “K-B” Shares and will be part of the management fee. The costs for marketing activities incurred by the AIFM related to retail investors and attributable to Class “Z” Shares and Class “K-Z” Shares will only be borne by Class “Z” Shares and Class “K-Z” Shares and may amount to maximum 0.20% (on an annual basis) of the relevant Share Class, net assets.

## 6. Other income

The other income comprises the following:

(amounts in EUR)	December 31, 2018	December 31, 2017
Administrative fee income on loans granted by the Fund	473,569	572,988
<b>Total</b>	<b><u>473,569</u></b>	<b><u>572,988</u></b>

## 7. Other expenses

The other expenses comprise the following:

(amounts in EUR)	December 31, 2018	December 31, 2017
Supervisory fee	2,667	2,000
Remuneration of the Board of Directors	15,037	13,460
Legal fees	60,732	59,314
Consulting fees	71,941	20,456
Bank fees	8,615	5,002
Portfolio transaction costs	7,424	47,280
Other expenses	81,828	63,364
<b>Total</b>	<b><u>248,244</u></b>	<b><u>210,876</u></b>

## 8. Accounts payable and accrued expenses

As at December 31, 2018, the accounts payable and accrued expenses mainly include the following expenses: administrative fees, audit fees, depositary fees, domiciliary agency fees, legal fees and transfer agency fees.

## 9. Forward foreign exchange contracts

As at December 31, 2018, outstanding forward foreign exchange contracts are composed of:

Maturity Date		Purchase		Sale		Unrealised gain/ (loss) in EUR
02/01/2019	EUR	990,714	CNY	7,957,148	EUR	(31,792)
09/01/2019	EUR	7,634,903	USD	9,000,000	EUR	(225,323)
09/01/2019	GBP	14,297,441	EUR	15,996,689	EUR	(85,410)
16/01/2019	EUR	6,942,031	USD	8,125,000	EUR	(149,946)
23/01/2019	EUR	402,733	INR	35,000,000	EUR	(35,124)
23/01/2019	EUR	5,356,447	USD	6,346,153	EUR	(179,856)
25/01/2019	EUR	1,605,301	INR	150,000,000	EUR	(271,358)
13/02/2019	EUR	9,913,856	USD	11,244,295	EUR	123,191
15/02/2019	EUR	11,343,425	USD	12,896,113	EUR	116,297
20/02/2019	EUR	1,119,991	USD	1,287,392	EUR	(378)
06/03/2019	EUR	1,118,936	USD	1,283,334	EUR	3,432
13/03/2019	EUR	8,356,005	USD	9,616,361	EUR	2,029
27/03/2019	EUR	163,058	USD	187,500	EUR	481
03/04/2019	EUR	1,053,879	USD	1,216,307	EUR	(709)
08/04/2019	EUR	1,316,400	USD	1,500,000	EUR	16,541
10/04/2019	EUR	13,887,934	USD	16,201,696	EUR	(152,678)
17/04/2019	EUR	1,525,093	USD	1,749,998	EUR	9,666
15/05/2019	EUR	2,451,108	USD	2,804,252	EUR	28,667
22/05/2019	EUR	1,423,016	USD	1,651,785	EUR	(3,272)
05/06/2019	EUR	10,360,375	USD	12,500,000	EUR	(426,052)
12/06/2019	EUR	2,177,321	USD	2,500,000	EUR	24,161
19/06/2019	EUR	9,870,511	USD	11,427,885	EUR	26,763
19/06/2019	USD	312,500	EUR	270,504	EUR	(1,312)
26/06/2019	EUR	970,413	USD	1,125,000	EUR	2,589
03/07/2019	EUR	3,244,506	USD	3,750,000	EUR	18,860
05/07/2019	EUR	1,277,815	USD	1,500,000	EUR	(12,557)
14/08/2019	EUR	1,411,017	USD	1,630,951	EUR	13,245
21/08/2019	EUR	8,049,824	USD	9,411,631	EUR	(13,255)
11/09/2019	EUR	12,062,914	USD	14,016,667	EUR	78,155
18/09/2019	EUR	4,306,447	USD	5,000,000	EUR	33,942
25/09/2019	EUR	320,869	USD	375,000	EUR	770
08/10/2019	EUR	210,491	USD	250,000	EUR	(2,868)
16/10/2019	EUR	71,533	USD	83,336	EUR	535
23/10/2019	EUR	2,103,272	USD	2,494,193	EUR	(22,564)
06/11/2019	EUR	6,372,133	USD	7,500,000	EUR	(11,288)
07/11/2019	EUR	1,724,470	USD	2,100,000	EUR	(64,399)
13/11/2019	EUR	2,122,151	USD	2,500,000	EUR	(4,428)
20/11/2019	EUR	352,958	USD	416,667	EUR	(1,281)
25/11/2019	EUR	2,825,012	INR	250,000,000	EUR	(126,989)

