



MAINSTREET
PARTNERS

IMPACT REPORT
2017





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IMPACT REPORT 2017:

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LETTER TO STAKEHOLDERS

2017 was another year of strong performance in markets thanks to favourable macroeconomic conditions where global equity markets and company profits hit historical highs. For the first time since 2010, the real economy and financial markets exceeded expectations. Growth of the global economy was driven simultaneously by both advanced and emerging economies. For most countries, economic activity was driven by a combination of productivity growth, a larger working population as a result of demographics and lower unemployment rates, an increase in consumer spending and deleveraging of the short-term debt cycle by central bank monetary policy. In developed countries, the Euro area continued its encouraging GDP expansion, growing 2.2% on average compared to 1.7% in 2016. The US economy grew 2.5% compared to 1.6% in 2016 and emerging markets' GDP advanced 4.9% in the same period. Global inflation increased sustainably, rising moderately to central banks' targets, commodity prices were supported by economic momentum and global trade rebounded overtaking pre-crisis levels.

In this positive context, returns of sustainability related indices outperformed traditional benchmarks. The MSCI World Socially Responsible Index outperformed the MSCI World, the MSCI Europe SRI outperformed the MSCI Europe and the MSCI Emerging Markets ESG Leaders overtook the MSCI Emerging Markets.

Looking at the fixed income market, in 2017 Green Bond issuances reached USD 163.1 billion, +68% compared to 2016. Additionally, an unprecedented number of corporates, development banks and international organisations issued Social and Sustainability Bonds.

The number of sustainable and thematic funds grew rapidly across all asset classes and sectors. Funds

related to environmental, food and health themes grew substantially, as did European and Emerging Markets funds.

On top of this, sustainable and impact investing continued to attract significant attention. The percentage of investors interested in sustainable and impact investing rose from 71% to 75% in the last two years. In 2017, women showed more interest in sustainable investing than men (84% vs 67%). Moreover, 80% of investors are more likely to adopt sustainable investing strategies if they can tailor the impact of their investments. 71% of investors believe that companies with strong environmental, social and governance characteristics are likely to outperform. Looking at Millennials, 86% are interested in sustainable investments, 75% say that their investments can influence climate change and 84% say that their investments would help lift people out of poverty respectively.

As a result, both sustainable and impact investing are going mainstream across the entire financial industry. Intermediaries (private banks, asset managers) and investors (retail, HNWI, family offices, foundations, insurance and pension funds) are gradually transitioning to sustainable and impact investing. MainStreet Partners is particularly well-positioned to work with clients who want to allocate capital to assets which generate positive financial, social and environmental returns. Since 2008, with its holistic approach, unique skillset and team, MainStreet Partners has been developing a proven track record in sustainable and impact investments. Ten years after it was founded, MainStreet Partners looks forward to continuing to partner with institutional and private clients to generate tangible and measurable financial, social and environmental returns.

INTRODUCTION TO THE REPORT

MainStreet Partners' 2017 annual Impact Report shares our vision, results for the past year and objectives for 2018. This second annual Impact Report is an open dialogue with our stakeholders. Ten years ago, MainStreet Partners was created to provide investors with transparent and easy access to sustainable and impact investments. By publishing this Impact Report, we aim to communicate accurately to our stakeholders where capital is invested and the tangible and measurable impact achieved.

ABOUT MAINSTREET PARTNERS

MainStreet Partners is a specialist sustainable and impact investment firm that offers bespoke portfolio solutions to clients wishing to deploy capital at scale in sustainable and impact investments across asset classes and geographies, either in thematic equities and bonds or via third party funds. Applying the highest standards of financial and extra-financial due diligence, our mission and duty is to achieve positive risk-adjusted returns while delivering tangible positive social and environmental impact. MainStreet Partners has been developing its capabilities and track record of investing in stocks, bonds and funds since 2008.



2017: MAINSTREET PARTNERS' KEY EVENTS



Assets under advisement increased by EUR 124 million (+57% compared to 2016) reaching EUR 342 million (gross of cash)

MainStreet Partners' strategies successfully executed more than 50 investments in funds, 25 in equities and almost 50 in the fixed income market



Our team contributed to a number of articles in leading media outlets including Momingstar, Responsible Investor, World Economic Forum, ilSole24Ore, Corriere della Sera, La Repubblica, EticaNews, Advisors Online, Patrimoni and Monitor Immobiliare

MainStreet Partners published over 100 articles and interviews in 2017 strongly increasing its media presence and coverage



We launched dedicated, innovative and highly sustainable services in collaboration with Fideuram Investimenti and Intesa Sanpaolo Private Banking















We launched our first managed account to invest globally in impact equities



Three new professionals joined the team: James Hay, Investment Analyst; Cecilia Gambaro, Marketing and Operations Analyst; and Vincent Gradt - former Head of Impact and Thematic Investing at AXA Investment Managers - joined MainStreet Partners as a Investment Director to strengthen our third party funds selection service

SOCIAL AND ENVIRONMENTAL RESULTS

Our social and environmental results for 2017 are reported by classifying all our assets under advisement according to our six investment themes. In the table below, we provide the investment themes, the social/environmental metrics by which we measure performance, the results generated by our assets under advisement, the Sustainable Development Goals aligned with each investment theme and the growth of assets under advisement for each theme.

