Triodos Microfinance Fund

a sub-fund of Triodos SICAV II

Annual report 2016

Triodos Investment Management

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 2016

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 at Triodos Bank NV: www.triodos.com.

Key figures

(amounts in EUR)	2016	2015	2014	2013	2012
Total assets (end of reporting period)	357,093,982	305,021,074	230,360,421	164,425,869	123,871,372
Net assets (end of reporting period)	339,201,563	290,558,880	220,383,152	163,470,832	122,404,100
Income	19,728,202	17,371,442	11,646,611	7,964,260	7,049,159
Expenses	6,511,209	5,375,167	4,166,043	3,281,801	2,402,639
Net operating gain	13,216,993	11,996,275	7,480,568	4,682,459	4,646,520
Realised and unrealised gains/losses on investments, swaps and foreign exchange contracts	(2,384,961)	(3,598,013)	4,995,123	4,648,688	3,959,727
Net result	10,832,032	8,398,261	12,475,691	9,331,147	8,606,247
Ongoing charges per share class*					
B-cap (EUR)	2.54%	2.67%	2.50%	2.72%	2.90%
B-dis (EUR)	2.57%	2.71%	2.57%	2.80%	2.85%
I-cap (EUR)	1.92%	1.97%	2.05%	2.05%	2.08%
I-dis (EUR)	1.93%	1.96%	2.04%	2.03%	2.08%
R-cap (EUR)	2.60%	2.73%	2.72%	2.84%	2.79%
R-dis (EUR)	2.60%	2.78%	2.70%	2.82%	2.80%
Z-cap (EUR)	2.12%	2.16%	2.35%	2.29%	n.a.
Z-dis (EUR)	2.11%	2.15%	2.34%	2.27%	n.a.
K-B-cap (GBP)****	2.54%	2.67%	2.64%	2.67%	2.78%
K-B-dis (GBP)****	2.54%	2.69%	2.63%	2.79%	2.87%
K-I-cap (GBP)****	2.00%	2.00%	2.00%	2.03%	2.07%
K-I-dis (GBP)****	1.92%	1.94%	2.02%	2.03%	2.08%
K-R-cap (GBP)****	2.63%	2.63%	2.63%	2.75%	2.64%
K-R-dis (GBP)****	2.55%	2.69%	2.64%	2.65%	2.77%
K-Z-cap (GBP)****	2.14%	2.13%	2.26%	2.20%	n.a.
K-Z-dis (GBP)****	2.12%	2.13%	2.27%	2.10%	n.a.

Net asset value (NAV) per share**

(amounts in EUR or GBP)	December 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
B-cap (EUR)	35.32	34.09	33.24	31.57	29.66
B-dis (EUR)	29.31	28.28	28.98	28.35	27.47
I-cap (EUR)	37.32	35.79	34.64	32.68	30.49
I-dis (EUR)	29.70	28.50	29.18	28.57	27.68
R-cap (EUR)	35.24	34.00	33.16	31.49	29.58
R-dis (EUR)	29.34	28.31	29.01	28.39	27.51
Z-cap (EUR	28.88	27.75	26.91	25.45	n.a.
Z-dis (EUR	27.26	26.18	26.77	25.45	n.a.
K-B-cap (GBP)****	27.46	26.33	25.63	24.33	22.74

Net asset value (NAV) per share** (continued)

(amounts in EUR or GBP)	December 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
K-B-dis (GBP)****	23.67	22.71	23.06	22.53	21.79
K-I-cap (GBP)****	n.a.	n.a.	n.a.	26.12	24.27
K-I-dis (GBP)****	23.00	21.91	22.24	21.71	20.96
K-R-cap (GBP)****	n.a.	n.a.	n.a.	24.38	22.82
K-R-dis (GBP)****	22.85	21.90	22.25	21.72	20.97
K-Z-cap (GBP)****	23.56	22.49	21.78	20.57	n.a.
K-Z-dis (GBP)****	22.19	21.15	21.48	20.54	n.a.

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)	3.6%	3.8%	5.1%	4.7%
B-dis (EUR)	3.6%	3.8%	5.1%	4.7%
I-cap (EUR)	4.3%	4.5%	5.9%	5.3%
I-dis (EUR)	4.3%	4.5%	5.9%	5.2%
R-cap (EUR)	3.6%	3.8%	5.1%	4.7%
R-dis (EUR)	3.6%	3.8%	5.1%	4.7%
Z-cap (EUR)	4.1%	4.3%	5.5%***	4.9%***
Z-dis (EUR)	4.1%	4.3%	5.5%***	4.9%***
K-B-cap (GBP)****	4.3%	4.1%	5.4%	4.8%
K-B-dis (GBP)****	4.2%	4.1%	5.4%	4.6%
K-I-dis (GBP)****	5.1%	4.9%	6.2%	5.4%
K-R-dis (GBP)****	4.3%	4.2%	5.5%	4.7%
K-Z-cap (GBP)****	4.8%	4.6%	5.8%***	5.1%***
K-Z-dis (GBP)****	4.9%	4.7%	5.8%***	4.9%***

* 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.
** NAV per share is based on share prices per December 30, 2016, i.e. the last price at which shares were traded in the reporting period.
*** 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 K-B share class.
**** The GPB-denominated share classes are hedged against the euro.

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Report of the investment 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 retail, private banking and institutional investors.

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 Directive (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 banks) 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, convertible debt, senior debt and debt instruments of qualifying financial institutions. The investment amount per investment project is typically between EUR 1 million and EUR 10 million, but is bound by restrictions on single-client exposure and other investment restrictions as described in the prospectus. 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. Investments in US dollar, and to a certain extent local currency denominated instruments, may be hedged where possible and where deemed appropriate and economically viable.

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 (investment manager) 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 Investment Management is supervised by the Dutch regulator, Autoriteit Financiële Markten (AFM). The Management Board of Triodos Investment Management consists of:
Marilou van Golstein Brouwers (Chair)
Dick van Ommeren (as of February 1, 2016)
Laura Pool

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.

Impact

Worldwide, two billion people have no or only limited access to basic financial products and services, such as loans, savings accounts and payment services. Most of these people live in developing and emerging economies. The fund aims to make financial services more generally available in these countries in order to enable people to improve their living conditions. For instance, a loan will allow them to start or expand a company, thus generating income and creating employment, and by keeping their savings in a safe place they can establish a buffer against unexpected expenditure. Triodos Microfinance Fund does this by providing funding - in the form of loans as well as equity participations - to microfinance institutions and banks in Latin America, Africa, Asia and Eastern Europe. These local institutions offer a range of financial products and services aimed at low-income customers.

Furthermore, the fund increasingly funds institutions, usually banks that focus on small and medium-sized enterprises (SMEs). These enterprises are usually firmly rooted in their local communities and contribute to socio-economic development through the jobs that they create and by paying taxes. Between 14 and 20 million small and medium-sized enterprises in developing and emerging economies (two thirds of the SMEs) have no or only limited access to funding.[1] By providing this funding, the fund contributes to the development of a sustainable and accessible financial sector around the world.

As at the end of 2016, Triodos Microfinance Fund had funding outstanding to 70 financial institutions and banks in 36 countries. The online Impact Report Inclusive Finance (www.triodosimpactreports.com/inclusivefinance) provides further information about the impact that the fund has had, using figures, background stories and a description of its activities.

[1] Source: The Global Findex Database 2014 of the World Bank: http://www.worldbank.org/en/programs/globalfindex; Source: UNSGSA publication (United Nations' Secretary-General's Special Advocate for Inclusive Finance for Development): https://www.unsgsa.org/

Market developments

A year of political turmoil and lacklustre economic growth

2016 was a challenging year, with unexpected events that triggered social and political instability around the world. Uncertainty and risk aversion were triggered first by Brexit in June and then in November by the outcome of the US presidential elections. The US dollar, which had been weakening somewhat in the first three quarters, strengthened substantially after the elections, due to the expectation that the fiscal stimulus Trump had promised during his campaign would lead to higher interest rates and higher inflation.

The world economy grew at a lacklustre rate of 3.1% in 2016, the lowest growth rate since 2008-2009 and slightly down from 3.2% in 2015[2]. The growth rate in the second half was slightly higher than in the first half of 2016, particularly in the US. Overall, however, economic growth in advanced economies, notably the EU, slowed down considerably, to 1.6% for the full year 2016 (2015: 2.1%).

Emerging markets and developing economies grew by 4.1% in 2016, just exceeding the growth rate of 4% recorded in 2015. The underlying picture was very diverse, however. The growth rate in China was stronger than expected, due to continued policy stimulus, while a number of Latin American countries disappointed. Emerging Asia, Europe and Africa all recorded a lower growth rate in 2016. In Latin America growth even turned negative in 2016, with GDP shrinking in countries such as Brazil, Argentina and Ecuador. The CIS countries did not grow in 2016, but at least their decline came to a halt.

The surprise demonetisation in India - the immediate withdrawal of 500 and 1000 rupee banknotes that together made up 85% of the total value of currency in circulation - resulted in an acute cash shortage and had a negative impact on the economy. The measure was intended to get rid of

[2] IMF World Economic Outlook update January 2017

counterfeit currency, combat corruption and bring economic activity into the formal economy and could have positive effects in the longer term. However, in the short term, the ensuing cash shortage has resulted in considerable economic pain for particularly the unbanked and people who depend on the informal economy. Increased risk aversion, a stronger US dollar and rising US interest rates led to capital outflows from emerging markets near the end of the year.

41%

of clients in rural areas

Currencies: appreciation of the US dollar dominates the market

Overall, more emerging market currencies appreciated than depreciated against the euro in 2016. This was mainly the result of a 2.9% appreciation of the US dollar over the full year, as many emerging market currencies move in tandem with the US currency. A notable exception was the Nigerian naira. In June 2016, the Nigerian monetary authorities de-pegged the naira from the US dollar, which resulted in a sharp depreciation. Over the full year, the naira lost 35% of its value against the euro. The convertibility of the naira remains a problem, moreover, due to a lack of hard currency in the country.

Commodities: oil and metals recover

Developments in commodity markets were mixed. After reaching a low in January 2016, the oil price started rising at a slow pace. This pace accelerated after the 29 November OPEC decision to restrict oil production. The price of Brent oil rose by around 40% over the full year, albeit from a historically low level. Metal prices also recovered from their lows, rising by around 30% over 2016. The pace of recovery accelerated after the US presidential elections, partly due to the promise of massive infrastructure spending by the incoming Trump administration. Prices of agricultural commodities remained weak, however.

Core indicators financial institutions (FI's), December 31, 2016

	MFIs 2016*	SME FIs 2016**	2016	2015
Total number of loan clients reached by MFIs in the portfolio	16,933,839	1,642,933	18,576,772	13,006,123
Total number of savings clients reached by MFIs in the portfolio	7,384,551	3,576,524	10,961,075	8,469,930
Average loan (EUR)	812	4,784	1,163	1,193
Percentage of female loan clients	86%	49%	83%	79%
Percentage of clients in rural areas	43%	23%	41%	38%
Number of people employed by MFIs in the portfolio	105,331	15,715	121,046	106,621

*) No comparative figures for 2015 are available since these figures for microfinance institutions (MFI's) are only reported as of 2016.
**) No comparative figures for 2015 are available since these figures for SME financial institutions (SME FIs) are only reported as of 2016.

Financial inclusion market

Despite the challenging market circumstances, which were triggered by various economic, social, and political events, the global impact investing market continues to grow. According to the latest report published by the Global Impact Investing Network (GIIN) in December 2016, impact investors' assets under management grew by 18% annually between 2013 and 2015[3], spread across regions - both emerging and developed markets - and various sectors. The microfinance and financial services sectors still dominate the impact investment capital allocation, even if their growth rate is decelerating.

During 2013-2015, the two sectors recorded an annual growth rate of 5% and 11% respectively, which is admittedly significantly lower than for emerging sectors such as education and information and communication technology, which grew at a rate of 60% and 43% respectively. The maturing of the microfinance market, the need for diversification and the growing need for support for other basic social needs are possibly the main drivers behind this interesting growth shift.

Yet, more than two billion people globally still lack access to formal financial services. Financial inclusion therefore remains an important investment theme. Despite the current stagnation of the microfinance market in Central Asia, the gradual recovery of the Russian economy is expected to slowly improve the flow of remittances and export revenues of the neighbouring countries. Meanwhile, in Latin America the saturating microfinance market leaves only limited room for growth, thus paving the way for financing of SMEs. This latter segment has long been considered the 'missing middle', due to the lack of specific financing.

Regions with high youth unemployment as well as high urbanisation and migration rates exacerbated by recent social and political events, for instance in the Middle East and North Africa, will continue to see strong demand for credit, despite the challenging regulatory landscapes. Here, access to finance is essential, as it provides people with the means to be entrepreneurial and also to meet basic needs. The diverse underlying economic settings in Sub-Saharan Africa, on the other hand, will result in a different microfinance growth trajectory. While robust economic growth in Kenya will increase the appetite for access to finance, the economic slowdown in Nigeria will weaken the expansion of the microfinance sector.

