

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

January 9, 2020

Capital Direct I Income Trust – Portfolio Hits \$200M / Stabilizing Vancouver Market to Boost Originations in 2020

Sector/Industry: Real Estate Mortgages

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Offering Summary

Issuer	Capital Direct I Income Trust
Securities Offered	Classes A, C, and F Trust Units
Unit Price	\$10
Minimum Subscription	\$5,000
Hurdle Rate	N/A
Distribution to Investors	80% of net income on a quarterly basis
Redemption	Class A - a fee of 5% of NAV in year 1, decreasing by 1% every year; no fee after year 5 / Class C & Class F - a fee of 2% within 6 months and no fee after that
Management Fee	2.0% p.a. of NAV on Classes A and C units / 1.0% p.a. of NAV on Class F units
Auditor	Johnsen Archer LLP

Highlights

- Capital Direct I Income Trust's ("trust", "fund") portfolio size (gross mortgage receivables) hit a record high of \$200 million at the end of Q3-2019 (September 30, 2019), up 8% YTD.
- Revenues grew 14% YoY in 2019 (9M) to \$16 million. Net income grew 20% YoY to \$11 million - the highest ever since inception.
- Primary focus remains on mortgages to owner-occupied residential units in Vancouver and Toronto. The fund maintains a lower average loan size of \$121k relative to its comparables' average of \$347k.
- At the end of Q3-2019, second mortgages were at 59% (58% at the end of 2018), while the Loan-to-Value ("LTV") remained flat at 54%.
- We estimate that the trust's investors received a dividend (weighted average of all unit types) of 7.42% p.a. in 2019 (9M), versus 7.66% in 2018, due to a lower use of debt.
- In 2019 (9M), the trust reported approximately \$0.31 million in realized losses, or 0.16% of the total portfolio versus \$0.42 million (0.24% of the portfolio) in 2018.
- With the Vancouver market showing signs of stabilization, we have a cautiously optimistic outlook for new originations in 2020. Toronto's residential market remains strong. This is likely to be partially offset by a lower interest rate environment.
- We expect investors' yield in 2020 to be in the 7% - 8% p.a. range depending on the type of units held.

FRC Rating

Yield (2020) 7% - 8%

Rating 2-

Risk 3

*see back of report for rating definitions

Comparables

The following table shows how Capital Direct’s portfolio compares to the average of nine other direct comparables (lenders focused on mortgages to owner-occupied residential units). All these entities have over \$100 million in assets, with mortgages focused almost exclusively on individual borrowers.

Capital Direct vs Comparables

	Capital Direct	Average
First Mortgage (%)	38%	71%
B.C.	47.9%	59.0%
ON	43.6%	34.4%
AB	7.6%	4.6%
Others	1.0%	2.0%
LTV	54.0%	55.9%
Yield	7.4%	7.6%
Debt to Capital	13%	17%
Average Loan Size	\$120,545	\$347,152
Delinquent / Foreclosures	9.1% (end of 2018)	4.0%
Actual Loss	0.16%	0.14%
Provision	0.56%	0.73%

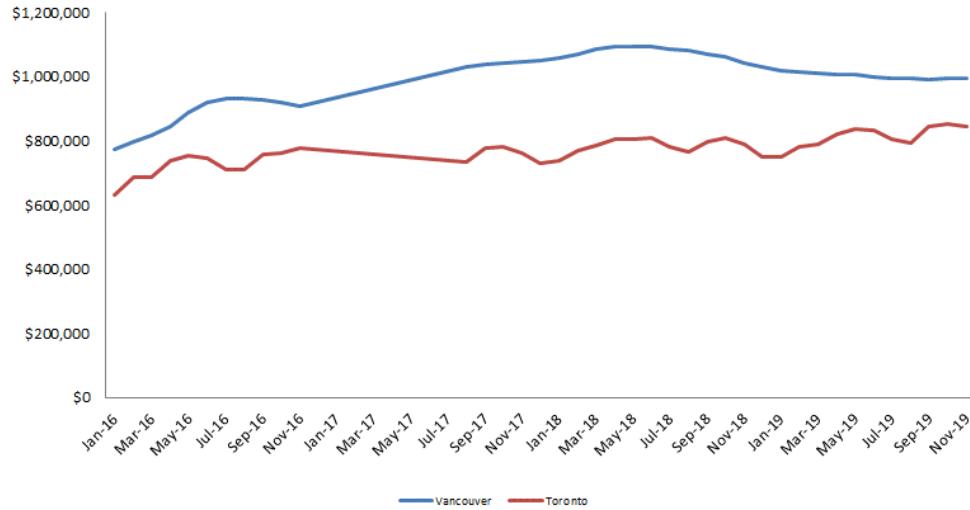
Source: Various Companies / FRC

As shown above, Capital Direct has a higher exposure to second mortgages, but we believe the higher risk is partially offset by a significantly lower average loan size, better diversification, and slightly lower LTV and debt to capital.

Toronto and Vancouver Market Update

The following chart shows average home prices in Vancouver and Toronto.

Home Index Price



Source: TREB and REBGV

Vancouver’s real estate sales, which had declined every month on a YoY basis from February 2018 to June 2019, reported double digit growth every month from July to December 2019. Sales were up 55% YoY in November and 88% YoY in December 2019. The average price, after recording MoM declines every month from June 2018 to September 2019, turned around in October with a 0.2% increase, followed by a 0.1% increase in November, and a 0.7% increase in December. The sales to active ratio was 23% in November 2019, versus 13% in November 2018.

