

Triodos Vastgoedfonds

Quarterly Report Q3 2017

Objective

Triodos Vastgoedfonds was established in 2004 and is the first sustainable real estate fund in the Netherlands. The fund takes a broad view of sustainability, focusing on climate objectives and the social aspects of real estate, and aims to be a pioneer in the real estate world. Triodos Vastgoedfonds has been CO₂ neutral since 2014. The fund invests in properties that are let to various tenants and involves these tenants in the realisation of its objectives. The fund offers a combination of measurable impact and stable dividends.

Key figures as of 30-09-2017

Net assets

EUR 52.6 million

Total assets

EUR 73.1 million

Number of shares outstanding

16,515,754

Trading price

EUR 2.74

NAV per share

EUR 3.18

Dividend per 19-05-2017

EUR 0.20

Dividend yield 2016

6.7%

Ongoing charges (as per 30-06-2017)

4.82% (incl. 1.0% management fee)

Fund facts

Fund manager Guus Berkhout

Inception date 08-04-2004

Asset & property management

Cairn Real Estate

Management company

Triodos Investment Management BV

Currency EUR

Domicile The Netherlands

Fund structure

Investment company with variable capital

Legal form

Closed-end, limited liability company

ISIN code NL0000079333

Bloomberg code TRIOVGF:NA

Custodian

BNP Paribas Securities Services S.C.A.

Auditor

PwC Accountants NV

Headlines

- Stable occupancy rate
- Rental income in line with projections
- Higher management expenses due to issue costs
- Early redemption of loans led to non-recurrent penalty interest
- Modest uptrend in valuations of portfolio assets

Fund manager

In the first nine months of 2017, Triodos Vastgoedfonds realised a direct result of EUR 1.4 million in comparison to EUR 2.0 million in the same period in 2016. The lower direct result is mainly a result of less gross rental income (EUR 330,000) following to the sale of the office building in Nijmegen (December 2016) and the sale of the office building in Nieuwegein (June 2017), incidental higher (management) costs related to the fund's share issue (EUR 136,000) and penalty interest (EUR 330,000) for early redemption and revision of existing loans which are included in the funding charges. The indirect result of the fund improved with EUR 191.000 due to revaluations of the portfolio. The occupancy rate remained stable and rental income developed in line with expectations.

During the third quarter, following the private placement in June, the fund completed a public placement on 11 July 2017. This involved the issue of 2,759,620 new shares. The private and public placements resulted in the total inflow of EUR 22.7 million in new capital into the fund. The net assets of the fund have grown to EUR 52.6 million. The fund intends to use additional debt to expand the investment portfolio to EUR 100 million. As at 30 September 2017, the portfolio represents a value of EUR 63.1 million. Raising the rental income, amongst others by investing in new properties, is currently the highest priority. In current market with increasing demand and rising prices of quality assets, the fund approaches the market in a structured and disciplined way.

In order to immediately put the capital that was raised to work, the fund has repaid a number of loans. Furthermore, a number of loans have been refinanced at more advantageous terms. This has significantly reduced the funding charges. The average interest rate has fallen from 4.7% to 3.9%. The fund expects that after refinancing a EUR 3.8 million loan for which the fixed rate period ends on 1 January 2018, the average interest rate will fall further to less than 3.5%.



Guus Berkhout
Fund Manager

"Our biggest priority is to grow our portfolio with suitable assets."

The fund is discussing debt funding of new acquisitions with several banks. The average interest rate will fall further if the fund attracts such debt.

The new coalition agreement contains positive elements that will stimulate further sustainability enhancement of office buildings. In addition, the agreement introduces limitations for Fiscal Investment Institutions (FIIs), which possibly makes directly investing in real estate less attractive. As yet, few details are available about how the new government's plans are to be implemented. We are currently actively holding talks with various parties in order to obtain more information about the potential impact of these plans.

Outlook

The outlook for the real estate market remains favourable. Falling unemployment figures, particularly in sectors related to office real estate, contribute to the further decline of the vacancy rate. It seems likely that the office market outside the five big cities will also benefit.

The fund aims to offer investors stable dividends. Given the changes in capital and the portfolio, 2017 should be considered as a transition year in that respect. During this transition year, the composition of dividends may be different from previous years.

Review Q3 2017

Result

EUR x 1,000	YTD 2017	YTD 2016
Gross rental income	4,418	4,752
Net service charges	-152	-49
Property expenses	-661	-762
Net rental income	3,605	3,941
Management costs	-753	-595
EBIT	2,852	3,346
Funding charges	-1,386	-1,303
Direct result	1,466	2,043
Indirect result	128	-63
Net result	1,594	1,980

Per share (weighted avg. of outstanding shares)	YTD 2017	YTD 2016
Direct result	0.13	0.24
Indirect result	0.01	-0.008
Net result	0.14	0.24

Balance sheet

EUR x 1,000	30-09-2017	30-09-2016
Real estate assets	63,115	67,285
Net debt	18,652	35,864
Equity	52,580	29,280

Portfolio

EUR x 1,000	30-09-2017	30-09-2016
Number of properties	15	17
Value of investments (EUR x1000)	63,115	67,285
Annual contracted rent (EUR x1000)	5,163	6,515
Lettable area (sqm)	38,487	45,574
WAULT (in years)	4.2	3.8
Average rent/sqm (EUR/p.a.)	134	143

Financial results

Management costs

The management costs have risen, mainly because EUR 136,000 in issue costs was charged to the profit and loss account. The total issue costs amounted to EUR 539,000. EUR 403,000 in issue costs was charged to equity.