The microfinance sector in the Asia Pacific region remains solid, with ongoing robust demand. Most MFIs are expected to keep up their current growth pace. During the year, an interesting shift in capital flows took place in the direction of South Asia. Recovering from the 2010 crisis, India's microfinance market benefits from improvements in and strengthening of the institutional landscape and responsible lending practices, positively supported by the government. The demonetisation in November of 2016, as mentioned in the previous section, has nevertheless had a negative impact on the market, causing acute cash shortage. While not all the underlying goals of the measure have been met yet, the demonetisation has been rather successful in digitising and bringing more people to the formal economy, given the rapid increase in the number of new bank accounts and 'e-wallets' opened and digital payment systems activated. The microfinance sector in particular will benefit from these positive effects.

Many implications of the events and developments in 2016 are still uncertain. Asia-Pacific, Africa, and the Middle East and North Africa nevertheless show enough evidence to support a positive outlook for the microfinance and SME finance sectors, with growth estimates for 2017 ranging between 10 and 15%[4].

FinTech: stepping away from the traditional infrastructure

Often paraded as one of the game-changers in the inclusive finance sector, digitisation has so far

[3] The Global Impact Investing Network, "Impact Investing Trend Report 2016", December 2016

[4] responsAbility, "Micro and SME Finance Market Outlook 2017", November 2016

proven to contribute positively to advancing financial inclusion. Rapid adoption of internet and portable telecommunication devices are major drivers of the growth of digital finance. Ownership of mobile phones in developing countries in the Asia Pacific region and Africa is more common than access to electricity or proper sanitation. According to a report on mobile money published by the Global System for Mobile Communication (GSMA) in February 2016, mobile money is now available in 85% of the countries where less than 20% of the population has access to a formal financial account. These facts demonstrate the power of technology and point to the critical role that they play in improving financial inclusion by bypassing the barriers frequently faced by providers of traditional financial services.

As digital finance unlocks more gains, not only for the financial sector and for customers, but also for the public sector by boosting tax revenue, improving business transparency and reducing unmanaged, informal economic activity, a growing number of emerging countries acknowledge the need for smart regulatory changes that promote financial inclusion and digital finance. Moreover, many also argue that it will lead to the emergence of new business models, closing of the gender gap and improvements in terms of human capital.

Financial products and services as a means to promote sustainable development

The Sustainable Development Goals (SDGs) launched in September 2015 outline 17 development goals for the period 2015-2030, from ending poverty and inequality, to ensuring healthy lives and wellbeing, education, sanitation and clean water. Although they do not specifically mention financial inclusion, the role of financial services and products as enablers for achieving the other goals stresses the importance of financial inclusion.
Access to basic needs, such as housing, education and medical care, would benefit from a strong inclusive financial sector. A growing number of players in the financial sector acknowledge this and have therefore started offering financial products and services that specifically aim to achieve this goal, such as low-cost housing finance, education loans and emergency medical loans.

The strong link between financial inclusion and sustainable development demonstrates that it is essential for both the public and private sectors to rigorously promote greater access to financial products and services for the underserved. In this sense, impact should be generated not only through providing the money itself, but also by being aware of and selective in what the money is used for.

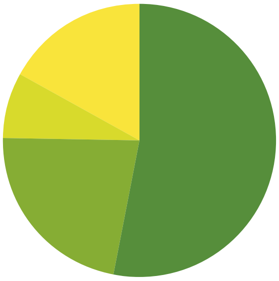
Investments

Triodos Microfinance Fund’s investment portfolio grew by 26.3% to EUR 297.2 million (2015: EUR 235.3 million), which represents 83.2% of the fund’s total assets of EUR 357.1 million (2015: EUR 305.0 million). The fund made 48 disbursements (senior debt, subordinated debt and equity) in 2016 (2015: 41). The geographical spread of the fund was further diversified through the addition of three new countries: Belarus, Costa Rica and Pakistan.

Fund data, December 31, 2016

Total assets	EUR 357,093,982
Net assets	EUR 339,201,563
Portfolio value	EUR 297,219,228
Number of investment funds	2
Number of SME FIs	14
Number of MFIs	56
Number of financial holding companies	4
Number of loans	98
Number of subordinated loans	12
Number of equity investments	17
Number of countries	36

Asset allocation (% of fund's total assets), December 31, 2016



Types of institutions (% of fund's total assets), December 31, 2016

MFIs	60.8%
SME FIs	17.9%
Investment funds	1.1%
Financial holdings	3.4%
Total	**83.2%**

During 2016, the fund added 13 new debt investments in MFIs and SME banks in Asia and Latin America to the fund's portfolio.

The fund also added four new equity investments to the portfolio, including three in India: Intellegrow, Aavishkaar Venture Management Services Group and Sonata Finance. The fund also invested in a private equity fund, Accion Frontier Inclusion Fund, a global impact venture capital fund with a global focus that aims to catalyse new approaches to financial inclusion for the unbanked and underbanked.

The equity portfolio grew by 35.9%, from EUR 58.5 million in 2015 to EUR 79.5 million in 2016, representing 22.3% of the total assets of the fund on December 31, 2016 (2015: 19.2%).

The equity portfolio performed well in 2016. The fund's equity investees in Bolivia, Cambodia, Georgia, India and Kazakhstan all recorded strong performances. At the same time, the macro-economic environment in some countries - in particular Azerbaijan - remains challenging. The fund further marked down its investments in FINCA Microfinance Holding and Access Microfinance Holding, both of which have significant exposure to Azerbaijan.

Results

Financial results

Triodos Microfinance Fund's total assets grew by 17.1% to EUR 357.1 million as at the end of 2016 (2015: EUR 305.0 million). The 2016 net result of Triodos Microfinance Fund amounts to EUR 10.8 million (2015: EUR 8.4 million). The fund's interest income from loan investments increased by 5.4% to EUR 16.4 million (2015: EUR 15.6 million), which is in line with the expansion of the debt portfolio. In addition, the fund almost doubled its dividend income from equity investments, to EUR 2.7 million (2015: EUR 1.5 million).

The fund realised a gain of EUR 5.0 million (2015: EUR 2.2 million) on debt and equity investments. The gains were largely the result of capital redemptions in the Indian Financial Inclusion Fund. This fund is in the exit stage and has made a number of successful exits from MFIs in India. The realised losses on investments amounted to EUR 2.8 million (2015: EUR 0.2 million), of which EUR 1.8 million constituted currency exchange losses on loans maturing during the year.

During 2016, the fund suffered a net loss of EUR 7.9 million on foreign exchange contracts (2015: EUR 12.6 million). Hedging costs for both US dollar swaps and local currency loans remained high in 2016, because of the divergence between interest rates in the eurozone and the US. The net change in unrealised appreciation of investments was EUR 9.3 million for both debt and equity investments (2015: EUR 8.7 million). This amount includes an additional EUR 1.3 million in provisions for loans and accrued interest in Azerbaijan, Nigeria and Bosnia Herzegovina and an increase of EUR 2.9 million in unrealised foreign exchange gains.

Total operating expenses in 2016 came to EUR 6.5 million (2015: EUR 5.4 million). The majority of these expenses consist of management, distribution and service fees, which rose to EUR 5.9 million (2015: EUR 4.9 million). This increase is in line with the growth of the net assets of the fund.

Provisions

In May 2016, the fund increased the provision for its position in Prizma in Bosnia Herzegovina from 95% to 100%, following disappointing debt collection levels. The total amount of provisions for Finca Azerbaijan was partly reversed during the year, because of higher-than-anticipated collections on the outstanding loan portfolio. In Nigeria, the fund established provisions for positions outstanding after facing interest payment arrears due to a shortage of hard currency. The fund is faced with non-payment of interest by AB Microfinance Bank and Fortis Microfinance Bank in Nigeria.

17.1%

growth of the net assets in 2016

As at December 31, 2016, the total provisions for loans outstanding amounted to EUR 5.1 million, which is 1.4% of the fund's total assets (2015: respectively EUR 3.8 million and 1.3%).

Return

The return of the EUR-denominated institutional share class amounted to 4.3% (2015: 3.3%).

Return based on net asset value (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)	3.6%	3.8%	5.1%	4.7%
B-dis (EUR)	3.6%	3.8%	5.1%	4.7%
I-cap (EUR)	4.3%	4.5%	5.9%	5.3%
I-dis (EUR)	4.3%	4.5%	5.9%	5.2%
R-cap (EUR)	3.6%	3.8%	5.1%	4.7%
R-dis (EUR)	3.6%	3.8%	5.1%	4.7%
Z-cap (EUR)	4.1%	4.3%	5.5%**	4.9%**
Z-dis (EUR)	4.1%	4.3%	5.5%**	4.9%**
K-B-cap (GBP)***	4.3%	4.1%	5.4%	4.8%
K-B-dis (GBP)***	4.2%	4.1%	5.4%	4.6%
K-I-dis (GBP)***	5.1%	4.9%	6.2%	5.4%
K-R-dis (GBP)***	4.3%	4.2%	5.5%	4.7%
K-Z-cap (GBP)***	4.8%	4.6%	5.8%**	5.1%**
K-Z-dis (GBP)***	4.9%	4.7%	5.8%**	4.9%**

* NAV per share is based on share prices as per December 30, 2016, i.e. the last price at which shares were traded in the reporting period.
**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 K-B share class.
*** The GPB-denominated share classes are hedged against the euro.



BINA ARTHA, INDONESIA

Bina Artha means 'capital for development' and that's precisely what it aims to achieve: the microfinance institution provides small loans to entrepreneurial women to start or expand business activities. Bina Artha's areas of operations are spread over Java, with a focus on rural areas. It has recently introduced a sanitation loan that allows people to install an in-house toilet. One of them is Tasmih who has also obtained a business loan from Bina Artha for her small recycling business.

Both the equity and debt portfolio contributed positively to the return. The return was negatively affected by the provisions the fund has established for part of its loan portfolios in Azerbaijan, Nigeria and Bosnia-Herzegovina. Differences in performance between the share classes are mainly attributable to the different cost bases, as explained below in the section on Costs.

Liquidity

Triodos Microfinance Fund aims to retain a minimum of 10% of its net assets in cash or cash equivalents, in order to facilitate redemptions in the fund. The fund's liquidity ratio at year-end amounted to 17.6% of the net assets. The cash position has improved compared to last year, when the liquidity ratio was 22.5%.

Costs

The largest item in the cost structure of Triodos Microfinance Fund is the management fee paid to the investment manager. Triodos Investment Management uses this fee primarily to cover staff costs, including travel expenses incurred in connection with providing new finance facilities and managing existing finance facilities. This is generally quite a labour-intensive process, especially 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 significant costs are the fees paid to RBC Investors Services Bank, for instance for its depositary and administrative services. The ongoing charges for Triodos Microfinance Fund, which include the management fee, ranged from 1.92% to 2.00% for the institutional share classes (2015: 1.94% to 2.00%) and from 2.11% to 2.63% for the other share classes (2015: 2.13% to 2.78%). More detailed information on management fees and ongoing charges can be found on pages 40, 41 and 47 of this report.

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

The reference currency for Triodos Microfinance Fund is the euro, whereas investments may be denominated either in euros or in foreign currencies. The fund may invest up to 90% of its total assets in non-euro denominated assets. Currency exchange rates may fluctuate significantly over time, which may, among other things, cause the fund's total assets to fluctuate as well.

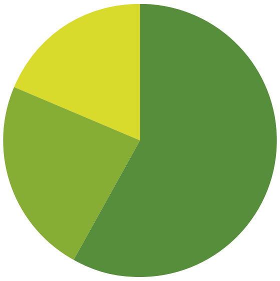
The currency risk is mitigated by restrictions on the relevant exposures and by the use of hedging instruments. Currency exposures in the loan portfolio are mostly hedged, whereas currency exposures resulting from equity holdings are mainly unhedged. The currency risk is mitigated by restricting the fund's investments denominated in unhedged local currencies to a maximum of 60% of the fund's total assets.

Liquidity risk

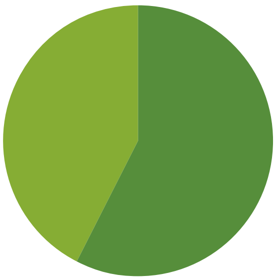
Liquidity risk is the risk that the fund cannot meet its obligations to redeeming shareholders. As Triodos Microfinance Fund is a semi open-end fund, it may face large redemptions on each valuation day. If this should occur, investments need to be sold quickly in order to comply with the repayment obligation towards the redeeming shareholders. In general, the fund invests in non-listed assets that may take time to be converted into cash.

The following measures are in place to mitigate the liquidity risk:
- The investments in the fund are illiquid in nature but can nevertheless be sold on a secondary market. The fund has included assignment rights in its legal documentation.

