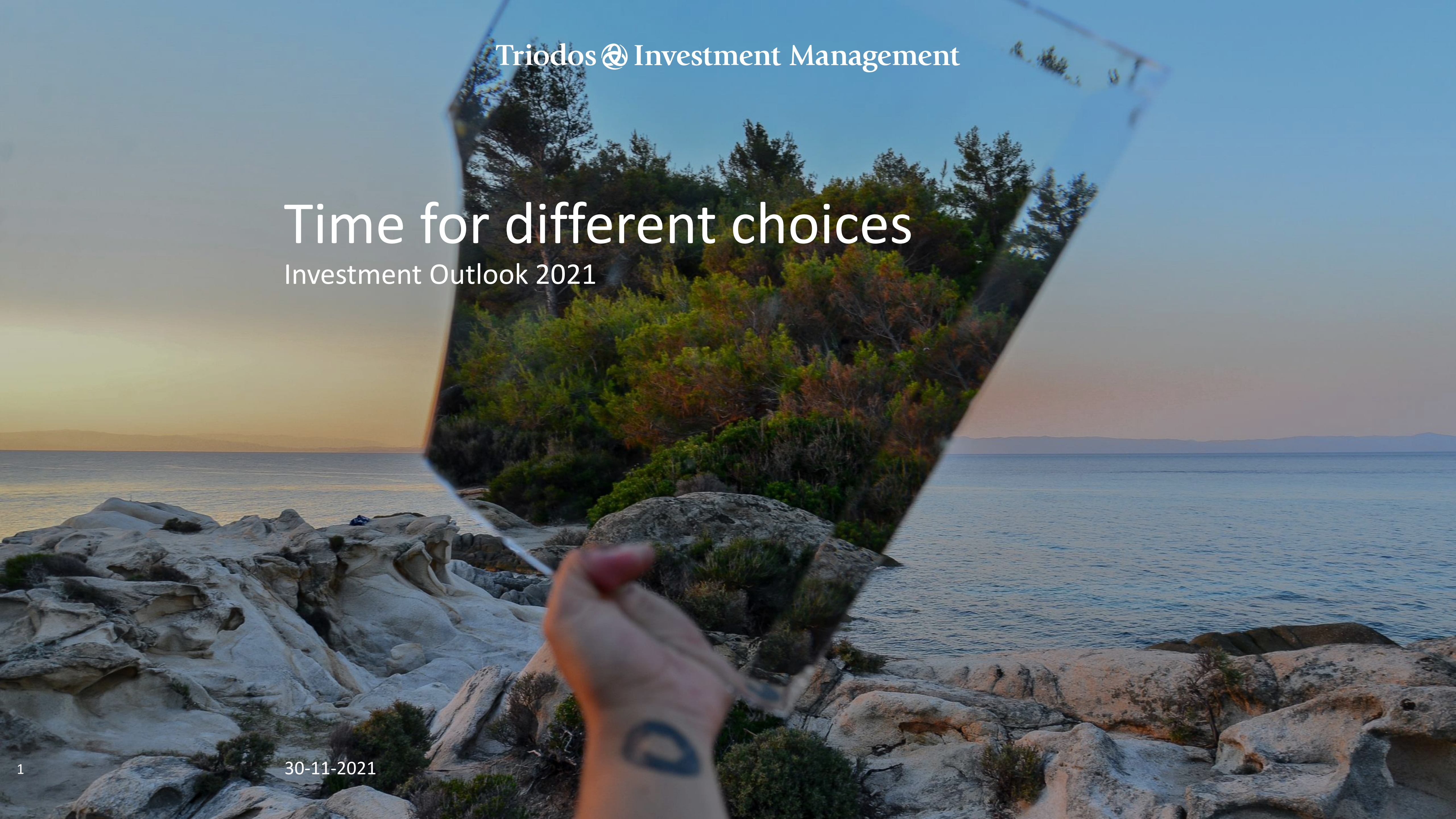

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Time for different choices

Investment Outlook 2021

30-11-2021

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Agenda

Developed Markets Outlook 2021

Joeri de Wilde

Emerging Markets Outlook 2021

Maritza Cabezas Ludena

Long-term returns, ecosystems and the avoidance of collapse

Hans Stegeman

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Developed markets outlook 2021

