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All DBRS ratings and research are available in hard-copy format and electronically on Bloomberg and at DBRS.com, our lead delivery tool for organized, Web-based, up-to-the-minute information. We remain committed to continuously refining our expertise in the analysis of credit quality and are dedicated to maintaining objective and credible opinions within the global financial marketplace.
# Stability Ratings for Canadian Structured Income Fund

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Introduction

DEFINITION OF A STABILITY RATING
A stability rating provides an opinion on both the stability and sustainability of a structured income fund's cash distributions per unit. When assigning a DBRS rating, the rating reflects the fund’s ability to generate sufficient cash to pay out a stable level of distributions on a per unit basis over the longer term.

DISTINCTION FROM PREVIOUS STABILITY RATINGS
To date, DBRS has applied its stability ratings only to income trusts, but with the release of this methodology, the stability rating scale now also applies to Canadian income funds.

Although the terms “income trust” and “income fund” are sometimes used interchangeably, they refer to different types of investment products. An income trust typically holds income-generating assets of an underlying business focused in a single industry (e.g., real estate), while an income fund is an investment fund with a goal of providing income to its owners from portfolio holdings such as bonds or dividend-yielding stocks. The amount of income paid out to income fund investors may vary over time, either at the fund’s discretion or as a result of growth or declines in the income earned on the fund’s assets. The stability ratings for both income trusts and income funds address the stability and sustainability of the cash distributions per unit.

In 2003, DBRS launched stability ratings to evaluate income trusts, starting with the power sector and increasing coverage to other industries including oil and gas, mining, pipelines and real estate (among others). On October 31, 2006, the Government of Canada announced its Tax Fairness Plan which resulted in the Canadian government taxing the distributed earnings of existing income trusts at the same rate as corporations starting in January 2011. The corporate tax rate does not apply to qualifying real estate investment trusts (REITs). As a result, the use of the stability rating scale has decreased substantially as many of the trusts have converted to corporations. As a result, DBRS expects there will be few remaining active DBRS stability ratings assigned to income trusts.

RATING SCOPE
DBRS stability ratings are not a recommendation to buy, sell or hold income fund units. DBRS does not publish current yield or price data in its stability rating reports, and any questions regarding pricing should be directed to the issuers/dealers specific to the fund. DBRS stability ratings provide opinions and research on funds related to the stability and sustainability of distributions per fund unit over time, in accordance with this methodology. DBRS stability ratings generally do not take factors such as pricing or expected market risk into consideration and are expected to be used as only one element of the investment decision-making process.

Income funds rated by DBRS may contain fixed income, equity or hybrid securities. For fixed income securities, a main factor affecting the price of the units is the sensitivity to changes in interest rates, approximated by calculating the duration of the portfolio. If a portfolio has a larger duration than another portfolio, it will likely be more sensitive to changes in interest rates. Asset type can also affect pricing; assets with limited secondary market activity may increase the volatility of the fund’s net asset value (NAV). Since these factors relate to the stability of the fund’s price – not necessarily its distribution – they are not generally covered as rating factors in this methodology. In certain cases, where duration risk is a significant concern for a particular fund, DBRS may lower the stability rating assigned by up to one rating subcategory (e.g., STA-2 (middle) may become STA-2 (low), STA-3 (high) or STA-3 (middle)).

1. The title Stability Ratings for Canadian Structured Income Funds differentiates the investment funds covered in this methodology from income trusts, which were the focus of the methodology “Rating Income Funds”, published on November 27, 2013. In general, “structured income funds” are more commonly known as “income funds” and will be identified as such for the remainder of this methodology.
A DBRS stability rating may be applied to open-end mutual funds, closed-end mutual funds or exchange-traded funds (ETFs). Open-end funds can issue an unlimited number of units, issuing or redeeming units based on investor demand. Investors can buy or redeem their shares at the NAV of the fund on a daily basis. Conversely, closed-end funds issue a set number of units in an initial public offering that trade on a stock exchange. Units may trade at a premium or discount to the NAV of the fund. ETFs combine the ability to redeem shares at the NAV daily with the ability to trade intra-day on a stock exchange (approximately at the NAV). Most of the rating factors are applied the same way for each type of fund, but certain differences will be highlighted in this methodology.