Hedged and unhedged positions (% of fund's total assets), December 31, 2016



Allocation unhedged positions (% of unhedged positions), December 31, 2016



Exposure by currency (% of fund's total assets), December 31, 2016

USD	48.4%	
Hedged		*97.5%*
Unhedged		*2.5%*
Local currency	33.0%	
Hedged		*33.4%*
Unhedged		*66.6%*
EUR	18.6%	

- The fund aims to retain sufficient buffers in the form of cash or cash equivalents or arrange sufficient other guarantees. The cash buffers are determined on a monthly basis, based on historical in- and outflows, inflow forecasts and the results of certain stress tests.
- The fund may decide to temporarily close for redemptions or subscriptions by suspending or restricting the purchase and issue of shares of the fund. The fund performs monthly stress tests to assess this risk.

On December 31, 2016, the fund held 17.6% of its net assets in cash and cash equivalents (2015: 22.5%). In 2016, Triodos Microfinance Fund received repayments of maturing loans representing 11.2% of the fund's total assets and received interest and dividend income on a quarterly basis. In 2016, liquidity was considered more than adequate for the fund to meet its payment obligations and facilitate the monthly subscriptions and redemptions of its shares.

Country risk

Triodos Microfinance Fund invests in countries that may be subject to substantial political risks, countries that may be suffering from an economic recession, perhaps entailing high and rapidly fluctuating inflation, countries that often have poorly developed legal systems and countries where the standards for financial auditing and reporting may not always be in line with internationally accepted standards.

To limit the country and political risks, Triodos Microfinance Fund has set the upper limit for securities and financing instruments issued by or provided to entities that operate in any one country at 20% of its total assets.

On December 31, 2016, the country where the fund had the highest exposure was Cambodia, where 14.7% of the fund's total assets are invested (2015: 12.7%). Country risks are mitigated by diversifying the geographical exposure across a larger number of countries. In 2016, Triodos Microfinance Fund added three new countries to the portfolio: Costa Rica, Pakistan and Belarus. The economies of Azerbaijan, Tajikistan and Kyrgyz Republic continued to feel the effects of the downturn of the Russian economy, low oil prices and weaker currencies. The fund has scaled back its exposure to countries in this region by actively reducing positions by means of voluntary repayments and by not renewing loans. As per December 31, 2016 the fund's exposure in Azerbaijan, Tajikistan, Kazakhstan and Kyrgyzstan is 9.1% of the fund's total assets (2015: 14.1%). In Nigeria, shortages of hard currencies forced the authorities to let the peg of the Nigerian naira to the

US dollar go, leading to a strong depreciation of the currency.

Top ten country allocations (% of fund's total assets), December 31, 2016

Country	Percentage
Cambodia	14.7%
India	11.9%
Ecuador	6.7%
Paraguay	4.8%
Georgia	3.4%
Panama	3.4%
Kyrgyzstan	3.4%
Bolivia	3.1%
Sri Lanka	2.9%
Peru	2.9%
Total	**57.2%**

Credit risk

The fund provides debt instruments to financial institutions. In 2016, the fixed-income portfolio (including accrued interest) represented 60.8% of the fund's total assets. Triodos Microfinance Fund is therefore exposed to credit default and concentration risks. The fund manages the credit risk among other things by monitoring the Portfolio-at-Risk (PAR) ratios (the percentage of non-performing loans in the total loan portfolio) of FIs in the Triodos Microfinance Fund portfolio. This ratio can be an indicator of increased credit risks in the portfolio and is closely monitored on a continuous basis.
The risk that an MFI will fail to meet its obligation to repay a loan upon maturity is mitigated by carefully selecting financial institutions and is further limited by closely managing the relationship. The concentration risk is mitigated by limiting the single obligor exposure to 15% of the fund's total assets.

Five largest outstanding positions (% of fund's total assets), December 31, 2016

Institution	Country	Percentage
ACLEDA Bank	Cambodia	10.8%
Credo	Georgia	3.4%
Banco Pichincha	Ecuador	3.3%
BancoSol	Bolivia	2.7%
LOLC Micro Credit	Sri Lanka	2.1%

On December 31, 2016, the weighted average PAR over thirty days was 5.6% (at year-end 2015: 4.7%). This increase is mainly the result of the ongoing recession in Central Asian countries.

Outlook

A shifting global economic landscape

A modest rebound of the world economy is expected for 2017, with the US likely to be one of the drivers. At the same time, however, the US - in particular the policies of the new administration and their effects on the economy - is also one of the main uncertain factors. Should the new US president follow through on his campaign talk of closing the country's borders and introducing tariffs, countries that are highly dependent on remittances from workers in the US, such as Guatemala and Nicaragua, could be hit hard. Protectionism could also affect China and other countries that depend on the US for their exports.

In addition, the Federal Reserve is expected to raise its federal funds rate several times through the year to stay ahead of inflationary pressures. In combination with the strength of the US dollar, this could be detrimental to emerging market economies that are highly dependent on capital flows from abroad and/or have a high US dollar debt. In general, however, emerging markets could benefit from slightly stronger global economic growth.

Ongoing growth microfinance and SME finance sector

The microfinance and SME finance sector is expected to grow by between 10 and 15% in 2017, i.e. at a similar rate as in 2016. The development of the market will continue to differ across countries and regions. The fund expects to direct capital towards regions that demonstrate plenty of scope for financial inclusion and have robust domestic economies and strong financial institutions. Growth is expected to be strongest in the Asia Pacific region and specific countries in Africa. Aligned with the strategy, the fund will also continue to allocate funds to financial institutions that focus on the underserved SME sector and, to some extent, to institutions that provide innovative solutions using financial services as a tool to solve sustainable development challenges.

Additional Information Triodos SICAV II

Foreign Accounting Tax Compliance Act

The Foreign Accounting Tax Compliance Act (FATCA) is a law enacted by the United States of America (US). This law is aimed at ensuring that income earned and assets held by US persons in offshore accounts or indirectly through ownership of foreign entities is reported to the US tax authorities (IRS). FATCA achieves this via the requirement that US and foreign persons - including entities and therefore financial institutions such as investment funds - identify and document payees and ultimately disclose information to the IRS. To mitigate foreign legal impediments due to FATCA compliance, intergovernmental agreements (IGA) with the US are being negotiated. Luxembourg has agreed an IGA with the US. Consequently and due to the specific nature of the IGA, which can be qualified as a model I, FATCA has become Luxembourg domestic legislation. As a Foreign Financial Institution (FFI), Triodos SICAV II qualifies as a participating FFI (PFFI). Triodos SICAV II is registered with the IRS as a PFFI, as a result of which a Global Intermediary Identification Number (GIIN) has been issued. FATCA became effective as of July 1, 2014, and on-boarding procedures are in place to identify (new) investors and debt providers.

Common Reporting Standard

Similar to FATCA, the Organisation for Economic Cooperation and Development (OECD) has developed the Common Reporting Standard (CRS). CRS requires financial institutions, such as investment funds, in participating CRS jurisdictions to identify and report the tax residency and account details of investors and debt providers to the relevant authorities. The respective authorities automatically exchange the aforementioned information with the authorities of other participating CRS jurisdictions on an annual basis. On October 29, 2014, 51 jurisdictions, including Luxembourg, signed the first-ever multilateral competent authority agreement to automatically exchange information. As a Financial Institution (FI), Triodos SICAV II is qualified as a participating FI. CRS is in force as of January 1, 2016, and on-boarding procedures are in place to identify (new) investors and debt providers.

Operational risks

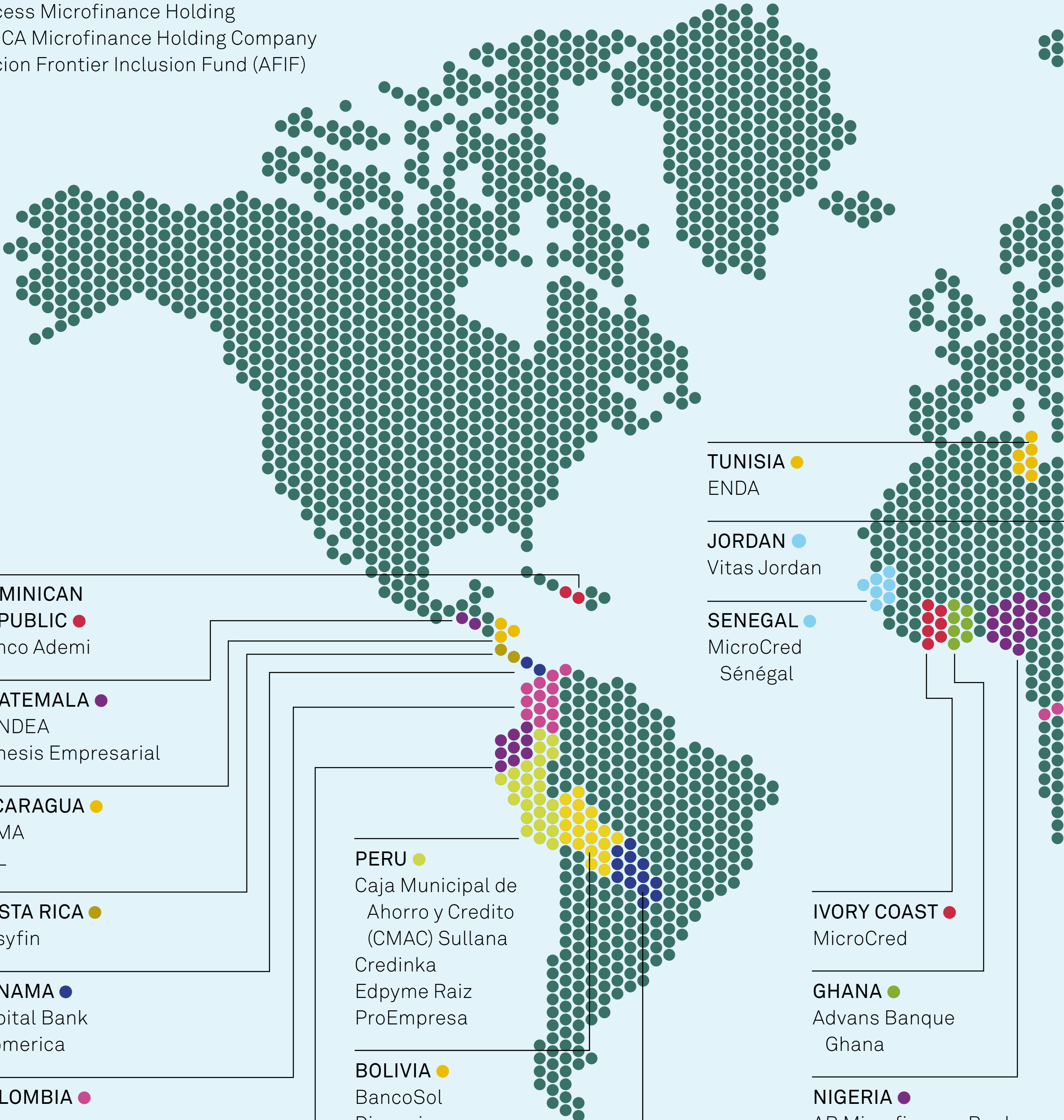
Operational risks are the risks of damage resulting from inadequate or failed internal processes, people and systems or from external events, such as changes in laws and regulations. In order to manage the operational risks, Triodos Investment Management has comprehensively documented its risk management policy. These risks are determined, measured, managed and monitored on an ongoing basis by means of appropriate procedures and reporting methods.