Metro Vancouver	Jan-18	Jan-19	YoY	Feb-18	Feb-19	YoY	Mar-18	Mar-19	YoY	Apr-18	Apr-19	YoY
Residential Sales	1,818	1,103	-39%	2,207	1,484	-33%	2,517	1,727	-31%	2,579	1,829	-29%
New Listings	3,796	4,848	28%	4,223	3,892	-8%	4,450	4,949	11%	5,820	5,742	-1%
Active Listings	6,947	10,808	56%	7,822	11,590	48%	8,380	12,774	52%	9,822	14,357	46%
Sales to Listings	26.17%	10.21%		28.22%	12.80%		30.04%	13.52%		26.26%	12.74%	
MLS Home Price Index	\$1,056,500	\$1,019,600	-3%	\$1,071,800	\$1,016,600	-5.2%	\$1,084,000	\$1,011,200	-6.7%	\$1,092,000	\$1,008,400	-8%
Metro Vancouver	May-18	May-19	YoY	Jun-18	Jun-19	YoY	Jul-18	Jul-19	YoY	Aug-18	Aug-19	YoY
Residential Sales	2,833	2,578	-9%	2,425	2,077	-14%	2,070	2,557	24%	1,929	2,231	16%
New Listings	6,375	5,861	-8%	5,279	4,751	-10%	4,770	4,613	-3%	3,881	3,747	-3%
Active Listings	11,292	14,685	30%	11,947	14,968	25%	12,137	14,240	17%	11,824	13,396	13%
Sales to Listings	25.09%	17.56%		20.30%	13.88%		17.06%	17.96%		16.31%	16.65%	
MLS Home Price Index	\$1,094,000	\$1,006,400	-8%	\$1,093,600	\$998,700	-9%	\$1,087,500	\$995,200	-8%	\$1,083,400	\$993,300	-8%
Metro Vancouver	Sep-18	Sep-19	YoY	Oct-18	Oct-19	YoY	Nov-18	Nov-19	YoY			
Residential Sales	1,595	2,333	46%	1,966	2,858	45%	1,608	2,498	55%			
New Listings	5,279	4,866	-8%	4,873	4,074	-16%	3,461	2,987	-14%			
Active Listings	13,084	12,439	-5%	12,984	12,236	-6%	12,307	10,770	-12%			
Sales to Listings	12.19%	18.76%		15.14%	23.36%		13.07%	23.19%				
MLS Home Price Index	\$1,070,600	\$990,600	-7%	\$1,062,100	\$992,900	-7%	\$1,042,100	\$993,700	-4.64%			

Source: Real Estate Board of Greater Vancouver

Toronto MLS sales remain healthy, and were up 13% YoY in November 2019. Sales have been up YoY every month since April 2019. The average price was up 7% YoY.

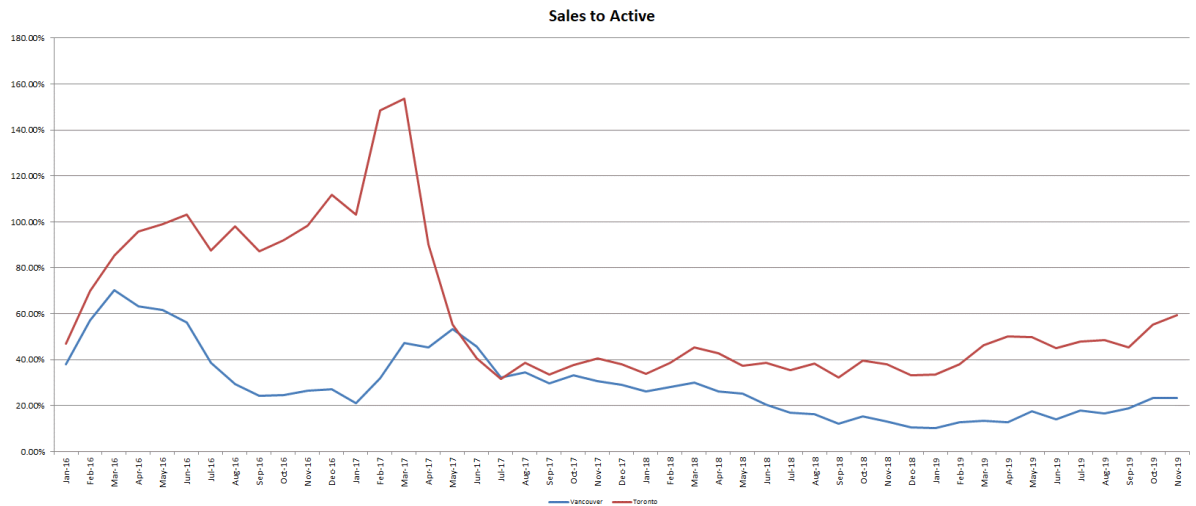
Toronto	Jan-18	Jan-19	YoY	Feb-18	Feb-19	YoY	Mar-18	Mar-19	YoY	Apr-18	Apr-19	YoY	May-18	May-19	YoY
Residential Sales	4,019	4,009	0%	5,175	5,025	-3%	7,228	7,188	-1%	7,792	9,042	16%	7,834	9,989	28%
New Listings	8,585	9,456	10%	10,520	9,828	-7%	14,866	13,996	-6%	16,273	17,205	6%	19,022	19,386	2%
Active Listings	11,894	11,962	1%	13,362	13,284	-1%	15,971	15,576	-2%	18,206	18,037	-1%	20,919	20,017	-4%
Sales to Listings	33.79%	33.51%		38.73%	37.83%		45.26%	46.15%		42.80%	50.13%		37.45%	49.90%	
MLS Home Price Index	\$736,783	\$748,328	2%	\$767,818	\$780,397	2%	\$784,558	\$788,335	0.5%	\$804,584	\$820,148	2%	\$805,320	\$838,540	4%

Toronto	Jun-18	Jun-19	YoY	Jul-18	Jul-19	YoY	Aug-18	Aug-19	YoY	Sep-18	Sep-19	YoY	Oct-18	Oct-19	YoY
Residential Sales	8,082	8,860	10%	6,961	8,595	23%	6,839	7,711	13%	6,455	7,825	21%	7,492	8,491	13%
New Listings	15,922	15,816	-1%	13,868	14,393	4%	12,166	11,789	-3%	15,920	15,611	-2%	14,431	13,050	-10%
Active Listings	20,844	19,655	-6%	19,725	17,938	-9%	17,864	15,870	-11%	20,089	17,254	-14%	18,926	15,375	-19%
Sales to Listings	38.77%	45.08%		35.29%	47.92%		38.28%	48.59%		32.13%	45.35%		39.59%	55.23%	
MLS Home Price Index	\$807,871	\$832,703	3.1%	\$782,129	\$806,755	3%	\$765,270	\$792,611	4%	\$796,786	\$843,115	6%	\$807,340	\$852,142	6%

