



Rating Trends

DBRS uses “rating trends” for its ratings in the Corporate sector (except for Income Fund Stability Ratings) and its ratings for the CMBS product group within Structured Finance. For additional information regarding rating trends in CMBS, please refer to DBRS policy “Use of Rating Trends in CMBS”.

Rating trends provide guidance in respect of DBRS’s opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories - “Positive”, “Stable” or “Negative”. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed. In general, the DBRS view is based primarily on an evaluation of the issuing entity or guarantor itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates.

DBRS assigns a rating trend for each security of an issuing entity as opposed to specifying one rating trend for the issuing entity and all rated security lines. Given that the duration and ranking of securities can influence the weighting of the strengths, weaknesses and challenges that affect the entity, it is not unusual for securities of the same entity to have different Trends. However, the simultaneous occurrence of both a Negative and a Positive Trend for securities issued by the same entity is rare.

It is the DBRS philosophy to rate “through an economic cycle”; therefore it is often the rating trend that will reflect the initial pressures or benefits of a changing environment rather than an immediate change in the rating itself. Nevertheless, a Positive or Negative Trend is not an indication that a rating change is imminent. Rather, a Positive or Negative Trend represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a Stable Trend was assigned to the security.

Generally, the conditions that lead to the assignment of a Negative or Positive Trend are resolved within a twelve month period. However, in some instances, new factors emerge which may cause the Positive or Negative Trend to be maintained, even as the original factors become clarified or resolved. DBRS generally notes any changes to the basis for the Positive or Negative Trend.