**RATING SCALE DETAIL**
Stability rating categories range from STA-1 to STA-7, with STA-1 being the highest rating. In addition, DBRS further delineates ratings into “high”, “middle” and “low” subcategories to indicate a fund’s relative position within its assigned rating category.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
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<tbody>
<tr>
<td>STA-1</td>
<td>Highest stability and sustainability of distributions per unit</td>
</tr>
<tr>
<td>STA-2</td>
<td>Very good stability and sustainability of distributions per unit</td>
</tr>
<tr>
<td>STA-3</td>
<td>Good stability and sustainability of distributions per unit</td>
</tr>
<tr>
<td>STA-4</td>
<td>Adequate stability and sustainability of distributions per unit</td>
</tr>
<tr>
<td>STA-5</td>
<td>Weak stability and sustainability of distributions per unit</td>
</tr>
<tr>
<td>STA-6</td>
<td>Very weak stability and sustainability of distributions per unit</td>
</tr>
<tr>
<td>STA-7</td>
<td>Poor stability and sustainability of distributions per unit</td>
</tr>
</tbody>
</table>

Although there are seven rating categories listed above, DBRS expects that ratings assigned to income funds are generally in the top five rating categories. The STA-6 and STA-7 ratings may be assigned to funds that have suffered a substantial decline in portfolio income or deterioration in credit quality.

**PURPOSE OF ASSIGNING STABILITY RATINGS TO INCOME FUNDS**
Closed-end funds typically offer unitholders a stated distribution on the unit issue price, which is a crucial component in the marketing of the prospective offering. The stated distribution can typically be changed by the fund manager during the life of the fund for any reason without the approval of unitholders. As a result, analysis of the stability of the stated distribution is a key consideration for potential investors who want to know the likelihood of the manager being able to maintain the distribution over the long term. DBRS provides an independent opinion on the long-term stability of the distribution.

Open-end funds and ETFs normally do not have a stated distribution; net income is paid to investors each payment period. In such cases, a DBRS rating evaluates the general stability of the income paid out by the fund. Regardless of whether a distribution is stated, the same concept of stability is applicable. At any point in time, investors in the fund will want to know the likelihood that the fund’s assets will continue to generate income at historical or greater levels over the long term.
Rating Factors

ASSET TYPE AND CREDIT QUALITY
The analysis starts with an assessment of asset type and credit quality. A typical portfolio containing preferred shares, for example, starts with an initial rating at the midpoint of the rating range indicated in the table called “Rating Ranges by Asset Type” below. From there, a rating adjustment is made that depends on other factors and their deviation from the norm, including the dividend coverage ratio, model output from any credit quality assessments, the experience of the investment manager and fund administrator, and diversification, as discussed in subsequent sections below.

DBRS views the asset composition and credit quality of the fund’s portfolio as the most important factors in the stability rating assigned. The type of asset determines whether each underlying issuer is obligated to continue to pay a stated distribution. The credit rating of the issuer allows DBRS to evaluate the likelihood of the issuer being able to meet its obligations. In this section, DBRS provides details on the types of assets that can be included in a fund’s portfolio, ranking the most common asset types from best to worst from a stability rating perspective.

Rating Ranges by Asset Type

<table>
<thead>
<tr>
<th>Rating</th>
<th>IG Government Bonds</th>
<th>IG Corporate/SF Bonds</th>
<th>Preferred Shares</th>
<th>Tier 1 Capital Securities</th>
<th>High Yield or Convertible Debt</th>
<th>Common Equity</th>
</tr>
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<tbody>
<tr>
<td>STA-1 (high)</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>STA-1 (middle)</td>
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<tr>
<td>STA-1 (low)</td>
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<tr>
<td>STA-2 (high)</td>
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<tr>
<td>STA-2 (middle)</td>
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</tr>
<tr>
<td>STA-2 (low)</td>
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<tr>
<td>STA-3 (high)</td>
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<tr>
<td>STA-3 (middle)</td>
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<td></td>
</tr>
<tr>
<td>STA-3 (low)</td>
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<td></td>
</tr>
<tr>
<td>STA-4 (high)</td>
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<tr>
<td>STA-4 (middle)</td>
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<td></td>
</tr>
<tr>
<td>STA-4 (low)</td>
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<td></td>
</tr>
<tr>
<td>STA-5 (high)</td>
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<td></td>
</tr>
<tr>
<td>STA-5 (middle)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>STA-5 (low)</td>
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Source: DBRS.