Toronto	Nov-18	Nov-19	YoY
Residential Sales	6,251	7,090	13%
New Listings	10,534	8,650	-18%
Active Listings	16,420	11,958	-27%
Sales to Listings	38.07%	59.29%	
MLS Home Price Index	\$788,345	\$843,637	7%

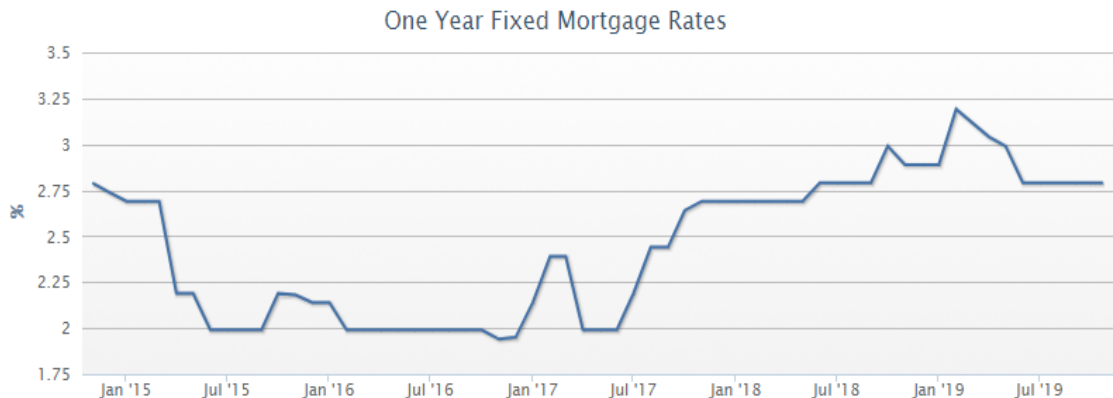
Source: Toronto Real Estate Board

The sales to active ratio was 59% in November 2019, versus 38% in November 2018.



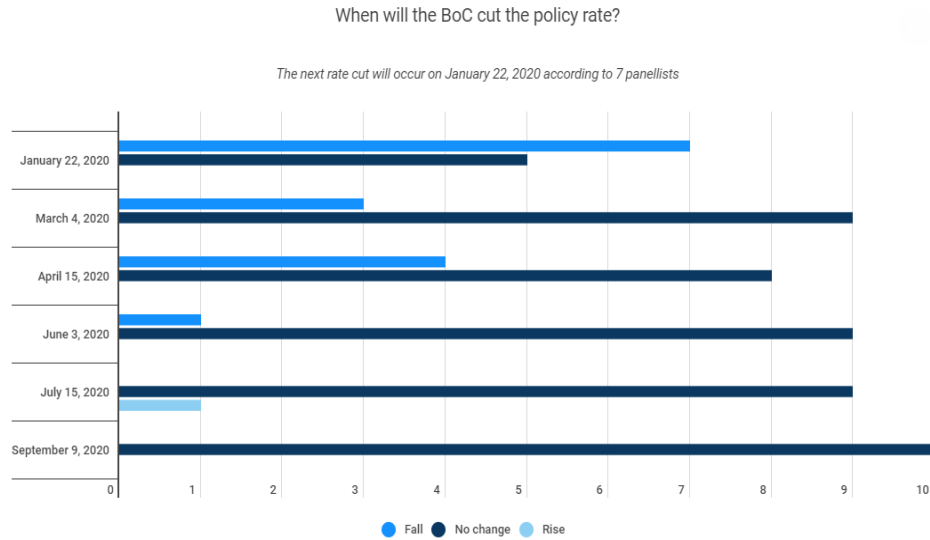
Source: TREB and REBGV

Overall, we believe the Vancouver residential market is showing signs of stabilization. We continue to expect strong originations in Toronto over the next 12 months. This is likely to be partially offset by a lower interest rate environment. Despite the steady benchmark rate, mortgage rates in Canada have been declining (as shown below), primarily due to the overall weakness in the economy.



Source: Ratehub

Consensus estimates show that the Bank of Canada will likely implement a rate cut in early 2020.