An uncertain recovery: divided US suits the global status quo

Joeri de Wilde

30 November 2020

23 november 2020

Hans Stegeman

Growth rebound with much uncertainty

Risks are determined by vaccination timelines

Bankruptcies, permanent job losses and sectoral divergence hamper growth prospects

Low inflation and high unemployment guarantee loose monetary stance

Biden's presidency reduces tensions, but divided US suits status quo

Growth projections 2020-2021

	GDP growth			Headline inflation		
	2019	2020	2021	2019	2020	2021
Global	**2.8**	**-4.1**	**4.9**	**3.6**	**3.2**	**2.8**
US	**2.2**	**-3.7**	**3.2**	**1.8**	**1.2**	**1.8**
Euro area	**1.3**	**-7.5**	**4.7**	**1.2**	**0.3**	**0.9**
Belgium	1.4	-8.1	5.1	1.2	0.6	1.2
Germany	0.6	-5.7	4.0	1.3	0.4	1.2
Netherlands	1.7	-5.2	3.6	2.7	1.2	1.4
Spain	2.0	-11.8	5.2	0.8	-0.4	0.7
UK	**1.5**	**-11.5**	**4.9**	**1.8**	**0.9**	**1.3**
China	**6.1**	**2.1**	**7.9**	**2.9**	**2.7**	**2.0**
Japan	**0.7**	**-5.6**	**2.9**	**0.5**	**-0.1**	**0.3**

Looming existential threats ask for immediate policy action

Green and inclusive policies can address both and short and longer-term challenges

Environmental

1. Extreme weather
2. Pandemics
3. Biodiversity loss

Social

1. Unemployment
2. Populism
3. Wage and Wealth inequality

(Geo) Political

1. Trade war
2. Brexit
3. Continuing political tensions within regions (US, eurozone)

Low-income households disproportionately impacted

Small-to-medium enterprises hurt through tightening credit conditions

Targeted green and inclusive policy choices will remain scarce

COVID-19 delays progress towards the SDGs by a further decade

Current global efforts insufficient to reach the Paris Agreement climate goals

Reset of our economic system necessity to address challenges of our time

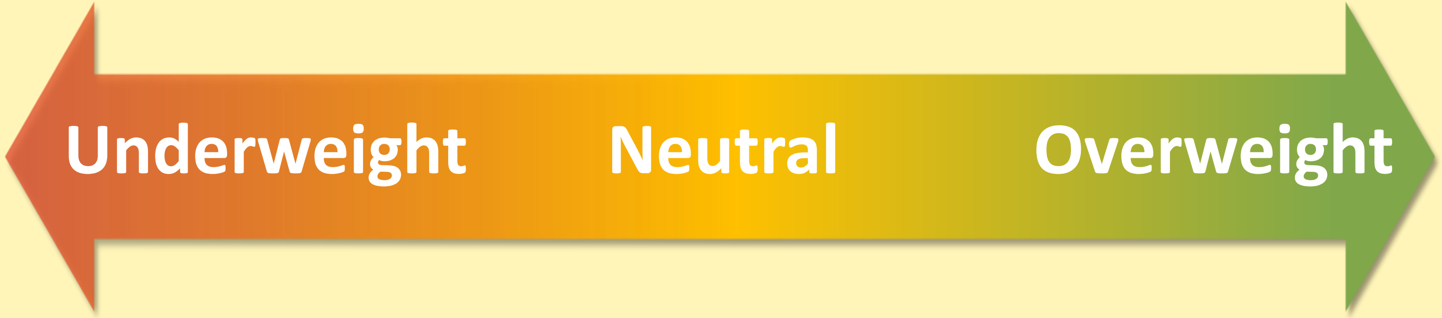
Cautious asset allocation

Financial markets are completely detached from the real economy

Monetary dominance will continue

Bond yields will likely remain near historic lows

Equity valuations are elevated, anticipated earnings recovery is unrealistic



Equities

Credit

Cash

Government bonds

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Emerging markets outlook 2021

