



Income Fund Stability

An income fund stability rating provides an indication of both the stability and sustainability of the income fund's distributable income. Rating categories range from STA-1 to STA-7, with STA-1 being the highest. In addition, DBRS® further separates the ratings into “high”, “middle”, and “low” subcategories to indicate where they fall within the rating category. Ratings take into consideration the seven main factors of: (1) operating and industry characteristics; (2) asset quality; (3) financial flexibility; (4) diversification; (5) size and market position; (6) sponsorship/governance; and (7) growth. In addition, consideration is given to specific structural or contractual elements that may eliminate or mitigate risks or other potentially negative factors. Funds that have halted or deferred distributions will be carefully assessed and assigned to the category deemed most appropriate, given that fund's specific circumstances.

STA-1

Income funds rated STA-1 have the highest level of stability and sustainability of distributions per unit. Funds with this rating have a superior combination of the following factors: good history of operating performance, outstanding financial flexibility, high quality assets, good diversification, large size in terms of breadth and scale of operations, and a strong industry structure. The fund is likely to have strong sponsors or owners or specific structural or contractual elements that eliminate or mitigate risks or other potentially negative factors.

STA-2

Income funds rated STA-2 have very good distributions per unit stability and sustainability. The fund exhibits performance that is only slightly below the STA-1 category, typically shows above-average strength in areas of consideration, and possesses levels of distributable income per unit that are not likely to be significantly negatively affected by foreseeable events. The fund is above average in many, if not most, areas of consideration.

STA-3

Income funds rated at STA-3 have good distributions per unit stability and sustainability, but performance may be more sensitive to economic factors, have greater cyclical tendencies, and may not be as well diversified as an STA-2, resulting in some potential for distributions per unit to fluctuate. The fund will not be above average in all areas of consideration, but will tend to outperform in many areas. STA-3 is usually the highest rating category for a new and smaller fund and also often represents a ceiling for some of the better commodity-oriented funds.

STA-4

Income funds rated at STA-4 have adequate distributions per unit stability and sustainability, but distributions per unit are affected by one or more factors such as cyclicity, seasonality, and commodity price fluctuations, and economic cycles have a comparatively greater influence over performance when compared to higher rating categories. There may be concentration issues where a lack of diversity may affect stability.



STA-5

Income funds rated at STA-5 have weak distributions per unit stability and sustainability. The fund is subject to many of the same cyclical, seasonal, and economic factors as in the STA-4 rating category, but the lack of diversification is generally more pronounced, and the fund will tend to be below average in several areas.

STA-6

Income funds rated at STA-6 have very weak distributions per unit stability and sustainability. The fund will tend to be below average in many areas of consideration. There may be a high degree of volatility associated with current levels of distributions per unit, and the ongoing operational performance and financial flexibility of the fund is weak. The fund may also be relatively new and small, and have limited sponsor support.

STA-7

Income funds rated at STA-7 have poor distributions per unit in terms of stability and sustainability. The fund is below average in most areas of consideration. There is a high degree of volatility associated with current levels of distributions per unit. In addition, depending upon the specific circumstances, this category may also contain those income funds that have ceased distributions.