Unrealised gain/  
(loss) in EUR

Maturity Date		Purchase		Sale		Unrealised gain/ (loss) in EUR
30/01/2020	EUR	1,861,642	INR	166,000,000	EUR	(74,466)
22/04/2020	EUR	2,099,605	USD	2,500,000	EUR	3,122
04/05/2020	EUR	1,723,650	IDR	38,000,000,000	EUR	(378,875)
04/05/2020	EUR	4,617,226	INR	400,000,000	EUR	48,847
15/06/2020	EUR	969,528	INR	100,000,000	EUR	(182,268)
01/07/2020	EUR	483,864	IDR	10,000,000,000	EUR	(58,848)
06/07/2020	EUR	1,251,739	USD	1,500,000	EUR	704
03/08/2020	EUR	1,496,392	CNY	12,928,080	EUR	(64,206)
05/08/2020	EUR	1,430,936	CNY	12,928,080	EUR	(133,167)
31/08/2020	EUR	2,352,659	INR	220,000,000	EUR	(122,510)
28/09/2020	EUR	2,067,382	INR	195,000,000	EUR	(117,210)
08/10/2020	EUR	1,055,089	INR	99,200,000	EUR	(53,742)
15/12/2020	EUR	933,380	INR	100,000,000	EUR	(188,395)
21/12/2020	EUR	582,819	INR	62,500,000	EUR	(117,676)
20/01/2021	EUR	379,717	USD	494,315	EUR	(28,145)
20/01/2021	USD	494,315	EUR	367,767	EUR	38,385
16/03/2021	EUR	5,616,272	INR	555,000,000	EUR	(430,857)
15/06/2021	EUR	901,149	INR	100,000,000	EUR	(186,744)
21/06/2021	EUR	562,711	INR	62,500,000	EUR	(116,509)
24/09/2021	EUR	1,384,658	INR	150,000,000	EUR	(207,764)
21/12/2021	EUR	545,178	INR	62,500,000	EUR	(113,465)
21/06/2022	EUR	527,723	INR	62,500,000	EUR	(112,925)
21/12/2022	EUR	512,946	INR	62,500,000	EUR	(110,280)
21/06/2023	EUR	499,492	INR	62,500,000	EUR	(106,711)
23/08/2023	EUR	2,284,322	USD	3,000,000	EUR	(42,983)
01/07/2021	EUR	235,967	KGS	27,525,320	EUR	(35,628)
01/04/2019	EUR	343,840	TJS	4,134,850	EUR	(26,400)
15/12/2021	EUR	209,846	UGX	1,382,672,640	EUR	(18,809)
15/06/2021	EUR	161,098	UGX	1,077,967,992	EUR	(27,208)
12/07/2021	EUR	2,245,849	GEL	8,547,700	EUR	31,772
01/06/2020	EUR	281,246	TJS	4,410,000	EUR	(54,427)
15/06/2021	EUR	159,368	UGX	999,557,096	EUR	(15,167)
01/11/2019	EUR	833,037	XOF	573,962,375	EUR	(13,525)
02/11/2020	EUR	308,833	GHS	2,500,000	EUR	(4,704)
15/01/2021	EUR	449,286	XOF	327,978,500	EUR	(11,658)
01/10/2021	EUR	314,173	KZT	199,500,000	EUR	(15,122)
04/05/2021	EUR	423,592	KGS	46,493,460	EUR	(43,428)
03/02/2020	EUR	414,586	TZS	1,416,600,000	EUR	(68,609)
06/03/2020	EUR	1,031,731	GEL	3,555,552	EUR	(3,665)
01/04/2021	EUR	363,101	KGS	41,059,500	EUR	(53,676)
15/12/2021	EUR	211,818	UGX	1,491,137,280	EUR	(34,881)
31/05/2019	EUR	191,686	IDR	3,333,333,333	EUR	(2,676)
15/06/2020	EUR	78,384	TZS	260,693,961	EUR	(8,157)

