Triodos Microfinance Fund

a sub-fund of Triodos SICAV II

Annual report 2017

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 2017

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 from Triodos Investment Management BV: www.triodos-im.com.

Key figures

(amounts in EUR)	2017	2016	2015	2014	2013
Net assets (end of reporting period)	365,347,204	339,201,563	290,558,880	220,383,152	163,470,832
Income	22,612,293	19,728,202	17,371,442	11,646,611	7,964,260
Expenses	7,383,501	6,511,209	5,375,167	4,166,043	3,281,801
Net operating gain	15,228,792	13,216,993	11,996,275	7,480,568	4,682,459
Realised and unrealised gains/losses on investments, swaps and foreign exchange contracts	(12,874,985)	(2,384,961)	(3,598,013)	4,995,123	4,648,688
Net result	2,353,807	10,832,032	8,398,261	12,475,691	9,331,147
Ongoing charges per share class*					
B-cap (EUR)	2.59%	2.54%	2.67%	2.50%	2.72%
B-dis (EUR)	2.63%	2.57%	2.71%	2.57%	2.80%
I-cap (EUR)	1.91%	1.92%	1.97%	2.05%	2.05%
I-dis (EUR)	1.91%	1.93%	1.96%	2.04%	2.03%
I-II-cap (EUR)	1.76%*	n.a.	n.a.	n.a.	n.a.
I-II-dis (EUR)	1.76%*	n.a.	n.a.	n.a.	n.a.
R-cap (EUR)	2.65%	2.60%	2.73%	2.72%	2.84%
R-dis (EUR)	2.63%	2.60%	2.78%	2.70%	2.82%
Z-cap (EUR)	2.14%	2.12%	2.16%	2.35%	2.29%
Z-dis (EUR)	2.11%	2.11%	2.15%	2.34%	2.27%
K-I-cap (GBP)**	2.00%	2.00%	2.00%	2.00%	2.03%
K-I-dis (GBP)**	1.92%	1.92%	1.94%	2.02%	2.03%
K-Z-cap (GBP)**	2.17%	2.14%	2.13%	2.26%	2.20%
K-Z-dis (GBP)**	2.14%	2.12%	2.13%	2.27%	2.10%

Net asset value (NAV) per share

(amounts in EUR or GBP)	December 29, 2017	December 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013
B-cap (EUR)	35.39	35.32	34.09	33.24	31.57
B-dis (EUR)	28.78	29.31	28.28	28.98	28.35
I-cap (EUR)	37.66	37.32	35.79	34.64	32.68
I-dis (EUR)	29.19	29.70	28.50	29.18	28.57
I-II-cap (EUR)	25.12	n.a.	n.a.	n.a.	n.a.
I-II-dis (EUR)	25.12	n.a.	n.a.	n.a.	n.a.
R-cap (EUR)	35.31	35.24	34.00	33.16	31.49
R-dis (EUR)	28.82	29.34	28.31	29.01	28.39
Z-cap (EUR)	29.08	28.88	27.75	26.91	25.45
Z-dis (EUR)	26.79	27.26	26.18	26.77	25.45
K-I-cap (GBP)**	n.a.	n.a.	n.a.	n.a.	26.12

Net asset value (NAV) per share (continued)

(amounts in EUR or GBP)	December 29, 2017	December 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013
K-I-dis (GBP)**	22.66	23.00	21.91	22.24	21.71
K-Z-cap (GBP)**	23.84	23.56	22.49	21.78	20.57
K-Z-dis (GBP)**	21.86	22.19	21.15	21.48	20.54

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)	0.2%	2.1%	3.6%	4.1%
B-dis (EUR)	0.2%	2.1%	3.6%	4.1%
I-cap (EUR)	0.9%	2.8%	4.3%	4.8%
I-dis (EUR)	0.9%	2.8%	4.3%	4.7%
I-II-cap (EUR)****				
I-II-dis (EUR)****				
R-cap (EUR)	0.2%	2.1%	3.6%	4.1%
R-dis (EUR)	0.2%	2.1%	3.6%	4.1%
Z-cap (EUR)	0.7%	2.6%	4.0%*****	4.4%*****
Z-dis (EUR)	0.7%	2.6%	4.0%*****	4.4%*****
K-I-dis (GBP)**	1.3%	3.3%	4.7%	4.9%
K-Z-cap (GBP)**	1.2%	3.1%	4.4%*****	4.6%*****
K-Z-dis (GBP)**	1.1%	3.1%	4.4%*****	4.4%*****

* 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. The ongoing charges for the I-II share class is based on best estimate, since the I-II share class was launched in April 2017.
** The GPB-denominated share classes are hedged against the euro.
*** NAV per share is based on share prices as per December 29, 2017, i.e. the last price at which shares were traded in the reporting period.
**** The I-II-share class was launched on April 28, 2017. Annual returns are therefore not available.
***** 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 the K-B-share class (which were closed on June 30, 2017) respectively.

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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 (i) retail investors, (ii) institutional investors and (iii) private banks and other investors who do not have access to the retail or institutional share classes.

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 (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 FIs) 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, senior debt and other debt instruments of qualifying financial institutions.

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. The geographic focus of the fund is on developing countries and emerging economies.

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 (AIFM) 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 Bank). 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)
Kor Bosscher (as of March 1, 2018)
Jacco Minnaar (as of June 1, 2017)
Dick van Ommeren

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[1]. 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. 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[2]. 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 2017, Triodos Microfinance Fund had investments outstanding with 93 financial institutions and banks in 40 countries.
The online Inclusive Finance Impact Report (www.triodosimpactreports.com) provides further information about the impact that the fund has had, presenting figures, background stories and a description of its activities.

Market developments

The global economy strengthened in 2017. The IMF's October 2017 World Economic Outlook upgraded its global growth estimate for 2017 to 3.6%, well above the 2016 growth rate of 3.2%, which was the lowest since the global financial crisis.

The upturn was quite broad-based, with better-than-expected numbers for both advanced economies and emerging markets. As expected, the Fed raised interest rates by 0.25% in March, June and December. Still, financing costs remained low in 2017, and loose monetary conditions continued to make access to financing

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/

2 Source: IFC report (International Finance Corporation) Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises (2013)

Core indicators microfinance institutions (MFIs) and SME financial institutions (SME FIs) in the fund's portfolio, December 31, 2017

	MFIs 2017	MFIs 2016	SME FIs 2017	SME FIs 2016
Number of loan clients reached	16,726,443	16,933,839	2,047,680	1,642,933
Number of savings clients reached	7,625,536	7,384,551	5,655,512	3,576,524
Average loan (EUR)	857	812	4,733	4,784
Percentage of female loan clients	83%	86%	43%	49%
Percentage of clients in rural areas	44%	43%	40%	23%
Number of people employed	112,762	105,331	20,642	15,715

relatively easy, alleviating liquidity concerns for countries with high debt.

In Latin America and sub-Saharan Africa some signs of improved economic activity were visible, although several commodity exporters, especially those of agricultural commodities, still face difficult conditions. Growth in Asia benefited from stronger-than-expected growth in China. The Commonwealth of Independent States region has started to recover from the crisis, but is lagging potential as banks in a number of countries face issues due to a large percentage of non-performing loans in their portfolios.

Currencies: strong year for the euro

2017 was a strong year for the euro. The US dollar weakened against the euro by no less than 12.4% over the full year[3]. With the exception of the CFA franc - the common currency of a number of Central and West African countries, which is pegged to the euro - all of the emerging market currencies in the fund's portfolio also weakened against the euro. The extent of the appreciation of the euro is quite unusual: the last time the currency appreciated this much was more than ten years ago, and it has been at least five years since all the currencies in the fund's portfolio weakened in any one year.

From innovation to impact

Last year saw a proliferation of initiatives coming from the financial sector, not only to address financial inclusion, but also to achieve the United Nations' Sustainable Development Goals (SDGs)[4]. There is a growing awareness and recognition that access to financial products and services will allow people to not only build businesses, but also meet basic needs, such as sending children to school, receiving medical treatment, purchasing a first home, and building a financial buffer that allows them to deal with sudden unexpected needs. In this spirit, many initiatives result from the concerted efforts of private investors, donors, governments, and NGOs to structure innovative financial products and services. For example, the importance of education as a long-term foundation for an individual's economic security has played a role in a growing number of education-related financial products, such as loans for tuition fees or savings accounts for university education.

2017 was also the year when fintech moved to centre stage. Not only are more fintech initiatives flourishing, the number of investment activities is also increasing, including those by impact investors. The ubiquity of the internet, combined with the power of technology, has made it possible for many financial institutions to leapfrog. The manner in which financial products and services are provided has evolved, with a trend towards operating branchless and borderless. Fintech companies are digitising their value chain. Some fintech companies, for example, also use psychometric testing that relies on customers' personalities and behaviour to identify creditworthy clients and extend loans to them. Further maturing and development of blockchain technology during 2017 also resulted in the birth of many initiatives that use the blockchain concept to solve society's issues: blockchain technology would allow transactions to be executed more efficiently, through increased transaction speed and reduced infrastructure cost, especially for cross-border transactions, and ultimately, lower the transaction fees payable by the end customers[5].

83%

of microfinance clients are female

[3] Source: Bloomberg

[4] http://www.un.org/sustainabledevelopment/sustainable-development-goals/

[5] http://pubdocs.worldbank.org/en/710961476811913780/Session-5C-Pani-Baruri-Blockchain-Financial-Inclusion-Pani.pdf

Instead of competition between fintech and traditional financial institutions, a partnership between both could be the best way to leverage the banks' scale and the innovative capabilities of fintech.

Partnerships between different types of parties, such as financial institutions, non-profit organisations, and investors, is increasingly necessary to produce, promote and incubate innovation. Also, the role of governments is key here, as their policies can either promote or stifle the progress of financial inclusion. The G20 Global Partnership for Financial Inclusion (GPFI)[6], created by the G20 leaders to advance their commitment to financial inclusion, has been working with countries to help them achieve their financial inclusion targets. China[7], Indonesia[8], Uganda[9], Zambia[10], and Tanzania[11] are some of the countries that have recently seen positive developments in the financial inclusion space in 2017 thanks to favourable government regulation.

While the traditional inclusive finance market, which relies on the brick-and-mortar concept and close human interaction, will continue to exist, it is clear that the needs of some segments of the financially underserved can be addressed using innovative approaches, either through new products or through more efficient ways of servicing. There is increased interest in providing financing to micro, small and medium-sized enterprises (MSME) from the mainstream financial sector. This leaves room for impact investors to focus on the needs of other underserved client segments, and thus drive pioneering innovation that can deepen the impact of inclusive finance.