(i) Investment-Grade Fixed Income
The issuer of a traditional fixed income security is obligated to pay interest to the bondholder barring its own insolvency. Investment-grade issuers have historically experienced very low levels of default. Corporate debt is likely to be the most common fixed income asset type, but government bonds (federal, provincial or municipal) and structured finance securities may also be held by income funds.

For all fixed income portfolio holdings, DBRS assigns a probability of default to each asset based on its credit rating and the term to maturity of the bond or the fund, whichever is earlier. The DBRS rating is the sole credit assessment utilized. If the issuer is not rated by DBRS, DBRS uses either an internal assessment or an average of two major rating agency ratings. The recovery upon default for corporate or government obligations depends on the rating of the income fund and the country of domicile. For structured finance securities, recovery assumptions depend on the transaction structure, the underlying asset type and the vintage of the collateral.

2. This chart has been included for illustrative purposes only and is based on the assumption of a conservatively managed fund portfolio with low risk in other aspects of the fund (i.e., would not have significant duration risk, excessive leverage or unhedged currency exposure).

3. Debt issued by agencies of sovereign issuers sharing the rating of the sovereign also may be held by income funds.
Once each asset has been assigned a probability of default, DBRS runs the portfolio through its portfolio credit model. Standard correlation assumptions are used. Based on the results from the model, an expected level of loss from the fixed income portfolio holdings is determined. In most cases, the expected loss from investment-grade debt will be very small, so a portfolio composed solely of investment-grade debt has the potential to be assigned a high stability rating by DBRS.

(ii) Preferred Shares
Preferred shares are a type of hybrid security, displaying characteristics of both fixed income and equity securities. Preferred shares generally yield a dividend that must be paid prior to any distributions being paid to common shareholders; however, the dividend is not an unequivocal obligation of the issuing company and repayment of principal ranks junior to all bonds and senior debt of the company.

The credit rating assigned to preferred shares is lower than the senior debt rating because the preferred share dividends are not an unequivocal obligation of the company. DBRS uses preferred share credit ratings as inputs to its portfolio credit model, using the same process described above. A very conservative recovery upon default assumption is normally used (close to zero).

Preferred shares carry a number of features (aside from the credit quality of the company) that affect the stability of the distribution, including retraction ability and the ability of the company to call the shares for redemption, among others. These factors are considered by DBRS in its rating analysis. For example, the ability of a company to redeem a higher-yielding preferred share before the termination date of the fund will be a risk in a low interest rate environment. If a significant portion of the portfolio is exposed to similar risk, it may have a negative impact on the DBRS stability rating assigned to the fund.

(iii) Innovative Tier 1 Capital Trust Securities
Over the past few years, Canadian financial institutions have been focused on increasing their Tier 1 capital to meet regulatory requirements. Innovative Tier 1 capital trust securities (capital trust securities) qualify as Tier 1 capital along with common and preferred shares. Like preferred shares, capital trust securities are a hybrid of fixed income and equity. They have long terms to maturity or are perpetual with a fixed coupon until the step-up date (usually ten years or longer from inception). On the step-up date, the security can be called at par at the option of the financial institution, or the coupon will increase by a predetermined amount. As with preferred shares, the distribution on capital trust securities is not an unequivocal obligation of the company.

Capital trust securities are typically rated and these ratings are used as inputs to the portfolio credit model to determine the expected loss. Recovery assumptions for each capital trust security in the portfolio depend on its priority relative to the financial institution’s other outstanding debt and equity securities.

Both preferred shares and capital trust securities are considered to be strong portfolio holdings, and a fund may be composed entirely of either security type and achieve a rating in the STA-1 or STA-2 range from DBRS. However, DBRS performs additional analysis to assess the risk associated with these securities not being unequivocal obligations of the financial institutions. The difference in stability between senior debt and preferred shares or capital trust securities varies by issuer.

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4. Two corporate issuers in the same sector and geographic region are generally assumed to have the highest asset correlation (0.15), whereas two corporate issuers in different sectors and regions are generally assumed to have the lowest asset correlation (0.02). Structured finance correlation assumptions vary by asset type but are generally significantly higher than corporate correlation assumptions.
(iv) **High-Yield Corporate Debt**

High-yield corporate debt is less stable than investment-grade corporate debt because of an increased risk of issuer insolvency. After assigning a probability of default to each security in the same way as described above, DBRS runs the portfolio through its model to determine the expected loss of the high-yield portion of the portfolio.