INVESTMENT THEME	METRIC	SOCIAL AND ENVIRONMENTAL RESULT	SUSTAINABLE DEVELOPMENT GOALS	YOY GROWTH (AUA**), %
Financial Services	Loans to micro entrepreneurs	53,949	 	-1.20%
Climate Change	CO ₂ emissions reduced (tonnes)	69,096	 	62.20%
Food	Number of organic meals provided	1,859,095	 	106.90%
Healthcare	High risk patients treated	106,596	 	30.20%
Housing	Social housing units built	130	 	138.60%
Education	Low income students enrolled	184	 	68.20%
Gender Equality	Women on boards of directors*	+40%	 	n/a

*: compared to a composite benchmark MSCI, Bloomberg Barclays

** : Assets under Advisement

IMPACT OF OUR INVESTMENTS

ALL ASSETS UNDER ADVISEMENT

Investments across all assets under advisement generated the following social and environmental results:



Gender equality is a value for MainStreet Partners which transcends all investment themes. In this regard, our investments outperform the benchmark, with **40% greater representation of women** on company boards of directors.

EUR 1 MILLION

For each EUR 1 million equally allocated across our assets, investors achieve the following social and environmental results:



RESULTS COMMENT

Since 2008, MainStreet Partners has been developing an integrated and holistic approach to investing in our six key sustainability themes. Our results in these sectors are discussed below. Adopting this investment framework, MainStreet Partners has anticipated both industry and market movements as these sectors have caught the attention of mainstream investors.

We maintained our commitment to the financial services sector in 2017 which was a favourable year for the entire sector, leading the recovery in developed countries and growing robustly in emerging and frontier countries. This position reflects our long-term exposure to financials. During 2017, MainStreet Partners' strategies provided 53,949 loans to micro-small enterprises in developed and emerging countries.

In 2017 for the first time, assets classified under climate change exceeded financial services. This noteworthy development has been due both to the increase in assets under management of the balanced funds on which MainStreet Partners advises, which are significantly focused on climate change, and to the launch of multi-asset balanced and geographically diversified bespoke managed accounts which specifically target the United Nations' Sustainable Development Goals. Investments under this theme resulted in a reduction of 69,096 tonnes of CO2 emissions in 2017. This result shows our commitment to investing in a low-carbon future and our alignment to international best standards and practices.

Our ambitious expectations for the food sector have been realised with an increase in assets double that of 2016. This increase in assets and better

positioning of our strategies allowed us to provide 1,859,095 organic and healthy meals in 2017. Last year, the food sector was one of the most attractive industries with the organic segment growing by 8% annually and large players engaging in strategic M&A activity internationally.

In the healthcare segment we experienced an increase in assets of around one third compared to 2016, resulting in the treatment of 106,596 high risk patients. Looking forward to 2018, we will continue to invest in companies which are leading the way in advanced treatments and R&D, both large established companies and smaller niche players.

One of our proudest achievements falls under the housing theme in which assets increased significantly. These investments contributed to the construction of 130 social housing units for low-income people, including some of those living in the UK with disabilities and those living in deprived communities in South America.

In the education sector, our social result in terms of low-income students enrolled reached 184 students during 2017, almost doubling the result of 2016. For 2018, we aim to increase the assets invested in the education sector, focusing on developed countries where opportunities arise in sub-sectors such as student accommodation, accessible technologies and distance learning. In 2018, as we explore new opportunities in this particular industry, we expect to continue to find investments which generate tangible social results and to build on this theme as successfully as we did last year.



IMPACT INVESTMENTS

MainStreet Partners has built one of the most comprehensive and diversified investable universes available in the sustainable and impact investing space. This section provides a representative sample of our investments across asset classes and geographies.