ISAE 3402

As manager of the fund, Triodos Investment Management aims for continuous improvement of the effectiveness and manageability of the processes. This resulted in the start of an ISAE3402 project in 2016. The ISAE3402 report is tangible proof of the organisation and existence of the investment manager's core processes. This provides the investors in the fund with added assurance that

Microfinance portfolio Triodos Microfinance Fund
31 December 2016

GLOBAL
Access Microfinance Holding
FINCA Microfinance Holding Company
Accion Frontier Inclusion Fund (AFIF)



DOMINICAN REPUBLIC
Banco Ademi

GUATEMALA
FUNDEA
Génesis Empresarial

NICARAGUA
FAMA
FDL

COSTA RICA
Desyfin

PANAMA
Capital Bank
Promerica

COLOMBIA
Crezcamos

ECUADOR
Banco Internacional
Banco Pichincha
Banco Solidario

PERU
Caja Municipal de Ahorro y Credito (CMAC) Sullana
Credinka
Edpyme Raiz
ProEmpresa

BOLIVIA
BancoSol
Diaconia

PARAGUAY
Banco Continental
Banco Itapua
Vision Banco

TUNISIA
ENDA

JORDAN
Vitas Jordan

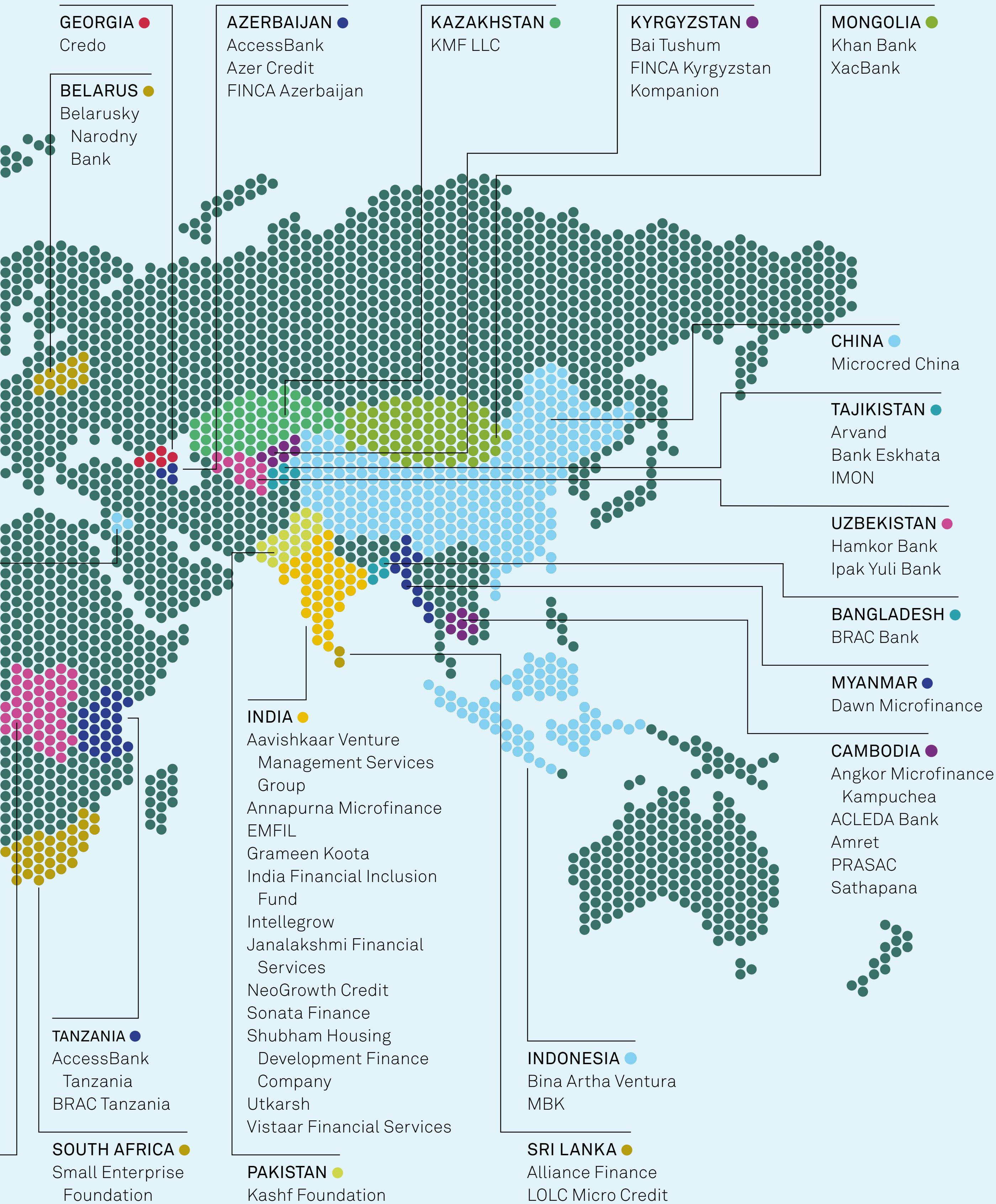
SENEGAL
MicroCred Sénégal

IVORY COAST
MicroCred

GHANA
Advans Banque Ghana

NIGERIA
AB Microfinance Bank
Desyfin
Fortis Microfinance Bank

CONGO
Finca DRC


GEORGIA
Credo
BELARUS
Belarusky Narodny Bank
AZERBAIJAN
AccessBank
Azer Credit
FINCA Azerbaijan
KAZAKHSTAN
KMF LLC
KYRGYZSTAN
Bai Tushum
FINCA Kyrgyzstan
Kompanion
MONGOLIA
Khan Bank
XacBank
CHINA
Microcred China
TAJIKISTAN
Arvand
Bank Eskhata
IMON
UZBEKISTAN
Hamkor Bank
Ipak Yuli Bank
BANGLADESH
BRAC Bank
MYANMAR
Dawn Microfinance
CAMBODIA
Angkor Microfinance Kampuchea
ACLEDA Bank
Amret
PRASAC
Sathapana
INDIA
Aavishkaar Venture Management Services Group
Annapurna Microfinance
EMFIL
Grameen Koota
India Financial Inclusion Fund
Intellegrow
Janalakshmi Financial Services
NeoGrowth Credit
Sonata Finance
Shubham Housing Development Finance Company
Utkarsh
Vistaar Financial Services
TANZANIA
AccessBank Tanzania
BRAC Tanzania
SOUTH AFRICA
Small Enterprise Foundation
PAKISTAN
Kashf Foundation
INDONESIA
Bina Artha Ventura
MBK
SRI LANKA
Alliance Finance
LOLC Micro Credit

the processes are carried out in a controlled manner.

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.

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, taking into account 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 fund employs a consistent, transparent and appropriate valuation methodology, based on the International Private Equity and Venture Capital Valuation Guidelines (IPEV) as published by the IPEV Board and endorsed by the European Private Equity and Venture Capital Association (EVCA). To the extent that this methodology relies on periodic market-based data and peer group comparisons, the valuation of the assets may fluctuate with the variations in such data.

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.

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’, management companies are required to at least disclose information about their remuneration practices for employees whose professional activities have a material impact on its risk profile (so-called "identified staff").

All of the staff members of Triodos Investment Management are employed by Triodos Bank. Triodos Bank believes good and appropriate remuneration for all its employees 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.com. The wage system used by Triodos Bank does not include bonuses or share option schemes. Triodos Bank considers financial incentives as an inappropriate way to motivate and reward employees. Variable remuneration is therefore limited. The Management Board of the alternative investment fund manager annually assesses the remuneration policy. Identified staff are employees as defined in the AIFM guidelines and include all employees who may influence the risk profile of the fund. Besides the members of the board, these include the fund manager and the managers of support departments.

The table below provides 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 investment manager 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, or the ABC-method).

As this table is intended to show the remuneration of employees, all other costs incurred by the investment manager of the fund, such as housing, workplace and travel costs and the cost of outsourced activities and external consultants, are excluded. The amounts shown in the tables include income tax, social security contributions, pension contributions and tokens of appreciation.

The largest part of the variable remuneration in 2015 was related to severance payments. Triodos Bank may provide additional individual tokens of appreciation to co-workers up to a maximum of one month 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 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 for each co-worker. This can be paid in cash or in Triodos Bank NV depository receipts. End of 2015, the collective end-of-year token of appreciation was determined at EUR 500 and was awarded in 2016. The largest part of the variable remuneration in 2016 was related to the collective token of appreciation.

	Co-workers directly involved in Triodos Microfinance Fund		'Identified staff' in senior management positions		Other identified staff	
(remuneration in EUR)	2016	2015	2016	2015	2016	2015
Number of staff involved	*69*	*63*	*5*	*5*	*8*	*9*
Average FTEs	*25.4*	*21.6*	*1.2*	*1.2*	*2.5*	*2.6*
Fixed remuneration	2,326,723	1,952,013	250,314	223,358	343,964	312,869
Variable remuneration	19,091	41,220	1,091	24,182	1,448	4,499
Total remuneration	**2,345,814**	**1,993,233**	**251,405**	**247,540**	**345,412**	**317,368**

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

At the Annual General Meeting of shareholders of April 27, 2016, Olivier Marquet resigned as Director of Triodos SICAV II. Furthermore, Monique Bachner was appointed as Director of Triodos SICAV II and Marilou van Golstein Brouwers was re-elected as Director of Triodos SICAV II, both to serve for a period of six years. The Board appointed Garry Pieters as Chair of the Board of Directors as of June 24, 2016. He took over the role of Chair from Pierre Aeby.

Board committees

Given the current size and complexity of Triodos SICAV II, the Board of Directors does not currently consider it necessary to have any committees.

Board meetings

The Board of Directors meets at least four times a year. Additional meetings can be arranged if necessary. In 2016, four regular Board meetings were held.

An additional meeting was held with regard to the capital increase of the holding entities of Triodos Renewables Europe Fund and Triodos Organic Growth Fund (Triodos SII LuxCo S.à r.l. and Triodos OGF LuxCo S.à r.l.). At the regular Board meetings, Triodos Investment Management reports on various relevant topics, amongst others, the state of affairs of the sub-funds, anti-money laundering and 'know your customer' matters, regulatory changes, marketing and sales activities, investment compliance monitoring and risk management.

Major decisions are submitted for review and approval to the Board of Directors. In 2016, the decision was made to update the leverage limits in each sub-fund to reflect the way each sub-fund is currently managed, and the prospectus of Triodos SICAV II was amended accordingly. These modifications did not result in a change in the hedging policy or the investment strategy of the sub-funds and did not change their risk profiles. The revised version of the prospectus came into effect on October 10, 2016.

Conflict of interest

At each Board meeting, the Directors declare whether there are conflicts of interest regarding agenda items of the Board meeting. A Director who has conflicts of interest relating to an agenda item will declare such conflicts and abstain from voting on any decisions relating that agenda item. In 2016, no Directors declared any conflicts of interest regarding any agenda items, nor was any Director required to abstain from voting on any decisions during the reporting period. 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. The remuneration amount for a Director did not increase for the financial year 2016 compared to the financial year 2015.

Annual General Meeting of shareholders

The Annual General Meeting of shareholders was held on April 27, 2016 in Luxembourg. During the meeting, the shareholders:

- approved the management report of the Board of Directors and the report of the auditor for the financial year ended as at December 31, 2015;
- approved the audited statements of assets and liabilities and the statement of operations for the financial year ended as at December 31, 2015;
- approved the allocation of the net results for the financial year ended as at December 31, 2015;
- 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 as at December 31, 2015;
- re-elected Marilou van Golstein Brouwers as Class P Director and elected Monique Bachner as Director, both to serve for a period of six 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 as at December 31, 2016, and
- approved the remuneration of Directors for the financial year ended as at December 31, 2016.

No other meetings of shareholders were held in 2016.

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. The Complaints Handling Officer did not receive any complaints relating to Triodos SICAV II in 2016.

Complaints can be submitted in writing:
Triodos SICAV II
Attention: Complaints Handling Officer
11-13, Boulevard de la Foire
L-1528 Luxembourg
Grand-Duché de Luxembourg
E-mail address:
triodosinvestmentmanagement@triodos.nl.

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 aims to conduct periodic self-assessments in which it reflects on its performance and strategy, and carried out such a review during 2016.

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

Luxembourg, April 7, 2017

The Board of Directors of Triodos SICAV II

Garry Pieters (Chair)
Pierre Aeby
Monique Bachner
Marilou van Golstein Brouwers
Patrick Goodman

Summary of annual accounts 2016

Page

Statement of net assets as at December 31, 2016

(amounts in EUR)	Notes	December 31, 2016	December 31, 2015	December 31, 2014
Assets				
Fixed assets				
Investment in financial assets (Historic cost: EUR 253,668,707 as at December 31, 2016, EUR 205,679,701 as at December 31, 2015; EUR 172,029,935 as at December 31, 2014)	2	292,532,593	235,254,899	192,889,584
Current assets				
Cash and cash equivalents		59,865,838	65,337,173	33,446,935
Net unrealised gain on swap contracts	11	–	–	113,559
Interest receivable	2	4,695,551	4,388,833	3,910,343
Other current assets		–	40,169	–
Total assets		**357,093,982**	**305,021,074**	**230,360,421**
Liabilities				
Liabilities due within one year				
Net unrealised loss on swap contracts	11	261,778	1,049,257	–
Net unrealised loss on forward foreign exchange contracts	10	14,217,408	9,570,478	8,791,472
Investment management, distribution and service fees payable	6	3,073,787	1,381,468	997,474
Accounts payable and accrued expenses	9	339,446	2,460,991	188,323
Total liabilities		**17,892,419**	**14,462,194**	**9,977,269**
Net assets		**339,201,563**	**290,558,880**	**220,383,152**