Default rates are fairly low for all investment-grade rating categories. Conversely, default rates increase exponentially and significantly for non-investment grade levels. When assigning a stability rating at inception, DBRS may apply a gross-up factor to the expected loss to account for the increased risk of negative ratings migration among high-yield issuers over the life of the fund. Furthermore, in the surveillance of income fund ratings, DBRS monitors high-yield exposure for negative rating actions that could increase the expected loss of the fund and put the stability rating at risk.

(v) **High-Quality Common Shares**

In general, the stability of equity securities is much lower than debt or debt-like instruments, but in certain cases, DBRS ranks equity securities above lowly rated corporate debt or unrated convertible debt. The high-quality common shares category is reserved for creditworthy companies with a long track record of stable dividend payouts. In addition to standard credit analysis, internal or external motivations for not cutting the common share dividend are also considered. For example, the six biggest Canadian banks would fit into the high-quality common shares category.

In addition to estimating the probability of a high-quality company defaulting, DBRS also estimates the likelihood of a high-quality common share dividend being reduced.

(vi) **Convertible Debt**

A convertible bond is a type of bond that can be converted to a predetermined number of common shares of an issuer at the option of the issuer and/or the bondholder. Most of the Canadian convertible bond market is either non-investment grade or unrated. If a portfolio includes a large percentage of unrated securities, there is a significant negative impact on the stability rating assigned because the credit risk of the portfolio is difficult to assess.

(vii) **Other Equities**

In general, DBRS expects much more diversity and higher-quality issuers for portfolios with significant exposure to equities. A portfolio composed entirely of equities is likely to receive a lower rating from DBRS unless the majority of its holdings are issued by stable, creditworthy companies with a strong track record of paying stable, common share dividends. For portfolios with equity exposure, DBRS analyzes historical dividend data along with the credit outlook of each underlying issuer to assess the safety of the portfolio’s dividend income.

**DIVIDEND COVERAGE RATIO**

As discussed above, a DBRS stability rating reflects an opinion on a fund’s expected ability to generate sufficient cash to pay out a stable level of distributions on a per unit basis over the longer term. A key metric in measuring stability is the dividend coverage ratio, which is the net income of the portfolio (after deducting fund expenses and management fees) divided by the stated or expected distributions to be paid to unitholders. If the coverage ratio is greater than 1.0 for a closed-end fund, the fund is generating enough income to pay the full stated distribution to unitholders. This allows the fund to maintain a stable NAV if the market value of the portfolio stays constant. If the dividend coverage ratio is less than 1.0, the fund will be expected to liquidate a portion of the securities held to meet the stated distribution or generate income through other sources such as option writing. For an open-end fund or ETF, a decline in net income from the previous payment period will result in a lower distribution to unitholders (effectively

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5. High-yield corporate debt is defined as speculative and non-investment grade, encompassing all securities rated lower than BBB (low) by DBRS (or equivalent from other rating agencies).
a ratio less than 1.0). Note that immaterial declines in income are not likely to impact the stability rating assigned to the fund.

For a new stability rating, DBRS calculates the dividend coverage ratio based on an indicative or current portfolio provided by the investment manager. If the dividend coverage ratio is materially less than 1.0, then DBRS lowers the stability rating assigned by up to a full rating category, depending on the magnitude of the shortfall in portfolio income. Assigning a lower rating is necessary because the distribution is unsustainable at inception regardless of whether it is paid in full. In order for the ratio to increase to greater than 1.0, the fund must rely on growth in distributions paid by the underlying issuers (for equity holdings) or a change in portfolio composition to higher yielding securities.