Maturity Date		Purchase		Sale		Unrealised gain/ (loss) in EUR
29/05/2020	EUR	176,381	IDR	3,333,333,333	EUR	(3,176)
15/06/2020	EUR	56,337	UGX	313,515,790	EUR	(5,271)
01/07/2019	EUR	1,174,565	KZT	467,653,000	EUR	159,437
01/10/2020	EUR	611,337	IDR	12,500,000,000	EUR	(43,030)
15/06/2021	EUR	103,005	UGX	628,843,810	EUR	(6,779)
01/08/2019	EUR	724,553	COP	2,764,893,750	EUR	502
01/04/2019	EUR	428,071	KGS	53,854,500	EUR	(232,281)
15/12/2021	EUR	69,896	TZS	260,643,731	EUR	(7,822)
15/11/2020	EUR	662,397	KGS	73,236,870	EUR	(111,347)
01/09/2021	EUR	864,166	KZT	550,560,000	EUR	(56,135)
15/06/2021	EUR	126,998	TZS	454,906,288	EUR	(14,851)
01/02/2022	EUR	342,157	TZS	1,416,600,000	EUR	(75,697)
01/04/2019	EUR	207,852	TJS	2,499,525	EUR	(15,959)
01/07/2020	EUR	271,864	IDR	5,000,000,000	EUR	4,664
01/02/2019	EUR	746,663	COP	2,764,893,750	EUR	6,249
03/02/2020	EUR	226,751	COP	893,400,000	EUR	(1,505)
01/02/2021	EUR	374,532	TZS	1,416,600,000	EUR	(82,048)
01/08/2021	EUR	357,733	TZS	1,416,600,000	EUR	(79,132)
30/03/2020	EUR	641,156	KZT	304,254,000	EUR	29,604
01/04/2020	EUR	606,976	GHS	4,420,000	EUR	(12,192)
15/12/2021	EUR	136,154	UGX	869,870,400	EUR	(7,666)
03/08/2020	EUR	219,347	COP	893,400,000	EUR	(2,923)
15/06/2021	EUR	186,111	UGX	1,148,679,999	EUR	(14,440)
01/10/2021	EUR	854,976	KZT	542,910,000	EUR	(41,152)
15/06/2020	EUR	88,030	UGX	498,338,264	EUR	(9,905)
15/12/2021	EUR	69,091	TZS	260,693,961	EUR	(8,649)
05/01/2021	EUR	447,133	TJS	7,248,600	EUR	(59,412)
15/06/2021	EUR	1,272,119	GTQ	13,300,000	EUR	(51,068)
01/04/2020	EUR	178,238	TJS	2,499,525	EUR	(16,551)
15/06/2020	EUR	100,418	UGX	572,684,841	EUR	(12,131)
03/02/2020	EUR	451,978	COP	1,871,493,750	EUR	(26,261)
03/08/2020	EUR	437,691	COP	1,871,493,750	EUR	(28,039)
22/06/2021	EUR	2,377,676	UAH	127,375,872	EUR	8,539
15/03/2021	EUR	1,232,761	PEN	5,720,750	EUR	(95,873)
27/08/2021	EUR	842,623	KGS	91,087,500	EUR	(42,651)
15/06/2021	EUR	125,518	TZS	454,993,954	EUR	(16,369)
01/04/2019	EUR	94,783	TJS	1,250,000	EUR	(17,164)
15/06/2020	EUR	79,103	TZS	260,643,731	EUR	(7,418)
10/12/2021	EUR	580,938	KZT	371,800,000	EUR	(14,631)
01/09/2021	EUR	986,842	ZAR	22,500,000	EUR	(123,093)
15/06/2020	EUR	90,744	UGX	537,430,728	EUR	(14,895)
28/05/2021	EUR	162,921	IDR	3,333,333,333	EUR	(2,249)
03/07/2020	EUR	2,241,717	KZT	1,134,264,000	EUR	27,913

Maturity Date		Purchase		Sale		Unrealised gain/ (loss) in EUR
01/02/2019	EUR	153,075	TJS	2,010,940	EUR	(31,052)
01/10/2020	EUR	683,990	XOF	492,473,125	EUR	(16,177)
03/08/2020	EUR	393,779	TZS	1,416,600,000	EUR	(73,637)
15/12/2021	EUR	242,996	UGX	1,588,952,160	EUR	(19,757)
<b>Total</b>						<b><u>(5,849,651)</u></b>