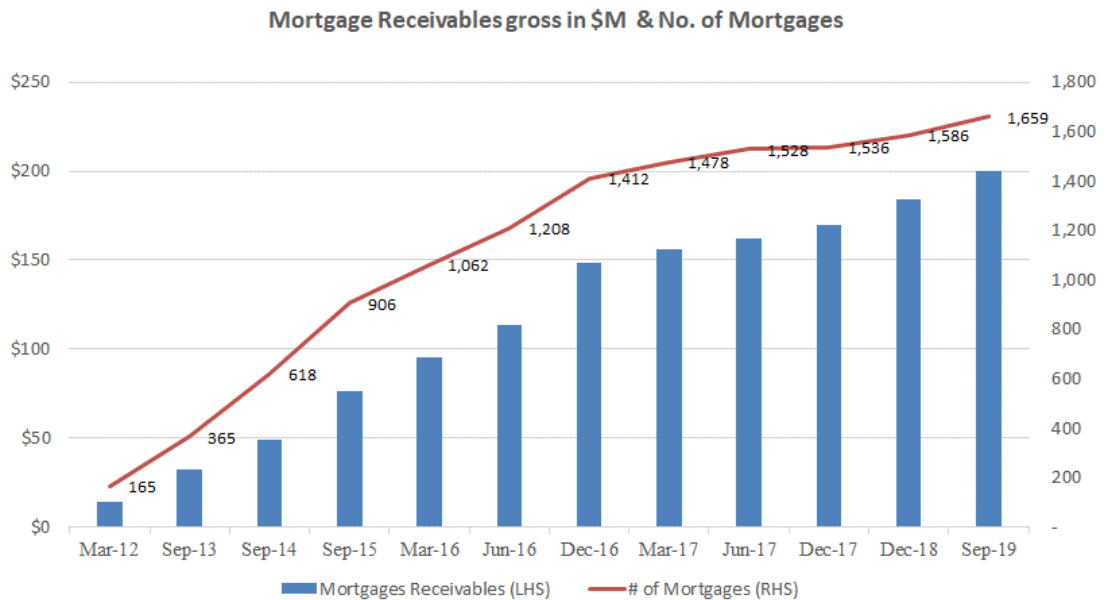


Source: Finder

Capital Direct - Portfolio Update and Analysis

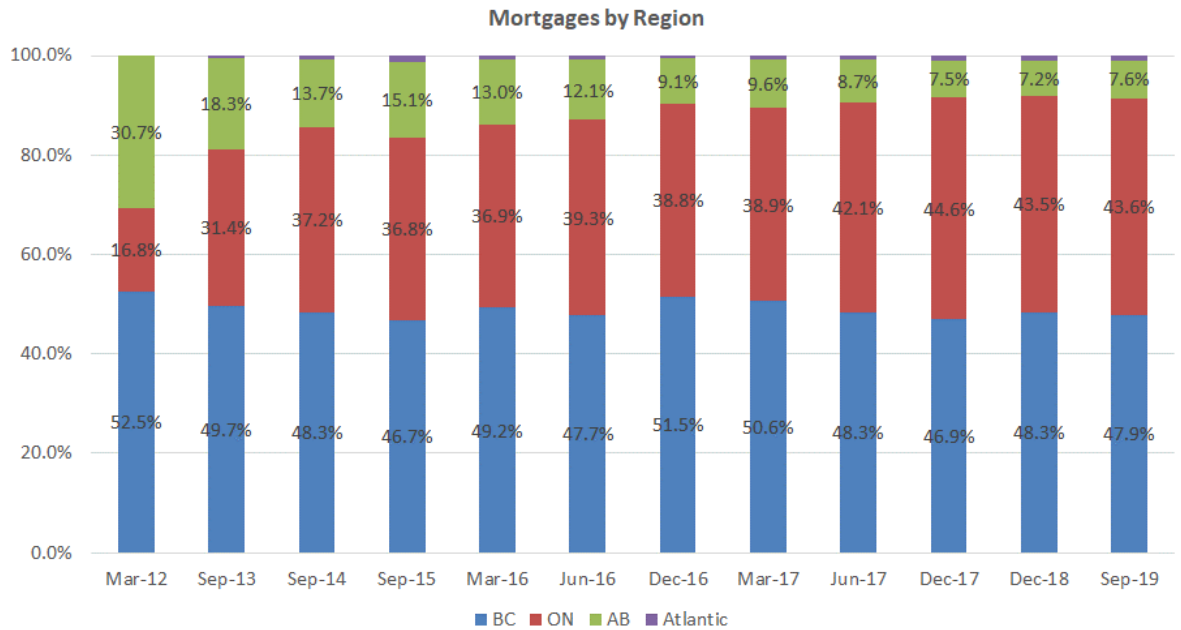
The following section reviews Capital Direct’s 2019 (9M) results.

At the end of Q3-2019, the trust had **\$200 million in mortgage receivables (gross) across 1,659 properties, up 8% YoY** from \$184 million across 1,586 properties at the end of 2018. The following chart shows the portfolio’s growth since 2012.



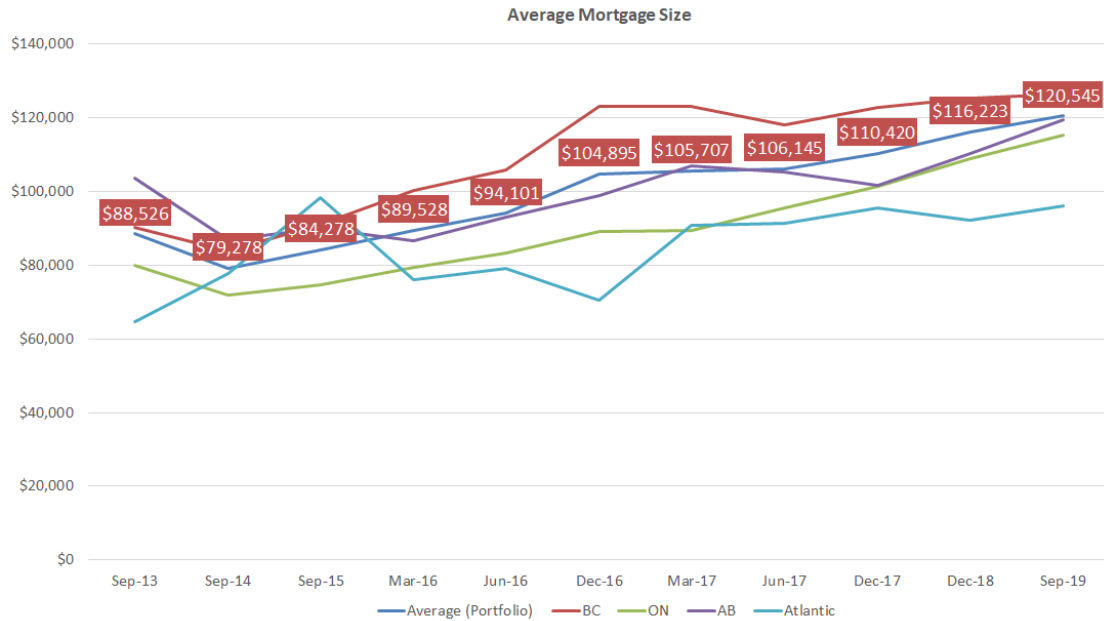
Source: FRC / Raw Data Source: Trust

Mortgages by Region: The fund’s exposure to ON (44%), B.C. (48%), and AB (7%) remain relatively unchanged.



