

Press release

Research shows: Triodos IM funds improve risk-return characteristics of portfolios

Zeist, 18 December 2019 – Including Triodos IM Impact Alternatives in a well-diversified investment portfolio adds value in terms of risk and return for different types of investors. This is the main conclusion of Ortec Finance in its research study 'The investment rationale of adding Impact Alternatives to a broader portfolio'.

Adding value

The research, based on Markowitz' Modern Portfolio Theory, analyses what effect Triodos IM funds have on the risk-return characteristics of a well-diversified investment portfolio. The analysis focuses on the added value of three individual investment funds, managed by Triodos IM, as well as a combination of the funds for asset-only investors, such as family offices, and investors with predefined liabilities, such as pension funds, on their balance sheet.

Ortec investigated the following funds:

1. Triodos Microfinance Fund
2. Triodos Renewables Europe Fund
3. Triodos Groenfonds,

Based on historical data of the three funds provided by Triodos IM, Ortec has diligently tested the behaviour of the funds in many different scenarios. The main conclusion is that the funds can add value to a well-diversified portfolio. There are two main reasons for this:

1. Historically, the funds have *favourable risk-return characteristics* compared to other standard possible investments.
2. Overall, the funds have shown a *relatively low correlation* with common risk drivers since their inception, yielding *high diversification benefits*.

In comparison

Compared to equity and fixed income products, the investigated Triodos IM funds have relatively steady returns with low volatility in the medium and longer term. All three funds have a favourable risk-return ratio (i.e. a high Sharpe ratio). In addition, the Triodos IM funds have a low or even negative correlation to important risk drivers. Both qualities – a high Sharpe ratio and low correlation to risk drivers - enhance the desirability of the funds in the optimisation of an investment portfolio. The Triodos IM funds add the most value for risk-averse to risk-neutral investors.

Contra cyclical

The study also includes an analysis of the macroeconomic conditions in which the Triodos IM funds tend to out- or underperform. Based on analysis of their behaviour in different scenarios, the Triodos IM funds deliver the largest positive contributions in times of financial stress. The contra cyclical behaviour of the Triodos IM funds generally mitigates decreased or negative returns in times of a financial crisis, for example during a crash on the stock markets. To a lesser extent, this contra cyclical behaviour also shows in other negative scenarios: prolonged low or even negative long interest rates and prolonged low inflation or even deflationary scenarios.

Heart and head

What the heart already knew, the head can now also be fully convinced of: adding Triodos IM impact funds to an investment portfolio adds value, not only in terms of real impact, but also in terms of financial return.

Triodos Investment Management

The full paper with the results of the Ortec Finance research study, can be downloaded via the [website](#) of Triodos Investment Management.

About Triodos Investment Management

Triodos Investment Management connects a broad range of investors who want to make their money work for lasting, positive change with innovative entrepreneurs and sustainable businesses doing just that. In doing so, we serve as a catalyst in sectors that are key in the transition to a world that is fairer, more sustainable and humane.

We have built up in-depth knowledge throughout our 25 years of impact investing in sectors such as Energy & Climate, Inclusive Finance and Sustainable Food & Agriculture. Besides the direct impact investments in these sectors, we also invest in listed companies with an above-average environmental, social and governance (ESG) performance. Assets under management as per end of June 2019: EUR 4.6 billion.

Triodos Investment Management is a globally active impact investor and a wholly-owned subsidiary of Triodos Bank NV.