FINANCIAL SERVICES

ProCredit Holding

Listed Equity

Since 2003, ProCredit Holding has been promoting a culture of saving and financial responsibility through the establishment of a group of banks based in South-Eastern and Eastern Europe and South America. The banking group currently comprises nearly 20 banks, focused only on small and medium sized enterprises and private individuals. Creating jobs and providing access to financial services make a vital contribution to the economies of the countries in which the group operates. Along with providing their clients with excellent services and support, ProCredit banks aim to minimise their ecological footprint and offer Green Finance Services to incentivise the adoption of energy efficient technologies.

ProCredit supports

65,000 SMEs

and micro-entrepreneurs mainly in Eastern Europe

ProCredit offers green finance services to incentivise the adoption of energy efficient technologies

Cassa Depositi e Prestiti

Social Bond

Cassa Depositi e Prestiti is an Italian national promotional institution which provides financing services for investments in the country. In furtherance of its mission to support employment and economic growth in Italy, CDP issued its first Social Bond in November 2017. The Bond will finance projects with positive social and environmental impact, financing Italian small and medium sized enterprises with fewer than 250 employees in areas affected by natural disasters or areas which are economically underperforming the rest of the country.

Over 11,000 SMEs

will be helped

Support to 3 Italian regions affected by natural disasters, and 9 regions economically underperforming

CLIMATE CHANGE

Vestas

Listed Equity

In the belief that wind is one of the best energy sources for the planet, Vestas has established itself as the undisputed world-leader in modern wind energy. Willpower, passion and over 110 years of expertise in the energy sector have enabled the company to reach 77 countries across 5 different continents, building onshore and offshore wind farms. Making clean and renewable energy affordable and accessible for everyone is Vestas' commitment to the future of wind energy.

Over 23,000

employees working
in more than **50** countries

90 GW of installed **wind**
power capacity

Innogy

Green Bond

A modern, decarbonised, decentralised and digital energy world is the main goal of Innogy, an established energy company operating across 11 European countries. The company focuses on supplying and distributing renewable energy solutions (wind, solar, hydro) and on developing innovative sustainable products and services to maximise energy efficiency. In late 2017, Innogy issued a green bond which will be used to finance and refinance several projects within these categories such as the construction of on- and offshore wind farms, the production and installation of smart readers and grids, energy efficiency advisory and the construction of electric vehicles charging stations.

16 million people

supplied with electricity
in 11 European countries

41,000 permanent
employees in
16 countries



FOOD

PureCircle

Listed Equity

Founded in 2002, PureCircle has become the leading producer of stevia worldwide. From its inception, the company has created and operated a fully sustainable supply chain for high-purity stevia from crop cultivation through extraction, production and final product distribution. Thanks to its advanced R&D which helps to adapt stevia sweeteners to different tastes, PureCircle has entered into partnerships with leading global beverage and food industry brands to provide more natural, healthy and sustainable products.

Eliminated 1.3 trillion calories from global diets

25,000 farmers involved in the value chain

Starbucks

Sustainability Bond

As part of Starbucks' comprehensive approach to its supply chain, in May 2016 the company issued the first Corporate Sustainability Bond to source its coffee sustainably. Coffee is at the core of Starbucks' business and sustainable sourcing is an integral part of the company's strategy. The bond aims to positively impact both the environment and society by supporting coffee farming communities, mitigating the impact of climate change and supporting long-term crop stability along with farm sustainability. To monitor its activities, Starbucks operates a network of eight farmer support centres worldwide.

99% of Starbucks coffee

purchases are verified as **sustainably sourced**

8 farmer support centres built worldwide



HEALTHCARE

International Finance Facility for Immunization

Social Bond

Vaccines which are taken for granted in developed countries are still not available to millions of children in the developing world. This is a solvable problem and the International Finance Facility for Immunization was founded in 2005 to tackle this issue. Through the issuance of social and vaccine bonds, the facility accelerates the availability of funds for Gavi's Immunization Programs and facilitates timely and effective introduction of new vaccines into routine programs. Following the successful social impact of the first Vaccine Bond issued in 2006, the Facility has issued nearly twenty bonds since then. Thanks to these funds, Gavi immunized over 62 million children in 2016 and since its inception the organization has consistently improved access to new and underused vaccines

In 2016 alone,

62 million children
were immunized with
Gavi-supported vaccines

The Vaccine Alliance
is operating in more than
60 countries

Novo Nordisk

Listed Equity

Novo Nordisk's goal is to lead the fight against diabetes and serious chronic diseases such as obesity, hemophilia and growth disorders. With over 95 years of experience, Novo Nordisk operates globally with innovative R&D practices, constantly implementing products through collaborative research projects with other industrial and academic partners. By discovering and developing innovative biological medicines, the company aims to make these treatments accessible to patients everywhere in the world, especially in low- and middle-income countries where cases are growing at a significant pace.

