

RESEARCH METHODOLOGY



ABOUT EVERGREEN RATINGS

Evergreen Ratings Pty Ltd (Evergreen Ratings) ABN 91 643 905 257, Authorised Representative 001283552 is a wholly owned subsidiary of Evergreen Fund Managers Pty Ltd, trading as Evergreen Consultants ('Evergreen Consultants'), ABN 75 602 703 202 AFSL 486275.

Evergreen Ratings is a boutique research and managed fund ratings house. We are a research led organisation that prides itself in forward looking views of investment products covered for the benefit of investors. Evergreen Ratings analyses and rates specific types of managed funds and listed entities. These include illiquid, closed ended and complex funds that are usually not available on a platform or would not normally be used by Evergreen Consultants.

RESEARCH UNIVERSE

Evergreen Ratings considers only a small number of the managed fund products available in Australia. Specifically, Evergreen Ratings looks to provide analysis and ratings on:

- products open only to wholesale investors;
- closed ended funds or funds with limited liquidity, such as property syndicates, private equity and venture capital funds;
- complex funds, such as hedge funds and risk-based products; and
- listed products, limited to listed investment companies and listed investment trusts.

This universe of funds broadly represents those products generally not available on platforms or not usable in 'model portfolios', except for the listed products itemised above. Evergreen Ratings has chosen to consider only these funds as they are generally not consistently researched and specialist skills and processes are required to effectively analyse them.

FUND RESEARCH PROCESS

Evergreen Ratings prides itself on the quality of its research. We are forward looking in our approach and we consider both qualitative and quantitative inputs.

Before embarking on the ratings process, Evergreen Ratings will undertake a broad assessment of the product, based on publicly available material. At that stage, we may decide not to proceed with a rating.

The research process that the analyst will undertake in considering a product can broadly be broken down into the following steps:

1. Collect publicly available information, including offering documents such as Product Disclosure Statements or Information Memoranda and pitch decks;
2. Request further information as required such as detailed questionnaires (including an FSC questionnaire if available), compliance documents, statements of financial position, fund models and validations of models or valuations assigned in the offering documents;
3. Undertake interviews with relevant members of the management team;
4. Undertake site visits as required;
5. Complete a ratings score using both qualitative and quantitative inputs. This creates the initial basis for the rating;
6. Prepare a draft report and a draft rating;
7. Discuss findings at an Evergreen Research Committee meeting;
8. Address any resultant issues;
9. Provide the fund manager with a draft report (without rating);
10. Consider any factual comments and adjust if necessary; and
11. Submit to Evergreen Research Committee for formal sign-off and release.

FUND RATINGS METHODOLOGY

Evergreen Ratings has developed its own methodology to determine the final rating of a fund. This methodology includes both qualitative and quantitative elements. In summary, it covers areas including:

Corporate

This includes profitability, stability, reputation and governance.

Management

This includes experience, quality and effectiveness.

Investment Personnel

This includes experience, complementarity of skills, stability, size of team and quality.

Investment Process

This includes security analysis and selection, portfolio construction and assessment of the current portfolio of assets as appropriate.

Environmental, Social and Governance (ESG)

Consideration of the integration of ESG elements into the investment process as appropriate.

Risk

Risk monitoring, transfer and management.

Back Office

Quality of back office teams and processes.

Past Performance

This is particularly considered in the context of fund/ product objectives and manager style.

Fees

This is particularly considered against a universe of similar funds.

FUND RATINGS SCALE

All funds are rated using a common scale and a proprietary scoring model. This ensures our ratings are consistent across the diverse range of asset classes we consider.

It is Evergreen Ratings' intention to publish details of our overall ratings outcomes, detailing the percentage of those that fall into each ratings category. However, given the nascent stage of our ratings universe, this information is limited.

The Scale is:

Highly Commended

Commended

Satisfactory

Not Approved

Not Rated

See next page for rating definitions.

FUND RATINGS DEFINED

HIGHLY COMMENDED We have **high confidence** in this investment product.



This is a Fund or Investment Product that has scored consistently very well across all areas of Evergreen Ratings' research and analysis framework. As a result, we believe the Fund has a very high probability of meeting its objectives.

It is appropriately designed, with appropriate fees and has sufficient, high quality systems and resources, including risk management and corporate governance, to manage an appropriate outcome.

COMMENDED

We have **confidence** in this fund manager or investment product.



This is a Fund or Investment Product that has scored consistently well across most areas of Evergreen Ratings' research and analysis framework. As a result, we believe the Fund has a high probability of meeting its objectives.

It is reasonably well designed, with fees more or less in line with the nature of the product and its peers. The Manager has sufficient, quality systems and resources, including risk management and corporate governance, to manage an appropriate outcome.

SATISFACTORY

We have **some confidence** in this investment product.



While this is a Fund or Investment Product that has scored well in some areas of Evergreen Ratings' research and analysis framework, it did not score as well in other areas important to achieving a good investment outcome.

As a result, Evergreen Ratings believes it has a reasonable chance of meeting its investment objectives.

NOT APPROVED

We have **little confidence** in the investment product



This is a Fund or Investment product that did not score well across most areas of Evergreen Ratings' research and analysis framework. There is a lack of identifiable strengths across some or all of product design, fees, systems and governance, therefore placing doubt on the likelihood of the fund or product achieving its investment objectives.

NOT RATED

This fund manager or investment product has been **screened out**. Evergreen Ratings has either (i) conducted a preliminary review of the investment product and has identified material or structural flaws or (ii) the Manager has elected to not confirm some elements of the research process requisite in the ratings protocol to release the research report.



CONFLICTS OF INTEREST

We have a Conflicts of Interest Policy which is separately displayed on our website
<https://evergreenratings.com.au/>

DISCLAIMER

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