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

Statement of operations for the year ended December 31, 2016

(amounts in EUR)	Notes	December 31, 2016	December 31, 2015	December 31, 2014
Income:				
Dividend income	2	2,714,637	1,506,020	820,443
Interest on loans	2	16,384,439	15,550,883	10,398,207
Bank interest		10,672	4,652	33,752
Other income	7	618,454	309,887	394,209
Total income		**19,728,202**	**17,371,442**	**11,646,611**
Expenses				
Amortisation of formation expenses	3	–	–	5,833
Investment management, distribution and service fees	6	5,925,089	4,852,750	3,623,353
Administrative and depositary fees	5	359,188	321,384	282,597
Audit and reporting expenses		44,184	65,542	76,357
Interest paid		38,214	10,021	1,994
Other expenses	8	144,534	125,470	175,909
Total expenses		**6,511,209**	**5,375,167**	**4,166,043**
Net operating income		**13,216,993**	**11,996,275**	**7,480,568**
Realised gain on investments		5,000,469	2,207,311	5,103,883
Realised loss on investments		(2,806,422)	(151,247)	(1,492,209)
Realised gain on swaps		65,213	262,322	72,249
Realised loss on swaps		(2,217,329)	(103,453)	–
Realised gain on foreign exchange contracts		5,242,946	4,583,824	1,898,854
Realised loss on foreign exchange contracts		(13,197,450)	(17,384,119)	(2,473,448)
Realised gain on foreign exchange		584,567	973,092	445,640
Realised loss on foreign exchange		(486,192)	(759,475)	(151,329)
Change in unrealised appreciation on investments		9,288,688	8,715,552	13,550,202
Change in unrealised depreciation on swap contracts		(20,639)	(1,162,816)	(392,881)
Change in unrealised appreciation on forward foreign exchange contracts		964,198	–	169,681
Change in net unrealised appreciation/(depreciation) on forward foreign exchange contracts		(4,803,010)	(779,005)	(11,735,519)
Net increase in net assets resulting from operations		**10,832,032**	**8,398,261**	**12,475,691**

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

Statement of changes in net assets for the year ended December 31, 2016

(amounts in EUR)	December 31, 2016	December 31, 2015	December 31, 2014
Operations			
Net operating income	13,216,993	11,996,275	7,480,568
Realised gain on investments	5,000,469	2,207,311	5,103,883
Realised loss on investments	(2,806,422)	(151,247)	(1,492,209)
Realised gain on swaps	65,213	262,322	72,249
Realised loss on swaps	(2,217,329)	(103,453)	–
Realised gain on foreign exchange contracts	5,242,946	4,583,824	1,898,854
Realised loss on foreign exchange contracts	(13,197,450)	(17,384,119)	(2,473,448)
Realised gain on foreign exchange	584,567	973,092	445,640
Realised loss on foreign exchange	(486,192)	(759,475)	(151,329)
Change in unrealised appreciation on investments	9,288,688	8,715,552	13,550,202
Change in unrealised depreciation on swap contracts	(20,639)	(1,162,816)	(392,881)
Change in unrealised appreciation on forward foreign exchange contracts	964,198	–	169,681
Change in unrealised depreciation on forward foreign exchange contracts	(4,803,010)	(779,005)	(11,735,519)
Net increase in net assets resulting from operations	**10,832,032**	**8,398,261**	**12,475,691**
Capital transactions			
Capital subscriptions			
I Capitalisation Share Class (EUR)	65,755,794	43,534,012	38,437,110
I Distribution Share Class (EUR)	10,928,854	7,348,811	8,347,640
B Capitalisation Share Class (EUR)	–	82,273	233,106
B Distribution Share Class (EUR)	417,208	278,820	2,855,523
R Capitalisation Share Class (EUR)	8,127,739	3,630,026	3,407,045
R Distribution Share Class (EUR)	5,456,642	4,901,237	1,921,845
K-Institutional Distribution Share Class (GBP)	116,828	486,785	1,314,545
K-B Distribution Share Class (GBP)	–	29,675	15,948
K-Retail Distribution Share Class (GBP)	–	10,112	5,418
K-Z Capitalisation Share Class (GBP)	110,867	–	209,510
K-Z Distribution Share Class (GBP)	25,398	2,809,285	145,904
Z Capitalisation Share Class (EUR)	124,838	670,476	1,626,917
Z Distribution Share Class (EUR)	5,896,136	12,176,206	65,549,598
Total subscriptions	**96,960,304**	**75,957,718**	**124,070,109**

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

Statement of changes in net assets for the year ended December 31, 2016

(amounts in EUR)	December 31, 2016	December 31, 2015	December 31, 2014
Capital redemptions			
I Capitalisation Share Class (EUR)	(5,992,479)	(4,726,613)	(10,708,400)
I Distribution Share Class (EUR)	(1,412,046)	–	(40,957)
B Capitalisation Share Class (EUR)	(6,914)	(152,163)	(1,261,897)
B Distribution Share Class (EUR)	(152,894)	(103,338)	(56,298,132)
R Capitalisation Share Class (EUR)	(358,139)	(272,783)	(431,312)
R Distribution Share Class (EUR)	(19,587)	(57,145)	(637,330)
K-Institutional Capitalisation Share Class (GBP)	–	–	(2,319,579)
K-Institutional Distribution Share Class (GBP)	(106,666)	(91,807)	(27,520)
K-B Capitalisation Share Class (GBP)	(79,184)	(88,023)	(104,694)
K-B Distribution Share Class (GBP)	(69,987)	–	(187,780)
K-Retail Capitalisation Share Class (GBP)	–	–	(71,332)
K-Retail Distribution Share Class(GBP)	–	–	(67,288)
K-Z Distribution Share Class (GBP)	(12,380)	–	–
Z Capitalisation Share Class (EUR)	–	(116,686)	(84,899)
Z Distribution Share Class (EUR)	(50,894,619)	(1,766,252)	(5,343,024)
Total redemptions	**(59,104,895)**	**(7,374,810)**	**(77,584,144)**
Net increase in net assets resulting from capital transactions	**37,855,409**	**65,582,908**	**46,485,965**
Net assets			
Net assets at the beginning of the year	290,558,880	220,383,152	163,470,832
Total increase in net assets	48,687,441	76,981,169	58,961,656
Dividend distribution	(44,758)	(6,805,441)	(2,049,336)
Net assets at the end of the year	**339,201,563**	**290,558,880**	**220,383,152**

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

Cash flow statement for the year ended December 31, 2016

(amounts in EUR)	December 31, 2016	December 31, 2015	December 31, 2014
Cash provided by operating activities			
Profit after taxation	10,832,032	8,398,261	12,475,691
(-) (increase) in unrealised gains and losses on investments and forward foreign exchange contracts	(5,429,237)	(6,773,731)	(1,591,483)
(-) decrease/(+) increase in receivables and other assets	(266,549)	(518,659)	(1,971,346)
(+) increase/(-) decrease in payables	(429,226)	2,656,662	230,760
Net cash provided by operating activities	**4,707,020**	**3,762,533**	**9,143,622**
Cash provided by financing activities			
(+) proceeds from shares issued	96,960,304	75,957,718	124,070,109
(-) decrease from shares redeemed	(59,104,895)	(7,374,810)	(77,584,144)
(-) distributions paid to shareholders	(44,758)	(6,805,441)	(2,049,336)
Net cash provided by financing activities	**37,810,651**	**61,777,467**	**44,436,629**
Cash provided from investing activities			
(-) acquisitions of financial assets	(47,989,006)	(33,649,762)	(55,019,532)
Net cash used by investing activities	**(47,989,006)**	**(33,649,762)**	**(55,019,532)**
Cash			
Net increase/(decrease) in cash and cash equivalents	(5,471,335)	31,890,238	(1,439,281)
Cash at the beginning of the year	65,337,173	33,446,935	34,886,216
Cash at the end of the year	**59,865,838**	**65,337,173**	**33,446,935**

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, 2016

	December 31, 2016	December 31, 2015	December 31, 2014
Number of Shares outstanding at the beginning of the year			
I Capitalisation Share Class (EUR)	3,648,560.087	2,552,340.880	1,715,520.458
I Distribution Share Class (EUR)	1,492,015.269	1,237,951.752	947,608.782
B Capitalisation Share Class (EUR)	11,633.275	13,670.578	46,080.221
B Distribution Share Class (EUR)	38,273.876	32,057.000	1,913,893.000
R Capitalisation Share Class (EUR)	358,322.076	259,233.851	166,243.191
R Distribution Share Class (EUR)	362,502.032	192,203.393	147,122.402
K–Institutional Capitalisation Share Class (GBP)	–	–	73,880.300
K–Institutional Distribution Share Class (GBP)	451,247.059	438,633.415	390,581.346
K–B Capitalisation Share Class (GBP)	24,165.500	26,635.221	30,060.455
K–B Distribution Share Class (GBP)	24,439.924	23,496.117	29,841.123
K–Retail Capitalisation Share Class (GBP)	–	–	2,327.424
K–Retail Distribution Share Class (GBP)	16,225.830	15,892.247	18,109.626
K–Z Capitalisation Share Class (GBP)	18,203.935	18,203.935	10,149.940
K–Z Distribution Share Class (GBP)	108,777.883	13,776.912	8,242.587
Z Capitalisation Share Class (EUR)	80,480.000	60,264.000	20.000
Z Distribution Share Class (EUR)	2,754,098.364	2,359,792.777	20.000
Subscriptions over the year			
I Capitalisation Share Class (EUR)	1,818,680.077	1,229,567.458	1,155,975.331
I Distribution Share Class (EUR)	379,294.282	254,063.517	291,789.528
B Capitalisation Share Class (EUR)	–	2,433.697	7,340.357
B Distribution Share Class (EUR)	14,660.164	9,865.876	100,507.000
R Capitalisation Share Class (EUR)	237,348.070	107,163.280	106,537.870
R Distribution Share Class (EUR)	192,031.032	172,224.006	67,738.000
K–Institutional Capitalisation Share Class (GBP)	–	–	–
K–Institutional Distribution Share Class (GBP)	4,001.800	15,611.697	49,091.319
K–B Capitalisation Share Class (GBP)	–	–	–
K–B Distribution Share Class (GBP)	–	943.807	589.199
K–Retail Capitalisation Share Class (GBP)	–	–	–
K–Retail Distribution Share Class (GBP)	–	333.583	207.621
K–Z Capitalisation Share Class (GBP)	3,866.288	–	8,053.995
K–Z Distribution Share Class (GBP)	908.722	95,000.971	5,534.325
Z Capitalisation Share Class (EUR)	4,472.883	24,430.000	63,531.613
Z Distribution Share Class (EUR)	223,923.724	460,556.587	2,568,085.860

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, 2016

	December 31, 2016	December 31, 2015	December 31, 2014
Redemptions over the year			
I Capitalisation Share Class (EUR)	165,422.544	133,348.251	319,154.909
I Distribution Share Class (EUR)	48,642.264	–	1,446.558
B Capitalisation Share Class (EUR)	200.000	4,471.000	39,750.000
B Distribution Share Class (EUR)	5,380.000	3,649.000	1,982,343.000
R Capitalisation Share Class (EUR)	10,432.742	8,075.055	13,547.210
R Distribution Share Class (EUR)	688.000	1,925.367	22,657.009
K–Institutional Capitalisation Share Class (GBP)	–	–	73,880.300
K–Institutional Distribution Share Class (GBP)	3,841.332	2,998.053	1,039.250
K–B Capitalisation Share Class (GBP)	2,540.586	2,469.721	3,425.234
K–B Distribution Share Class (GBP)	2,526.471	–	6,934.205
K–Retail Capitalisation Share Class (GBP)	–	–	2,327.424
K–Retail Distribution Share Class (GBP)	–	–	2,425.000
K–Z Capitalisation Share Class (GBP)	–	–	–
K–Z Distribution Share Class (GBP)	440.000	–	–
Z Capitalisation Share Class (EUR)	-	4,214.000	3,287.613
Z Distribution Share Class (EUR)	1,924,124.491	66,251.000	208,313.083
Number of Shares outstanding at the end of the year			
I Capitalisation Share Class (EUR)	5,301,817.620	3,648,560.087	2,552,340.880
I Distribution Share Class (EUR)	1,822,667.287	1,492,015.269	1,237,951.752
B Capitalisation Share Class (EUR)	11,433.275	11,633.275	13,670.578
B Distribution Share Class (EUR)	47,554.040	38,273.876	32,057.000
R Capitalisation Share Class (EUR)	585,237.404	358,322.076	259,233.851
R Distribution Share Class (EUR)	553,845.064	362,502.032	192,203.393
K–Institutional Capitalisation Share Class (GBP)	–	–	–
K–Institutional Distribution Share Class (GBP)	451,407.527	451,247.059	438,633.415
K–B Capitalisation Share Class (GBP)	21,624.914	24,165.500	26,635.221
K–B Distribution Share Class (GBP)	21,913.453	24,439.924	23,496.117
K–Retail Capitalisation Share Class (GBP)	–	–	–
K–Retail Distribution Share Class (GBP)	16,225.830	16,225.830	15,892.247
K–Z Capitalisation Share Class (GBP)	22,070.223	18,203.935	18,203.935
K–Z Distribution Share Class (GBP)	109,246.605	108,777.883	13,776.912
Z Capitalisation Share Class (EUR)	84,952.883	80,480.000	60,264.000
Z Distribution Share Class (EUR)	1,053,897.597	2,754,098.364	2,359,792.777