28 million patients
worldwide use Novo Nordisk
diabetes care products

Novo Nordisk is operating in
79 countries
worldwide



HOUSING

Kutxabank *Social Bond*

Kutxabank is a Spanish bank founded in 2012 and based in the Basque region. The bank's strategy focuses on creating very close relations with its customers and understanding their needs. The company issued a Social Bond in support of low-income individuals and families to provide them with access to adequate accommodation. The bank acquired 785 state-sponsored housing units, benefitting 1,056 individuals. Kutxabank participates in the Basque government's Viviendas de Protección Oficial program which provides subsidized housing to poor individuals in the Basque region.

785 state-sponsored housing units acquired in 2016

1,056 individuals supported in 2016

Fondo Mivivienda *Thematic Bond*

Fondo Mivivienda was created in 1999 to address two of the main obstacles in the development of an effective private housing finance system in Peru: the lack of long term funding available and the high credit risk associated with middle and low-income groups, which discourages banks from servicing this population segment. Since its inception, Fondo Mivivienda has facilitated access to housing through the issuance of multiple bonds and enabled more than 80,000 Peruvian families to access over USD 2.1 billion in loans for the acquisition or renovation of quality homes.

Access to housing to 80,000 Peruvian families

USD 2.1 billion loans



EDUCATION

Kroton

Listed Equity

Kroton is the largest private educational organization in Brazil and one of the largest worldwide. Founded over 50 years ago, the company operates in the primary, secondary and postgraduate education segments. All educational programs are highly effective, aligned with national education standards and available on-campus or through a long-distance learning system across Brazil's many states. Kroton also promotes social inclusion, offering evening programs for middle and low-income students and carrying out more than 2,300 social projects reaching 2.3 million people from local Brazilian communities.

Inter-American Development Bank

Thematic Bond

In 2014, the Inter-American Development Bank launched its inaugural Education, Youth, and Employment ("EYE") Bond. The bond is directed to promote sustainable growth, poverty reduction and social equality in Latin America and the Caribbean within these three key priorities. The projects that will benefit from these investments will contribute to improving the quality of children's education, increasing productivity and enhancing the skills of young people entering the job market.

More than 220,000

primary and secondary education **students** are enrolled

More than 967,000

post-secondary and **graduate students** are enrolled

26 ongoing projects

in the education area, **5** in employment and **8** in youth

26 borrowing countries

across Latin America and the Caribbean



APPENDIX

Methodology: Metrics

Our investment strategies were developed to prove that investments could be made with impact at the core of the investment process, which allows us to show clearly to our investors the social and environmental impact of their investments. To do this, we built a unique investment process that dynamically combines financial analysis, ESG analysis and impact analysis. This dynamic approach takes into consideration past, current and expected social/environmental targets and results, balancing past and forecasted metrics to select our investments.

Our methodology takes into account the size of our investments and the time we have been holding each investment in relation to the total assets of our investees and their social/environmental results. Based on a sample of our actual investments we extrapolate an average measure of the results in each sector which can be applied to the whole of our portfolio. Calculating the social and environmental results of our investments requires the use of specialized metrics, which are not found in traditional accounting. Starting from a proprietary evaluation framework, MainStreet Partners uses metrics developed by IRIS, a non-profit organization that created a catalogue

of generally accepted impact performance metrics. These metrics have become the industry standard for investors to measure the social, environmental and financial performance of an investment and are built around specific sectors. In each sector, we have selected one metric, which, in our opinion, is the best reporting metric for that particular sector. Each metric was chosen based on the sector's characteristics and the underlying data that we can collect, measure and report.

In order to make the report more accessible to the non-specialist reader, we have simplified the way we discuss these metrics and listed our simplified metrics and the corresponding Sustainable Development Goals. Through our investments, we finance the activity of each underlying company and consequently the social and environmental results they produce. To calculate these results, we follow the logic of a return on asset calculation, taking into account our participation in the company's investible assets and relating that to the positive social/environmental results delivered via the products and services provided by the company. This allows us to measure our past results and target our intended impact in future years.



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DATA AND ELABORATION

Data as of December 31, 2017.
About the methodology used,
please contact us: info@mspartners.org

Sources: MainStreet Partners, Bloomberg, Bloomberg New Energy Finance, Global Sustainable Investment Alliance, Morgan Stanley, United Nations, International Monetary Fund, European Commission, United Nations Principles of Responsible Investment, World Economic Forum, Eurosif, Credit Agricole, UKSIF, Bank of America Merrill Lynch, MSCI, Environmental Finance, Climate Bond Initiative, United Nations' Sustainable Development Goals, Global Impact Investor Network.

Elaboration and methodology:
MainStreet Partners.

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