Beyond the pandemic: Riding China's recovery wave

Maritza Cabezas

30 November 2020

Amazon Jungle - Ecuador

EMs near-term outlook 2021

Uneven recovery

The worst of the economic contraction is over

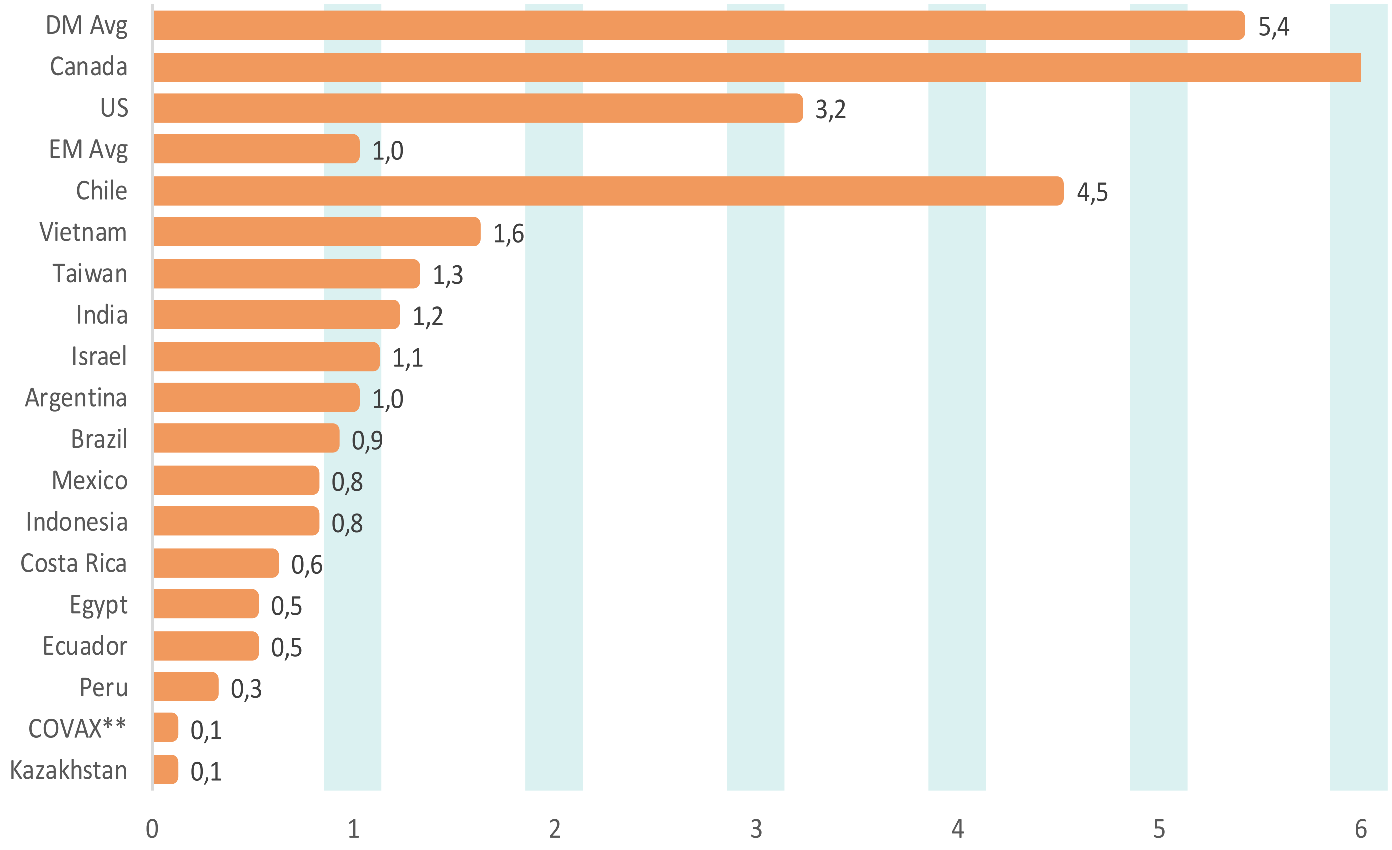
Recovery will depend on available funding and access to capital markets or concessional financing