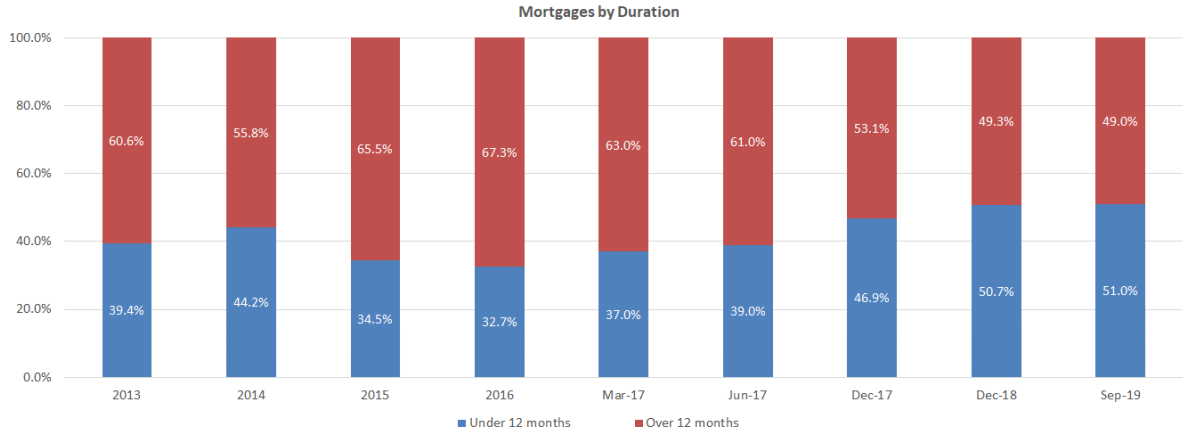
Source: FRC / Raw Data Source: Trust

Mortgages by Size: The average mortgage size at the end of Q3-2019 increased 4% YTD to \$121k. B.C. continues to have the highest average (\$127k).



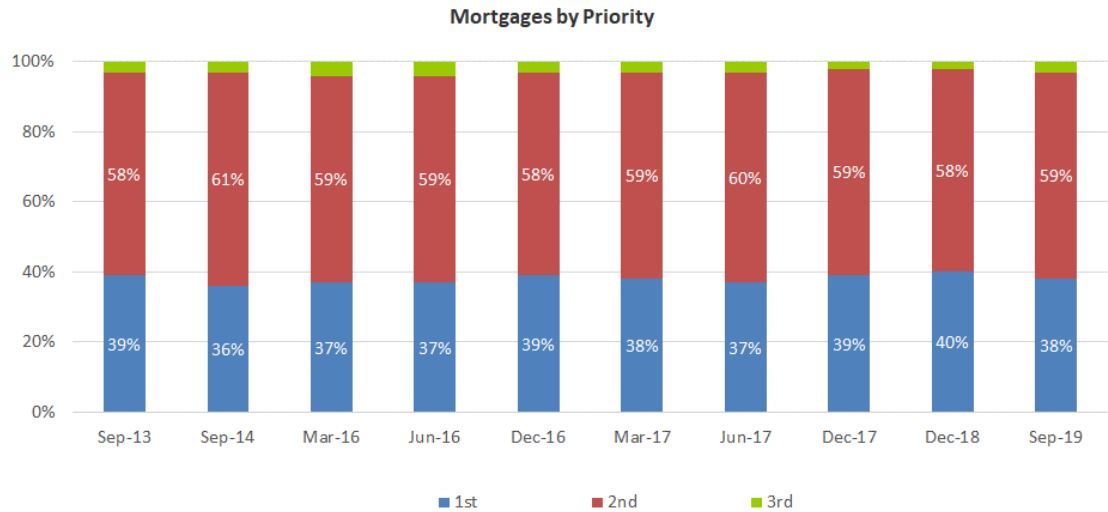
Source: FRC / Raw Data Source: Trust

Mortgages by Duration: At the end of Q3-2019, approximately 51% of the portfolio had terms of 12 months or less, unchanged versus end of 2018.



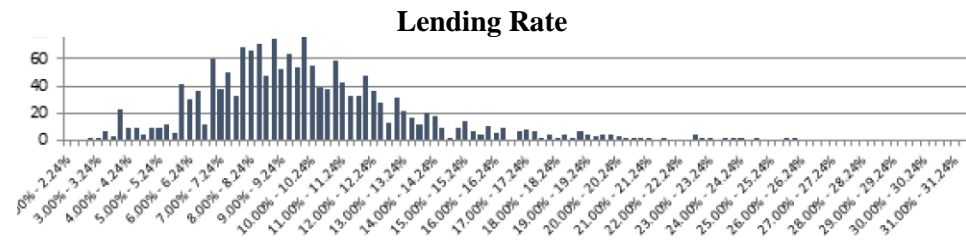
Source: FRC / Raw Data Source: Trust

Mortgages by Priority: First mortgages accounted for 38% at the end of Q3-2019 (versus 40% at the end of 2018). Second mortgages were at 59% (58% at the end of 2018). An increase in second mortgages typically reflects higher risk.



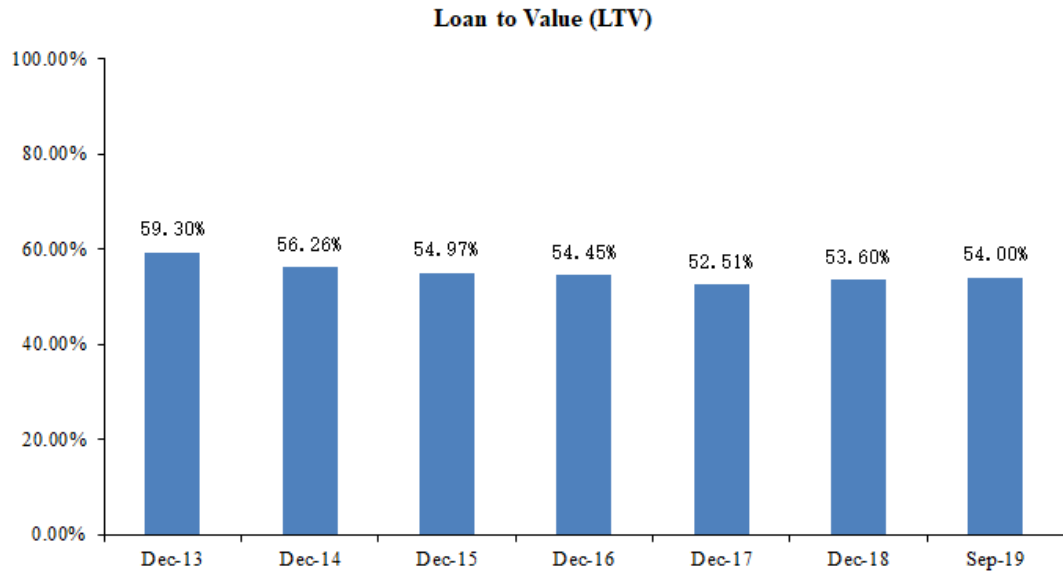
Source: FRC / Raw Data Source: Trust

Lending Rate: The following chart shows the distribution of rates by mortgages; most of the mortgages fall within a 7% - 12% p.a. range.



