



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 7**  
**Halifax Regional Council**  
**February 6, 2024**

**TO:** Mayor Savage Members of Halifax Regional Council

**SUBMITTED BY:**

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Deputy Mayor Cathy Deagle Gammon, Vice Chair, Audit and Finance  
Standing Committee

**DATE:** January 17, 2024

**SUBJECT:** **Investment Activities – Quarter ending September 30, 2023**

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**INFORMATION REPORT**

**ORIGIN**

January 17, 2024 meeting of Audit and Finance Standing Committee, Item 13.2.2.

**LEGISLATIVE AUTHORITY**

Legislative Authority is outlined in the attached staff report dated December 4, 2023.

Administrative Order One, *Respecting the Procedures of the Council Administrative Order*, Schedule 2  
Audit and Finance Standing Committee Terms of Reference, section 1:

- (1) The purpose of the Audit and Finance Standing Committee is to provide advice to the Council on matters relating to audit and finance.
- (2) The other purposes of the Committee are to:
  - (a) fulfill the requirements as outlined in Section 48 of the HRM Charter; and
  - (b) assist the Council in meeting its responsibilities by ensuring the adequacy and effectiveness of financial reporting, risk management and internal controls.

## **BACKGROUND**

Audit and Finance Standing Committee received a staff recommendation report dated December 4, 2023 to consider the investment activities for the quarter ending September 30, 2023.

For further information refer to the attached staff report dated December 4, 2023.

## **DISCUSSION**

Audit and Finance Standing Committee considered the staff report dated December 4, 2023 and approved the recommendation to forward the report to Halifax Regional Council for information.

## **FINANCIAL IMPLICATIONS**

Financial implications are outlined in the attached staff report dated December 4, 2023.

## **RISK CONSIDERATION**

Risk consideration is outlined in the attached staff report dated December 4, 2023.

## **COMMUNITY ENGAGEMENT**

Meetings of the Audit and Finance Standing Committee are open to public attendance and members of the public are invited to address the Standing Committee for up to five (5) minutes during the Public Participation portion of the meeting. Meetings are live webcast on Halifax.ca. The agenda, reports, video, and minutes of the Standing Committee are posted on Halifax.ca.

For further information on Community Engagement refer to the attached staff report dated December 4, 2023.

## **ENVIRONMENTAL IMPLICATIONS**

Environmental implications are outlined in the staff report dated December 4, 2023.

## **ATTACHMENTS**

Attachment 1 – Staff recommendation report dated December 4, 2023.

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Dorothy Maponga, Legislative Assistant, Municipal Clerk's Office 902.478.2408

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P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No.13.2.2**  
**Audit & Finance Standing Committee**  
**February 21, 2024**

**TO:** Chair and Members of Audit & Finance Standing Committee

**-ORIGINAL SIGNED-**

**SUBMITTED BY:**

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Cathie O'Toole, Chief Administrative Officer

**DATE:** December 4, 2023

**SUBJECT:** Investment Activities – Quarter Ending September 30, 2023

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**ORIGIN**

Quarterly report of investment performance and adherence to approved Investment Policy.

**LEGISLATIVE AUTHORITY**

Section 121(1)(b) of the Halifax Regional Municipality Charter (the Charter) requires that funds be invested pursuant to an Investment Policy adopted by Council and approved by the Minister of Municipal Affairs (the Minister). Section 121(1)(c) of the Charter states funds must be invested pursuant to the Trustee Act. Where HRM has chosen to adopt an Investment Policy and the Minister has approved that Investment Policy, investment activities will be governed by that Investment Policy pursuant to Section 121(1)(b) of the Charter.

**RECOMMENDATION**

1. It is recommended that the Audit & Finance Standing Committee forward this report to Halifax Regional Council as an information item.

**BACKGROUND**

The [Halifax Regional Municipality Investment Policy \(the Policy\)](#) was adopted by Council April 23, 2002 and was approved by the Minister of Service Nova Scotia and Municipal Relations on May 14, 2002. This Ministerial position was later reorganized and now has the title the Minister of Municipal Affairs (the Minister).

The mandate of the Investment Policy Advisory Committee (the Committee) is to recommend an investment policy to Council as well as provide ongoing monitoring of investment activities as stated in Section A (Terms of Reference) of the *Investment Policy*. Following adoption and approval of the Policy, the activities of the Committee have shifted to a monitoring role as well as annual reviews of the Policy.

Amendments to the Policy, as recommended by the Committee were approved by Council and the Minister in 2005, 2007, 2008, 2010, 2017, 2019 and 2022. Reviews of the Policy by the Committee in 2012, 2014, 2015, 2020 and 2021 did not result in any recommended changes.