6 http://www.gpfi.org/
7 https://www.weforum.org/agenda/2017/06/fintech-in-china/
8 http://www.thejakartapost.com/news/2016/11/18/indonesia-promotes-financial-inclusion-with-new-strategy.html
9 http://blogs.worldbank.org/africacan/in-uganda-greater-financial-inclusion-is-the-key-to-unlocking-rapid-growth
10 http://www.worldbank.org/en/news/feature/2017/11/08/zambia-makes-steady-progress-in-financial-inclusion-but-many-women-still-excluded
11 https://www.afi-global.org/news/2017/12/tanzania-launches-second-national-financial-inclusion-framework

Investments

Triodos Microfinance Fund's investment portfolio grew by 4.9% to EUR 311.8 million (2016: EUR 297.2 million), which represents 85.3% of the fund's net assets of EUR 365.3 million (2016: EUR 339.2 million). The fund made 63 disbursements (senior debt, subordinated debt and equity) in 2017 (2016: 48), for a total amount of EUR 82.7 million (2016: EUR 83.9 million). The geographical spread of the fund was further diversified through the addition of three new countries: El Salvador, Honduras, and Lebanon.

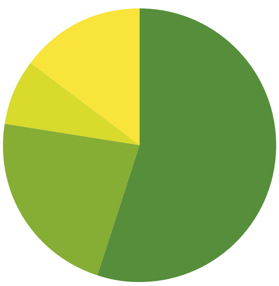
During 2017, the fund added 23 new debt investments in MFIs, SME banks and leasing companies in Asia, Latin America, Africa and the Middle East, and Central Asia to the fund's portfolio. The equity portfolio grew by 3.3%, from EUR 79.5 million in 2016 to EUR 82.1 million in 2017, representing 22.5% of the net assets of the fund on December 31, 2017 (2016: 23.4%). The fund became a shareholder in Financiera FAMA, a Nicaraguan microfinance institution that focuses on micro-entrepreneurs in the commerce and service sectors.

Overall, the performance of the equity investees remained strong and continued to show an upward trend, with the investees in Bolivia, Cambodia, Georgia, and Kazakhstan all recording strong operational performances. Furthermore, both investment funds in portfolio saw an upward increase in valuation. At the same time, the fund marked down its investments in India, due to the negative effects of the demonetisation measures in 2016, and in Tajikistan and Kyrgyzstan, because of increasingly challenging macro-economic conditions. The fund further made a small markdown on the investment in Cambodia, following a change in local regulations requiring the institution to comply with higher capital requirements in accordance with its position as a systemically important bank in the Cambodian economy. Despite the overall positive operational performance, the strong devaluation of local currencies and the US dollar had a negative impact on the valuation of equity investments denominated in local currencies, while the effect on equity investments in US dollars was limited due to the hedging contracts that are in place.

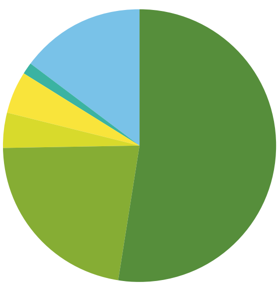
Fund data, December 31, 2017

Net assets	EUR 365,347,204
Portfolio value	EUR 311,815,994
Number of investment funds	2
Number of SME financial institutions	20
Number of MFIs	63
Number of microfinance holdings	5
Number of leasing companies	3
Number of loans	115
Number of subordinated loans	14
Number of equity investments	15
Number of countries	40

Asset allocation (% of fund's net assets), December 31, 2017



Types of institutions (% of fund's net assets), December 31, 2017



Results

Financial results

Triodos Microfinance Fund's net assets grew by 7.7% to EUR 365.3 million at the end of 2017 (2016: EUR 339.2 million). The 2017 net result of Triodos Microfinance Fund amounts to EUR 2.4 million (2016: EUR 10.8 million). The fund's interest income from loan investments increased by 18.2% to EUR 19.4 million (2016: EUR 16.4 million), which is in line with the expansion of the debt portfolio. Dividend income from equity investments in 2017 was EUR 2.7 million, in line with the previous year (2016: EUR 2.7 million). The fund realised a gain of EUR 5.1 million (2016: EUR 5.0 million) on debt and equity investments. The realised losses on investments amounted to EUR 2.1 million (2016: EUR 2.8 million), of which EUR 1.8 million constituted currency exchange losses on loans maturing during the year.

During 2017, the fund suffered a net loss of EUR 0.6 million on foreign exchange contracts (2016: EUR 7.9 million). The net change in unrealised depreciation of investments was EUR 31.9 million for both debt and equity investments (net change in unrealised appreciation of investments in 2016: EUR 9.3 million). This amount mainly includes unrealised losses on currency movements due to the appreciation of the euro against the US dollar and most other currencies in the investment portfolio.

Total operating expenses in 2017 came to EUR 7.4 million (2016: EUR 6.5 million). Most of these expenses consist of management, distribution and service fees, which rose to EUR 6.5 million (2016: EUR 5.9 million). This increase is in line with the growth of the net assets of the fund.

Provisions

In 2017 the fund increased the provision for a debt position in Nigeria, due to an increase in the credit risk profile of the institution. The total amount of provisions for one investee in Azerbaijan and another investee in Nigeria were fully reversed during the year, as the loans were fully repaid.

The fund partially reversed provisions for an MFI in Azerbaijan due to higher-than-anticipated collections on the debt portfolio.

As at December 31, 2017, the total provisions for loans outstanding has decreased to EUR 4.1 million, 1.1% of the fund's net assets (2016: EUR 5.1 million, 1.5% of the fund's net assets).

Return

In 2017, the return of the EUR-denominated institutional share class amounted to 0.9% (2016: 4.3%). The equity and debt portfolios contributed negatively to the return calculated in euro but not in local currency terms. Hedging contracts, on the other hand, had a positive impact and offset part of the unrealised and realised losses due to currency movements. Since the fund also maintains open positions, the hedge contracts only partially compensated for the incurred unrealised losses.

The return was further positively affected by the reversal of provisions the fund had established for part of its loans in Azerbaijan, Bosnia-Herzegovina and Nigeria.

The lower fund performance in 2017 and the negative performance of the debt and equity portfolios was mainly driven by the sharp appreciation of the euro relative to most local currencies and the US dollar. The operational performance of the underlying investment portfolio in local currency remained positive, however. The operational performance of the equity investees remained strong, although the results were not sufficient to offset the full depreciation effects on a portfolio level. Interest income from the debt portfolio increased beyond the previous year's levels, in line with the growth of the debt portfolio. Overall provision levels have decreased, as the fund is receiving repayments of amounts it had previously deemed uncollectible.

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)	0.2%	2.1%	3.6%	4.1%
B-dis (EUR)	0.2%	2.1%	3.6%	4.1%
I-cap (EUR)	0.9%	2.8%	4.3%	4.8%
I-dis (EUR)	0.9%	2.8%	4.3%	4.7%
I-II-cap (EUR)**				
I-II-dis (EUR)**				
R-cap (EUR)	0.2%	2.1%	3.6%	4.1%
R-dis (EUR)	0.2%	2.1%	3.6%	4.1%
Z-cap (EUR)	0.7%	2.6%	4.0%***	4.4%***
Z-dis (EUR)	0.7%	2.6%	4.0%***	4.4%***
K-I-dis (GBP)****	1.3%	3.3%	4.7%	4.9%
K-Z-cap (GBP)****	1.2%	3.1%	4.4%***	4.6%***
K-Z-dis (GBP)****	1.1%	3.1%	4.4%***	4.4%***

* NAV per share is based on share prices as per December 29, 2017, i.e. the last price at which shares were traded in the reporting period.
** The I-II-share class was launched on April 28, 2017. Annual returns are therefore not available.
*** 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 the K-B-share class (which were closed on June 30, 2017) respectively.
**** The GPB-denominated share classes are hedged against the euro.

Differences in performance between the share classes are mainly attributable to the different management fees and the result of the share class hedging for the GBP-denominated share classes.

Liquidity

Triodos Microfinance Fund aims to retain sufficient buffers in cash or cash equivalents in order to facilitate redemptions in the fund. The fund's liquidity ratio at year-end 2017 amounted to 13.8% of the fund's net assets (2016: 16.7% of the fund's net assets).

Costs

The largest item in the cost structure of Triodos Microfinance Fund is the management fee paid to the AIFM, Triodos Investment Management. The AIFM uses this fee primarily to cover staff-related costs, including travel expenses incurred in connection with the labour-intensive investment process. This is particularly true for 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 costs include the fees paid to RBC Investor Services Bank for their depositary and administrative services.

The ongoing charges for Triodos Microfinance Fund, which include the management fee, ranged from 1.76% to 1.92% for the institutional share classes (2016: 1.92% to 2.00%) and from 2.11% to 2.65% for the other share classes (2016: 2.11% to 2.63%) as per December 31, 2017. More detailed information about management fees and ongoing charges can be found on pages 38 and 45.

Risks

Investments in Triodos Microfinance Fund are subject to several risks, which are described in detail in the particulars relating to the sub-fund

7.7%

growth of the net assets in 2017

included in the prospectus of Triodos SICAV II. Some of the relevant risks are highlighted below.

Currency risk

Currency risk is the risk that changes in exchange rates may have a negative impact on the fund's profits and assets. The reference currency for Triodos Microfinance Fund is the euro, whereas investments may be denominated in foreign currencies. Exposure to volatile exchange rates can affect the value of the investments and the fund's assets. Triodos Microfinance Fund is therefore exposed to currency risk. The currency risk is mitigated by restrictions on the relevant exposures and, where feasible and economically viable, by the use of hedging instruments. The fund may invest up to 90% of its net assets in non-euro denominated assets. The fund's investments denominated in unhedged local currencies are restricted to a maximum of 60% of the fund's net assets. Furthermore, the unhedged exposure to any single local currency is limited to a maximum of 10% of its net assets. Currency exposures in the loan portfolio are mostly hedged, whereas currency exposures resulting from equity holdings are mainly unhedged. At year-end 2017, 81.5% of the net assets of the fund were invested in non-euro denominated assets (2016: 80.8%) and 23.5% of the net assets of the fund were invested in unhedged local currencies (2016: 23.6%). The largest single unhedged local-currency exposure as at December 31, 2017, was the Indian rupee (INR), at 3.4% of the fund's net assets (2016: 4.0%).

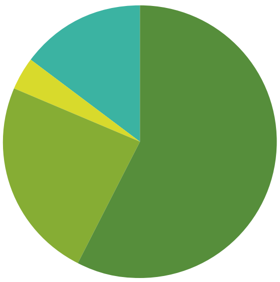


FAMA, NICARAGUA

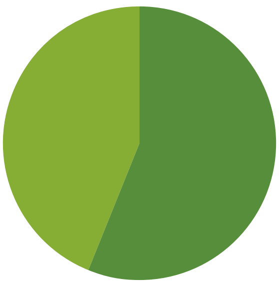
Microfinance institution FAMA in Nicaragua started 25 years ago and focuses on the small business sector that has no or limited access to banks. The typical FAMA client is a woman, in the age of 30-45 years, who has a commercial activity. In many cases they are single mothers, who take responsibility for 3 to 4 persons. At year-end 2017, FAMA had 58.173 clients, of which 71% were women.
Triodos Microfinance Fund became a shareholder in FAMA in 2017 and is represented on the Board of Directors, thereby actively contributing to FAMA's strategy and ambition to expand its range of products and outreach.