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

Statistics

	December 31, 2016	December 31, 2015	December 31, 2014
Total net asset value at the end of the year			
I Capitalisation Share Class (EUR)	197,871,313	130,576,113	88,403,320
I Distribution Share Class (EUR)	54,136,355	42,525,824	36,127,292
B Capitalisation Share Class (EUR)	403,858	396,537	454,391
B Distribution Share Class (EUR)	1,393,645	1,082,404	929,125
R Capitalisation Share Class (EUR)	20,621,870	12,184,172	8,595,222
R Distribution Share Class (EUR)	16,248,988	10,263,064	5,576,750
K-Institutional Distribution Share Class (GBP)	12,161,689	13,417,360	12,570,509
K-B Capitalisation Share Class (GBP)	695,672	863,498	879,829
K-B Distribution Share Class (GBP)	607,768	752,932	698,408
K-Retail Distribution Share Class (GBP)	434,338	482,236	455,696
K-Z Capitalisation Share Class (GBP)	609,146	555,553	510,786
K-Z Distribution Share Class (GBP)	2,839,382	3,120,806	381,298
Z Capitalisation Share Class (EUR)	2,453,175	2,233,040	1,621,438
Z Distribution Share Class (EUR)	28,724,365	72,105,341	63,179,088
	339,201,563	**290,558,880**	**220,383,152**

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

Statistics

	December 31, 2016	December 31, 2015	December 31, 2014
Net asset value per share at the end of the year			
I Capitalisation Share Class (EUR)	37.32	35.79	34.64
I Distribution Share Class (EUR)	29.70	28.50	29.18
B Capitalisation Share Class (EUR)	35.32	34.09	33.24
B Distribution Share Class (EUR)	29.31	28.28	28.98
R Capitalisation Share Class (EUR)	35.24	34.00	33.16
R Distribution Share Class (EUR)	29.34	28.31	29.01
K-Institutional Distribution Share Class (EUR)	26.94	29.73	28.66
K-Institutional Distribution Share Class (GBP)	(GBP 23.00)	(GBP 21.91)	(GBP 22.24)
K-B Capitalisation Share Class (EUR)	32.17	35.73	33.03
K-B Capitalisation Share Class (GBP)	(GBP 27.46)	(GBP 26.33)	(GBP 25.63)
K-B Distribution Share Class (EUR)	27.73	30.81	29.72
K-B Distribution Share Class (GBP)	(GBP 23.67)	(GBP 22.71)	(GBP 23.06)
K-Retail Distribution Share Class (EUR)	26.77	29.72	28.67
K-Retail Distribution Share Class (GBP)	(GBP 22.85)	(GBP 21.90)	(GBP 22.25)
K-Z Capitalisation Share Class (EUR)	27.60	30.52	28.06
K-Z Capitalisation Share Class (GBP)	(GBP 23.56)	(GBP 22.49)	(GBP 21.78)
K-Z Distribution Share Class (EUR)	25.99	28.69	27.68
K-Z Distribution Share Class (GBP)	(GBP 22.19)	(GBP 21.15)	(GBP 21.48)
Z Capitalisation Share Class (EUR)	28.88	27.75	26.91
Z Distribution Share Class (EUR)	27.26	26.18	26.77

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. The SICAV is an alternative investment fund (“AIF”) subject to the requirements of the Directive 2011/61/EU of 8 June 2011 on Alternative Investment Fund Manager’s Directive (“AIFMD”) as implemented in Luxembourg through the law of 12 July 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 October 16, 2014, and published in 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, 2016, the SICAV has three sub-funds: Triodos Renewables Europe Fund, Triodos Microfinance Fund and Triodos Organic Growth Fund.

Triodos Microfinance Fund, to which the separate 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. An annual report which includes a complete description of the three sub-funds of the SICAV has been issued and can be obtained from Triodos Bank. For the purpose of the relations between shareholders, each sub-sund is deemed to be a separate entity.

The overall objective of Triodos SICAV II - Triodos Microfinance Fund (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 offers 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 NAV 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
- British Pound-denominated Class “K-Retail” Shares Capitalisation
- British Pound-denominated Class “K-Retail” Shares Distribution
- British Pound-denominated Class “K-Z” Shares Capitalisation
- British Pound-denominated Class “K-Z” Shares Distribution
- British Pound-denominated Class “K-B” Shares Capitalisation
- British Pound-denominated Class “K-B” 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, 2016)

• 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 “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 from 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.

Shares may be subscribed once a month, on the Business Day preceding the Valuation Date.

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

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

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

2. Summary of significant accounting principles

Investments are valued at their fair value. The fair value is determined 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 International Private Equity and Venture Capital Association, 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. The private equity investments and the underlying investment funds are valued at fair value on the basis of adapted valuation models.

Other assets are valued according to the following rules:

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) The liquidating value of futures, forward or options contracts not admitted to official listing on any stock exchange or dealt on any other Regulated Market means their net liquidating value is 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.

(g) 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.

(h) Swaps, 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.

(i) 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.

(j) Placements in foreign currency are quoted in euros with due observance of the currency exchange rates most recently known.

(k) Realised and non-realised changes in the value of investments are incorporated in the profit and loss account.

(l) 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.

(m) Other assets and liabilities are recorded at nominal value after deduction of any provision in respect of anticipated non-recovery.

(n) The costs of investments expressed in currencies other than EUR are translated into EUR at the exchange rate prevailing at purchase date.

(o) Interest income is accrued pursuant to the terms of the underlying investment. Income is recorded net of respective withholding taxes, if any.

(p) Gains 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.

(q) Dividend income is recognised on cash basis, net of any withholding taxes.

(r) Equity investments of Triodos SICAV II are excluded from consolidation due to exemptions by temporary holding, size and time window.

3. Formation expenses

The total formation expenses of the sub-fund amount to EUR 175,000 and are amortised over a period of five years.

4. 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. The sub-fund, qualifying as a microfinance fund, is thus no longer subject to subscription tax.

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

5. 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:

Currency (EUR)	2016	2015	2014
Domiciliary agency fee	3,812	4,812	3,437
Administrative fee	114,892	103,314	85,005
Transfer agency fee	74,980	85,524	104,431
Depositary fee	165,504	127,734	89,724
Total	**359,188**	**321,384**	**282,597**

6. 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 relevant sub-funds' Particulars.

The sub-fund pays for the provision of investment management services and supporting services an annual fee of 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 charged to the management fee. The costs for marketing activities incurred by the Investment Manager 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 a maximum of 0.20% (on an annual basis) of the relevant Share Class' Net Assets.

7. Other income

The other income comprises the following:

Currency (EUR)	2016	2015	2014
Administrative fee income on loans granted by the Fund	618,454	306,719	392,697
Other income	–	3,168	1,512
Total	**618,454**	**309,887**	**394,209**

8. Other expenses

The other expenses comprise the following:

Currency (EUR)	2016	2015	2014
Supervisory fee (CSSF)	2,000	2,000	2,000
Remuneration of the Board of Directors/Managers	13,497	10,000	6,667
Legal fees	34,038	15,510	85,712
Consulting fees	36,875	30,718	5,406
Bank fees	5,755	23,850	4,635
Portfolio transaction costs	3,115	(2,240)	38,383
Other expenses	49,254	45,632	33,106
Total	**144,534**	**125,470**	**175,909**

9. Accounts payable and accrued expenses

As at December 31, 2016, 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.

10. Forward foreign exchange contracts

As at December 31, 2016, outstanding forward foreign exchange contracts are composed of:

Maturity date	Purchase		Sale		Unrealised gain/ (loss) in EUR
05-01-17	EUR	1,315,789	USD	(1,500,000)	(104,203)
06-01-17	EUR	1,228,174	USD	(1,500,000)	(191,861)
06-01-17	USD	1,500,000	EUR	(1,236,145)	183,562
06-01-17	EUR	1,336,362	USD	(1,500,000)	(83,487)
10-01-17	GBP	358,425	EUR	(423,781)	(3,965)
10-01-17	GBP	502,488	EUR	(594,113)	(5,558)
10-01-17	GBP	501,170	EUR	(592,555)	(5,543)
10-01-17	GBP	10,083,814	EUR	(11,922,517)	(111,537)
10-01-17	GBP	2,364,520	EUR	(2,795,672)	(26,154)
10-01-17	GBP	575,485	EUR	(680,420)	(6,365)
10-01-17	GBP	9,923	EUR	(11,737)	(114)
10-01-17	GBP	223,419	EUR	(264,252)	(2,565)
10-01-17	GBP	14,485	EUR	(17,133)	(166)
10-01-17	GBP	12,953	EUR	(15,320)	(149)
10-01-17	GBP	15,195	EUR	(17,972)	(174)
31-01-17	EUR	1,568,998	INR	(166,000,000)	(737,810)
07-02-17	EUR	362,043	USD	(500,000)	(110,799)
07-02-17	EUR	360,295	USD	(500,000)	(112,553)
07-02-17	EUR	543,459	USD	(750,000)	(165,803)
21-02-17	EUR	243,473	USD	(277,778)	(18,919)
21-02-17	EUR	480,440	USD	(535,715)	(25,557)
06-03-17	EUR	217,846	USD	(250,000)	(18,173)
06-03-17	EUR	364,480	USD	(412,500)	(24,928)
08-03-17	EUR	1,974,897	USD	(2,250,000)	(148,986)
03-04-17	EUR	2,014,054	USD	(2,250,000)	(106,677)
03-04-17	EUR	766,667	TJS	(7,141,500)	(10,274)
06-04-17	EUR	2,179,029	USD	(2,500,000)	(177,374)
06-04-17	EUR	4,420,476	USD	(5,000,000)	(291,934)
06-04-17	EUR	1,347,225	USD	(1,500,000)	(66,364)
06-04-17	EUR	449,075	USD	(500,000)	(22,121)
06-04-17	EUR	477,142	USD	(531,250)	(23,504)
08-05-17	EUR	5,426,486	USD	(6,355,500)	(556,061)
08-05-17	EUR	1,547,338	USD	(1,726,442)	(77,212)
18-05-17	EUR	865,172	USD	(937,500)	(16,394)
25-05-17	EUR	468,494	USD	(500,000)	(1,461)
06-06-17	EUR	1,518,027	USD	(2,000,000)	(364,027)
06-06-17	EUR	2,418,646	USD	(2,750,000)	(166,094)
06-06-17	EUR	2,925,330	USD	(3,326,100)	(200,889)

Maturity date	Purchase		Sale		Unrealised gain/ (loss) in EUR
06-06-17	EUR	447,748	USD	(500,000)	(22,130)
07-06-17	EUR	417,399	USD	(481,720)	(35,406)
07-06-17	EUR	1,862,197	USD	(2,000,000)	(16,543)
08-06-17	EUR	2,324,933	USD	(2,500,000)	(23,383)
09-06-17	EUR	1,299,151	USD	(1,500,000)	(110,666)
16-06-17	EUR	857,917	USD	(982,143)	(64,757)
20-06-17	EUR	2,375,100	INR	(237,500,000)	(873,230)
21-06-17	EUR	187,587	USD	(216,307)	(15,581)
21-06-17	EUR	650,421	USD	(750,000)	(54,022)
27-06-17	EUR	2,369,219	USD	(2,500,000)	20,227
27-06-17	EUR	4,738,438	USD	(5,000,000)	40,455
28-06-17	EUR	1,482,271	USD	(1,666,666)	(82,172)
28-06-17	EUR	2,223,408	USD	(2,500,000)	(123,259)
03-07-17	EUR	1,117,381	KZT	(283,189,165)	358,022
06-07-17	EUR	865,838	USD	(1,000,000)	(72,693)
06-07-17	EUR	1,767,409	USD	(2,000,000)	(109,260)
06-07-17	EUR	1,325,557	USD	(1,500,000)	(81,945)
06-07-17	EUR	474,966	USD	(531,250)	(23,463)
07-07-17	EUR	439,696	USD	(500,000)	(29,473)
11-07-17	EUR	4,460,303	USD	(5,000,000)	(229,788)
13-07-17	EUR	435,476	USD	(594,643)	(123,338)
13-07-17	EUR	1,583,470	USD	(1,785,521)	(91,327)
01-08-17	EUR	346,021	NGN	(100,000,000)	112,666
07-08-17	EUR	755,744	USD	(1,000,000)	(182,771)
07-08-17	EUR	881,834	USD	(1,000,000)	(55,083)
07-08-17	EUR	876,885	USD	(1,000,000)	(60,095)
08-08-17	EUR	1,455,686	USD	(1,643,688)	(84,153)
08-08-17	EUR	9,900,330	USD	(11,178,958)	(572,337)
08-08-17	EUR	1,036,270	USD	(1,170,104)	(59,907)
21-08-17	EUR	370,495	USD	(426,588)	(28,965)
22-08-17	EUR	5,694,637	USD	(6,562,500)	(450,280)
06-09-17	EUR	1,312,049	USD	(1,500,000)	(91,254)
06-09-17	EUR	360,940	USD	(412,500)	(24,967)
06-09-17	EUR	3,287,743	USD	(3,750,000)	(220,406)
06-09-17	EUR	1,319,493	USD	(1,500,000)	(83,703)
13-09-17	EUR	1,350,834	USD	(1,544,544)	(93,561)
18-09-17	EUR	2,055,324	INR	(196,000,000)	(590,171)
05-10-17	EUR	4,876,281	USD	(5,518,000)	(276,608)
05-10-17	EUR	1,630,545	USD	(1,863,876)	(110,271)
06-10-17	EUR	327,511	USD	(375,000)	(22,720)
06-10-17	EUR	1,316,425	USD	(1,500,000)	(84,395)
06-10-17	EUR	4,001,245	USD	(4,500,000)	(200,371)