Debt is on the rise

Vaccine availability will likely take longer for EMs

Poverty & inequality also on the rise

Advanced economies have bought the bulk of COVID-19 vaccine doses per person (most vaccines require two doses)



EM Avg. refers to middle income countries, lower-income countries are at the back of the line
COVAX is there to guarantee fair and equitable vaccines for every country in the world

Source: Duke University Global Health Innovation Center, November 2020

Poverty implications

Extreme poverty is larger in South Asia and sub-Saharan Africa

Impact is larger where levels of education are lower and where informal activities are larger

Cash transfers were successful in avoiding more people falling into extreme poverty

G-20 debt relief – low- income countries a partial solution

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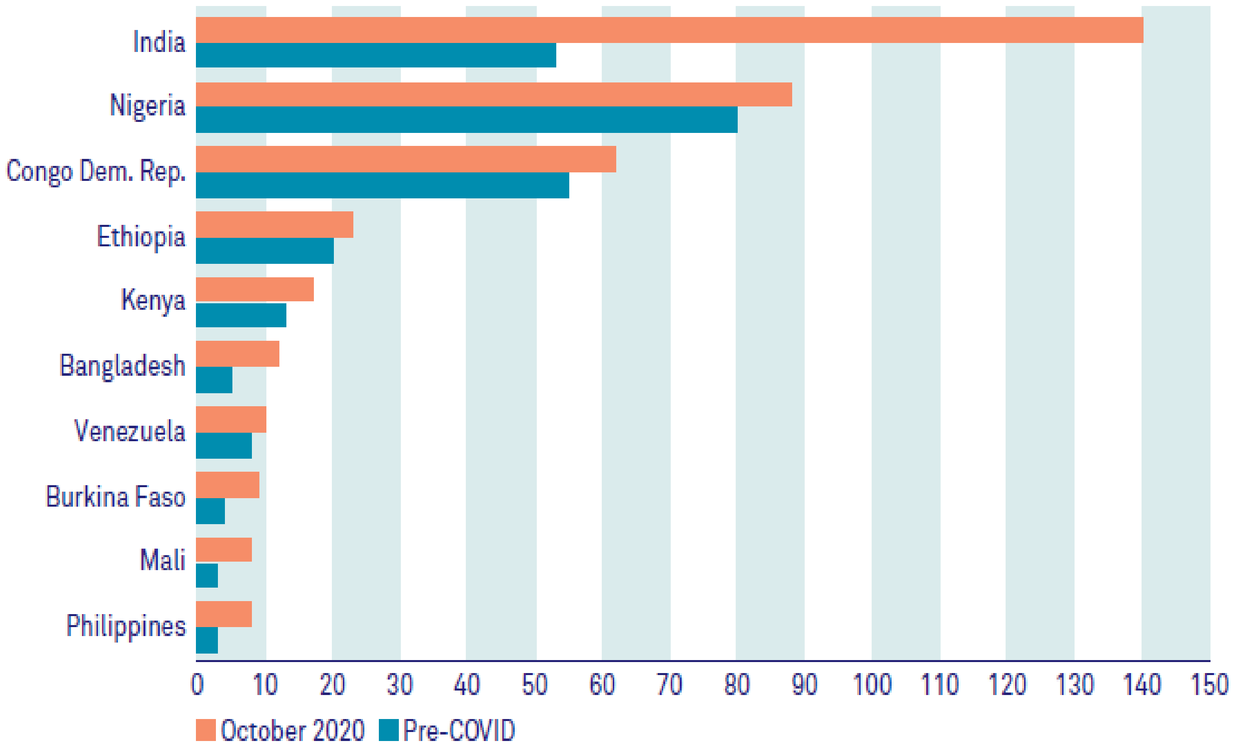
Countries with largest increase in poverty headcounts in millions , 2020