During 2017, the fund suffered unrealised currency losses due to market fluctuations of EUR 37.1 million (2016: an unrealised gain of EUR 2.9 million). The result of the hedging contracts was positive and amounted to EUR 16.7 million, resulting in a net unrealised currency loss of EUR 20.4 million.

Hedged and unhedged positions
(% of fund's net assets), December 31, 2017



Allocation unhedged positions
(% of unhedged positions), December 31, 2017



Exposure by currency
(% of fund's net assets), December 31, 2017

USD	42.3%	
Hedged		*98.7%*
Unhedged		*1.3%*
Local currency	39.3%	
Hedged		*40.3%*
Unhedged		*59.7%*
EUR	3.7%	
Other assets and liabilities	14.7%	
Total	**100.0%**	

Country risk

Country risk is the risk that political, fiscal or economic changes have a negative impact on the fund's profits and assets. Triodos Microfinance Fund invests in countries that may be subject to substantial political risks, that may be suffering from an economic recession, perhaps entailing high and rapidly fluctuating inflation, that often have poorly developed legal systems and in countries where the standards for financial auditing and reporting may not always be in line with internationally accepted standards. The country risk is mitigated by applying an upper limit of 20% of the fund's net assets for securities and financing instruments issued by or provided to entities that operate in a single country.
Representing 13.0% of the fund's net assets (2016: 15.5%), Cambodia was the fund's biggest country exposure as at December 31, 2017. The new regulation requiring MFIs and banks to cap their interest rates at 18% for all new loans disbursed from April 1, 2017 onwards, compelled the MFIs in the portfolio to downgrade their profitability projections. The fund did not make any provisions for loans outstanding to portfolio companies, but did reduce its exposure in Cambodia.

Access to hard currency, which had been a problem in Nigeria since the currency depreciation in 2016, improved in the course of 2017. In May 2017, the Central Bank of Nigeria introduced a new investor and exporter window, allowing for more liquidity in the hard currency market. This resulted in a significant reduction of the fund's arrears position. As at December 31, 2017, the fund's exposure in Nigeria was 0.11% of the net assets (2016: 0.68% of net assets).

The Indian government's decision in November 2016 to demonetise the INR 500 and INR 1000 notes had an adverse effect on the portfolio quality of the microfinance industry. Portfolio companies with a large exposure to the microfinance sector, where repayment rates strongly depend on the availability of small bank notes, were hit hardest. The sector is increasingly returning towards normalcy and repayment rates for new loans are back to pre-demonetisation levels. SME lenders were less impacted by demonetisation, because they are less dependent on cash, although the segment also experienced a slow-down due to demonetisation as well as the implementation of the Goods and Services Tax (GST) in June 2017. As the effects of the policy are expected to gradually dissipate, the fund did not make provisions for outstanding loans. The stake in an MFI in North India was slightly reduced, however, due to its high exposure in the regions most hit by the cash shortages. As of December 2017, the Indian portfolio represents 12.6% of the net assets of the fund (2016: 12.5%).

Currency deregulation and liberalisation in September 2017 led to a 48% devaluation of the Uzbek som against the euro. While this fosters export competitiveness and attracts foreign investments, it also causes a deterioration of the short-term financial outlook for entities with foreign debt but local-currency income. The devaluation shrank the loan book of the two Uzbek banks in the fund's portfolio in US dollar terms. As profits shrink for borrowers, an increase in non-performing loans is foreseen. Since US dollar-denominated loans represent only a small portion of the portfolios of the investee companies, the effect is expected to remain relatively small. As of December 2017, the Uzbek portfolio represents 1.5% of the net assets of the fund (2016: 2.0%).

Country risks are mitigated by diversifying the geographical exposure across a larger number of countries. In 2017, Triodos Microfinance Fund added three new countries to the portfolio: El Salvador, Honduras, and Lebanon.

Liquidity risk

Liquidity risk is the risk that the fund is unable to obtain the financial means necessary to meet its financial obligations at a certain point in time. Triodos Microfinance Fund aims to maintain sufficient liquid assets to meet its obligations under normal circumstances. As Triodos Microfinance Fund is a semi open-end fund, it may face large redemptions on each valuation day. This could potentially lead to a situation in which the fund needs to temporarily close for redemptions. The following measures can be taken to mitigate the liquidity risk:

- The fund aims to maintain sufficient buffers in the form of cash or cash equivalents or to offer sufficient other guarantees. The cash buffers are determined every month based on historical inflow and outflow, projections of the inflow and the results of certain stress tests.
- The investments in the fund are illiquid in nature, but can still be sold on a secondary market. Triodos Microfinance Fund has included transfer rights in its legal documentation.
- The fund may decide to temporarily close for redemptions or subscriptions by suspending or restricting the purchase and issue of shares of the fund.

On December 31, 2017, the fund held 13.8% of its net assets in cash and cash equivalents (2016: 16.7%). In 2017, Triodos Microfinance Fund received repayments of maturing loans representing 11.1% of the fund's net assets and received interest and dividend income on a quarterly basis. In 2017, liquidity was considered more than adequate for the fund to meet its payment obligations and facilitate

Top ten country allocations (% of fund's net assets), December 31, 2017

Country	Percentage
Cambodia	13.0%
India	12.6%
Ecuador	5.5%
Sri Lanka	4.0%
Kazakhstan	3.9%
Nicaragua	3.4%
Peru	3.3%
Bolivia	3.0%
Panama	2.9%
Paraguay	2.8%
Total	**54.4%**

the monthly subscriptions and redemptions of its shares.

Concentration risk

Triodos Microfinance Fund has a very specific, sector-based investment focus on microfinance and financial inclusion. The associated typical risks of microfinance will be spread to a limited extent only. The concentration risk is mitigated by applying an investment limit of up to 15% of the fund's net assets for securities and financing instruments issued by or provided to the same investee. The largest single investee exposure as at December 31, 2017, was ACLEDA Bank in Cambodia, representing 10.0% of the fund's net assets.

Outlook

The global economic recovery is expected to continue and accelerate slightly, with the IMF's World Economic Outlook projecting 3.7% global growth for 2018, slightly higher than the growth rate of 3.6% in 2017. However, rising interest rates and less easy access to financing could start to impair solvency in countries that are highly indebted. Another important factor that has an impact on the global outlook is China. After a better-than-expected growth performance in 2017, Chinese economic growth is expected to gradually slow down again in 2018, as Beijing continues its targeted tightening and (financial) deleveraging. A slowing and tightening China is expected to have an impact on trade and economic activity worldwide, while countries with a higher-than-average dependence on Chinese import demand would be hit particularly hard. In terms of currencies, most analysts think the weakening trend of the US dollar against the euro could continue despite US monetary tightening. This would be due to, among other things, US political uncertainty and the European Central Bank ending its quantitative easing, which could strengthen the euro.

Addressing basic needs through innovation

The inclusive finance market has seen significant progress. More people have gained access to the financial system and the financial sector in many countries has matured. Partly in view of the recognition that financial inclusion is an enabler to achieve the SDGs, the market is expected to continue its progress. Growth will vary in different markets across the regions, due to different stages of market development, economic growth, demographic conditions, and technological progress. While continuing to work with financial institutions that serve the traditionally underserved clients, the fund also expects to enter into more partnerships with financial institutions that offer innovative solutions that provide for basic needs, such as housing, education, and healthcare.

Additional information Triodos SICAV II

Risk Management

Operational risks

Triodos Investment Management ensures adequate control of relevant risks. The AIFM has therefore established an integral risk management system, which includes the risk management policy of each of the sub-funds of Triodos SICAV II and the risk management framework of the AIFM. The non-financial risks consist of operational risks and compliance risks. Operational risks are the risks of damage resulting from inadequate or failed internal processes, people and systems or from external events. Compliance risks are the risks related to failure to (timely) comply with laws and regulations. These risks are determined, measured, managed and monitored on an ongoing basis by means of appropriate procedures and reporting methods.

The risk control framework was developed on the basis of the 'three-lines-of-defence' model. The executive function of the AIFM, the risk management function and the internal audit function operate independently. The risk management function is functionally and hierarchically separated from the portfolio management function.

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, considering 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 sub-funds employ 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.

ISAE 3402

The objective of an ISAE 3402 Assurance Report is to provide assurance about the quality of the control measures related to the services provided. The ISAE 3402 guideline provides two types of reports. An ISAE 3402 type I report provides assurance about the framework and the existence of the implemented control measures. On April 11, 2017, Triodos Investment Management obtained an ISAE 3402 type I report as at December 31, 2016. An ISAE 3402 type II report provides assurance about the effective functioning of the implemented control measures. On March 12, 2018, Triodos Investment Management obtained an ISAE 3402 type II report for the period July 1, 2017 until December 31, 2017.

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.

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

All staff members of Triodos Investment Management are employed by Triodos Bank until December 31, 2017. As of January 1, 2018, all staff members of Triodos Investment Management are employed by Triodos Investment Management. In 2017 the total remuneration of the 186 co-workers working for the AIFM amounted to EUR 14,664,564. Triodos Bank and Triodos Investment Management believe good and appropriate remuneration for all its co-workers 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-im.com. The wage system used by Triodos Bank and as per January 1, 2018 also used by Triodos Investment Management, does not include bonuses or share option schemes. Financial incentives are considered an inappropriate way to motivate and reward co-workers. Variable remuneration is therefore limited. The Management Board of Triodos Investment Management annually assesses the remuneration policy. Identified staff are co-workers as defined in the AIFMD remuneration guidelines and include all co-workers who may influence the risk profile of the sub-funds. Besides the members of the Management Board of Triodos Investment Management, these include the fund manager and the managers of support departments.

The tables below and on the next page provide 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 AIFM 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 method). As these tables are intended to show the remuneration of co-workers, all other costs incurred by the AIFM, 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.