The counterparties linked to the forward foreign exchange contracts are:

- RBC Investor Services Bank S.A.
- Triodos Bank NV
- MFX Solutions LLC
- Cooperatieve Rabobank U.A.
- ING Bank NV

## 10. Swap contracts

As at December 31, 2018, outstanding cross currency interest rate swap contracts are composed of:

Description	Maturity Date		Notional	Counterparty	Notional in currency	Unrealised gain/(loss) in EUR
CIRS MFX USD/MMK	15/08/2020	USD	1,500,000	MMK	2,038,500,000	122,194
CIRS MFX USD/MMK	22/06/2020	USD	1,125,000	MMK	2,047,500,000	93,803
CIRS MFX EUR/USD	01/01/2021	EUR	730,727	USD	1,000,000	(163,130)
CIRS MFX USD/MMK	24/03/2020	USD	562,500	MMK	1,021,500,000	37,829
CIRS MFX USD/MMK	10/08/2020	USD	1,000,000	MMK	1,363,000,000	67,343
<b>Total</b>						<b><u>158,039</u></b>

The counterparty linked to the above is MFX Solutions LLC.

## 11. Dividend distributions

During the year ended December 31, 2018 the following dividends were paid by the sub-fund

Class: "I-II" Distribution Share Class (EUR)

Ex-date: May 31, 2018

Payment date: June 11, 2018

Dividend per share: EUR 1.12\*\*

Class: "Z" Distribution Share Class (EUR)

Ex-date: May 31, 2018

Payment date: June 11, 2018

Dividend per share: EUR 1.38\*\*

Class: "K-Z" Distribution Share Class (GBP) \*

Ex-date: May 31, 2018

Payment date: June 11, 2018

Dividend per share: EUR 1.29\*\* (GBP 1.13)

Class: "K-Institutional" Distribution Share Class (GBP) \*

Ex-date: May 31, 2018

Payment date: June 11, 2018

Dividend per share: EUR 1.39\*\* (GBP 1.22)

Class: "R" Distribution Share Class (EUR)

Ex-date: May 31, 2018

Payment date: June 11, 2018

Dividend per share: EUR 1.35\*\*

Class: "I" Distribution Share Class (EUR)

Ex-date: May 31, 2018

Payment date: June 11, 2018

Dividend per share: EUR 1.57\*\*

Class: "B" Distribution Share Class (EUR)

Ex-date: May 31, 2018

Payment date: June 11, 2018

Dividend per share: EUR 1.34\*\*

\* Payment of distribution is made in GBP, equivalent to the EUR amount at the exchange rate as of Ex-dividend date.

\*\* In relation with the European directive 2003/48/EC of June 3, 2003, on taxation of savings income in the form of the interests payments (the "Saving Directive") as transposed into Luxembourg law, the Board of Directors decided that the interest payments do not fall in the scope of this directive.

## 12. Off-balance sheet commitments

The sub-fund has committed itself to four investments for a total of approximately EUR 0.8 million.

### 13. Ongoing charges cost ratios

	Ongoing charges December 31, 2018	Ongoing charges December 31, 2017
B Capitalisation Share Class (EUR)	2.60%	2.59%
B Distribution Share Class (EUR)	2.61%	2.63%
I Capitalisation Share Class (EUR)	1.92%	1.91%
I Distribution Share Class (EUR)	1.93%	1.91%
K-Institutional Capitalisation Share Class (GBP)*	1.93%	n.a.
K-Institutional Distribution Share Class (GBP)	1.93%	1.92%
K-Z Capitalisation Share Class (GBP)	2.12%	2.17%
R Capitalisation Share Class (EUR)	2.59%	2.65%
R Distribution Share Class (EUR)	2.61%	2.63%
K-Z Distribution Share Class (GBP)	2.13%	2.14%
Z- Capitalisation Share Class (EUR)	2.12%	2.14%
Z- Distribution Share Class (EUR)	2.13%	2.11%
I-II Institutional Capitalisation Share Class (EUR)	1.77%	1.76%
I-II Institutional Distribution Share Class (EUR)	1.78%	1.76%

\* This share class was reactivated in 2018. Ongoing charges 2018 is based on best estimate

### 14. Exchange rate

The exchange rates used as at December 31, 2018, are:

EUR = BDT 95.909892

EUR = BOB 7.899156

EUR = CNY 7.848502

EUR = COP 3,711.525974

EUR = DOP 57.140358

EUR = GBP 0.897574

EUR = GEL 3.063645

EUR = GHS 5.555718

EUR = GTQ 8.844556

EUR = HNL 27.822669

EUR = IDR 16,438.740293

EUR = INR 79.806618

EUR = JOD 0.811179

EUR = KGS 79.851215

EUR = KHR 4,572.600000

EUR = KZT 435.651677

EUR = MMK 1,761.402157

EUR = NGN 415.539804

EUR = NIO 36.958068

EUR = PEN 3.862137

EUR = TJS 10.775082

EUR = TND 3.420823

EUR = TZS 2,627.931034

EUR = UAH 31.677612

EUR = UGX 4,249.628253

EUR = USD 1.143150

EUR = XOF 655.851979

EUR = ZAR 16.444179

## 15. Transaction costs

The following table presents the transaction costs related to the portfolio of investments over 2018:

(amounts in EUR)	2018
Triodos Microfinance Fund	5,394

## 16. Leverage

The leverage effect is determined by the AIFMD as being any method by which the AIFM increases the exposure of the sub-fund, whether through borrowing of cash or securities leverage embedded in derivative positions, or by any other means. The leverage creates risks for the sub-fund.

The leverage is calculated on a frequent basis and shall not exceed such thresholds as further described in the sub-funds Particulars in the prospectus of Triodos SICAV II, using both the "gross method" and the "commitment method" in accordance with European regulations. The gross method gives the overall exposure of the sub-fund, whereas the commitment method gives insight in the hedging and netting techniques used by the AIFM.

The leverage ratio calculated by means of the commitment method for Triodos Microfinance Fund is 101.95%.

## 17. Other information: Belgian Savings Tax

In scope of Belgian Savings Tax	Yes
Method used to determine the status	Asset testing
Asset test ratio	76.50%
Valid from	01 May 2018
Valid until	30 April 2019



# Audit report

---

To the Shareholders of Triodos Microfinance Fund (a sub-fund of Triodos SICAV II)

## Our opinion

In our opinion, the accompanying Financial Information of Triodos Microfinance Fund (the “Sub-fund”), which is a sub-fund of Triodos SICAV II (the “Fund”), as of and for the year ended 31 December 2018 is prepared, in all material respects, in accordance with the accounting policies described in Note 2 of the Financial Information.

## What we have audited

The Sub-fund’s Financial Information comprises:

- the statement of net assets as at 31 December 2018;
- the statement of operations for the year ended at 31 December 2018;
- the statement of changes in net assets for the year ended at 31 December 2018;
- the cash flow statement for the year ended at 31 December 2018;
- the statement of changes in the numbers of shares outstanding for the year ended at 31 December 2018; and
- the summary of significant accounting policies and other explanatory notes to these statements (the “Financial Information”).

## Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the Financial Information” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the Financial Information. We have fulfilled our other ethical responsibilities under those ethical requirements.

## Emphasis of Matter - Basis of accounting

We draw attention to Note 2 of the Financial Information which describes the basis of accounting. The Financial Information is prepared at sub-fund level. As a result, the Financial Information may not be suitable for another purpose. This report, including the opinion, has been prepared for and only for the Shareholders in accordance with the terms of our engagement letter and is not suitable for any other purpose. We do not accept any responsibility to any other party to whom it may be distributed. Our opinion is not modified in respect of this matter.

## Other matter

The Fund has prepared a separate set of financial statements for the financial year ended 31 December 2018 in accordance with Luxembourg legal and regulatory requirements, on which we issued a separate auditor’s report to the Shareholders of the Fund dated 9 April 2019.

## Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report but does not include the Financial Information and our audit report thereon.

Our opinion on the Financial Information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors of the Fund for the Financial Information

The Board of Directors is responsible for the preparation of this Financial Information in accordance with the accounting policies described in Note 2 of the Financial Information, for determining that the basis of preparation is appropriate in the circumstance, and for such internal control as the Board of Directors determines is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

In preparing the Financial Information, the Board of Directors of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Sub-fund or to cease operations, or has no realistic alternative but to do so.

### Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the Financial Information

The objectives of our audit are to obtain reasonable assurance about whether the Financial Information as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Information.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may

cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers, Société coopérative

Luxembourg, 9 April 2019

Represented by

Valérie Arnold

PricewaterhouseCoopers, Société coopérative  
2 rue Gerhard Mercator, B.P. 1443  
L-1014 Luxembourg  
T: +352 494848 1  
F: +352 494848 2900  
[www.pwc.lu](http://www.pwc.lu)

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518

## Appendix: microfinance institutions and banks in the portfolio

Company	Country
<b>Africa &amp; Middle East</b>	
Advans Ghana	Ghana
Advans Cote d'Ivoire	Ivory Coast
MicroCred Ivory Coast	Ivory Coast
Vitas Jordan	Jordan
Al Majmoua	Lebanon
Fortis Microfinance Bank	Nigeria
MicroCred Senegal	Senegal
Small Enterprise Foundation	South Africa
BRAC Tanzania	Tanzania
National Microfinance Bank	Tanzania
Enda	Tunisia
BRAC Uganda	Uganda
M-KOPA Solar	Sub-Saharan Africa
<b>East Asia &amp; Pacific</b>	
ACLEDA Bank	Cambodia
AMRET	Cambodia
Angkor Microfinance Kampuchea (AMK)	Cambodia
PRASAC Microfinance Institution	Cambodia
Grassland Finance	China
MicroCred China	China
Bina Artha Ventura	Indonesia
MBK	Indonesia
Khan Bank	Mongolia
XacBank	Mongolia
Acleda MFI Myanmar	Myanmar
Dawn Microfinance	Myanmar
LOLC Myanmar Microfinance	Myanmar
Sathapana Myanmar	Myanmar
<b>Eastern Europe &amp; Central Asia</b>	
AzerCredit	Azerbaijan
Belarusky Narodny Bank	Belarus
Prizma Mikro	Bosnia and Herzegovina
Credo	Georgia
Arnur Credit	Kazakhstan

Company	Country
Asian Credit Fund	Kazakhstan
KazMicroFinance	Kazakhstan
Bai Tushum	Kyrgyzstan
Finca Kyrgyzstan	Kyrgyzstan
Kompanion	Kyrgyzstan
Salym Finance	Kyrgyzstan
Microinvest	Republic of Moldova
Opportunity Bank Serbia	Serbia
Arvand	Tajikistan
IMON	Tajikistan
Bank Lviv	Ukraine
Megabank	Ukraine
Hamkorbank	Uzbekistan
Ipak Yuli Bank	Uzbekistan
<b>Latin America</b>	
Bancosol	Bolivia
Crezcamos	Colombia
Grupo Factoring de Occidente	Colombia
Banco Improsa	Costa Rica
Banco Promerica Costa Rica	Costa Rica
Financiera Desyfin	Costa Rica
Banco Ademi	Dominican Republic
Banco Internacional	Ecuador
Banco Pichincha	Ecuador
Banco Solidario	Ecuador
Fedecredito	El Salvador
Optima	El Salvador
Génesis Empresarial	Guatemala
Banrural	Honduras
GF Mega	Mexico
Banpro Grupo America	Nicaragua
FAMA	Nicaragua
FDL	Nicaragua
Fundeser	Nicaragua
Capital Bank	Panama
Promerica Financial Corporation	Panama

<b>Company</b>	<b>Country</b>
Banco Continental	Paraguay
Banco Itapúa	Paraguay
Acceso Crediticio	Peru
CMAC Sullana	Peru
CRAC Raíz	Peru
Credinka	Peru
ProEmpresa	Peru
<b>South Asia</b>	
Aavishkaar Venture Management Services	India
Annapurna Microfinance Pvt. Ltd.	India
Aye Finance	India
Capital Float	India
Fusion Microfinance	India
Grameen Koota	India
India Financial Inclusion Fund (IFIF)	India
Intellegrow	India
Janalakshmi Financial Services	India
NeoGrowth	India
Samunnati	India
Shubham Housing Development Finance	India
Sonata Finance	India
Varthana	India
Kashf Foundation	Pakistan
SAFCO Support Foundation	Pakistan
Alliance Finance	Sri Lanka
LOLC Micro Credit	Sri Lanka
VisionFund Lanka	Sri Lanka
<b>Worldwide</b>	
Access Microfinance Holding	
Accion Frontier Inclusion Fund	
Accion Quona Inclusion Fund	
FINCA Microfinance Holding	