Source: IMF/World Bank, Brookings

China an impulse for Emerging Markets

China has strong trade and financial links with the rest of the world

Trade with other EMs is already making a difference in the recovery: Chile Brazil and Russia

Angola, Eritrea and Gambia export more than 50% to China (mainly commodities)

China is by far the largest investor in EMs. Largest bilateral creditor for Africa (Belt & Road Imitative)

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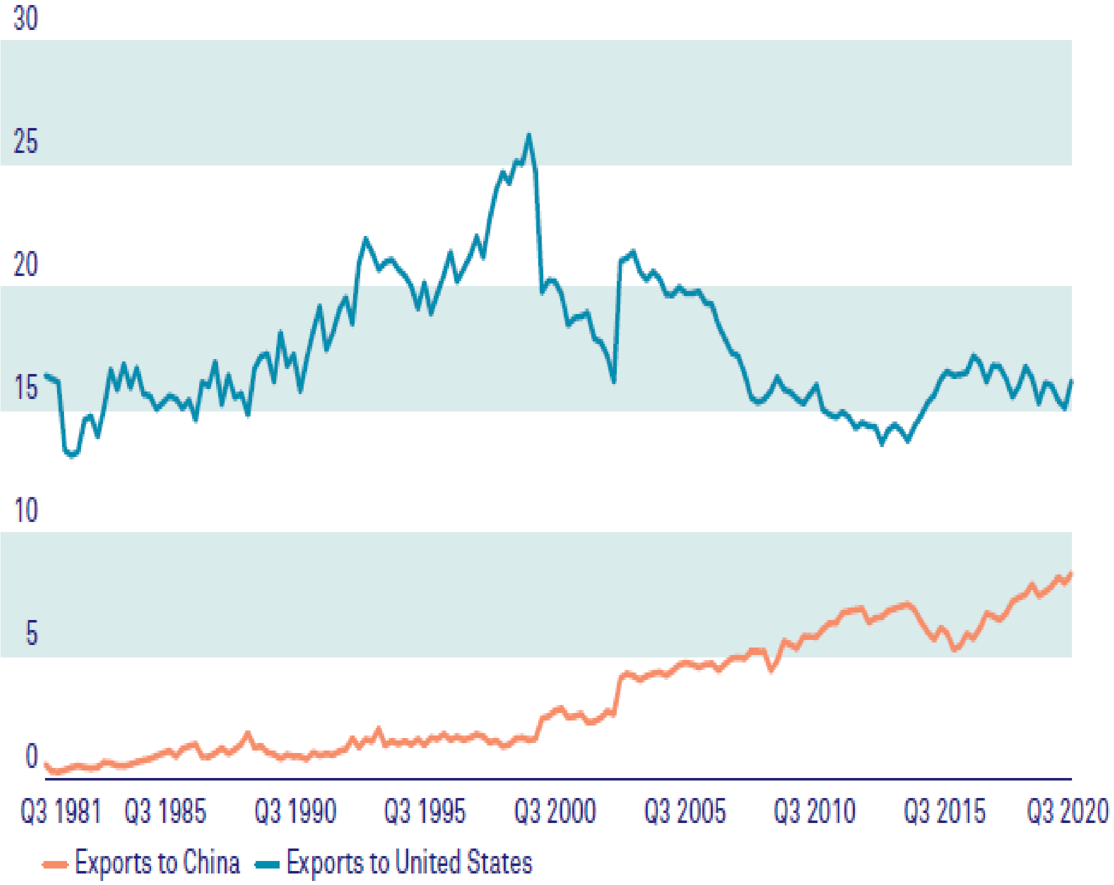
Share of developing country exports to the US and China in %