## **DISCUSSION**

The Investment Policy Advisory Committee is pleased to provide this report under the provisions of the Policy. The primary focus of this report will be to report on compliance with the objectives of the Policy.

The three objectives and three strategies of the Policy, stated in order of priority of importance, are as follows:

Objective:

1. Preservation of Capital
2. Liquidity
3. Competitive Return on Investments

Strategies:

1. Diversification of Investment Portfolio
2. Regular Review of Performance
3. Risk Management Approach

The Sector Weight schedule, used to validate portfolio diversification, is attached.

At the Investment Policy Advisory Committee meeting of December 4, 2023, the Committee reviewed the information provided by staff in the Treasurer's report to the Committee for the quarter ending September 30, 2023 and accepted the report and the findings contained in the report that the investment activities reported complied with the Policy.

## **Overall Results**

Operating fund investment income for the three months ending September 30, 2023 totaled \$3,038,097 versus the updated forecast of \$2,500,000. The total investment income for the portfolio was \$8,846,870 including investment income for the operating fund, trusts, reserves, and related entities.

HRM Investment Activities

As outlined in the *Investment Policy* and agreed by the Committee, the benchmark for portfolio performance is the *RBC Pooled Fund Survey* which reviews the performance of 26 pooled Canadian money market funds. These funds generally feature Canadian government short-term instruments as their primary holding. The duration of the instruments held vary based on current market conditions. It should be noted that these pooled funds do not feature significant bond holdings.

**RBC Pooled Fund Survey of Money Market Funds**

<b>Money Market Funds</b>	<b>3 Months (to Sep 30, 2023)</b>	<b>1 Year (to Sep 30, 2023)</b>
Average Return	1.26%	4.59%
5 <sup>th</sup> Percentile	1.32%	4.80%
1 <sup>st</sup> Quartile	1.29%	4.74%
Money Market Median	1.25%	4.60%
3 <sup>rd</sup> Quartile	1.23%	4.46%
95 <sup>th</sup> Percentile	1.17%	4.35%
<b>HRM Money Market</b>	<b>1.35%</b>	<b>4.90%</b>
HRM Overall	1.18%	4.18%

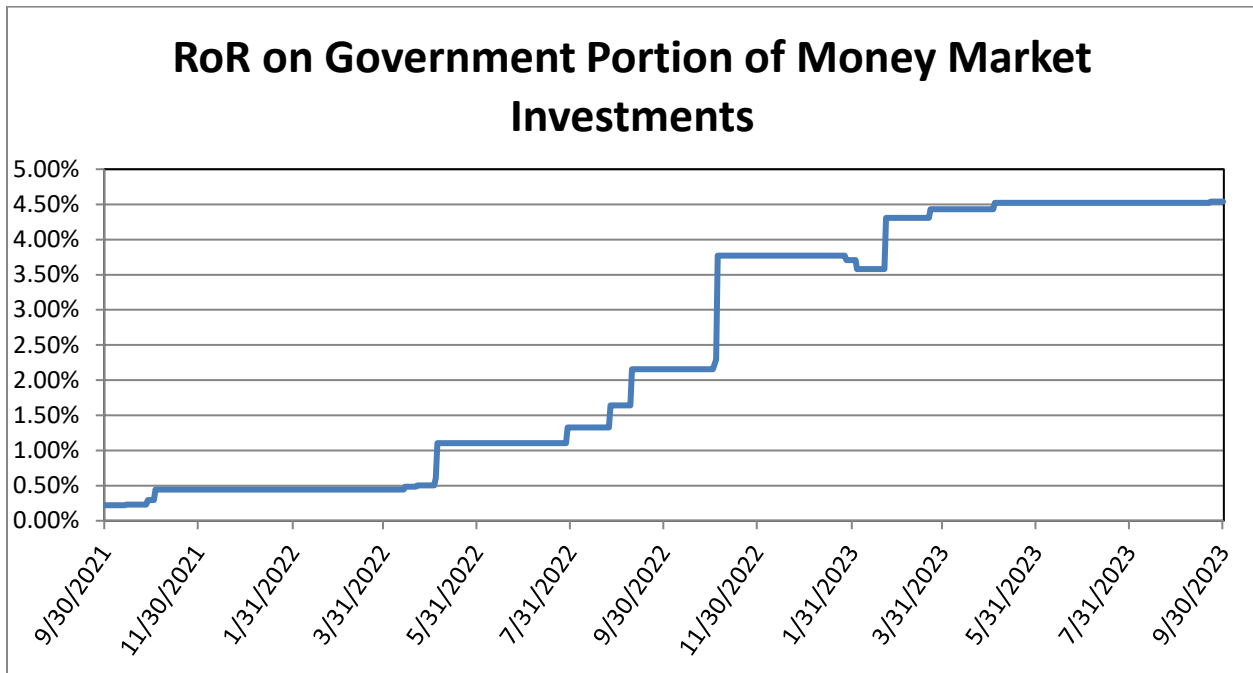
The money market portion of the portfolio, including the high interest investment accounts, exceeded the 5<sup>th</sup> percentile of the benchmark for both quarterly and annual performance as noted above. These returns are before any allowance for fees that could be paid for external management.