Triodos Bank and Triodos Investment Management may provide additional individual tokens of appreciation to co-workers up to a maximum of

Triodos Investment Management

Applicable for the year 2017 (remuneration in EUR)	Co-workers at AIFM		‘Identified staff’ in senior management positions		Other identified staff	
	2017	2016	2017	2016	2017	2016
Number of staff	*186*	*160*	*9*	*7*	*23*	*21*
Average FTEs	*156.6*	*128.1*	*6.6*	*6.5*	*18.3*	*17.0*
Fixed remuneration	14,545,631	11,987,201	1,224,062	1,216,949	2,414,615	2,279,973
Variable remuneration	118,933	96,057	2,123	5,674	13,584	9,877
Total remuneration	**14,664,564**	**12,083,258**	**1,226,185**	**1,222,623**	**2,428,199**	**2,289,850**

Triodos Microfonance Fund

Applicable for the year 2017 (remuneration in EUR)	Co-workers directly involved in Triodos Microfinance Fund		'Identified staff' in senior management positions		Other identified staff	
	2017	2016	2017	2016	2017	2016
Number of staff involved	*73*	*69*	*5*	*5*	*8*	*8*
Average FTEs	*28.5*	*25.4*	*0.9*	*1.2*	*2.4*	*2.5*
Fixed remuneration	2,582,847	2,326,723	171,600	250,314	323,660	343,964
Variable remuneration	21,325	19,091	320	1,091	1,247	1,448
Total remuneration	2,604,172	2,345,814	171,920	251,405	324,907	345,412

one month's 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 is 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 per co-worker. This amount may be paid in cash or in Triodos Bank NV depository receipts. In 2017, no collective end-of-year token of appreciation was awarded. As an outcome of the collective labour agreement negotiations, however, every co-worker received a one-off benefit of EUR 500. This amount is reported under variable remuneration. The largest part of the variable remuneration awarded in 2016 was related to the collective token of appreciation. There are no co-workers at Triodos Investment Management with a total remuneration of EUR 1 million or more. Triodos SICAV II does not have any co-workers.

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 26, 2017, Jeroen Smakman was appointed as Director of Triodos SICAV II to serve for a period of four years, in replacement of Pierre Aeby.

Board committees

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 are arranged when necessary. In 2017, four regular Board meetings and two additional meetings were held. At the regular Board meetings, Triodos Investment Management, the AIFM, reports on various relevant topics, amongst others, the state of affairs of the sub-funds, anti-money laundering and 'know your customer' (KYC) matters, regulatory changes, marketing and sales activities, investment compliance monitoring and risk management. The Board further discusses matters relating to its oversight of delegated parties (of which the AIFM is one).

Requests for major decisions are submitted for review and approval to the Board of Directors. In 2017, the decision was made to introduce a number of changes to the prospectus of Triodos SICAV II, which were published in the informative notice to shareholders of Triodos SICAV II on March 27, 2017. These modifications resulted in changes in the investment strategy of the sub-funds. The revised version of the prospectus came into effect on April 27, 2017.

Conflict of interest

At each Board meeting, the Directors declare whether there are conflicts of interest regarding agenda items. A Director who has conflicts of interest relating to an agenda item will declare such conflicts and abstain from voting on any decisions relating to that agenda item. In 2017, no Directors declared any conflicts of interest regarding any agenda items, nor was any Director required to abstain from participating in discussion and or 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. There was no change to the Director remuneration proposed during the Annual General Meeting of 2017.

Annual General Meeting of shareholders

The Annual General Meeting of shareholders was held on April 26, 2017 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, 2016;
- approved the audited statements of assets and liabilities and the statement of operations for the financial year ended as at December 31, 2016;
- approved the allocation of the net results for the financial year ended as at December 31, 2016;

- 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, 2016;
- elected Jeroen Smakman as a Class P Director to serve for a period of four years ending on the date of the Annual General Meeting to be held in 2021;
- elected PricewaterhouseCoopers Société coopérative Luxembourg as the auditor to serve for the financial year ended as at December 31, 2017, and
- approved the remuneration of Directors for the financial year ended as at December 31, 2017.

No other meetings of shareholders were held in 2017.

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 received one complaint relating to Triodos SICAV II in 2017, which related to an investor's account being temporarily blocked pending receipt of further KYC documentation.

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 conducts periodic self-assessments in which it reflects on its performance and strategy.

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

Luxembourg, April 6, 2018

The Board of Directors of Triodos SICAV II
Garry Pieters (Chair)
Monique Bachner
Marilou van Golstein Brouwers
Patrick Goodman
Jeroen Smakman

Summary of annual accounts 2017

Page

Statement of net assets as at December 31, 2017

(amounts in EUR)	Notes	December 31, 2017	December 31, 2016
Assets			
Fixed assets			
Investment in financial assets	2	307,414,108	292,532,593
(Historic cost: EUR 300,438,714 as at December 31, 2017, EUR 253,668,707 as at December 31, 2016)			
Current assets			
Cash and cash equivalents		53,877,264	59,865,838
Net unrealised gain on forward foreign exchange contracts	10	1,817,098	–
Interest receivable	2	4,401,886	4,695,551
Other current assets		1,067,780	–
Total assets		**368,578,136**	**357,093,982**
Liabilities			
Liabilities due within one year			
Net unrealised loss on swap contracts	10	297,267	261,778
Net unrealised loss on forward foreign exchange contracts	9	–	14,217,408
Investment management, distribution and service fees payable	5	1,662,298	3,073,787
Accounts payable and accrued expenses	8	1,271,367	339,446
Total liabilities		**3,230,932**	**17,892,419**
Net assets		**365,347,204**	**339,201,563**

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

Statement of operations for the year ended December 31, 2017

(amounts in EUR)	Notes	December 31, 2017	December 31, 2016
Income			
Dividend income	2	2,683,938	2,714,637
Interest on loans	2	19,363,395	16,384,439
Bank interest		(8,028)	10,672
Other income	6	572,988	618,454
Total income		**22,612,293**	**19,728,202**
Expenses			
Investment management, distribution and service fees	3	6,503,775	5,925,089
Administrative and depositary fees	4	322,184	359,188
Audit and reporting expenses		99,349	44,184
Interest paid		247,317	38,214
Other expenses	7	210,876	144,534
Total expenses		**7,383,501**	**6,511,209**
Net operating income		**15,228,792**	**13,216,993**
Realised gain on investments		5,184,206	5,000,469
Realised loss on investments		(2,103,101)	(2,806,422)
Realised gain on swaps		492,514	65,213
Realised loss on swaps		(941,943)	(2,217,329)
Realised gain on foreign exchange contracts		7,403,563	5,242,946
Realised loss on foreign exchange contracts		(6,811,832)	(13,197,450)
Realised gain on foreign exchange		387,906	584,567
Realised loss on foreign exchange		(596,823)	(486,192)
Change in unrealised appreciation on investments		28,735	9,288,688
Change in unrealised depreciation on investments		(31,917,227)	–
Change in unrealised depreciation on swap contracts		(35,489)	(20,639)
Change in unrealised appreciation on forward foreign exchange contracts		16,040,976	964,198
Change in net unrealised appreciation/(depreciation) on forward foreign exchange contracts		(6,470)	(4,803,010)
Net increase in net assets resulting from operations		**2,353,807**	**10,832,032**

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

Statement of changes in net assets for the year ended December 31, 2017

(amounts in EUR)	December 31, 2017	December 31, 2016
Operations		
Net operating income	15,228,792	13,216,993
Realised gain on investments	5,184,206	5,000,469
Realised loss on investments	(2,103,101)	(2,806,422)
Realised gain on swaps	492,514	65,213
Realised loss on swaps	(941,943)	(2,217,329)
Realised gain on foreign exchange contracts	7,403,563	5,242,946
Realised loss on foreign exchange contracts	(6,811,832)	(13,197,450)
Realised gain on foreign exchange	387,906	584,567
Realised loss on foreign exchange	(596,823)	(486,192)
Change in unrealised appreciation on investments	28,735	9,288,688
Change in unrealised depreciation on investments	(31,917,227)	–
Change in unrealised depreciation on swap contracts	(35,489)	(20,639)
Change in unrealised appreciation on forward foreign exchange contracts	16,040,976	964,198
Change in unrealised depreciation on forward foreign exchange contracts	(6,470)	(4,803,010)
Net increase in net assets resulting from operations	**2,353,807**	**10,832,032**
Capital transactions		
Capital subscriptions		
I Capitalisation Share Class (EUR)	11,175,583	65,755,794
I Distribution Share Class (EUR)	18,362,372	10,928,854
B Distribution Share Class (EUR)	473,872	417,208
R Capitalisation Share Class (EUR)	5,875,422	8,127,739
R Distribution Share Class (EUR)	3,369,411	5,456,642
K-Institutional Distribution Share Class (GBP)	246,600	116,828
K-B Capitalisation Share Class (GBP)	64	–
K-B Distribution Share Class (GBP)	10,009	–
K-Retail Distribution Share Class (GBP)	2,675	–
K-Z Capitalisation Share Class (GBP)	411,300	110,867
K-Z Distribution Share Class (GBP)	722,671	25,398
Z Capitalisation Share Class (EUR)	17,333,728	124,838
Z Distribution Share Class (EUR)	1,659,396	5,896,136
I-II Institutional Capitalisation Share Class (EUR)	50,900,439	–
I-II Institutional Distribution Share Class (EUR)	25,376,427	–
Total subscriptions	**135,919,969**	**96,960,304**

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

Statement of changes in net assets for the year ended December 31, 2017

(amounts in EUR)	December 31, 2017	December 31, 2016
Capital redemptions		
I Capitalisation Share Class (EUR)	(73,808,208)	(5,992,479)
I Distribution Share Class (EUR)	(26,062,228)	(1,412,046)
B Capitalisation Share Class (EUR)	(82,503)	(6,914)
B Distribution Share Class (EUR)	(238,096)	(152,894)
R Capitalisation Share Class (EUR)	(310,236)	(358,139)
R Distribution Share Class (EUR)	(1,902,632)	(19,587)
K-Institutional Distribution Share Class (GBP)	(433,186)	(106,666)
K-B Capitalisation Share Class (GBP)	(680,883)	(79,184)
K-B Distribution Share Class (GBP)	(598,245)	(69,987)
K-Retail Distribution Share Class(GBP)	(426,158)	–
K-Z Distribution Share Class (GBP)	–	(12,380)
Z Capitalisation Share Class (EUR)	(50,557)	–
Z Distribution Share Class (EUR)	(1,873,221)	(50,894,619)
I-II Institutional Capitalisation Share Class (EUR)	(3,000,000)	–
Total redemptions	**(109,466,153)**	**(59,104,895)**
Net increase in net assets resulting from capital transactions	**26,453,816**	**37,855,409**
Net assets		
Net assets at the beginning of the year	339,201,563	290,558,880
Total increase in net assets	28,807,623	48,687,441
Dividend distribution	(2,661,982)	(44,758)
Net assets at the end of the year	**365,347,204**	**339,201,563**

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

Cash flow statement for the year ended December 31, 2017

(amounts in EUR)	December 31, 2017	December 31, 2016
Cash provided by operating activities		
Profit after taxation	2,353,807	10,832,032
(-) (increase) in unrealised gains and losses on investments and forward foreign exchange contracts	15,889,475	(5,429,237)
(-) decrease/(+) increase in receivables and other assets	(774,115)	(266,549)
(+) increase/(-) decrease in payables	(479,568)	(429,226)
Net cash provided by operating activities	**16,989,599**	**4,707,020**
Cash provided by financing activities		
(+) proceeds from shares issued	135,919,969	96,960,304
(-) decrease from shares redeemed	(109,466,153)	(59,104,895)
(-) distributions paid to shareholders	(2,661,982)	(44,758)
Net cash provided by financing activities	**23,791,834**	**37,810,651**
Cash provided from investing activities		
(-) acquisitions of financial assets	(46,770,007)	(47,989,006)
Net cash used by investing activities	**(46,770,007)**	**(47,989,006)**
Cash		
Net increase/(decrease) in cash and cash equivalents	(5,988,574)	(5,471,335)
Cash at the beginning of the year	59,865,838	65,337,173
Cash at the end of the year	**53,877,264**	**59,865,838**