Source: Trust

Loan to Value (LTV): The portfolio’s LTV at the end of Q3-2019 was 54.0% versus 53.6% at the end of 2018.



Source: FRC / Raw Data Source: Trust

Property Type – Management has not disclosed the fund’s exposure by property type, but did indicate to us that properties held by owner occupied single family units dominate the portfolio – a segment we believe is of relatively lower risk versus other segments such as residential development / construction and commercial mortgages.

Overall, we believe the trust portfolio’s risk profile has slightly increased. The following chart summarizes the change in risk levels based on YoY changes in key parameters.

Parameter	Risk Profile	Comment
Total Portfolio Size	↑	8% increase
Average Mortgage	↑	4% increase
Diversification	-	
Duration	-	
Priority	↑	5% decline in exposure to first mortgages
LTV	-	
Defaults / Arrears	-	2019 updated information to be included in YE statements
Property Type	-	

- red (green) indicates an increase (decrease) in risk level

Source: FRC

At the end of Q3-2019, the fund had 18.06 million units outstanding, up 21% YoY.

Units Outstanding	31-Dec-17	% of Total	31-Dec-18	% of Total	30-Sep-19	% of Total
Class A	5,854,890	45.5%	6,855,073	45.9%	7,364,436	40.8%
Class C	1,728,136	13.4%	2,089,516	14.0%	3,384,937	18.7%
Class F	5,294,149	41.1%	5,983,612	40.1%	7,312,503	40.5%
Total	12,877,175	100.0%	14,928,201	100.0%	18,061,876	100.0%

Data Source: Trust

- Class A (since inception) - offered to investors directly
- Class F (introduced in 2014) - offered to funds managed by portfolio managers and other fee-based investment advisors.
- Class C (introduced in 2016) - offered to investors who purchase units through Dealers (IIROC and Exempt Market Dealers).

Management’s share ownership at the end of September 2019 was 0.42% of the total outstanding, up from 0.33% at the end of 2018.

	Dec-15	% of Total	Dec-16	% of Total	Dec-17	% of Total	Dec-18	% of Total	Sep-19	% of Total
Richard F.M. Nichols	9,132	0.17%	9,655	0.09%	10,006	0.08%	10,006	0.07%	11,962	0.07%
Derek R. Tripp	14,042	0.26%	14,847	0.14%	15,386	0.12%	15,386	0.10%	18,393	0.10%
Tim Wittig	8,503	0.16%	17,373	0.16%	18,002	0.14%	18,002	0.12%	25,721	0.14%
David Rally	5,192	0.10%	10,645	0.10%	11,032	0.09%	5,689	0.04%	19,160	0.11%
Total	36,869	0.69%	52,520	0.49%	54,426	0.42%	49,083	0.33%	75,236	0.42%

** Tim Wittig also has \$1 million (0.7% of the total fund) invested in CDIT through other investments*

Data Source: Trust

Revenues grew 14% YoY in 2019 (9M) to \$16 million. Net income grew 20% YoY to \$11 million - the highest ever since inception.

Income Statement	2015	2016	2017	2018	2018 (9M)	2019 (9M)
Revenues						
Interest Income	\$6,155,599	\$9,857,086	\$13,802,934	\$16,839,706	\$11,592,445	\$13,466,476
Other Income	\$661,990	\$1,185,920	\$1,537,565	\$1,772,579	\$2,037,648	\$2,119,730
	\$6,817,589	\$11,043,006	\$15,340,499	\$18,612,285	\$13,630,093	\$15,586,206
Expenses						
Audit Fees	\$94,134	\$98,204	\$89,317	\$169,451		
Bank Charges	\$131,609	\$188,392	\$378,936	\$423,218	\$358,801	\$258,383
Interest on Loan Payable	\$1,051,910	\$1,163,928	\$1,510,707	\$1,604,631	\$1,173,033	\$1,272,742
Legal Fees	\$216,601	\$390,689	\$89,317	\$169,451	\$298,413	\$379,273
Management Fees	\$647,100	\$1,282,154	\$1,894,574	\$2,180,673	\$1,605,295	\$1,947,699
Loan Loss Provision	\$916,110	\$477,919	\$971,133	\$613,053	\$583,058	\$237,545
Trustee Fees	\$68,618	\$102,291	\$126,887	\$136,129	\$10,500	\$10,500
	\$3,126,082	\$3,703,577	\$5,060,870	\$5,296,606	\$4,029,101	\$4,106,143
Net Income	\$3,691,507	\$7,339,429	\$10,279,629	\$13,315,679	\$9,600,992	\$11,480,064
Net Asset Value	\$10.00	\$10.00	\$10.00	\$10.00		\$10.00
Units Outstanding	5,338,206	10,670,521	12,877,175	14,928,201		18,061,876
Distributions						
Investors	3,215,496	6,075,876	9,251,666	10,652,543	\$7,680,793	\$9,184,070
Management	476,011	1,263,553	1,027,963	2,663,136	\$1,920,198	\$2,296,012
Investors' Share	87.1%	82.8%	90.0%	80.0%	80.0%	80.0%

“Legal Fees” reported for 9M period included legal and audit fees / YE – December 31st
Data Source: Trust

The fund paid out 80% of net income to unit holders (quarterly payments). From Q4-2016 to the end of Q4-2017, the fund had paid out 90% of net income to incentivize investors. Note that there is no guarantee the fund will pay out 90% any time in the future, as management has the right to stay at 80%, as per the OM.