# Management and administration

---

## Registered office

11-13, Boulevard de la Foire  
L-1528 Luxembourg  
Grand-Duchy of Luxembourg

## Board of Directors

### G.R. Pieters

Chair

Independent, Partner of the Directors' Office Luxembourg

Garry Pieters is an ILA (Institut Luxembourgeois des Administrateurs)-certified director. He is Money Laundering Reporting Officer (MLRO) of Triodos SICAV II and oversees the handling of complaints. Garry Pieters is a Board Member of several other Luxembourg investment entities, including Sustainability Finance Real Economies fund (SFRE, initiated by the Global Alliance for Banking on Values). He is also a Conducting Officer for the Luxembourg entity of Nikko Asset Management. He has over 30 years of experience in the field of finance, in particular with ING Group NV. He was fund manager for a number of ING Group's Luxembourg money market and fixed income funds and was Chief Executive Officer of NN Investment Partners Luxembourg SA and of its Singapore joint venture, as well as Executive Vice President of its Korean joint venture. He is also Chair of the Board of Triodos SICAV I. As at December 31, 2018, Garry Pieters did not hold any shares in Triodos Microfinance Fund.

### M.D. Bachner

Independent, Founder Bachner Legal

Monique Bachner is lawyer and an ILA-certified director. She started her legal career in London, at Freshfields Bruckhaus Deringer, and later moved to Debevoise & Plimpton. She currently has her own law firm, Bachner Legal. Monique Bachner focuses her practice on corporate and funds law, as well as on corporate governance advisory services for Board of Directors. She has served as Member of the Board of several investment funds and charitable institutions and non-profit organisations, including

the Board of ILA (the Luxembourg Institute of Directors). Monique Bachner is also a Member of the Board of Triodos SICAV I. As at December 31, 2018, Monique Bachner did not hold any shares in Triodos Microfinance Fund.

### M.H.G.E. van Golstein Brouwers

Managing Director at Triodos Investment Management

Marilou van Golstein Brouwers is Managing Director at Triodos Investment Management and Triodos Investment Advisory & Services BV. In addition, she is a Member of the Board of Triodos SICAV I, Stichting Triodos Sustainable Trade Fund, Stichting Hivos-Triodos Fund and Stichting Triodos Renewable Energy for Development Fund. Marilou van Golstein Brouwers is also a Member of the Board of Global Impact Investing Network (GIIN) and Chair of the Supervisory Board of B Corps Europe, one of the 'We-Fi's Leadership Champions, the Women Entrepreneurs Finance Initiative housed in the World Bank' and Chair of the Supervisory Board of Qredits. As at December 31, 2018, Marilou van Golstein Brouwers did not hold any shares in Triodos Microfinance Fund.

### C. Molitor

Independent, Partner of Innpact

Since October 2016, after a career of more than 20 years in the Luxembourg financial sector, Corinne Molitor is a director of Innpact, a private company dedicated to consulting and management support services for innovative and sustainable impact finance initiatives. Corinne Molitor is furthermore actively involved in impact investing through a number of activities: she is a co-founder of European Impact Investing Luxembourg (EIIL), she co-chairs the ALFI Responsible Investing Committee and is the Chairperson of ADA Asbl, an NGO specialised in microfinance and inclusive finance. Corinne Molitor is also a Member of the Board of Triodos SICAV I. As at December 31, 2018, Corinne Molitor did not hold any shares in Triodos Microfinance Fund.

### **J.C. Smakman**

Director Retail Banking Triodos Bank NV

Jeroen Smakman is director Retail Banking for Triodos Bank NV at its head office, and in that role responsible for the strategy, support and coordination of all retail activities within Triodos Bank and its branches. He has a long-standing experience in the financial sector. Jeroen Smakman previously worked at ING Group NV in product management, marketing and HR. He has held several management positions in the Netherlands, Italy, Canada and the Czech Republic. As at December 31, 2018, Jeroen Smakman did not hold any shares in Triodos Microfinance Fund.

### **Alternative Investment Fund Manager**

Triodos Investment Management BV

Registered office:  
Nieuweroordweg 1  
3704 EC Zeist  
The Netherlands  
Postal address:  
P.O. Box 55  
3700 AB Zeist  
The Netherlands

Triodos Investment Management is the alternative investment fund manager of Triodos SICAV II. The Management Board of Triodos Investment Management has the following members:

### **J.J. Minnaar**

Jacco Minnaar is Chair of the Management Board (as of January 1, 2019) of Triodos Investment Management and Triodos Investment Advisory & Services BV. In addition, he is a Member of the Board of Stichting Hivos-Triodos Fund. As at December 31, 2018, Jacco Minnaar did not hold any shares in Triodos Microfinance Fund.