Funding charges

During the third quarter EUR 12.6 million in loans from Rabobank were repaid, as well as EUR 2.1 million in loans from Triodos Bank and Triodos Groenfonds. The penalty interest charged by Rabobank amounted to EUR 151,000. The remaining loans of the fund represent an amount of EUR 18.7 million and were provided by Triodos Bank and Triodos Groenfonds. As at 1 September the average rate of interest payable on these loans has been reduced from 4.7% to 3.9%. The average term of the debt portfolio has increased from 2.9 years to 5.9 years. The refinancing of the existing interest rate contracts taken out with Triodos Bank and Triodos Groenfonds involved the payment of a total amount of EUR 179,000 in penalty interest. The annual saving in interest charges on these loans amounts to EUR 190,000. The refinancing does not affect the existing collateral and terms and conditions of the loans. On 1 January 2018 one of the interest rate contracts in the current loan portfolio expires. This contract has a value of EUR 3.8 million. The manager expects that taking out a new interest rate contract for the relevant loan will further reduce the average interest rate for the loan portfolio to less than 3.5%.

Revaluation

During the third quarter of 2017 the value of the investment portfolios increased by EUR 490,000 to EUR 63.1 million (2016 H1: EUR 62.6 million). Property prices in the big cities and particularly in Amsterdam have risen.

Portfolio developments

Leases and occupancy rate

As at 30 September 2017 the occupancy rate for the properties owned by Triodos Vastgoedfonds was 91.1% (2017 year-end: 91.4%). The average term of the leases is 4.2 years (2017 H1: 4.4 years).

The tenant of the property at Bleaulaan in Utrecht has cancelled the lease. This concerns a relatively substantial lease contract, representing EUR 647,000 in annual rental income. The contract with this tenant expires in July 2019. The tenant has indicated that he wishes to surrender the contract per 1 November 2017. The fund believes that given the current uptrend of the real estate market, the chances of finding a new tenant are relatively good and has therefore agreed to the tenant's request. The payment of the surrender premium by the tenant will bring in EUR 800,000 in income. However, the occupancy rate as at the end of the year may register a temporary decline.

Acquisitions

Acquiring new buildings is currently the fund's highest priority. In the current market with limited offering and increasing prices, the fund practices a much-needed disciplined approach. For one specific building the fund has started due diligence and the expectation is that this will lead to a transaction before the end of the year.

Impact

The result of the GRESB (Global Real Estate Sustainability Benchmark) survey have been published in September. Through this survey the fund can compare sustainability results with other real estate companies in the market. For the sixth consecutive year, the fund received the qualification 'Green star', which means it is one of the best performing sustainable funds.

The properties in the fund's portfolio use over 30% less energy than average office investment portfolios in the Netherlands. The fund has been CO₂ neutral since 2014. Water consumption is almost 49% lower than for an average offices portfolio.

The fund recently invited all its tenants to its country estate in Baarn in order to discuss the contribution that the properties in the portfolio may make to the well-being of the users of the properties.

Portfolio per 30-09-2017

Sustainably built and managed

City	Address	Energy label
Amersfoort	Utrechtseweg	A
Boxtel	Boscheweg	B
Emmeloord	Platinaweg	A+
Groningen	Rostockweg	A+
Groningen	Stationsweg	A+
Utrecht	Blaeuilaan I en II	A+ and D
Velp	Kastanjehof 2	A++



Amersfoort, Utrechtseweg

Monuments, sustainably managed

City	Address	Energy label
Amsterdam	Herengracht	G
Arnhem	Willemsplein	G
Baarn	Kennedylaan	C and F
Den Haag	Prins Hendrikstraat	A
Rotterdam	Honingerdijk	G



Den Haag, Prins Hendrikstraat

Existing property, sustainably managed

City	Address	Energy label
Apeldoorn	Laan van Westenenk	A
Wageningen	Nieuwe Kanaal I	A
Wageningen	Nieuwe Kanaal II	A



Apeldoorn, Laan van Westenenk

Sustainably built and managed: GasTerra in Groningen

Triodos Vastgoedfonds owns this fully sustainably renovated office building. Gas trading company GasTerra rents the building since 2013 for a period of at least ten years, with the option to extend. The renovation has significantly reduced the building's energy use and was financed through the so-called Green Lease. This concept guarantees the tenant lower energy costs, while the rent will not be increased, as is usually the case after a renovation. The difference between the lower energy bill and the stable rent earns back the costs of the renovation.



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.

With our highly professional investment teams, we have built up in-depth knowledge throughout our 25 years of impact investing in sectors such as Energy & Climate, Inclusive Finance, Sustainable Food & Agriculture, Arts & Culture, and Sustainable Real Estate. We also invest in listed companies with an above average environmental, social and governance (ESG) performance. Assets under management as per end of June 2017: EUR 3.3 billion.

Triodos Investment Management is a globally active impact investor and consists of Triodos Investment Management BV and Triodos Investment & Advisory Services BV, both wholly-owned subsidiaries of Triodos Bank NV.

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