In Canada, income funds generally distribute all of their income each year so that they will not be liable for paying income tax under the Income Tax Act. There are different ways in which funds can distribute all of their income. Most closed-end funds have a stated distribution rate and distribute the excess above the stated rate as a special distribution at the end of each year. Typically these funds set the stated distribution as high as possible given the expected income of the portfolio at the fund's inception. Open-end funds, ETFs and some closed-end funds forego a stated distribution rate, paying out their net income at the end of each distribution period (which will likely vary from period to period). In both cases, there is normally not much buffer to cover material declines in portfolio income. As a result, the asset type and credit quality of portfolio holdings are the most crucial factors in determining whether a stated or expected distribution is sustainable over time. DBRS generally limits its highest rating category (STA-1) to funds with assets yielding very stable income (i.e., all fixed income, strong credit quality).

INVESTMENT RESTRICTIONS
When assigning an initial rating for a closed-end fund, DBRS evaluates the stability of the holdings of an indicative portfolio. The stability of the fund’s distributions depends on the assets to be held by the portfolio, which can change over time depending on the flexibility given to the fund manager. As a result, DBRS considers investment restrictions to be a key factor in determining the stability rating of the fund.

The main concern of DBRS when assessing the flexibility of a fund manager is the manager’s ability to significantly change the composition of the portfolio by asset type. Yield expectations vary considerably for different types of assets, and the expected stability of the asset's distribution will also change, as discussed earlier. Fewer restrictions on asset type changes increase the likelihood that the stability of the stated distribution will vary over the life of the fund.

DBRS expectations for flexibility at different rating levels are outlined below. The degree of flexibility at each rating level is provided for illustration only and is used as a guide in assigning ratings. Other positive factors may exist in order to offset the flexibility given to the investment manager. Also, flexibility is considered together with the asset composition to determine an appropriate level of distribution stability (e.g., 100% high-yield debt with zero flexibility is considered less stable than 90% to 100% investment-grade debt with some flexibility).

**STA-1 – Very Little Flexibility**
A fund rated in the STA-1 range will generally have very little flexibility in the asset composition of the portfolio (e.g., 100% investment-grade debt holdings at all times). In certain circumstances, a small amount of flexibility may be warranted, provided the stability of portfolio income is not materially affected.

**STA-2 – Partial Flexibility**
A fund rated in the STA-2 range will generally have partial flexibility in the asset composition of the portfolio (e.g., 70%-100% equity, 0-30% high-yield debt). This allows the manager limited flexibility to trade into riskier assets.
STA-3 – Fair Amount of Flexibility
A fund rated in the STA-3 range may have a fair amount of flexibility (e.g., 50%-100% investment-grade debt, 0-50% high yield debt, 0-20% equity). The manager is given greater flexibility to trade into riskier assets.

STA-4 – Large Amount of Flexibility
A fund rated in the STA-4 range may have a large amount of flexibility, giving the manager the ability to significantly change the composition of the portfolio over the life of the fund.

If the manager has complete flexibility in investing the fund’s assets, DBRS will generally not assign a stability rating to the fund.

REVIEW OF THE INVESTMENT MANAGER AND FUND ADMINISTRATOR
Another factor in the assignment of a DBRS stability rating is the track record of the fund manager. A key concern of DBRS is the investment restrictions placed on the manager. As such, DBRS examines the history of the investment manager’s other funds to determine how the manager has operated within the other funds’ investment restrictions. Although this is part of the rating process, its impact on the rating is minor compared to the actual flexibility given to the manager.

DBRS also reviews the following information relating to the manager’s other funds with similar objectives:

- Risk-adjusted portfolio returns: DBRS measures portfolio performance by comparing annualized returns and volatility with benchmark indices. Funds that have met benchmark objectives are viewed as relatively more stable.
- Distribution history: DBRS compares historical distributions with targeted distributions and investigates material deviations. Funds that have consistently met their distribution objectives are viewed as relatively more stable.
- Portfolio leverage: The historical leverage used in the management of other funds is assessed. Funds that have used lower amounts of leverage are viewed as relatively more stable.

The history of returns, distributions and leverage in the manager’s other funds will assist DBRS in gauging the manager’s ability to maintain a stable distribution for its new fund.

DBRS also takes into consideration the quality of the sponsor or administrator of the fund. An administrator should have a significant presence in Canada and should also exhibit the following key characteristics:

(1) A consistent and positive track record in structured products and asset management.

(2) A strong corporate governance culture evidenced by the establishment of an independent board of directors, an auditing and compliance group and a credit-focused risk management team.

(3) A substantial capital commitment to the business.

(4) A management team with broad and deep experience in structured products.