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, 2017

	December 31, 2017	December 31, 2016
Number of Shares outstanding at the beginning of the year		
I Capitalisation Share Class (EUR)	5,301,817.620	3,648,560.087
I Distribution Share Class (EUR)	1,822,667.287	1,492,015.269
B Capitalisation Share Class (EUR)	11,433.275	11,633.275
B Distribution Share Class (EUR)	47,554.040	38,273.876
R Capitalisation Share Class (EUR)	585,237.404	358,322.076
R Distribution Share Class (EUR)	553,845.064	362,502.032
K-Institutional Distribution Share Class (GBP)	451,407.527	451,247.059
K-B Capitalisation Share Class (GBP)	21,624.914	24,165.500
K-B Distribution Share Class (GBP)	21,913.453	24,439.924
K-Retail Distribution Share Class (GBP)	16,225.830	16,225.830
K-Z Capitalisation Share Class (GBP)	22,070.223	18,203.935
K-Z Distribution Share Class (GBP)	109,246.605	108,777.883
Z Capitalisation Share Class (EUR)	84,952.883	80,480.000
Z Distribution Share Class (EUR)	1,053,897.597	2,754,098.364
Subscriptions over the year		
I Capitalisation Share Class (EUR)	298,550.470	1,818,680.077
I Distribution Share Class (EUR)	618,960.470	379,294.282
B Distribution Share Class (EUR)	116,388.000	14,660.164
R Capitalisation Share Class (EUR)	167,081.178	237,348.070
R Distribution Share Class (EUR)	115,833.234	192,031.032
K-Institutional Distribution Share Class (GBP)	9,610.133	4,001.800
K-B Distribution Share Class (GBP)	371.787	–
K-Retail Distribution Share Class (GBP)	103,905	–
K-Z Capitalisation Share Class (GBP)	14,986.412	3,866.288
K-Z Distribution Share Class (GBP)	28,598.126	908.722
Z Capitalisation Share Class (EUR)	601,705.622	4,472.883
Z Distribution Share Class (EUR)	61,742.181	223,923.724
I-II Institutional Capitalisation Share Class (EUR)	2,036,017.540	–
I-II Institutional Distribution Share Class (EUR)	1,015,057.084	–

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, 2017

	December 31, 2017	December 31, 2016
Redemptions over the year		
I Capitalisation Share Class (EUR)	1,970,896.589	165,422.544
I Distribution Share Class (EUR)	873,265.383	48,642.264
B Capitalisation Share Class (EUR)	2,332.526	200.000
B Distribution Share Class (EUR)	8,155.000	5,380.000
R Capitalisation Share Class (EUR)	8,811.269	10,432.742
R Distribution Share Class (EUR)	65,989.000	688.000
K-Institutional Distribution Share Class (GBP)	15,989.709	3,841.332
K-B Capitalisation Share Class (GBP)	21,624.914	2,540.586
K-B Distribution Share Class (GBP)	22,285.240	2,526.471
K-Retail Distribution Share Class (GBP)	16,329.735	–
K-Z Distribution Share Class (GBP)	–	440.000
Z Capitalisation Share Class (EUR)	1,745.000	–
Z Distribution Share Class (EUR)	69,175.677	1,924,124.491
I-II Institutional Capitalisation Share Class (EUR)	120,967.742	–
Number of Shares outstanding at the end of the year		
I Capitalisation Share Class (EUR)	3,629,471.501	5,301,817.620
I Distribution Share Class (EUR)	1,568,362.374	1,822,667.287
B Capitalisation Share Class (EUR)	9,100.749	11,433.275
B Distribution Share Class (EUR)	55,787.040	47,554.040
R Capitalisation Share Class (EUR)	743,507.313	585,237.404
R Distribution Share Class (EUR)	603,689.298	553,845.064
K-Institutional Distribution Share Class (GBP)	445,027.951	451,407.527
K-B Capitalisation Share Class (GBP)	–	21,624.914
K-B Distribution Share Class (GBP)	–	21,913.453
K-Retail Distribution Share Class (GBP)	–	16,225.830
K-Z Capitalisation Share Class (GBP)	37,056.635	22,070.223
K-Z Distribution Share Class (GBP)	137,844.731	109,246.605
Z Capitalisation Share Class (EUR)	684,913.505	84,952.883
Z Distribution Share Class (EUR)	1,046,464.101	1,053,897.597
I-II Institutional Capitalisation Share Class (EUR)	1,915,049.798	–
I-II Institutional Distribution Share Class (EUR)	1,015,057.084	–

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

Statistics

	December 31, 2017	December 31, 2016	December 31, 2015
Total net asset value at the end of the year			
I Capitalisation Share Class (EUR)	136,676,802	197,871,313	130,576,113
I Distribution Share Class (EUR)	45,786,352	54,136,355	42,525,824
B Capitalisation Share Class (EUR)	322,112	403,858	396,537
B Distribution Share Class (EUR)	1,605,790	1,393,645	1,082,404
R Capitalisation Share Class (EUR)	26,251,540	20,621,870	12,184,172
R Distribution Share Class (EUR)	17,396,067	16,248,988	10,263,064
K-Institutional Distribution Share Class (GBP)	11,359,409	12,161,689	13,417,360
K-B Capitalisation Share Class (GBP)	–	695,672	863,498
K-B Distribution Share Class (GBP)	–	607,768	752,932
K-Retail Distribution Share Class (GBP)	–	434,338	482,236
K-Z Capitalisation Share Class (GBP)	995,459	609,146	555,553
K-Z Distribution Share Class (GBP)	3,395,351	2,839,382	3,120,806
Z Capitalisation Share Class (EUR)	19,917,437	2,453,175	2,233,040
Z Distribution Share Class (EUR)	28,039,378	28,724,365	72,105,341
I-II Institutional Capitalisation Share Class (EUR)	48,104,169	–	–
I-II Institutional Distribution Share Class (EUR)	25,497,338	–	–
	365,347,204	339,201,563	290,558,880

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

Statistics

	December 31, 2017	December 31, 2016	December 31, 2015
Net asset value per share at the end of the year			
I Capitalisation Share Class (EUR)	37.66	37.32	35.79
I Distribution Share Class (EUR)	29.19	29.70	28.50
B Capitalisation Share Class (EUR)	35.39	35.32	34.09
B Distribution Share Class (EUR)	28.78	29.31	28.28
R Capitalisation Share Class (EUR)	35.31	35.24	34.00
R Distribution Share Class (EUR)	28.82	29.34	28.31
K-Institutional Distribution Share Class (EUR)	25.53	26.94	29.73
K-Institutional Distribution Share Class (GBP)	(GBP 22,66)	(GBP 23.00)	(GBP 21.91)
K-B Capitalisation Share Class (EUR)	–	32.17	35.73
K-B Capitalisation Share Class (GBP)	–	(GBP 27.46)	(GBP 26.33)
K-B Distribution Share Class (EUR)	–	27.73	30.81
K-B Distribution Share Class (GBP)	–	(GBP 23.67)	(GBP 22.71)
K-Retail Distribution Share Class (EUR)	–	26.77	29.72
K-Retail Distribution Share Class (GBP)	–	(GBP 22.85)	(GBP 21.90)
K-Z Capitalisation Share Class (EUR)	26.86	27.60	30.52
K-Z Capitalisation Share Class (GBP)	(GBP 23.84)	(GBP 23.56)	(GBP 22.49)
K-Z Distribution Share Class (EUR)	24.63	25.99	28.69
K-Z Distribution Share Class (GBP)	(GBP 21.86)	(GBP 22.19)	(GBP 21.15)
Z Capitalisation Share Class (EUR)	29.08	28.88	27.75
Z Distribution Share Class (EUR)	26.79	27.26	26.18
I-II Institutional Capitalisation Share Class (EUR)	25.12	–	–
I-II Institutional Distribution Share Class (EUR)	25.12	–	–

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, 2017, the SICAV has three sub-funds: Triodos Renewables Europe Fund, Triodos Microfinance Fund and Triodos Organic Growth Fund.

Triodos Microfinance Fund, to which this 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 (Triodos SICAV II). The annual report of Triodos SICAV II, which has been fully prepared in accordance with the laws and regulations applicable for investment funds in Luxembourg, includes also the statement of investments of Triodos Microfinance Fund. This annual report is available at the registered office of the SICAV.

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
- Euro-denominated Class “I-II” Shares Capitalisation (launched on April 28, 2017)
- Euro-denominated Class “I-II” Shares Distribution (launched on April 28, 2017)
- British Pound-denominated Class “K-Retail” Shares Capitalisation (closed on June 30, 2017)
- British Pound-denominated Class “K-Retail” Shares Distribution (closed on June 30, 2017)
- British Pound-denominated Class “K-Z” Shares Capitalisation
- British Pound-denominated Class “K-Z” Shares Distribution
- British Pound-denominated Class “K-B” Shares Capitalisation (closed on June 30, 2017)
- British Pound-denominated Class “K-B” Shares Distribution (closed on June 30, 2017)
- 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, 2017)

- 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 “I-II” Shares is restricted to Institutional Investors that invest an initial subscription amount larger than EUR 25 million.
- 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.

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. 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.

4. 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)	2017	2016
Domiciliary agency fee	(565)	3,812
Administrative fee	54,322	114,892
Transfer agency fee	65,331	74,980
Depositary fee	203,096	165,504
Total	**322,184**	**359,188**

5. Investment management, distribution and service fees

For the services it provides, the AIFM 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 1.60% for Class "I-II" Shares, 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.

6. Other income

The other income comprises the following:

Currency (EUR)	2017	2016
Administrative fee income on loans granted by the Fund	572,988	618,454
Total	**572,988**	**618,454**

7. Other expenses

The other expenses comprise the following:

Currency (EUR)	2017	2016
Supervisory fee (CSSF)	2,000	2,000
Remuneration of the Board of Directors/Managers	13,460	13,497
Legal fees	59,314	34,038
Consulting fees	20,456	36,875
Bank fees	5,002	5,755
Portfolio transaction costs	47,280	3,115
Other expenses	63,364	49,254
Total	**210,876**	**144,534**

8. Accounts payable and accrued expenses

As at December 31, 2017, 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.

