



**MAINSTREET**  
PARTNERS

# Methodologies

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*For qualified investors only*

# Fund Sustainability Rating Methodology



MainStreet Partner implements a structured process using a robust proprietary methodology to evaluate a fund's Sustainability level. This methodology is mostly aligned with the French ISR Label and will be in compliance with the EU Sustainable Finance Action Plan which has become mandatory and is to be implemented by March 2021.

Our methodology is unique because it involves a 3-pillar holistic assessment which considers:

- 1) the overall asset management firm
- 2) the fund's strategy
- 3) the individual holdings in the fund

This enhanced methodology distinguishes our rating from the major ESG providers which tend to focus only on the holdings or the strategy label. The Sustainability rating ranges from a score of 1 (low) to 5 (high).

We believe this approach avoids many of the industry's pitfalls. First, Sustainability ratings based exclusively on portfolio holdings can be volatile due to the regular changes in allocation and security selection. Secondly, many external ESG data providers do not adequately cover small-cap stocks and their ratings are affected accordingly. Holdings-only based assessments would unfairly rate funds which are highly sustainable and invest in smaller game-changing companies.

Furthermore, the new EU regulation requires the identification and disclosure of Sustainability risks which are in our opinion beyond the simple average rating of portfolio holdings because they involve the asset manager's approach to Sustainability, its commitment, its disclosures, how Sustainability principles are incorporated in the investment process and how those may affect financial results. These aspects are crucially affected by actions, policies and procedures that the asset managers have to put in place to make informed decisions and construct portfolios. Furthermore, when looking at the portfolio, controversies also need to be taken into consideration since company ratings often do not incorporate them in a timely manner.

Our approach overcomes these issues by considering the asset manager, the team and the strategy in addition to the portfolio holdings which means the Sustainability rating is more stable and holistic. In addition, careful analysis of the investment strategy will provide a much better picture of sustainable funds which are not properly covered by other data providers. Finally, our emphasis on monitoring and incorporating controversies reduces the reputational risk of a fund invested in controversial businesses which are given high ESG ratings by other providers. Above all, our approach is designed to eliminate the risk of greenwashing in investment products which can cause significant reputational damage.

# Fund Sustainability Rating Methodology

MainStreet Partners implements a structured process using a robust proprietary methodology to evaluate a fund's sustainability, which is in most part aligned with the **French ISR Label and the approach of the EU regulation SFDR.**



# Extra-Financial Metrics Methodology

MainStreet Partners has developed a quantitative method of assessing certain Environment, Social and Governance outputs associated with investing in a fund which intentionally adopts sustainable investment practices. These results can be calculated versus a reference universe of over 4,000 companies that includes most constituents of the MSCI ACWI, corporate benchmarks and companies typically present in ESG equity and fixed income thematic funds. Alternatively, these results can be measured versus the MSCI ACWI standalone.

MainStreet Partners produces metrics expressed either in absolute numbers or in percentage terms, depending on the nature and scope of the Environment, Social and Governance outputs. MainStreet Partners Impact Metrics are either published “raw” meaning that scientific data is used for the metric, or they are published as “equivalents” (providing a more tangible explanation of the output achieved). Metrics expressed in absolute numbers are calculated based on an €100,000 investment in the relevant fund in comparison to the same amount invested in the benchmark.

Our metrics aim to be aligned, wherever is possible given the current data set available, to the regulatory technical standards with regard to the content, methodologies and presentation of disclosures pursuant to Article 2a, Article 4(6) and (7), Article 8(3), Article 9(5), Article 10(2) and Article 11(4) of Regulation (EU) 2019/2088.

## ***Results based on a Eur100,000 investment in the fund over a 1 year period***



### **CO2 Reduction**

**30.737 tons** of CO2 avoided  
equivalent to **216** trips from Milan  
to Rome



### **Water saved**

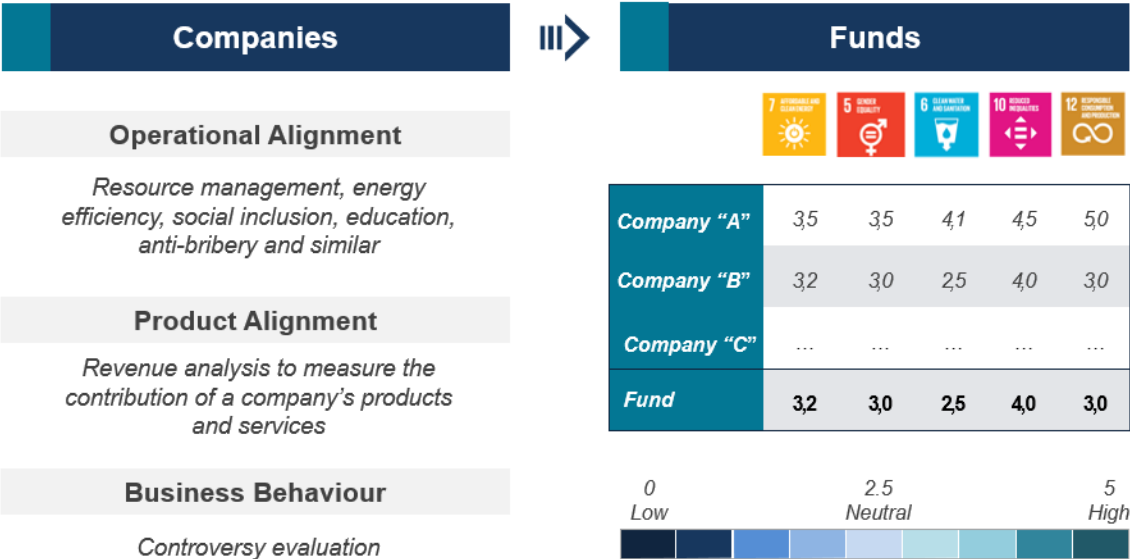
**64.131 Lt** of water saved  
equal to **916** showers

# SDGs Alignment Methodology

MainStreet Partners has developed a proprietary system to evaluate a company’s alignment to the SDGs. By aggregating company-level data, this system is additionally able to assess a fund’s alignment to the SDGs. The 17 SDGs are diverse and each address goals of a different nature. Accordingly, there is no single way to assess alignment with respect to all of the SDGs. Instead, alignment must be determined in a manner suitable to reflect the purpose of each SDG. A score of 5 indicates strong positive alignment to a SDG whereas a score of 0 indicates strong negative alignment. A score of 3 indicates neutrality.

Alignment of a company to the SDGs can be considered through three different lenses: (a) the company’s management decisions and operational activities (“operational alignment”), (b) the company’s products and/or services (“product alignment”) and (c) the company’s behaviour and involvement in controversies.

In relation to funds, alignment of a fund to each SDG is determined by the average weighted score of the companies in the portfolio. An SDG score of 5, for example, indicates that the fund is invested in companies which are strongly aligned to the particular SDG.



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