Prior to rating a transaction with a new administrator, DBRS meets with the administrator to discuss its investment philosophy along with the points listed above.

DIVERSIFICATION
In addition to asset type, the diversification of the portfolio is another key factor in the stability of the distributions to unitholders. DBRS considers the level of diversification by issuer, by industry and by geography in assigning a stability rating to the fund.
**Issuer concentration:** Generally, in order for DBRS to assign a rating, the fund should have adequate diversification by the number of securities. As a general rule, no issuer should comprise more than 10% of portfolio assets at any time. 6.

**Industry concentration:** DBRS may assign a lower rating to a fund that is heavily concentrated in few industries due to the risk that industry-wide issues may significantly reduce the income of the portfolio.

**Geographic concentration:** Although DBRS normally expects some level of diversification by geography, this is not as significant a factor as issuer and industry diversification.

In addition, for portfolios that are concentrated in equity securities, greater diversification by issuer and by industry compared to portfolios concentrated in fixed income securities would be necessary to achieve a particular stability rating. However, portfolios composed entirely of equity securities may still be able to obtain a stability rating as high as STA-2 (middle). Although the risk of a common share dividend being cut is much greater than the risk of an investment-grade corporate bond defaulting on interest, a diversified portfolio of common shares offers reduced risk and the opportunity for material growth in dividend income.

**CURRENCY HEDGING**

If a material percentage of a fund’s assets can be invested in securities denominated in foreign currencies, the currency hedging strategy of the fund will be a factor in the stability rating assigned by DBRS. If any currency exposure is hedged 100% of the time, there will be no further analysis on the amount of foreign asset exposure of the fund. If the majority of the fund’s exposure is hedged (e.g., at least 80% is hedged at all times), the impact on the stability rating will depend on the potential reduction in the dividend coverage ratio from changes in foreign currency values. If hedging is at the manager’s discretion and a minimum hedge percentage is not stated in the fund’s prospectus, the stability rating assigned to the fund will be negatively affected by a substantial amount.

**LEVERAGE**

Many income funds use leverage through a loan facility (or other methods) to increase the potential returns for the fund. Any leverage applied by the fund will increase volatility on the unit price and will increase the amount of income that can be paid out to fund investors. Small amounts of permitted leverage may be satisfactory; however, significant amounts of leverage may have a negative impact on the stability rating.

In assessing the effects of leverage on the stability of a fund’s distributions, DBRS reviews the conditions under which the fund may be expected to post additional collateral due to declines in the NAV of the fund. If leverage is applied to increase the dividend coverage ratio above 1.0, any significant call for additional collateral could result in a reduction in the distributions paid to investors.

**ASSET/LIABILITY MISMATCH**

Most closed-end funds rated by DBRS have a fund termination date stated in the prospectus. An asset/liability mismatch occurs when the portfolio assets have either a shorter or longer maturity date than the fund units, which are redeemed on the termination date. If the portfolio assets have a maturity date after the fund termination date, this mismatch may affect the price of the units but not the stability of the stated distribution. If a significant percentage of assets mature earlier than the termination date, this may have a negative impact on a DBRS stability rating. The investment manager will be forced to reinvest these assets prior to maturity, which may result in lower portfolio yield depending on the prevailing interest rate environment. This is also a significant risk to fixed-income open-end funds or ETFs that do not have a stated termination date.

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6. Certain creditworthy government issuers (e.g., Government of Canada) are excluded from the issuer concentration limits.
SURVEILLANCE
DBRS reviews the dividend coverage ratio and the credit quality of underlying assets in the income fund on an annual basis. To the extent there have been material changes in either factor, either positive or negative, from the previous year, DBRS considers upgrading or downgrading the stability rating appropriately.

Summary

Income funds offer investors exposure to a portfolio of income-producing assets, often over a finite period of time. Most closed-end funds offer a stated distribution to attract investors, but this distribution is not guaranteed and may not be sustainable depending on the composition of the portfolio and other characteristics of the fund. Open-end funds and ETFs pay out their net income each payment period, and the stability of the distributions over the long term depends on the factors discussed in this methodology. DBRS stability ratings evaluate the sustainability of the stated or expected distribution paid to investors; they are not traditional credit ratings that reflect an opinion on the likelihood of full repayment of principal. These ratings are meant to provide greater transparency to investors.