Investment Outlook 2024 webinar

Questions and answers
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**Question:** How are the Triodos IM funds positioned for this post-growth world?

**Answer:** We discuss the necessary transformation of the financial sector in chapter 6 of our Long-term Outlook. Many of the principles that we think individual investors need to be part of a transition to a post-growth world are already implemented at Triodos IM. We are long-term investors, investing actively in the real economy, for the long-term. We do so based on our impact vision, which outlines what changes we think will help society thrive. Apart from the largely ethical motivation for our selection of investments, the financial benefit is that if a post-growth transition does occur, Triodos funds are positioned in the sectors that need to be built-up, rather than phased out. Two examples of such sectors are renewable energy and sustainable food production.

**Question:** In Germany, projects designed to modernise the economy and fight climate change are at risk of losing government funding because excessive borrowing would be unconstitutional. What is your take on using debt to fund projects that would help find climate change?

**Answer:** It’s vitally important to invest in economic transformation towards more sustainable systems. This requires financing flows from both public and private sources. Not enough private capital flows in the right direction yet; (government) policies and regulation of the financial sector in such a way that makes private capital flow towards long-term value creation in the real economy could help a lot here. We discuss the necessary transformation of the financial sector in chapter 6 of our Long-term Outlook. We also describe how high leverage (of sovereigns, but also of companies) raises the growth imperative which in turn undermines a true sustainability transformation. It is therefore critical that governments do not commit to paying back excessive levels of debt. There is really only one viable way beyond the improved mobilisation of private funds in which governments can raise the necessary investment without becoming growth-dependent themselves. We need to shift and increase taxes to mobilise the resources needed for investment, for example from polluting or wealthy companies and individuals (see chapter 5 of our Long-term Outlook). There are other ways to deal with spiraling (government) debts in a post-growth world, such as inflation, haircuts and/or defaults. While the latter are not advisable, history has shown that (temporary) higher inflation can be a good way to deflate debt and, in that way have a ‘fresh start’.
Questions and answers

1. What are the long-term steps/strategies for funding pension and retirement plans in a post-growth world?
The strategies for funding pension and retirement plans in a post-growth world are largely analogous to the changes required in the financial sector (see chapter 6 of our Long-term Outlook). Currently, most pension money passively tracks market indices, maintaining the current business as usual at the cost of urgent sustainability transitions. This ultimately undermines a prosperous retirement; financial returns might be high in the short to medium term, but ultimately our planet becomes less livable. Instead, pension savings should be invested in the real economy, based on a vision of what society needs to thrive in the long run. Our impact vision offers such a perspective. In addition to that, instead of investing in financial assets for their return, another strategy would be to invest in real assets for their services: instead of investing in real estate for rents, pension funds could invest in housing for elderly people; instead of investing in health care for financial return, they could invest in care for children.

2. What we're all grappling with is how do investors make any money in a post-growth, high interest rate, higher inflation world - what are your answers to this?
Achieving financial return in a post-growth transition becomes harder but is surely possible for those investors who dare to choose (see chapter 6 of our Long-term Outlook). It is about directing your investment towards long-term value creation in the real economy. We should realise, however, that given its extreme size compared to the real economy, any transformation from the financial sector will require investors to share in the losses.

3. The Fed and the ECB moved from quantitative easing to quantitative tightening (raising rates and minor reductions in total money supply).
Nevertheless, the Fed’s reverse repo facility (RRP) is being drained (from a top of 2.5 trillion USD). What happens when the RRP runs dry and how will a possible return to QE impact the investment power of Triodos?
The RRP running dry would bring us back to a situation of more conventional monetary policy. On the other hand, if, as we expect, central banks turn to rate cuts over the course of next year, the end of QT and perhaps even further QE are a possibility. In general, we believe QE boosts asset prices. For the purely financial return of our investment funds, QE would therefore probably be a positive. However, for sustainability transitions to accelerate, central banks need to green their monetary operations. This might be done through tilting central bank’s asset and collateral portfolios towards sustainable investments as an example.