

Quarterly Report ASN Biodiversity Fund

Second Quarter 2024



PERFORMANCE OVERVIEW

The ASN Biodiversity Fund N.V. achieved a return of 0.69% (net of fees) in the second quarter of 2024.

As of the end of June, the fund was invested in approximately 120 projects aimed at enhancing biodiversity, spanning 42 countries across six continents. The positive result in the second quarter was driven by a combination of positive revaluations, interest income, and dividend distributions. The fund's largest investments at the end of the quarter were Aqua-Spark and the SLM Silva Europe Fund. Aqua-Spark globally invests in innovative companies with sustainable business models within the aquaculture value chain, such as sustainable seaweed farms. The SLM Silva Europe Fund invests in regenerative nut and olive orchards in Southern Europe.

Investments in biodiversity often require time to allocate capital. Currently, a relatively large portion of the fund's assets is committed but not yet fully called. These committed funds are temporarily held in highly liquid assets and green bonds. Last quarter, bond returns suffered from rising interest rates, while cash in the portfolio at the same time benefited from these conditions. As a result, the liquid assets made a net positive contribution to the fund's overall performance.

During the second quarter of 2024, the ASN Biodiversity Fund invested in five listed companies, which together account for just over 3% of the fund's total assets. Through our investment we support these companies in scaling up their sustainable production. These five companies are in their early stages; they are relatively small and have limited liquidity. Although all companies showed positive increasing production numbers, unfortunately they faced declining share prices last quarter, which had a negative impact on the fund's performance. Additionally, the fund's return was negatively affected by the depreciation of the U.S. dollar against the euro, as a quarter of the fund's assets are invested in markets where transactions are conducted in dollars, such as the investment in the Forest Climate Solutions Fund in the United States.

We remain confident in the long-term positive value development of our investments. We continue to seek pioneers who wish to invest in the fund: individuals who, like us, feel a responsibility for the preservation and restoration of biodiversity, while at the same time aiming to capitalize on the economic opportunities offered by businesses and projects operating with new business models in harmony with nature.

PORTFOLIO DEVELOPMENTS

In the past quarter, on previously committed capital additional capital was called by three fund investments: the Africa Conservation & Communities Tourism Fund, the Amazon Biodiversity Fund, and the SLM Silva Europe Fund.

During the second quarter, we received impact reports from the companies and funds in which we are invested. These reports indicate that the impact of our investments on biodiversity is increasing. A food example is the eco.business Fund (EBF). This fund promotes sustainable financing in Latin America and the Caribbean, supporting nearly 1.1 million hectares of sustainably managed agricultural land. As always, biodiversity is closely linked to climate. Through its investments and technical assistance, the EBF contributed to the sequestration of 3.7 million tons of CO₂ through agroforestry activities in 2023.

The SLM Silva Europe Fund has expanded its activities on the Iberian Peninsula for the fourth time, now managing a total of 2,638 hectares of regenerative nut and olive orchards and forests.

Companies in which Aqua-Spark invests contributed to 120 hectares of regenerative aquaculture in 2023, thereby supporting the transformation of the aquaculture sector into a system that enhances rather than depletes biodiversity.

BIODIVERSITY MARKET DEVELOPMENTS

Sustainable forestry and regenerative (forest) agriculture are two of the four sectors on which ASN Biodiversity Fund N.V. focuses. Projects in these sectors are increasingly being awarded with carbon credits. These are tradable CO₂ certificates used to offset unavoidable emissions. Trees and other vegetation that sequester CO₂ can generate carbon credits. The voluntary carbon market (VCM) has grown rapidly in recent years, from around \$500 million in 2020 to approximately \$2 billion in 2023.

However, carbon credits are controversial, with frequent critical reports questioning the claimed impact of these credits. Each credit must genuinely represent one ton of avoided or sequestered CO₂, and not be based on overestimated claims. Simultaneously, these credits offer a valuable way to assign monetary value to nature. Based upon the potential controversies around some of the existing carbon credits, we initiated a collaboration with Wageningen University & Research (WUR) to investigate what the potential contributions are of carbon credits to the protection and restoration of biodiversity. In this combined research project we investigated questions like: how solid are the conditions under which they are issued, and how do they align with the strict sustainability requirements of ASN Impact Investors?

The outcomes of this research will help us to more accurately and effectively select potential new investments. Additionally, we can actively contribute to the further development of the carbon credits market, particularly in mitigating risks for investors.

VISION AND OUTLOOK

The fund is still in its growth phase. Therefore, we are focusing on further diversifying our investments across different regions and impact sectors. We remain optimistic about the number of investment opportunities. With the urgency of biodiversity loss more apparent than ever, the demand for sustainable alternatives is growing.

We continue to focus on investments that combine biodiversity restoration with attractive returns. We see an increasing number of investment opportunities for the fund, which help companies to scale up, and as a result accelerating the transition to an economy where nature and humanity are in balance.

We expect the projects in our portfolio to further develop, enabling us to allocate more capital. This will further reduce the share of liquid assets in the fund. With a further growth of the fund we will be able to further diversify the portfolio and enhance the performance. For the second half of this year we expect to increase our investments primarily in sustainable (forest) agriculture and sustainable forestry sectors, thereby increasing our diversification across several impact sectors.

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