9. Forward foreign exchange contracts

As at December 31, 2017, outstanding forward foreign exchange contracts are composed of:

Maturity date	Purchase		Sale		Unrealised gain/ (loss) in EUR
05/01/2018	EUR	423,908	USD	(500,000)	7,057
05/01/2018	EUR	27,662	USD	(31,250)	1,608
08/01/2018	EUR	1,197,533	USD	(1,500,000)	(52,729)
08/01/2018	EUR	399,178	USD	(500,000)	(17,576)
08/01/2018	USD	1,500,000	EUR	(1,213,899)	36,412
08/01/2018	USD	500,000	EUR	(404,633)	12,137
08/01/2018	EUR	325,818	USD	(375,000)	13,228
08/01/2018	EUR	663,101	USD	(750,000)	37,911
09/01/2018	GBP	9,912,758	EUR	(11,272,671)	(108,675)
09/01/2018	GBP	2,964,837	EUR	(3,371,577)	(32,504)
09/01/2018	GBP	871,622	EUR	(991,198)	(9,556)
10/01/2018	EUR	1,743,527	USD	(2,000,000)	76,581
12/01/2018	EUR	648,088	USD	(891,964)	(95,163)
16/01/2018	EUR	806,486	USD	(937,500)	25,387
19/01/2018	EUR	2,158,801	USD	(2,500,000)	76,236
23/01/2018	EUR	424,649	INR	(35,000,000)	(31,351)
21/02/2018	EUR	619,060	USD	(704,366)	33,484
21/02/2018	EUR	1,518,219	USD	(1,800,000)	21,683
21/02/2018	EUR	811,657	USD	(962,300)	11,592
01/03/2018	EUR	304,925	GHS	2,000,000	(55,267)
07/03/2018	EUR	289,603	USD	(333,333)	12,720
07/03/2018	EUR	1,246,779	USD	(1,500,000)	668
06/04/2018	EUR	843,704	USD	(1,000,000)	14,747
06/04/2018	EUR	1,321,237	USD	(1,500,000)	78,054
06/04/2018	EUR	880,824	USD	(1,000,000)	52,036
18/04/2018	EUR	497,348	USD	(576,924)	19,530
18/04/2018	EUR	620,040	USD	(750,000)	(1,264)
23/04/2018	EUR	417,824	INR	(35,000,000)	(31,866)
07/05/2018	EUR	421,124	USD	(500,000)	7,471
09/05/2018	EUR	1,784,042	USD	(2,000,000)	130,306
09/05/2018	EUR	3,104,819	USD	(3,750,000)	2,472
15/05/2018	EUR	1,098,031	USD	(1,249,999)	64,756
16/05/2018	EUR	787,220	USD	(937,500)	12,059
06/06/2018	EUR	1,311,819	USD	(1,500,000)	73,702
07/06/2018	EUR	6,372,674	USD	(7,500,000)	180,943
07/06/2018	EUR	4,295,533	USD	(5,000,000)	168,112
07/06/2018	EUR	2,398,082	USD	(2,750,000)	128,302
13/06/2018	EUR	1,315,097	USD	(1,500,000)	77,622

Maturity date	Purchase		Sale		Unrealised gain/ (loss) in EUR
15/06/2018	EUR	4,283,389	USD	(5,000,000)	158,152
15/06/2018	EUR	4,182,700	USD	(5,000,000)	56,554
20/06/2018	EUR	3,220,543	USD	(3,750,000)	127,762
20/06/2018	EUR	4,192,257	USD	(5,000,000)	67,597
20/06/2018	EUR	1,048,064	USD	(1,250,000)	16,899
26/06/2018	EUR	371,505	USD	(422,810)	23,052
26/06/2018	EUR	2,196,644	USD	(2,500,000)	136,302
27/06/2018	EUR	2,190,485	USD	(2,500,000)	130,258
27/06/2018	EUR	4,380,969	USD	(5,000,000)	260,516
27/06/2018	EUR	2,190,581	USD	(2,500,000)	130,355
05/07/2018	EUR	2,258,292	USD	(2,618,716)	101,260
05/07/2018	EUR	431,183	USD	(500,000)	19,334
11/07/2018	EUR	3,568,518	USD	(4,160,892)	142,455
18/07/2018	EUR	577,006	USD	(673,077)	23,070
18/07/2018	EUR	5,485,206	USD	(6,562,500)	82,730
18/07/2018	EUR	1,393,184	USD	(1,666,666)	21,129
23/07/2018	EUR	412,183	INR	(35,000,000)	(30,788)
08/08/2018	EUR	10,151,967	USD	(12,327,533)	16,410
08/08/2018	EUR	1,297,203	USD	(1,575,193)	2,097
08/08/2018	EUR	914,575	USD	(1,110,568)	1,478
08/08/2018	EUR	278,306	USD	(337,947)	450
08/08/2018	EUR	833,194	USD	(1,000,000)	11,130
08/08/2018	EUR	30,847	USD	(36,955)	469
08/08/2018	EUR	77,835	USD	(92,974)	1,409
03/09/2018	EUR	1,555,694	KZT	550,560,000	259,406
05/09/2018	EUR	715,492	USD	(833,334)	32,097
05/09/2018	EUR	1,232,843	USD	(1,500,000)	1,918
05/09/2018	EUR	1,227,998	USD	(1,500,000)	(2,998)
05/09/2018	EUR	1,875,703	USD	(2,250,000)	29,707
07/09/2018	EUR	2,152,204	USD	(2,500,000)	102,396
12/09/2018	EUR	1,643,613	USD	(2,015,563)	(9,806)
26/09/2018	EUR	3,306,605	USD	(4,000,000)	29,453
26/09/2018	EUR	619,988	USD	(750,000)	5,522
01/10/2018	EUR	585,216	KZT	199,500,000	118,689
03/10/2018	EUR	2,077,275	USD	(2,500,000)	30,426
10/10/2018	EUR	6,178,404	USD	(7,438,799)	91,096
23/10/2018	EUR	407,640	INR	(35,000,000)	(28,633)
24/10/2018	EUR	413,531	USD	(500,000)	4,765
24/10/2018	EUR	1,242,545	USD	(1,500,000)	16,284
01/11/2018	EUR	409,165	GHS	2,500,000	(721)
07/11/2018	EUR	419,041	USD	(500,000)	10,807
07/11/2018	EUR	2,095,206	USD	(2,500,000)	54,036

Maturity date	Purchase		Sale		Unrealised gain/ (loss) in EUR
07/11/2018	EUR	4,190,412	USD	(5,000,000)	108,072
14/11/2018	EUR	9,235,431	USD	(10,975,386)	279,809
14/11/2018	EUR	1,346,850	USD	(1,600,597)	40,806
14/11/2018	EUR	1,060,814	USD	(1,260,671)	32,140
21/11/2018	EUR	690,303	USD	(833,334)	10,459
21/11/2018	EUR	1,553,181	USD	(1,875,000)	23,532
21/11/2018	EUR	413,428	USD	(500,000)	5,506
12/12/2018	EUR	1,008,881	USD	(1,216,307)	18,169
12/12/2018	EUR	5,832,406	USD	(7,056,774)	84,028
19/12/2018	EUR	618,608	USD	(750,000)	7,951
19/12/2018	EUR	3,087,945	USD	(3,750,000)	34,544
23/01/2019	EUR	402,733	INR	(35,000,000)	(27,249)
23/01/2019	EUR	2,204,226	USD	(2,708,333)	5,083
25/01/2019	EUR	1,605,301	INR	(150,000,000)	(244,872)
01/02/2019	EUR	153,075	TJS	2,010,940	(9,902)
01/04/2019	EUR	428,071	KGS	53,854,500	(142,777)
01/04/2019	EUR	207,852	TJS	2,499,525	9,809
01/04/2019	EUR	343,840	TJS	4,134,850	16,227
01/04/2019	EUR	94,783	TJS	1,250,000	(4,322)
08/04/2019	EUR	213,183	USD	(250,000)	11,670
08/04/2019	EUR	1,103,217	USD	(1,250,000)	96,822
31/05/2019	EUR	191,686	IDR	3,333,333,333	5,171
01/07/2019	EUR	1,174,565	KZT	467,653,000	147,644
05/07/2019	EUR	1,063,920	USD	(1,250,000)	63,462
05/07/2019	EUR	213,895	USD	(250,000)	13,845
08/10/2019	EUR	210,491	USD	(250,000)	11,788
07/11/2019	EUR	441,761	USD	(600,000)	(36,967)
25/11/2019	EUR	2,825,012	INR	(250,000,000)	(88,712)
30/01/2020	EUR	1,861,642	INR	(166,000,000)	(50,986)
03/02/2020	EUR	451,978	COP	1,871,493,750	(15,882)
03/02/2020	EUR	414,586	TZS	1,416,600,000	(42,440)
06/03/2020	EUR	1,031,731	GEL	3,555,552	88,978
30/03/2020	EUR	641,156	KZT	304,254,000	12,799
01/04/2020	EUR	178,238	TJS	2,499,525	5,780
04/05/2020	EUR	1,723,650	IDR	(38,000,000,000)	(329,200)
04/05/2020	EUR	4,617,226	INR	(400,000,000)	116,311
29/05/2020	EUR	176,381	IDR	3,333,333,333	2,453
01/06/2020	EUR	281,246	TJS	4,410,000	(16,444)
15/06/2020	EUR	969,528	INR	(100,000,000)	(176,081)
15/06/2020	EUR	78,384	TZS	260,693,961	(2,516)
15/06/2020	EUR	88,030	UGX	498,338,264	(1,777)
15/06/2020	EUR	79,103	TZS	260,643,731	(1,774)

Maturity date	Purchase		Sale		Unrealised gain/ (loss) in EUR
15/06/2020	EUR	56,337	UGX	313,515,790	(152)
01/07/2020	EUR	246,660	IDR	(5,000,000,000)	(17,307)
01/07/2020	EUR	237,205	IDR	(5,000,000,000)	(28,409)
01/07/2020	EUR	271,864	IDR	5,000,000,000	12,664
03/07/2020	EUR	2,241,717	KZT	1,134,264,000	(52,844)
06/07/2020	EUR	209,030	USD	(250,000)	14,407
06/07/2020	EUR	1,042,709	USD	(1,250,000)	69,436
03/08/2020	EUR	437,691	COP	1,871,493,750	(16,799)
03/08/2020	EUR	393,779	TZS	1,416,600,000	(40,081)
05/08/2020	EUR	1,430,936	CNY	(12,928,080)	(46,558)
31/08/2020	EUR	2,352,659	INR	(220,000,000)	(94,471)
28/09/2020	EUR	2,067,382	INR	(195,000,000)	(93,019)
01/10/2020	EUR	611,337	IDR	12,500,000,000	(26,719)
08/10/2020	EUR	1,055,089	INR	(99,200,000)	(41,155)
15/11/2020	EUR	662,397	KGS	73,236,870	(37,523)
15/12/2020	EUR	933,380	INR	(100,000,000)	(183,128)
21/12/2020	EUR	582,819	INR	(62,500,000)	(114,391)
01/02/2021	EUR	374,532	TZS	1,416,600,000	(37,230)
28/05/2021	EUR	162,921	IDR	3,333,333,333	(197)
15/06/2021	EUR	126,998	TZS	454,906,288	(90)
15/06/2021	EUR	159,368	UGX	999,557,096	9,034
15/06/2021	EUR	125,518	TZS	454,993,954	(1,608)
15/06/2021	EUR	103,005	UGX	628,843,810	8,451
15/06/2021	EUR	901,149	INR	(100,000,000)	(188,396)
21/06/2021	EUR	562,711	INR	(62,500,000)	(117,687)
01/08/2021	EUR	357,733	TZS	1,416,600,000	(32,817)
15/12/2021	EUR	136,154	UGX	869,870,400	14,956
15/12/2021	EUR	209,846	UGX	1,382,672,640	17,150
15/12/2021	EUR	69,091	TZS	260,693,961	87
15/12/2021	EUR	69,896	TZS	260,643,731	912
21/12/2021	EUR	545,178	INR	(62,500,000)	(119,086)
01/02/2022	EUR	342,157	TZS	1,416,600,000	(27,753)
21/06/2022	EUR	527,723	INR	(62,500,000)	(119,875)
21/12/2022	EUR	512,946	INR	(62,500,000)	(118,190)
21/06/2023	EUR	499,492	INR	(62,500,000)	(117,179)
23/08/2023	EUR	2,284,322	USD	(3,000,000)	96,319
Total					**1,817,098**