Source: Refinitiv

Long-term investment outlook

Positive change

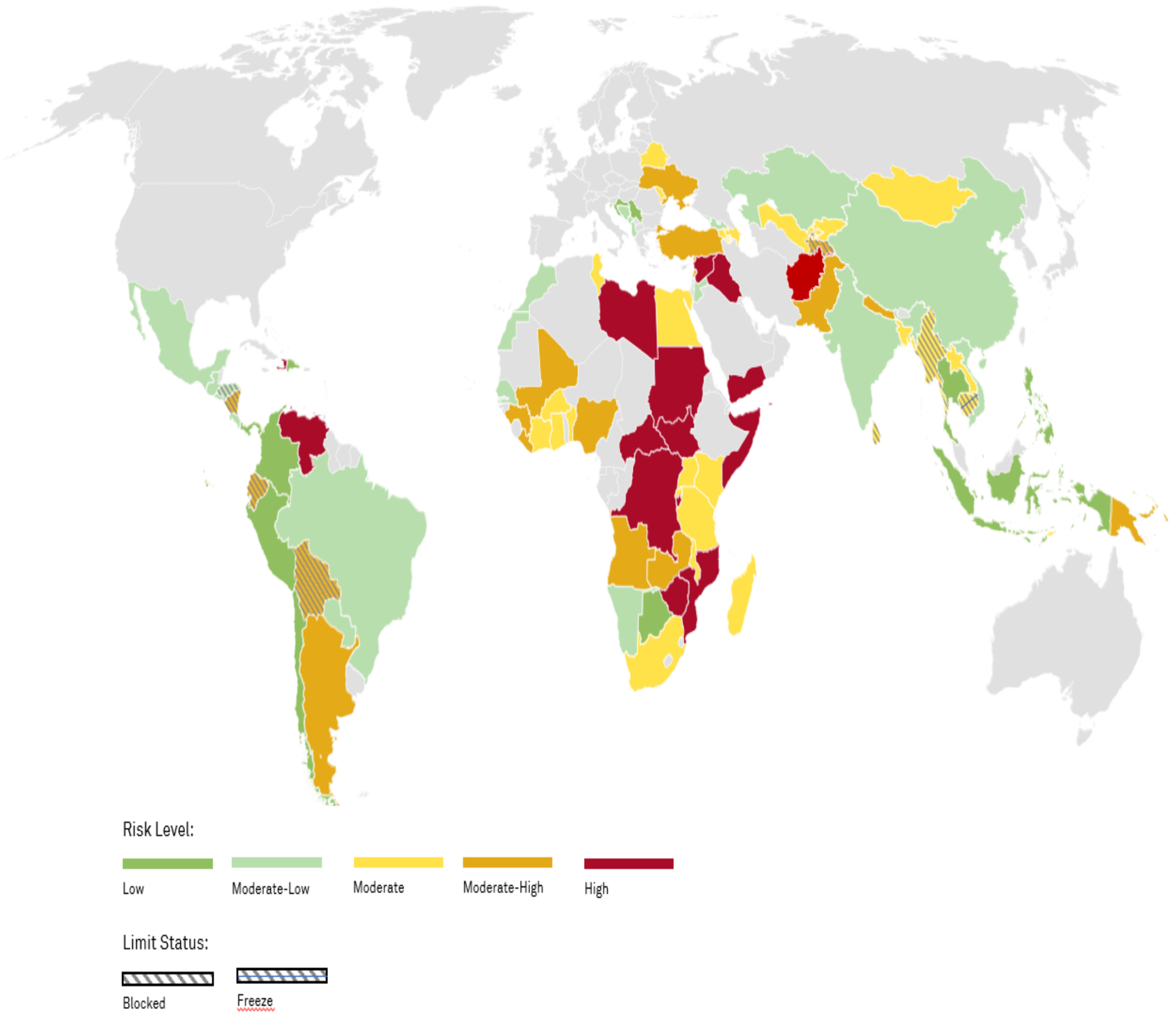
Risk that fiscal imbalances and financing gaps can result in a worst case scenario in the absence of funding.