Maturity date	Purchase		Sale		Unrealised gain/ (loss) in EUR
10-10-17	EUR	440,995	USD	(500,000)	(25,807)
10-10-17	EUR	27,805	USD	(31,250)	(1,366)
24-10-17	EUR	450,938	USD	(500,000)	(15,330)
03-11-17	EUR	2,214,153	USD	(2,500,000)	(116,593)
07-11-17	EUR	4,591,984	USD	(5,171,033)	(227,634)
08-11-17	EUR	949,057	USD	(1,024,317)	(4,879)
20-11-17	EUR	735,738	USD	(833,334)	(40,461)
20-11-17	EUR	3,426,379	USD	(3,750,000)	(64,337)
05-01-18	EUR	423,908	USD	(500,000)	(40,929)
05-01-18	EUR	27,662	USD	(31,250)	(1,365)
08-01-18	EUR	1,197,533	USD	(1,500,000)	(198,353)
08-01-18	EUR	399,178	USD	(500,000)	(66,118)
08-01-18	USD	1,500,000	EUR	(1,213,899)	177,732
08-01-18	USD	500,000	EUR	(404,633)	59,244
08-01-18	EUR	325,818	USD	(375,000)	(22,574)
08-01-18	EUR	663,101	USD	(750,000)	(33,432)
12-01-18	EUR	648,088	USD	(891,964)	(183,197)
16-01-18	EUR	806,486	USD	(937,500)	(64,244)
19-01-18	EUR	2,158,801	USD	(2,500,000)	(162,534)
23-01-18	EUR	424,649	INR	(35,000,000)	(35,559)
01-03-18	EUR	304,925	GHS	(2,000,000)	(64,213)
06-04-18	EUR	843,704	USD	(1,000,000)	(80,982)
06-04-18	EUR	1,321,237	USD	(1,500,000)	(64,247)
06-04-18	EUR	880,824	USD	(1,000,000)	(42,832)
23-04-18	EUR	417,824	INR	(35,000,000)	(35,577)
07-05-18	EUR	421,124	USD	(500,000)	(40,369)
06-06-18	EUR	1,311,819	USD	(1,500,000)	(68,589)
07-06-18	EUR	6,372,674	USD	(7,500,000)	(534,876)
07-06-18	EUR	4,295,533	USD	(5,000,000)	(308,000)
15-06-18	EUR	4,283,389	USD	(5,000,000)	(318,248)
26-06-18	EUR	371,505	USD	(422,810)	(17,045)
26-06-18	EUR	2,196,644	USD	(2,500,000)	(100,782)
23-07-18	EUR	412,183	INR	(35,000,000)	(34,448)
03-09-18	EUR	1,555,694	KZT	550,560,000	217,998
07-09-18	EUR	2,152,204	USD	(2,500,000)	(135,590)
01-10-18	EUR	585,216	KZT	199,500,000	103,662
23-10-18	EUR	407,640	INR	(35,000,000)	(32,209)
01-11-18	EUR	409,165	GHS	(2,500,000)	(20,058)
23-01-19	EUR	402,733	INR	(35,000,000)	(30,662)
25-01-19	EUR	1,605,301	INR	(150,000,000)	(268,172)
01-02-19	EUR	153,075	TJS	(2,010,940)	(12,562)
01-04-19	EUR	428,071	KGS	(53,854,500)	(143,484)

Maturity date	Purchase		Sale		Unrealised gain/ (loss) in EUR
01-04-19	EUR	94,783	TJS	(1,250,000)	(5,911)
08-04-19	EUR	213,183	USD	(250,000)	(12,298)
01-07-19	EUR	1,174,565	KZT	(467,653,000)	106,292
05-07-19	EUR	1,063,920	USD	(1,250,000)	(56,345)
05-07-19	EUR	213,895	USD	(250,000)	(10,091)
08-10-19	EUR	210,491	USD	(250,000)	(12,154)
07-11-19	EUR	441,761	USD	(600,000)	(95,893)
25-11-19	EUR	2,825,012	INR	(250,000,000)	(123,185)
04-05-20	EUR	1,723,650	IDR	(38,000,000,000)	(383,846)
15-06-20	EUR	969,528	INR	(100,000,000)	(202,749)
01-07-20	EUR	237,205	IDR	(5,000,000,000)	(32,852)
01-07-20	EUR	246,660	IDR	(5,000,000,000)	(20,135)
06-07-20	EUR	209,030	USD	(250,000)	(9,155)
06-07-20	EUR	1,042,709	USD	(1,250,000)	(48,437)
01-10-20	EUR	611,337	IDR	(12,500,000,000)	(26,800)
15-12-20	EUR	933,380	INR	(100,000,000)	(213,813)
21-12-20	EUR	582,819	INR	(62,500,000)	(133,638)
15-06-21	EUR	901,149	INR	(100,000,000)	(221,371)
21-06-21	EUR	562,711	INR	(62,500,000)	(138,330)
21-12-21	EUR	545,178	INR	(62,500,000)	(140,882)
21-06-22	EUR	527,723	INR	(62,500,000)	(145,328)
21-12-22	EUR	512,946	INR	(62,500,000)	(147,185)
21-06-23	EUR	499,492	INR	(62,500,000)	(148,524)
23-08-23	EUR	2,284,322	USD	(3,000,000)	(150,485)
Total					**(14,217,408)**

The counterparties linked to the forward foreign exchange contracts are:
- RBC Investor Services Bank SA
- Triodos Bank NV
- MFX Solutions LLC

11. Swap contracts

As at December 31, 2016, outstanding cross currency interest rate swap contracts are composed of:

Description	Maturity date	Notional in EUR	Counterparty Notional in currency		Unrealised gain/(loss) in EUR
CIRS MFX EUR/USD	01-01-21	730,727	USD	1,000,000	(261,778)
Total					**(261,778)**

The counterparty linked to the forward foreign exchange contract is MFX Solutions LLC.

12. Dividend distributions

During the year ended December 31, 2016, the following dividends were paid by the sub-fund Triodos SICAV II - Triodos Microfinance Fund:

Class: “I” Shares Distribution (EUR)
Ex-date: May 31, 2016
Payment date: June 9, 2016
Dividend per share: EUR 0.02**

Class: “K-Institutional” Shares Distribution (GBP) *
Ex-date: May 31, 2016
Payment date: June 9, 2016
Dividend per share: EUR 0.03** (GBP 0.02)

* Payment of distribution was 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 interest 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.

13. Off-balance sheet commitments

As at December 31, 2016, the sub-fund has committed itself to five investments for a total of approximately EUR 17 million.

14. Ongoing charges ratios

	12 months ending December 31, 2016	12 months ending December 31, 2015	12 months ending December 31, 2014
B Capitalisation Share Class (EUR)	2.54%	2.67%	2.50%
B Distribution Share Class (EUR)	2.57%	2.71%	2.57%
I Capitalisation Share Class (EUR)	1.92%	1.97%	2.05%
I Distribution Share Class (EUR)	1.93%	1.96%	2.04%
K-B Capitalisation Share Class (GBP)	2.54%	2.67%	2.64%
K-B Distribution Share Class (GBP)	2.54%	2.69%	2.63%
K-Institutional Capitalisation Share Class (GBP)*	2.00%	2.00%	2.00%
K-Institutional Distribution Share Class (GBP)	1.92%	1.94%	2.02%
K-Retail Capitalisation Share Class (GBP)**	2.63%	2.63%	2.63%
K-Retail Distribution Share Class (GBP)	2.55%	2.69%	2.64%
K-Z Capitalisation Share Class (GBP)	2.14%	2.13%	2.26%
R Capitalisation Share Class (EUR)	2.60%	2.73%	2.72%
R Distribution Share Class (EUR)	2.60%	2.78%	2.70%
K-Z Distribution Share Class (GBP)	2.12%	2.13%	2.27%
Z- Capitalisation Share Class (EUR)	2.12%	2.16%	2.35%
Z- Distribution Share Class (EUR)	2.11%	2.15%	2.34%

* This share class has been active until January 2014. Ongoing charges are based on best estimate
** This share class has been active until June 2014. Ongoing charge are based on best estimate

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 year.

15. Exchange rate

The exchange rates used as at December 31, 2016, are:

1 EUR =	1.900344	AZN
1 EUR =	82.901045	BDT
1 EUR =	7.309425	BOD
1 EUR =	7.329998	CNY
1 EUR =	3,167.417417	COP
1 EUR =	48.892134	DOP
1 EUR =	1.00	EUR
1 EUR =	0.85359932	GBP
1 EUR =	2.810381	GEL
1 EUR =	4.503783	GHS
1 EUR =	7.935403	GTQ
1 EUR =	14,209.214603	IDR
1 EUR =	71.586127	INR
1 EUR =	0.747290165	JOD

1 EUR =	73.200777	KGS
1 EUR =	4,202.191235	KHR
1 EUR =	351.935269	KZT
1 EUR =	1,436.9891	MMK
1 EUR =	2,623.756219	MNT
1 EUR =	332.204724	NGN
1 EUR =	3.536415	PEN
1 EUR =	6,096.820809	PYG
1 EUR =	8.304268	TJS
1 EUR =	2.426241	TND
1 EUR =	2,297.930283	TZS
1 EUR =	1.05475	USD
1 EUR =	655.939055	XOF
1 EUR =	14.423734	ZAR

16. Transaction costs

The following table presents the transaction costs related to the portfolio of investments over 2016.

Currency (EUR)	**2016**
Triodos Microfinance Fund*	28,899

*This amount includes transaction costs related to acquisition of equity investments during 2015. The majority of these costs have been added to the cost price of the investment.

17. Leverage

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

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-funds, whereas the commitment method gives insight in the hedging and netting techniques used by the AIFM.

The leverage ratio calculated by the commitment method as per year-end 2016 for Triodos Microfinance Fund is 105.37%.

To the Shareholders of Triodos SICAV II - Triodos Microfinance Fund

We have audited the accompanying financial statements of Triodos SICAV II - Triodos Microfinance Fund, which comprise the statement of net assets and the statement of investments as at December 31, 2016 and the statement of operations, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Board of Directors of the SICAV for the financial statements

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the “Réviseur d’entreprises agréé”

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier”. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the “Réviseur d’entreprises agréé”, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the “Réviseur d’entreprises agréé” considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Triodos SICAV II - Triodos Microfinance Fund as of December 31, 2016, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

Other information

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

Our opinion on the financial statements 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 statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 this fact. We have nothing to report in this regard.