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

10. Swap contracts

As at December 31, 2017, 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 USD/MMK	24/03/2020	750,000	MMK	1,021,500,000	(42,610)
CIRS MFX USD/MMK	22/06/2020	1,500,000	MMK	2,047,500,000	(55,886)
CIRS MFX USD/MMK	10/08/2020	1,000,000	MMK	1,363,000,000	(52,171)
CIRS MFX USD/MMK	15/08/2020	1,500,000	MMK	2,038,500,000	(39,994)
CIRS MFX EUR/USD	01/01/2021	730,727	USD	1,000,000	(106,606)
Total					**(297,267)**

The counterparty linked to the above is MFX Solutions LLC.

11. Dividend distributions

During the year ended December 31, 2017, the following dividends were paid by the sub-fund Triodos SICAV II - Triodos Microfinance Fund:

Class: “Z” Distribution Share Class (EUR)
Ex-date: May 31, 2017
Payment date: June 12, 2017
Dividend per share: EUR 0.65**

Class: “K-Z” Distribution Share Class (GBP) *
Ex-date: May 31, 2017
Payment date: June 12, 2017
Dividend per share: EUR 0.66** (GBP 0.57)

Class: “K-B” Distribution Share Class (GBP) *
Ex-date: May 31, 2017
Payment date: June 12, 2017
Dividend per share: EUR 0.59** (GBP 0.51)

Class: “K-Retail” Distribution Share Class (GBP) *
Ex-date: May 31, 2017
Payment date: June 12, 2017
Dividend per share: EUR 0.57** (GBP 0.50)

Class: “K-Institutional” Distribution Share Class (GBP) *
Ex-date: May 31, 2017
Payment date: June 12, 2017
Dividend per share: EUR 0.74** (GBP 0.64)

Class: “R” Distribution Share Class (EUR)
Ex-date: May 31, 2017
Payment date: June 12, 2017
Dividend per share: EUR 0.58**

Class: “I” Distribution Share Class (EUR)
Ex-date: May 31, 2017
Payment date: June 12, 2017
Dividend per share: EUR 0.77**

Class: “B” Distribution Share Class (EUR)
Ex-date: May 31, 2017
Payment date: June 12, 2017
Dividend per share: EUR 0.58**

* Payment of distribution is 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 interests 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.

12. Off-balance sheet commitments

As at December 31, 2017, the sub-fund has committed itself to seven investments for a total of approximately EUR 8.0 million.

13. Ongoing charges ratios

	12 months ending December 31, 2017	12 months ending December 31, 2016
B Capitalisation Share Class (EUR)	2.59%	2.54%
B Distribution Share Class (EUR)	2.63%	2.57%
I Capitalisation Share Class (EUR)	1.91%	1.92%
I Distribution Share Class (EUR)	1.91%	1.93%
I-II Institutional Capitalisation Share Class (EUR)*	1.76%	n.a.
I-II Institutional Distribution Share Class (EUR)*	1.76%	n.a.
K-B Capitalisation Share Class (GBP)	2.59%	2.54%
K-B Distribution Share Class (GBP)	2.59%	2.54%
K-Institutional Distribution Share Class (GBP)	1.92%	1.92%
K-Retail Distribution Share Class (GBP)	2.61%	2.55%
K-Z Capitalisation Share Class (GBP)	2.17%	2.14%
R Capitalisation Share Class (EUR)	2.65%	2.60%
R Distribution Share Class (EUR)	2.63%	2.60%
K-Z Distribution Share Class (GBP)	2.14%	2.12%
Z Capitalisation Share Class (EUR)	2.14%	2.12%
Z Distribution Share Class (EUR)	2.11%	2.11%

* This share class has been active until January 2014. Ongoing charges 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.

14. Exchange rate

The exchange rates used as at December 31, 2017, are:

1 EUR =	99.875239	BDT
1 EUR =	8.297517	BOB
1 EUR =	7.819592	CNY
1 EUR =	3,584.477612	COP
1 EUR =	58.113536	DOP
1 EUR =	1.00	EUR
1 EUR =	0.88767325	GBP
1 EUR =	3.098063	GEL
1 EUR =	5.430609	GHS
1 EUR =	8.819619	GTQ
1 EUR =	28.324095	HNL
1 EUR =	16,290.86962	IDR
1 EUR =	76.645178	INR
1 EUR =	0.851367342	JOD

1 EUR =	83.025652	KGS
1 EUR =	4,841.935484	KHR
1 EUR =	399.467731	KZT
1 EUR =	1,633.741497	MMK
1 EUR =	432.25342	NGN
1 EUR =	36.963615	NIO
1 EUR =	3.891197	PEN
1 EUR =	6,708.379888	PYG
1 EUR =	10.585052	TJS
1 EUR =	2.998514	TND
1 EUR =	2,698.426966	TZS
1 EUR =	1.2008	USD
1 EUR =	655.816494	XOF
1 EUR =	4,382.481752	UGX
1 EUR =	14.865986	ZAR

15. Transaction costs

The following table presents the transaction costs related to the portfolio of investments over 2017.

Currency (EUR)	**2017**
Triodos Microfinance Fund	19,386

16. 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 2017 for Triodos Microfinance Fund is 101.95%.

17. Other information: Belgian savings tax

In scope of Belgian Savings Tax	Yes
Method used to determine the status	Asset testing
Asset test ratio	76.50%
Valid from	1 May 2018
Valid until	30 April 2019

Audit report

To the Shareholders of Triodos Microfinance Fund (a sub-fund of Triodos SICAV II)

Our opinion

In our opinion, this Financial Information of Triodos Microfinance Fund (the “Sub-fund”), which is a sub-fund of Triodos SICAV II (the “Fund”), as of and for the year ended December 31, 2017 has been prepared, in all material respect, in accordance with the accounting policies set out in Note 2 of the Financial Information.

What we have audited

The Sub-fund’s Financial Information comprises:

- the statement of net assets as at December 31, 2017;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the cashflow statement for the year then ended;
- the statement of changes in the numbers of shares outstanding for the year ended at December 31, 2017; and
- the summary of significant accounting policies and other explanatory notes to these statements (“the Financial Information”).

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under those Law and standards are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the Financial Information” section of our report.

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

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the Financial Information. We have fulfilled our other ethical responsibilities under those ethical requirements.

Emphasis of Matter - Basis of accounting

We draw attention to note 2 of the Financial Information which describes the basis of accounting. The Financial Information included in this annual report is prepared at sub-fund level. As a result, the Financial Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

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

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

Responsibilities of the Board of Directors of the Fund and those charged with governance for the Financial Information

The Board of Directors of the Fund is responsible for the preparation of this Financial Information in accordance with the accounting policies set out in Note 2 of the Financial Information, for making sure that this basis of preparation is appropriate in the circumstance, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

In preparing the Financial Information, the Board of Directors of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Sub-fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the Financial Information

The objectives of our audit are to obtain reasonable assurance about whether the Financial Information as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Information.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund;
- conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers, Société coopérative

Luxembourg, April 6, 2018

Represented by
Valérie Arnold

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Appendix: microfinance institutions and banks in the portfolio

As at December 31, 2017 and 2016

	Number of borrowers		% female borrowers	
Microfinance institution	2017	2016	2017	2016
Acceso Crediticio	14,147	*	9%	*
AB Microfinance Bank	38,729	41,432	64%	64%
AccessBank Tanzania	25,004	31,798	28%	29%
Asian Credit Fund	19,866	*	87%	*
ACLEDA Bank	420,972	366,361	52%	51%
Banco Ademi	228,297	238,435	50%	48%
Advans Ghana	13,554	12,199	64%	66%
Alliance Finance	119,107	64,992	67%	100%
Al Majmoua	70,581	*	57%	*
Angkor Microfinance Kampuchea (AMK)	329,997	332,114	81%	81%
Amret	253,354	298,765	73%	76%
Annapurna Microfinance Pvt. Ltd.	1,066,723	804,469	100%	100%
Arvand	35,922	37,216	43%	43%
Aye Finance	26,053	*	18%	*
Bai Tushum	22,623	22,784	44%	44%
BancoSol	258,623	251,191	44%	44%
Bina Artha Ventura	273,294	198,595	98%	99%
Belarusky Narodny Bank	3,599	2,991	39%	41%
BRAC Tanzania	182,216	**	94%	**
BRAC Uganda	193,687	**	97%	**
Capital Bank	7,511	**	38%	**
CMAC Sullana	258,120	237,643	51%	50%
Credinka	73,233	69,583	47%	47%
Credo	228,199	209,560	49%	48%
Crezcamos	113,550	110,713	50%	51%
Financiera Desyfin	4,194	3,851	33%	30%
Diaconía	65,839	66,601	52%	53%
Enda	317,235	302,499	62%	65%
FAMA	58,173	56,998	71%	72%
FDL	59,372	24,843	50%	52%
FINCA Azerbaijan	98,868	98,868	26%	26%
FINCA Kyrgyzstan	85,006	101,272	55%	56%
Fortis Microfinance Bank	52,087	65,860	91%	83%
FUNDEA	20,429	23,605	35%	41%
FUNDESER	29,771	*	46%	*
Génesis Empresarial	108,467	95,241	71%	69%
Grupo Factoring de Occidente	737	*	17%	*
Grameen Koota	1,606,208	1,398,928	100%	100%