### **K. Bosscher**

Kor Bosscher is Director Risk and Finance (as of March 1, 2018) at Triodos Investment Management and Triodos Investment Advisory & Services BV. As at December 31, 2018, Kor Bosscher did not hold any shares in Triodos Microfinance Fund.

### **M.H.G.E. van Golstein Brouwers**

Marilou van Golstein Brouwers is Managing Director at Triodos Investment Management and Triodos Investment Advisory & Services BV. In addition, she is a Member of the Board of Triodos SICAV I, Triodos SICAV II, Stichting Triodos Sustainable Trade Fund, Stichting Hivos-Triodos Fund and Stichting Triodos Renewable Energy for Development Fund. Marilou van Golstein Brouwers is also a Member of the Board of Global Impact Investing Network (GIIN) and Chair of the Supervisory Board of B Corps Europe, one of the 'We-Fi's Leadership Champions, the Women Entrepreneurs Finance Initiative housed in the World Bank' and Chair of the Supervisory Board of Qredits. As at December 31, 2018, Marilou van Golstein Brouwers did not hold any shares in Triodos Microfinance Fund.

### **D.J. van Ommeren**

Dick van Ommeren is Managing Director at Triodos Investment Management and Triodos Investment Advisory & Services BV. He is a Member of the Board of Triodos SICAV I and a Member of the Board of the Dutch Fund and Asset Management Association (DUFAS). As at December 31, 2018, Dick van Ommeren did not hold any shares in Triodos Microfinance Fund.

Fund Manager

### **F. Bos**

Femke Bos has been fund manager of Triodos Microfinance Fund since the fund's inception in 2009. With over 15 years of investment management experience in the financial inclusion sector, she cultivates a wealth of knowledge and expertise. Femke Bos has served on the Board of Directors of several microfinance institutions and banks. She currently is a Board member with ACLEDA Bank

in Cambodia and Dawn Microfinance in Myanmar. Prior to joining Triodos Bank in 2002 she held several management positions with ABN AMRO Bank in the Netherlands. Femke Bos holds a Master of Law degree from the University of Amsterdam. As at December 31, 2018, Femke Bos did not hold any shares in Triodos Microfinance Fund.

### Distributor

Triodos Investment Management BV  
Registered office:  
Nieuweoordweg 1  
3704 EC Zeist  
The Netherlands  
Postal address:  
P.O. Box 55  
3700 AB Zeist  
The Netherlands

### Depositary, Custodian, Paying Agent, Domiciliary, Corporate and Administrative Agent, Registrar and Transfer Agent

RBC Investor Services Bank SA  
14, Porte de France  
L-4360 Esch-sur-Alzette  
Grand Duchy of Luxembourg

### Auditor

PricewaterhouseCoopers, Société coopérative  
2, rue Gerhard Mercator  
L-2182 Luxembourg  
Grand Duchy of Luxembourg

### Legal Advisor in Luxembourg

Arendt & Medernach SA  
41A, Avenue John F. Kennedy  
L-2082 Luxembourg  
Grand Duchy of Luxembourg

Rated by:



The Luxembourg Fund Labelling Agency (LuxFLAG) is an independent, non-profit association. The Agency, founded in 2006, aims to promote the raising of capital for Responsible Investment sectors by awarding a recognisable label to investment funds. Its objective is to reassure investors that the applicant investment fund invests, directly or indirectly, in the responsible investment sector. The applicant fund may be domiciled in any jurisdiction that is subject to a level of national supervision equivalent to that available in European Union countries.



## Colophon

Triodos SICAV II - Triodos Microfinance Fund annual report 2018

### **Published**

April 2019

### **Photography**

Photos in this annual report have been provided by microfinance institutions in which Triodos Microfinance Fund invests.

### **Design**

Michael Nash Associates, London, United Kingdom

### **Layout**

Via Bertha, Utrecht, The Netherlands

### **Contact**

If you have comments or questions about this report, please contact Triodos Investment Management.

This document can be downloaded from: [www.triodos-im.com](http://www.triodos-im.com).

**Triodos**  **Investment Management**