Capital flows to EMs not only search for yield, but search for impact

Funding and domestic policies that bring positive change must come hand in hand

Large-scale meaningful players and projects like China's Belt and Road Initiatives should become examples of international collaboration

Triodos Investment Management Impact investment in EMs



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Long-term returns, ecosystems and the avoidance of collapse

Long-term returns: wrong for the right and wrong reasons

Hans Stegeman

30-11-2021

A long term perspective:
A one-trick pony

(almost) everything contributed to above-normal financial returns

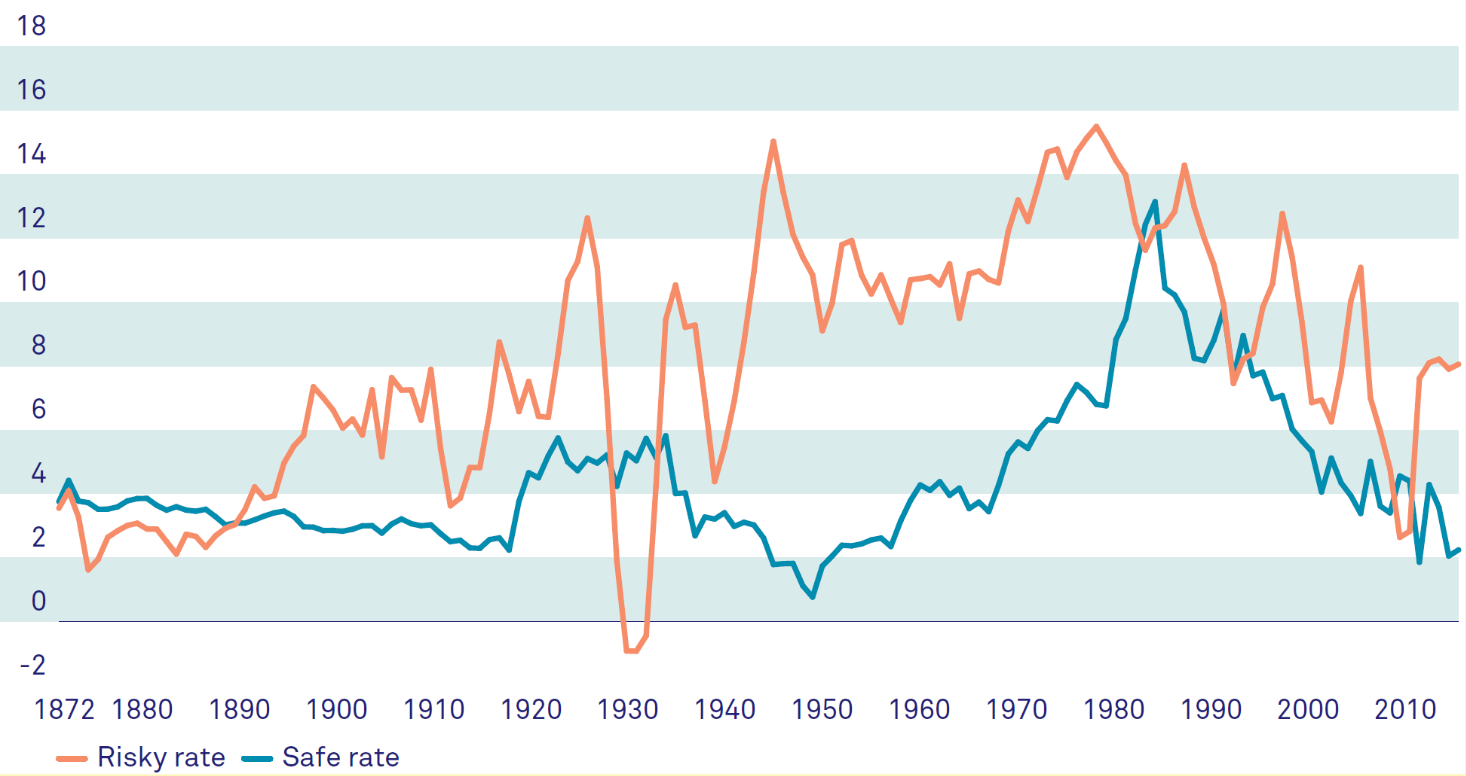
Deregulation – taxation – (financial) globalisation – commodification – debt - externalities