The management fee is 2% of NAV for Classes A and C units, and 1% of NAV for Class F units.

Interest + Other income as a percentage of mortgage receivables was 10.94% p.a. in 2019 (9M) versus 10.70% in 2018. Although the average lending rate dropped in 2019, “Other Income”, which includes origination / prepayment fees, etc. were higher. **The dividend yield (dividends as a percentage of invested capital) was 7.42% p.a. in 2019 (9M), versus 7.66% in 2018.** The reduction in yield was due to lower use of debt in 2019 (discussed later

in this report).

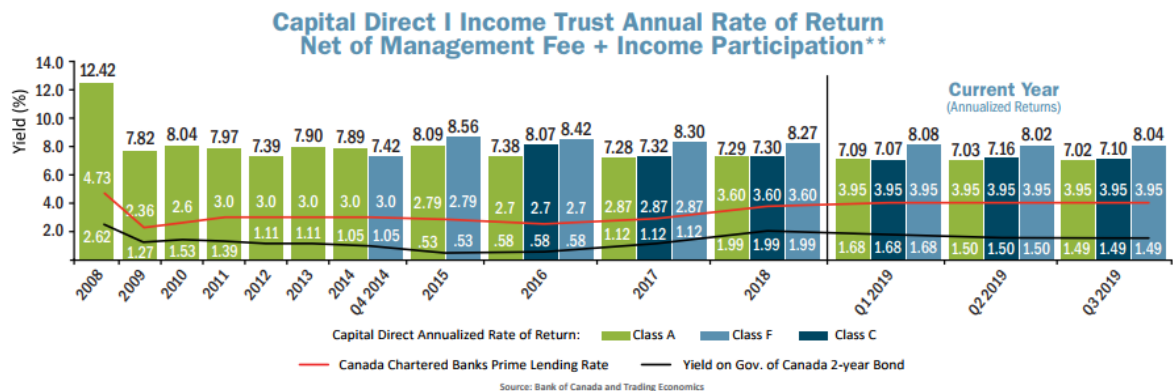
% of Mortgage Receivable	2015	2016	2017	2018	2019 (9M)*
Interest Income	8.65%	8.36%	8.83%	9.68%	9.45%
Other Income	0.93%	1.01%	0.98%	1.02%	1.49%
Interest Income + Others	9.58%	9.37%	9.81%	10.70%	10.94%
<i>Less:</i>					
Management Fee	-0.91%	-1.09%	-1.21%	-1.25%	-1.37%
G&A Expenses	-0.72%	-0.66%	-0.44%	-0.52%	-0.45%
Loan Loss Provision	-1.29%	-0.41%	-0.62%	-0.35%	-0.17%
Interest	-1.48%	-0.99%	-0.97%	-0.92%	-0.89%
Net	5.19%	6.23%	6.57%	7.66%	8.06%
Investors' Returns (% of Invested Capital)	7.92%	7.59%	7.86%	7.66%	7.42%

* annualized

Note that the above figures may be slightly different from the figures reported by Capital Direct due to the difference in the method of calculation. We used the average of the opening balance, and year-end balance of the mortgages outstanding, and invested capital, to arrive at the above figures.

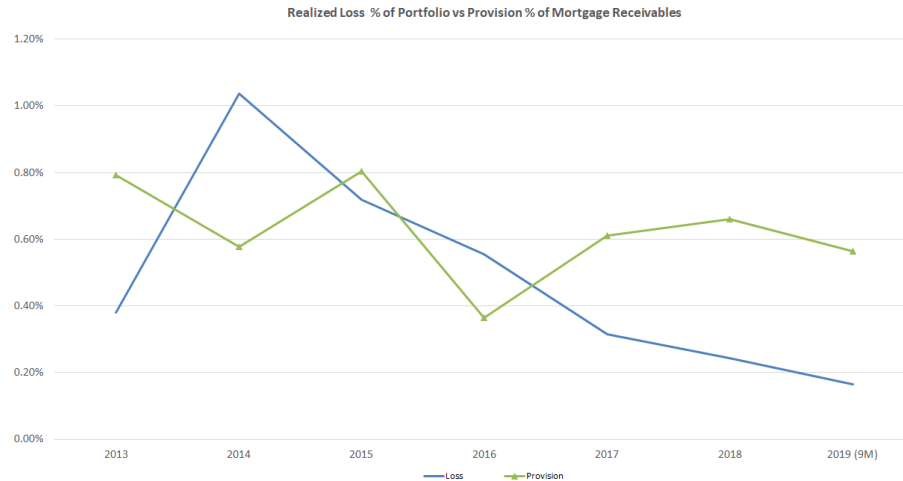
Source: FRC / Raw Data Source: Trust

The following charts show investors' yield relative to GOC 2-year bonds:



Source: Trust

The chart below shows the realized losses and the loan loss provision as a percentage of mortgage receivables since 2013.



Source: FRC / Raw Data Source: Trust

In 2019 (9M), the trust reported approximately \$0.31 million in realized losses, or 0.16% of the total portfolio versus \$0.42 million (0.24% of the portfolio) in 2018.

	2013	2014	2015	2016	2017	2018	2019 (9M)
Actual Losses	106,052	465,260	511,711	654,748	494,257	424,021	312,975
Actual Losses (% of mortgage receivable)	0.38%	1.04%	0.72%	0.56%	0.32%	0.24%	0.16%
Distributions	\$1,382,595	\$1,977,754	\$3,215,496	\$6,075,876	\$9,251,666	\$10,652,543	\$9,184,070
Reinvested	\$690,083	\$1,118,084	\$1,900,488	\$3,739,538	\$5,554,651	\$6,430,896	\$5,443,844
Reinvested (as a % of Distributions)	50%	57%	59%	62%	60%	60%	59%
Redemptions	\$636,516	\$1,661,741	\$1,419,586	\$3,210,287	\$7,408,860	\$7,157,098	\$8,667,582
Redemption (% of invested capital)	4%	7%	3%	4%	6%	5%	8%
Loan loss provision (year/quarter ended)	\$286,310	\$309,192	\$713,591	\$536,762	\$1,013,638	\$1,202,670	\$1,117,240
Provision % of Receivable	0.79%	0.58%	0.80%	0.36%	0.61%	0.66%	0.56%

Source: FRC / Raw Data Source: Trust

At the end of Q3-2019, the trust had a loan loss provision of \$1.20 million, or 0.56% of the portfolio (0.66% at the end of 2018). We estimate that comparable MIEs typically assign 0.75% - 1.25% of their portfolios to loan loss provisions.