PricewaterhouseCoopers, Société coopérative

Luxembourg, April 7, 2017

Represented by
Nathalie Dogniez

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
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Appendix: microfinance institutions and banks in the portfolio

As at December 31, 2016 and 2015

	Number of borrowers		% female borrowers	
Microfinance institution	2016	2015	2016	2015
AccessBank	62,771	125,999	17%	19%
AB Microfinance Bank Nigeria	41,432	45,567	64%	64%
AccessBank Tanzania	31,798	32,474	29%	31%
ACLEDA Bank	366,361	349,211	51%	52%
Banco Ademi	238,435	236,376	48%	50%
Advans Ghana	12,199	11,261	66%	56%
Alliance Finance	64,992	**	100%	**
Angkor Microfinance Kampuchea (AMK)	332,114	*	81%	*
AMRET	298,765	309,179	76%	77%
Annapurna Microfinance Pvt. Ltd.	804,469	*	100%	*
Arvand	37,216	36,465	43%	41%
AzerCredit	60,801	68,275	32%	32%
Bai Tushum	22,784	33,996	44%	43%
Bancosol	251,191	252,442	44%	45%
Bina Artha Ventura	198,595	*	99%	*
CMAC Sullana	237,643	*	50%	*
Caja Rural de Ahorro y Crédito Credinka S.A.	69,583	59,350	47%	48%
Credo	209,560	193,626	48%	45%
Crezcamos	110,713	78,376	51%	53%
Financiera Desyfin	3,851	*	30%	*
Diaconía	66,601	*	53%	*
EMFIL	1,127,998	704,953	100%	100%
Enda	302,499	262,882	65%	66%
Bank Eskhata	60,528	66,304	39%	37%
FAMA	56,998	52,827	72%	73%
Asociacion Fondo de Desarrollo	24,843	67,710	52%	51%
Finca Azerbaijan	98,868	125,615	26%	26%
FINCA DRC	117,858	125,450	53%	56%
Finca Kyrgyzstan	101,272	119,748	56%	57%
Fortis Microfinance Bank plc	65,860	56,483	83%	91%
FUNDEA	23,605	23,716	41%	43%
Génesis Empresarial	95,241	90,326	69%	67%
Grameen Koota	1,398,928	921,071	100%	100%
Hamkorbank	112,436	83,595	49%	47%
IMON	98,480	104,659	38%	37%
Intellegrow	93	*	0%	*
Ipak Yuli Bank	8,526	9,468	41%	33%
Banco Itapúa	8,753	12,630	29%	25%

* Not financed in 2015
** Not applicable

Loan portfolio (EUR x 1,000)		Average loan (EUR)		% rural clients		Number of savers	
2016	2015	2016	2015	2016	2015	2016	2015
389,371	662,810	6,203	5,260	55%	41%	424,204	372,263
32,064	53,888	774	1,183	0%	0%	131,016	113,545
70,069	68,777	2,204	2,118	2%	3%	225,928	206,530
2,391,019	2,107,036	6,526	6,034	86%	87%	1,695,442	1,595,703
250,053	249,288	1,049	1,055	5%	5%	241,392	253,299
14,264	9,983	1,169	887	5%	0%	39,124	26,679
10,508	**	162	**	78%	**	0	**
134,071	*	404	*	91%	*	256,858	*
453,503	351,202	1,518	1,136	80%	88%	222,814	161,022
150,796	*	187	*	86%	*	0	*
24,675	30,563	663	838	54%	52%	27,804	19,261
37,932	56,395	624	826	81%	81%	0	**
66,123	85,808	2,902	2,524	50%	68%	87,169	59,155
1,097,388	985,743	4,369	3,905	12%	12%	813,772	734,756
21,659	*	109	*	84%	*	0	*
599,685	*	2,523	*	4%	*	0	*
176,014	175,486	2,530	2,957	26%	31%	62,225	49,021
161,374	146,776	770	758	72%	74%	288,116	**
78,777	48,776	712	622	60%	59%	0	**
213,326	*	55,395	*	0%	*	3,226	*
105,340	*	1,582	*	21%	*	0	*
319,592	164,188	283	233	70%	68%	0	**
138,535	118,252	458	450	38%	42%	0	**
125,502	135,053	2,073	2,037	35%	37%	129,486	102,569
55,456	46,757	973	885	38%	37%	0	**
32,422	76,699	1,305	1,133	74%	69%	0	**
91,438	154,149	925	1,227	66%	66%	0	**
76,185	65,653	646	523	0%	0%	249,687	**
90,142	96,344	890	805	57%	60%	55,538	**
49,594	53,854	753	953	100%	71%	139,226	140,277
27,269	26,940	1,155	1,136	77%	77%	0	**
81,495	77,459	856	858	88%	57%	0	**
419,614	225,105	300	244	76%	72%	0	**
632,182	525,234	5,623	6,283	22%	22%	155,222	138,026
76,724	106,671	779	1,019	65%	63%	6,964	4,852
30,654	*	329,612	*	0%	*	0	*
342,696	863,247	40,194	91,175	16%	13%	0	**
172,229	180,608	19,677	14,300	4%	4%	35,242	33,314

Appendix: microfinance institutions and banks in the portfolio

Microfinance institution	Number of borrowers 2016	Number of borrowers 2015	% female borrowers 2016	% female borrowers 2015
Janalakshmi Financial Services Private Limited	4,985,932	3,266,091	99%	100%
Kashf Foundation	218,138	*	100%	*
Khan Bank LLC	377,905	392,757	51%	45%
KMF LLC	174,423	144,730	64%	65%
Kompanion	98,146	113,332	70%	72%
LOLC Micro Credit	367,767	296,124	75%	75%
Mitra Bisnis Keluarga	730,707	567,182	100%	100%
MicroCred Ivory Coast	24,534	16,350	44%	43%
MicroCred China	26,774	**	30%	**
MicroCred Senegal	45,048	39,446	44%	44%
NeoGrowth	3,099	*	16%	*
Banco Pichincha	1,063,278	**	45%	**
PRASAC Microfinance Institution	334,865	304,668	82%	83%
Financiera ProEmpresa S.A.	66,018	52,783	47%	50%
Edpyme Raíz	97,285	91,929	45%	46%
Sathapana	120,506	112,684	55%	56%
Small Enterprise Foundation	146,898	131,918	100%	100%
Shubham Housing Development Finance	14,183	*	9%	*
Banco Solidario	279,113	348,464	54%	52%
Sonata	669,056	458,488	100%	100%
Utkarsh Microfinance	1,202,702	786,299	99%	99%
Visión Banco	273,043	230,482	47%	44%
Vitas Jordan	15,946	12,011	59%	59%
XacBank	16,746	19,395	51%	51%

* Not financed in 2015
** Not applicable

Loan portfolio (EUR x 1,000)		Average loan (EUR)		% rural clients		Number of savers	
2016	2015	2016	2015	2016	2015	2016	2015
1,593,108	871,668	320	267	0%	0%	0	**
43,846	*	201	*	27%	*	0	*
1,221,677	1,399,369	3,233	3,563	46%	73%	868,624	968,705
125,784	107,162	721	740	70%	68%	0	**
61,031	53,530	622	472	88%	94%	0	**
260,708	209,569	709	708	86%	91%	0	**
83,824	54,781	115	97	78%	74%	0	**
87,088	53,692	3,550	3,284	0%	0%	0	**
146,669	**	5,478	**	30%	**	0	**
76,336	64,440	1,695	1,634	0%	0%	194,773	150,058
52,700	*	17,005	*	0%	*	0	*
5,183,976	**	4,875	**	6%	**	2,514,210	**
833,982	707,812	2,491	2,323	90%	89%	480,037	431,484
88,881	82,270	1,346	1,559	32%	30%	16,849	**
172,607	149,885	1,774	1,630	10%	11%	18,556	**
526,011	434,404	4,365	3,855	62%	61%	190,091	127,618
21,001	16,238	143	123	100%	100%	0	**
99,941	*	7,047	*	45%	*	0	*
503,233	502,765	1,803	1,443	3%	3%	216,748	124,622
151,197	99,677	226	217	67%	70%	0	**
238,386	133,059	198	169	64%	58%	0	**
674,114	648,105	2,469	2,812	2%	1%	403,109	320,026
31,559	22,021	1,979	1,833	0%	0%	0	**
89,885	111,127	5,368	5,730	49%	37%	767,622	469,588

Management and administration

Registered office

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

Board of Directors

G.R. Pieters (1958)
Chair (as of June 24, 2016)
Associate of the Directors' Office Luxembourg

Garry Pieters is an ILA (Institut Luxembourgeois des Administrateurs)-certified director. He is also Chair of the Board of Triodos SICAV I. Furthermore, he is Money Laundering Reporting Officer (MLRO) of Triodos SICAV II and oversees the handling of complaints. In addition, Garry Pieters is a Board Member of several other Luxembourg investment entities, including Fundsmith LLP, Astellon Capital Partners LLP and Sustainability Finance Real Economies fund (SFRE, initiated by the Global Alliance for Banking on Values). He is also a Conducting Officer for the Luxembourg entities of Columbia Threadneedle and 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 BV in Luxembourg and of its Singapore joint venture, as well as Senior Executive of its Korean joint venture. As per December 31, 2016, Garry Pieters did not hold any shares in Triodos Microfinance Fund.

P.H. Aeby (1956)
Chief Financial Officer and member of the Executive Board of Triodos Bank NV

Pierre Aeby has been Statutory Director of Triodos Bank NV since 2000 and is a Member of the Executive Board of Triodos Bank NV. He is also a Member of the Board of Stichting Triodos Holding, Statutory Director of Triodos Ventures BV, Member of the Board of Stichting Hivos Triodos Fonds, Member of the Board of Stichting Triodos Sustainable Finance Foundation, Chair of the Board of Stichting Triodos Foundation, Director of Triodos Fonds vzw, Member of the Board of Triodos SICAV I, Member of the Board of Triodos Invest CVBA, Chair of the Board of Enclude Holding BV and Member of the Board of Vlaams Cultuurhuis De Brakke Grond. As per December 31, 2016, Pierre Aeby held 430 shares in Triodos Microfinance Fund.

M.D. Bachner (1972) (as of April 27, 2016)
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 is a Member of both the Board and the Management Committee of ILA (Institut Luxembourgeois des Administrateurs), as well as Chair of ILA's Education Committee and Member of ILA's Investment Funds Committee. Monique Bachner is also a Member of the Board of Triodos SICAV I. As per December 31, 2016, Monique Bachner did not hold any shares in Triodos Microfinance Fund.

M.H.G.E. van Golstein Brouwers (1958)
Chair of the Management Board of Triodos Investment Management BV

Marilou van Golstein Brouwers is Chair of the Management Board of Triodos Investment Management and Triodos Investment Advisory Services BV. In addition, she is a Member of the Board of Stichting Triodos Sustainable Trade Fund and Stichting Triodos Renewable Energy for Development Fund. Furthermore, Marilou van Golstein Brouwers is Member of the Board of the Global Impact Investing Network (GIIN), Member of the Advisory Board of the 'Fund for Rural Prosperity' of the MasterCard Foundation, Member of the Advisory Council on International Affairs Committee for Development Cooperation (AIV/COS) and Member of the Supervisory Board of B Corps Europe. As per December 31, 2016, Marilou van Golstein Brouwers did not hold any shares in Triodos Microfinance Fund.

P.M. Goodman (1963)
Independent, Partner of Innpact S.à r.l.

Patrick Goodman is co-founder of Innpact S.à r.l., which provides expert consulting services for the establishment and management support of impact finance vehicles. He has an in-depth understanding of all operational, financial and legal processes of investment vehicles, backed by almost thirty years' experience in the banking and fund industry. Previous employers include JP Morgan in Brussels and Citibank in Belgium and Luxembourg. Since early 2003, Patrick Goodman has dedicated his career to responsible finance and impact finance, providing structuring and management support for MIVs (Microfinance Investment Vehicles) and other impact finance vehicles. He is also a Member of the Board of Triodos SICAV I, as well as other impact finance investment funds. As per December 31, 2016, Patrick Goodman held 1,678 shares in Triodos Microfinance Fund.

O.A.M. Marquet (1957) (until April 27, 2016)
Managing Director of Triodos Bank NV (Belgian branch) (until December 1, 2015)

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:

M.H.G.E. van Golstein Brouwers (1958)
Marilou van Golstein Brouwers is Chair of the Management Board of Triodos Investment

Management and Triodos Investment Advisory & Services BV. In addition, she is Member of the Board of Triodos SICAV II, Stichting Triodos Sustainable Trade Fund and Stichting Triodos Renewable Energy for Development Fund. Marilou van Golstein Brouwers is also Member of the Board of Global Impact Investing Network (GIIN) and the Advisory Board of the 'Fund for Rural Prosperity' launched by the Mastercard Foundation, Member of the Advisory Council on International Affairs Committee for Development Cooperation (AIV/COS) and Member of the Supervisory Board of B Corps Europe. As per December 31, 2016, Marilou van Golstein Brouwers did not hold any shares in Triodos Microfinance Fund.

D.J. van Ommeren (1967) (as of February 1, 2016)
Dick van Ommeren is Director at Triodos Investment Management and Triodos Investment Advisory & Services BV. He is a Member of the Board of Triodos SICAV I. As per December 31, 2016, Dick van Ommeren did not hold any shares in Triodos Microfinance Fund.

L.L. Pool (1968)
Laura Pool is Director Risk and Finance at Triodos Investment Management and Triodos Investment Advisory & Services BV. She is also Member of the Supervisory Board of ECN (Energy Research Centre of the Netherlands) and Member of the Board of NVFE (Dutch Association of Financial Executives). As per December 31, 2016, Laura Pool did not hold any shares in Triodos Microfinance Fund.

Fund Manager

F. Bos (1969)
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 microfinance sector, particularly in Asia, she has cultivated a wealth of knowledge and expertise in the industry. Throughout her career, Femke Bos has served on the Board of Directors and key committees of several microfinance institutions, from start-ups to well-established fully-fledged banks. Prior to joining Triodos Bank in 2002 as a Senior Investment Officer and later as Fund Manager for Triodos Sustainable Finance Foundation, 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 per December 31, 2016, Femke Bos did not hold any shares in Triodos Microfinance Fund.

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Grand Duchy of Luxembourg

Rated by:

LUXFLAG microfinance

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 2016

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

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Triodos Investment Management