* Not financed in 2016
** Not applicable

Loan portfolio (EUR x 1,000)		Average loan (EUR)		% rural clients		Number of savers	
2017	2016	2017	2016	2017	2016	2017	2016
102,381	*	7,237	*	0%	*	0	*
25,202	32,064	651	774	0%	0%	272,615	131,016
58,601	70,069	2,344	2,204	2%	2%	223,012	225,928
9,115	*	459	*	95%	*	0	*
2,488,514	2,391,019	5,911	6,526	85%	86%	1,472,550	1,695,442
225,687	250,053	989	1,049	5%	5%	274,180	241,392
16,426	14,264	1,212	1,169	7%	5%	50,957	39,124
143,625	10,508	1,206	162	74%	78%	0	0
58,789	*	833	*	44%	*	0	*
164,708	134,071	499	404	84%	91%	498,247	256,858
557,725	453,503	2,201	1,518	80%	80%	268,898	222,814
192,826	150,796	181	187	90%	86%	0	0
20,011	24,675	557	663	65%	54%	32,821	27804
32,180	*	1,235	*	0%	*	0	*
64,066	66,123	2,832	2,902	57%	50%	101,536	87,169
1,192,317	1,097,388	4,610	4,369	13%	12%	890,056	813,772
29,658	21,659	109	109	81%	84%	0	0
143,903	**	39,984	**	0%	0%	50,166	0
30,882	**	169	**	85%	**	0	**
35,711	**	184	**	85%	**	0	**
857,899	**	114,219	**	1%	**	5,541	**
713,092	599,685	2,763	2,523	3%	4%	0	0
193,624	176,014	2,644	2,530	26%	26%	68,506	62,225
165,234	161,374	724	770	69%	72%	288,116	288,116
74,773	78,777	659	712	68%	60%	0	0
198,622	213,326	47,359	55,395	0%	0%	3,457	3,226
117,596	105,340	1,786	1,582	22%	21%	0	0
151,152	138,535	476	458	42%	38%	0	0
55,703	55,456	958	973	38%	38%	0	0
80,360	32,422	1,354	1,305	76%	74%	0	0
91,438	91,438	925	925	66%	66%	0	0
78,404	90,142	922	890	56%	57%	69,646	55,538
26,333	49,594	506	753	80%	100%	241,929	139,226
26,349	27,269	1,290	1,155	74%	77%	0	0
49,094	*	1,649	*	75%	*	0	*
105,974	81,495	977	856	87%	88%	0	0
20,578	*	27,921	*	1%	*	0	*
509,250	419,614	317	300	81%	76%	0	0

Appendix: microfinance institutions and banks in the portfolio

Microfinance institution	Number of borrowers 2017	Number of borrowers 2016	% female borrowers 2017	% female borrowers 2016
Grassland Finance	5,261	*	19%	*
Hamkorbank	138,612	112,436	48%	49%
IMON	102,992	98,480	38%	38%
Intellegrow	140	93	0%	0%
Ipak Yuli Bank	9,843	8,526	39%	41%
Banco Itapúa	8,711	8,753	29%	29%
Janalakshmi Financial Services	5,280,861	4,985,932	91%	99%
Kashf Foundation	329,546	218,138	100%	100%
Khan Bank	385,444	377,905	52%	51%
KazMicroFinance	211,736	174,423	63%	64%
Kompanion	92,573	98,146	69%	70%
LOLC Myanmar Microfinance	54,934	*	96%	*
LOLC Micro Credit	440,690	367,767	79%	75%
MBK	979,876	730,707	100%	100%
MicroCred Ivory Coast	33,084	24,534	39%	44%
MicroCred China	25,760	26,774	31%	30%
MicroCred Senegal	55,272	45,048	43%	44%
NeoGrowth	6,315	3,099	16%	16%
National Microfinance Bank	379,096	*	33%	*
Opportunity Bank Serbia	41,417	*	42%	*
Banco Pichincha	1,063,278	1,063,278	45%	45%
PRASAC Microfinance Institution	386,985	334,865	81%	82%
Proempresa	62,477	66,018	45%	47%
CRAC Raíz	93,079	97,285	45%	45%
Sathapana Limited	124,469	120,506	54%	55%
Sathapana Myanmar	130,538	*	75%	*
Small Enterprise Foundation	169,130	146,898	100%	100%
Shubham Housing Development Finance	17,516	14,183	9%	9%
Banco Solidario	274,228	279,113	54%	54%
Sonata Finance	702,337	669,056	100%	100%
Varthana	3,082	*	0%	*
Visión Banco	240,755	273,043	47%	47%
VisionFund Lanka	96,810	*	99%	*
Vitas Jordan	27,183	15,946	55%	59%
XacBank	16,746	16,746	51%	51%

* Not financed in 2016
** Not applicable

Loan portfolio (EUR x 1,000)		Average loan (EUR)		% rural clients		Number of savers	
2017	2016	2017	2016	2017	2016	2017	2016
100,412	*	19,086	*	59%	*	0	*
328,675	632,182	2,371	5,623	22%	22%	167,534	155,222
66,664	76,724	647	779	64%	65%	11,334	6,964
39,545	30,654	282,466	329,612	0%	0%	0	0
210,203	342,696	21,356	40,194	16%	16%	0	0
156,117	172,229	17,922	19,677	5%	4%	37,834	35,242
1,293,692	1,593,108	245	320	0%	0%	0	0
64,740	43,846	196	201	30%	27%	0	0
1,236,018	1,221,677	3,207	3,233	43%	46%	888,031	868,624
203,323	125,784	960	721	72%	70%	0	0
66,936	61,031	723	622	62%	88%	0	0
12,654	*	230	*	26%	*	0	*
311,190	260,708	706	709	89%	86%	0	0
95,178	83,824	97	115	79%	78%	0	0
122,221	87,088	3,694	3,550	0%	0%	0	0
152,745	146,669	5,930	5,478	42%	30%	0	0
104,357	76,336	1,888	1,695	0%	0%	257,199	194,773
95,992	52,700	15,201	17,005	0%	0%	0	0
1,084,710	*	2,861	*	60%	*	1,988,739	*
91,130	*	2,200	*	69%	*	39,644	*
5,183,976	0	4,875	0	6%	6%	2,514,210	2,514,210
1,252,327	833,982	3,236	2,491	89%	90%	535,379	480,037
83,920	88,881	1,343	1,346	33%	32%	29,167	16,849
193,993	172,607	2,084	1,774	10%	10%	28,941	18,556
628,178	526,011	5,047	4,365	65%	62%	278,196	190,091
23,340	*	179	*	69%	*	0	*
25,747	21,001	152	143	100%	100%	0	0
128,786	99,941	7,352	7,047	46%	45%	0	0
481,462	503,233	1,756	1,803	3%	3%	260,590	216,748
154,788	151,197	220	226	69%	67%	0	0
66,634	*	21,620	*	0%	*	0	*
700,975	674,114	2,912	2,469	2%	2%	664,395	403,109
22,187	*	229	*	91%	*	0	*
48,541	31,559	1,786	1,979	12%	0%	0	0
89,885	89,885	5,368	5,368	49%	49%	767,622	767,622

Management and administration

Registered office

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

Board of Directors

G.R. Pieters
Chair
Independent, Partner of the Directors' Office Luxembourg

Garry Pieters is an ILA (Institut Luxembourgeois des Administrateurs)-certified director. He is Money Laundering Reporting Officer (MLRO) of Triodos SICAV II and oversees the handling of complaints. Garry Pieters is a Board Member of several other Luxembourg investment entities, including 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 Luxembourg SA and of its Singapore joint venture, as well as Executive Vice President of its Korean joint venture. He is also Chair of the Board of Triodos SICAV I. As at December 31, 2017, Garry Pieters did not hold any shares in Triodos Microfinance Fund.

P.H. Aeby (until April 26, 2017)
Chief Financial Officer and member of the Executive Board of Triodos Bank NV

M.D. Bachner
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 at December 31, 2017, Monique Bachner did not hold any shares in Triodos Microfinance Fund.

M.H.G.E. van Golstein Brouwers
Chair of the Management Board of Triodos Investment Management

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, Stichting Triodos Renewable Energy for Development Fund and Stichting Hivos-Triodos Fund. She is also a Member of the Board of Triodos SICAV I. Furthermore, Marilou van Golstein Brouwers is a Member of the Board of the Global Impact Investing Network (GIIN), 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 at December 31, 2017, Marilou van Golstein Brouwers did not hold any shares in Triodos Microfinance Fund.

P.M. Goodman
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 Board Member of a number of other impact finance investment funds. As at December 31, 2017, Patrick Goodman held 1,678 shares in Triodos Microfinance Fund.

J.C. Smakman (as of April 26, 2017)
Director Retail Banking Triodos Bank NV

Jeroen Smakman is director Retail Banking for Triodos Bank NV at its head office, and in that role responsible for the strategy, support and coordination of all retail activities within Triodos Bank and its branches. He has a long-standing experience in the financial sector. Jeroen Smakman previously worked at ING Group NV in product management, marketing and HR. He has held several management positions in the Netherlands, Italy, Canada and the Czech Republic. As at December 31, 2017, Jeroen Smakman did not hold any shares in Triodos Microfinance Fund.

Alternative Investment Fund Manager

Triodos Investment Management BV
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Nieuweroordweg 1
3704 EC Zeist
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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
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 Triodos SICAV I, Triodos SICAV II, Stichting Triodos Sustainable Trade Fund, Stichting Hivos-Triodos Fund and Stichting Triodos Renewable Energy for Development Fund. Marilou van Golstein Brouwers is also a Member of the Board of Global Impact Investing Network (GIIN), 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 at December 31, 2017, Marilou van Golstein Brouwers did not hold any shares in Triodos Microfinance Fund.

K. Bosscher (as of March 1, 2018)
Kor Bosscher is Director Risk and Finance at Triodos Investment Management and Triodos Investment Advisory & Services BV. In addition, he is director of Stichting International Pension Solutions. As at December 31, 2017, Kor Bosscher did not hold any shares in Triodos Microfinance Fund.

J.J. Minnaar (as of June 1, 2017)
Jacco Minnaar is Managing Director at Triodos Investment Management and Triodos Investment Advisory & Services BV. He is a Member of the Board of Stichting Hivos-Triodos Fund. As at December 31, 2017, Jacco Minnaar did not hold any shares in Triodos Microfinance Fund.

D.J. van Ommeren
Dick van Ommeren is Managing Director at Triodos Investment Management and Triodos Investment Advisory & Services BV. He is a Member of the Board of Triodos SICAV I and a Member of the Board of the Dutch Fund and Asset Management Association (DUFAS). As at December 31, 2017, Dick van Ommeren did not hold any shares in Triodos Microfinance Fund.

Fund Manager

F. Bos
Femke Bos has been fund manager of Triodos Microfinance Fund since the fund's inception in 2009. She is also fund manager of Triodos Fair Share Fund since July 1, 2016. With over 15 years of

investment management experience in private debt and equity investments in financial inclusion, she has cultivated a wealth of knowledge and expertise in the industry. She is currently a member of the Board of Directors of ACLEDA Bank in Cambodia and Dawn Microfinance in Myanmar. 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 positions with ABN AMRO Bank in the Netherlands. Femke Bos holds a Master of Law degree from the University of Amsterdam. As at December 31, 2017, Femke Bos did not hold any shares in Triodos Microfinance Fund.

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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

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This document can be downloaded from: www.triodos-im.com.

Triodos Investment Management