At the end of 2018, \$16.61 million in mortgages were in arrears, or 9.12% of the total. Of this, \$9.68 million were 60+ days past due, or 5.32% of the total. **The fund has not disclosed updated arrears at September 30, 2019, so we will have to wait for the 2019 year-end financial statements for updated information.** As the fund’s arrears at the end of 2018 was higher than comparable MIEs, we will be closely monitoring this paramter.

Arrears	2016	2017	2018
30 - 56 days	\$6,181,123	\$8,314,069	\$6,925,879
60 - 89 days	\$1,367,825	\$1,486,133	\$1,347,042
90 - 119 days	\$1,034,026	\$1,278,972	\$1,338,727
120+ days	\$3,526,766	\$3,795,623	\$6,998,975
Total	\$12,109,740	\$14,874,797	\$16,610,623

Arrears as a % of Mortgage Receivable	2016	2017	2018
30 - 56 days	4.20%	5.02%	3.80%
60 - 89 days	0.93%	0.90%	0.74%
90 - 119 days	0.70%	0.77%	0.73%
120+ days	2.40%	2.29%	3.84%
Total	8.23%	8.98%	9.12%

Data Source: Trust

The following table shows a summary of the company's balance sheet.

Balance Sheet	2015	2016	2017	2018	Q3-2019
Assets					
Cash	\$194,106	\$1,982,407	\$4,004,562	\$8,052,977	\$7,103,734
Accounts Receivable	\$1,736,095	\$5,226,932	\$3,223,329	\$2,524,347	\$5,003,209
Prepaid Expense					
Assets held for sale			\$88,282		
Mortgage Investments (net)	\$88,672,929	\$147,121,047	\$165,613,676	\$182,156,694	\$197,891,964
	\$90,603,130	\$154,330,386	\$172,929,849	\$192,734,018	\$209,998,907
Liabilities					
Loan Payable	\$35,619,549	\$44,018,502	\$38,915,187	\$35,524,445	\$26,367,751
Accounts Payable & Accrued Liabilities	\$1,601,517	\$3,606,666	\$5,242,910	\$7,927,563	\$3,012,394
	\$37,221,066	\$47,625,168	\$44,158,097	\$43,452,008	\$29,380,145
Net Asset	\$53,382,064	\$106,705,218	\$128,771,752	\$149,282,010	\$180,618,761
SE + Liabilities	\$90,603,130	\$154,330,386	\$172,929,849	\$192,734,018	\$209,998,906
Debt to Capital	40%	29%	23%	19%	13%
Debt as a % of Mortgage Outstanding	40%	30%	23%	20%	13%
Interest Coverage Ratio	4.5	7.3	7.8	9.3	10.0

Source: FRC / Raw Data Source: Trust

The fund had \$7 million in cash, or 3% of assets, at the end of Q3-2019. This compares to 4% at the end of 2018, and 2% at the end of 2017. At the end of Q3, debt to capital at the end of Q3 was \$26 million, or 13% of capital. We expect the use of debt to increase in 2020 due to the expected improvement in mortgage originations.

Investors are exposed to the following risks:

- Loans are short term and need to be sourced and replaced quickly.
- Timely deployment of capital is crucial.
- A drop in housing prices will result in higher LTVs, and higher default risk, as the value of collateral decreases.

Risk

Rating

- Unit holders’ principal is not guaranteed, as the NAV per unit could decrease from current levels (as a result of loan losses). Unit holders are also not guaranteed minimum distributions.
- No hurdle rate.
- The fund has the ability to use leverage, which would increase the exposure of the fund to negative events.
- The fund invests in second and third mortgages (historically 50% to 60% of the portfolio) which carry higher risks.
- Annual redemptions may be limited to 10% of the total invested capital, and may not be paid in cash.

The fund’s focus remains on owner occupied single family units, which we believe has the lowest risk profile among property types. Although second mortgages dominate the portfolio, we believe the higher risk is partially offset by a significantly lower average loan size, better diversification, and slightly lower LTV and debt to capital than comparable funds.

Based on Toronto’s healthy residential market, and a potential recovery in Vancouver’s market, we believe the MIE will have a healthy pipeline for new originations. This positive impact will be partially offset by a low interest rate environment. We expect investors’ yield in 2020 to be in the 7% - 8% p.a. range depending on the type of units held.

We are maintaining our overall rating at 2-, and the risk rating at 3.

FRC Rating	
Yield (2020)	7% - 8%
Rating	2-
Risk	3

Fundamental Research Corp. Rating Scale:

- Rating – 1: Excellent Return to Risk Ratio
- Rating – 2: Very Good Return to Risk Ratio
- Rating – 3: Good Return to Risk Ratio
- Rating – 4: Average Return to Risk Ratio
- Rating – 5: Weak Return to Risk Ratio
- Rating – 6: Very Weak Return to Risk Ratio
- Rating – 7: Poor Return to Risk Ratio

A “+” indicates the rating is in the top third of the category, A “-” indicates the lower third and no “+” or “-” indicates the middle third of the category.

Fundamental Research Corp. Risk Rating Scale:

- 1 (Low Risk)
- 2 (Below Average Risk)
- 3 (Average Risk)
- 4 (Speculative)
- 5 (Highly Speculative)

FRC Distribution of Ratings			
Rating - 1	0%	Risk - 1	0%
Rating - 2	30%	Risk - 2	8%
Rating - 3	47%	Risk - 3	41%
Rating - 4	9%	Risk - 4	33%
Rating - 5	4%	Risk - 5	8%
Rating - 6	1%	Suspended	10%
Rating - 7	0%		
Suspended	10%		

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