Tailwinds become headwinds

Coming years financial returns expected to be lower

Differences between asset classes

Figure 6 Historical returns on safe and risky assets (annual returns, %, 5-y moving average)



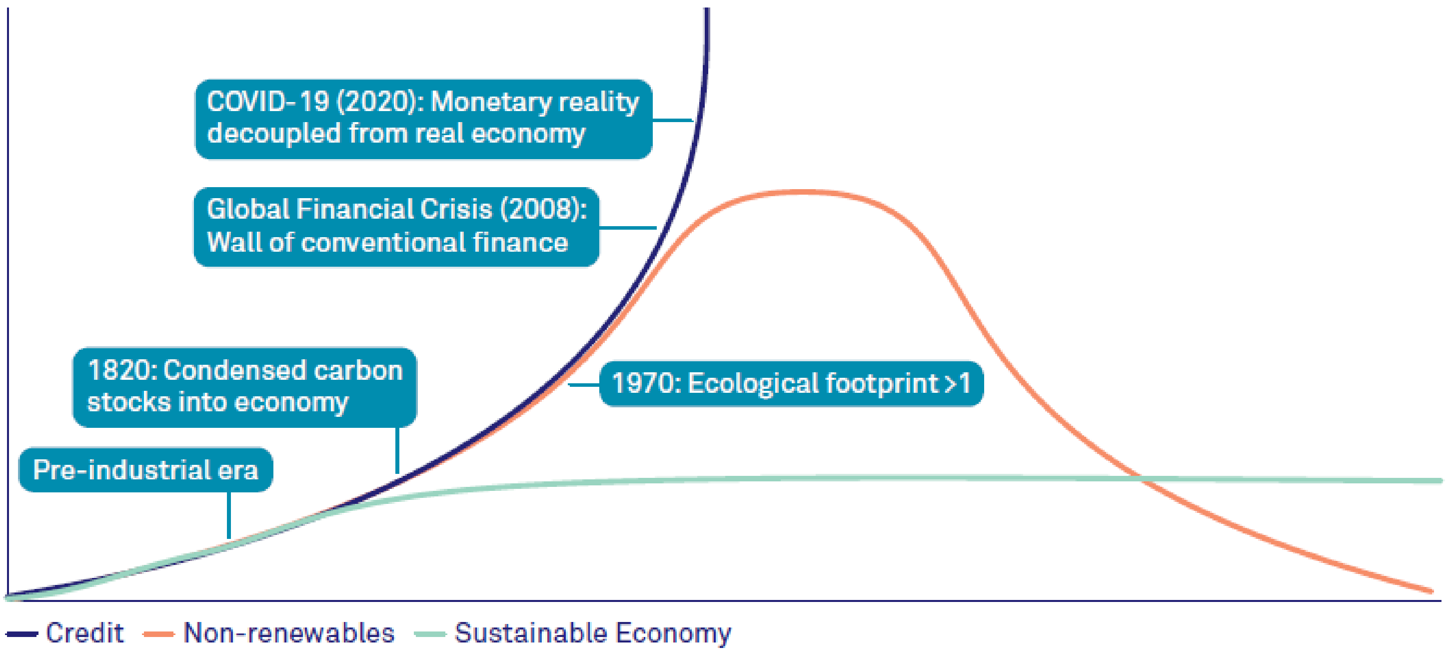
Sustainability & financial returns

We forget natural inputs

Blinded by short-term history

Perpetuality as non-reality

Figure 7 Resources, credit growth and a sustainable economy



Source: Triodos IM, adapted from Hagens (2020)

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Changing investment environment

1. Energy and resources become constraining factors

2. Physical expansion predicated on credit is becoming riskier

3. Societies are becoming polarised

4. Ecosystems are degrading

5. Favourable financial circumstances for corporate profitability will probably reverse.

Investment implications

1. Long-term orientation

2. Invest in real economy

3. Be aware of new risks (ESG, political)

4. Invest in solutions and transitions

How you invest defines the world you want to live in

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