

Methodological Assumptions
ASSET MANAGER RATING

1. Methodological Framework

The objective of this document is to reflect the approach followed by Axesor Rating in the *rating of asset manager firms* operating both nationally and internationally.

The ratings that Axesor Rating carries out are stable opinions over time on the credit profile of an issuer (capacity to meet its financial obligations in time and form), without prejudice to the reviews that may be conducted when, in the opinion of Axesor Rating, a substantial change occurs that affects the credit quality of the asset manager analyzed (or of the sector as a whole).

For this purpose, we consider historical data and future trends on a series of qualitative and quantitative factors that are combined to obtain a final rating.

The necessary information can be provided directly by the asset manager firm or, in the case of a listed company, obtained directly from public sources, given the information and transparency requirements to which these companies are subject.

The rating process described here begins with the determination of the company's stand-alone credit profile by analyzing three categories of factors:

- **Operating environment:** sovereign risk, sector strength and regulation.
- **Qualitative factors:** business model, positioning and management and governance
- **Quantitative factors:** financial flexibility and profitability

The assessment of the explanatory factors of each category is carried out through scales that evaluate the quality of each metric, giving a score that ranges from 10 (the worst) to 1 (the best).

Once the company's credit profile has been determined, we analyze the effect of external support that it may present. The result of both is the Issuer Credit Rating. Finally, the company's obligations are evaluated based on the seniority.

Finally, this methodology will map the numeric rating resulting from the analytical process into the scale "*Axesor Long-Term Credit Scale*" (available for consultation on the website). In addition, the rating is accompanied by an outlook (over the next year) depending on the prospects of both the sector and the performance of the company (Outlook Methodological is available on the website).

The methodology described herein should be understood in a flexible manner given the dynamic nature of the sector to which it is addressed. Therefore, the importance (weights) of the factors described throughout this methodology may vary to adapt the analysis to these changes, including new factors if necessary.

2. Scope

This methodology is applicable to **asset manager firms as a whole**, that is, to those companies that obtain most of their income from administration fees for the management of money or assets (AUM) on behalf of thirds parties, both institutional and retail.

3. Risk profile of the Operating Environment

At Axesor Rating we consider that the operating environment in which the asset manager firm operates has an influence on the rating because the regulatory supervision structures establish the degree of protection for investors and creditors, and also the relationship between the investment portfolio and the evolution of the sovereign debt.

The factors that are taken into account when assessing the risk profile of the operating environment of an asset manager firm are:

- **Sovereign rating:** the sovereign rating measures the government's ability and will to meet its financial obligations in time and form, especially important considering the relationship between sovereign risk and financial risk and the exposure of the asset manager firm through the debt markets.
- **Sectorial strength:** we evaluate the economic and financial performance of the sector, as well as its resilience throughout the economic cycles.
- **Regulation:** we evaluate the regulation and degree of protection for investors and creditors, as well as their stability, transparency and effectiveness.

Each factor has an established weight in the final score of the business profile, as indicated in the following table:

Macroeconomic & sectorial environment risk profile	
	Weights
Sovereign rating	5%
Sectorial strength	5%
Regulation	5%

4. Qualitative factors analysis

Within this category, we assess the asset manager firm's **business model** -mainly in terms of geographic and business line diversification regarding AUM, in addition to

its distribution channels, its **positioning** within the sector and **management and governance**, including its ESG (environment, social and governance) policies.

Axesor Rating evaluates the factors included in this category using a qualitative approach based on information published by the Company itself and, in the case of solicited ratings, through interviews with the teams responsible for the different aspects analyzed.

The factors that are considered when assessing the risk profile of a asset manager firm's business are:

- **Business model:** we evaluate the business model implemented by the asset manager firm, paying special attention to the appetite for risk. In addition to it, we evaluate the degree of geographical and segmental diversification of its AUM because of their importance throughout the different phases of the economic cycle. Finally, we value the number and quality of the distribution channels to which the asset manager has access due to their positive influence both in mitigating liquidity risk and redemption risk.
- **Positioning:** measured in proportion to the size of the AUM.
- **Management and governance:** including the shareholder structure, the professionalism of the management team, the investment policy, risk management and the ESG policies.

Each factor has an established weight in the final score of the business profile, as indicated in the following table:

Business risk profile	
	Weight
Business model	12%
<i>Geographical diversification</i>	12%
<i>Product diversification</i>	
<i>Distribution channels</i>	
Positioning	15%
Management and Governance	18%
<i>Risk management</i>	5%
<i>Management team</i>	3%
<i>ESG</i>	3%

5. Quantitative factors analysis

The analysis of the financial profile of the asset management firm constitutes one of the main pillars of our rating process since it determines the economic-financial resilience of the asset management firm in view of the expected evolution of the economic cycle.

Axesora assesses this category using a quantitative approach through selected financial ratios and an exhaustive analysis of closed annual accounts up to three years past, as well as future projections.

Within this category we distinguish three sections:

- **Financial flexibility:** this factor measures the capacity to generate resources to repay debt, investments, contingencies or simply to maintain the access to capital markets, among others. For this evaluation we use the analysis of Debt to EBITDA and Equity to Portfolio Investments.

With the first ratio, we seek to know the asset manager's ability to reduce debt through the overall capacity to generate resources, so that the lower its value is, the greater the manager's strength. With the second ratio we assess the capacity of the manager to assume losses from its own investment portfolio.

- **Profitability:** constitutes the fundamental buffer for the overall capacity to generate both resources and equity to assume losses. For this evaluation we use the analysis of two ratios, on the one hand the margin before taxes (EBT to total revenues); and on the other hand, the EBITDA to average AUM, which relates the profitability with the asset manager firm's size, so that the higher the ratio, the better the income generation profile adjusted to the scale of the asset manager firm.

Each factor has an established weight in the final score of the economic-financial risk profile, as indicated in the following table:

Economic and financial risk profile	
	Weight
Financial flexibility	20%
<i>Debt / EBITDA</i>	<i>10%</i>
<i>Equity / Own portfolio investments</i>	<i>10%</i>
Profitability	20%
<i>BAI / Total revenues</i>	<i>10%</i>
<i>EBITDA / AUM</i>	<i>10%</i>

This document updates the previous version while preserving its original methodological assumptions; therefore, all existing ratings remain unchanged. In this version, the format has been updated