The overall results reflect the performance of the holdings in the bond portfolio which is not reflective of the benchmark funds. Therefore, the bonds are assessed separately below.

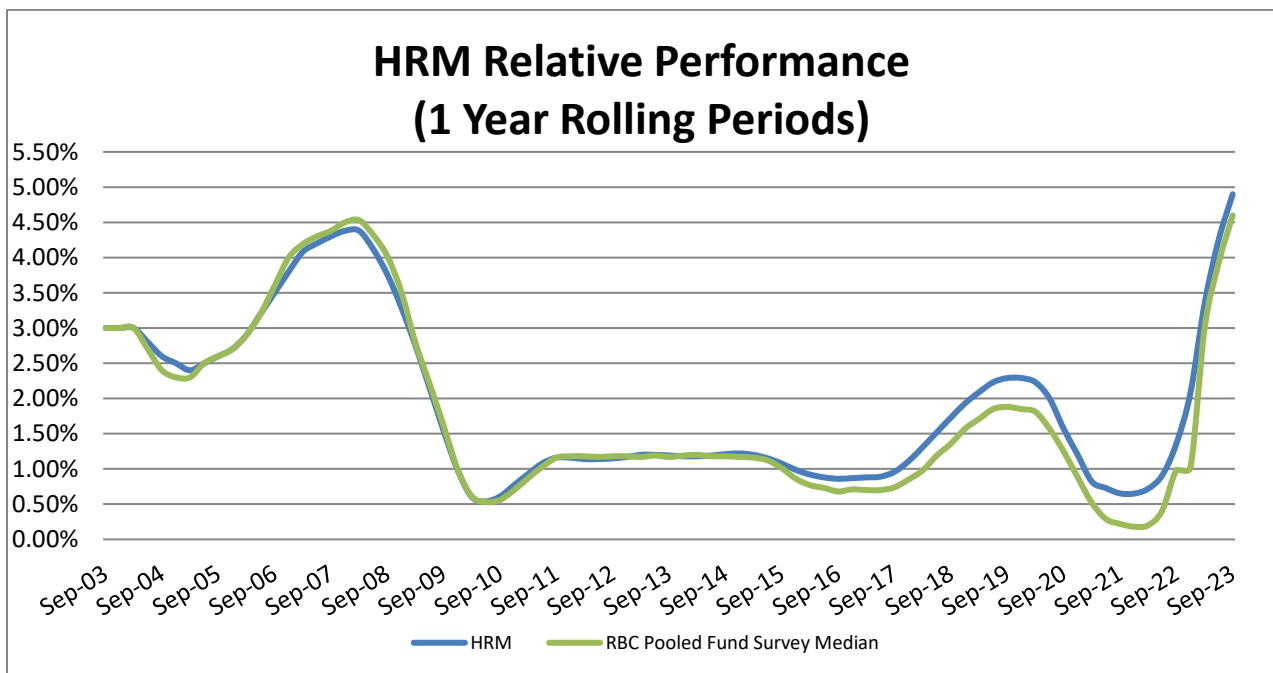
**RBC Pooled Fund Survey of Short Term Bonds**

<b>Short Term Bond</b>	<b>3 Months (to September 30, 2023)</b>	<b>1 Year (to September 30, 2023)</b>
Average Return	0.06%	2.79%
5 <sup>th</sup> Percentile	1.26%	6.04%
1 <sup>st</sup> Quartile	0.26%	2.66%
Median	-0.05%	2.25%
3 <sup>rd</sup> Quartile	-0.26%	1.91%
95 <sup>th</sup> Percentile	-0.47%	1.61%
<b>HRM Bonds</b>	<b>0.31%</b>	<b>1.18%</b>

The following graph depicts the rate of return for the last two years on the government portion of money market funds.



As shown in the graph below, over the longer term HRM investment performance closely matches the benchmark median with fee savings also accruing to HRM.

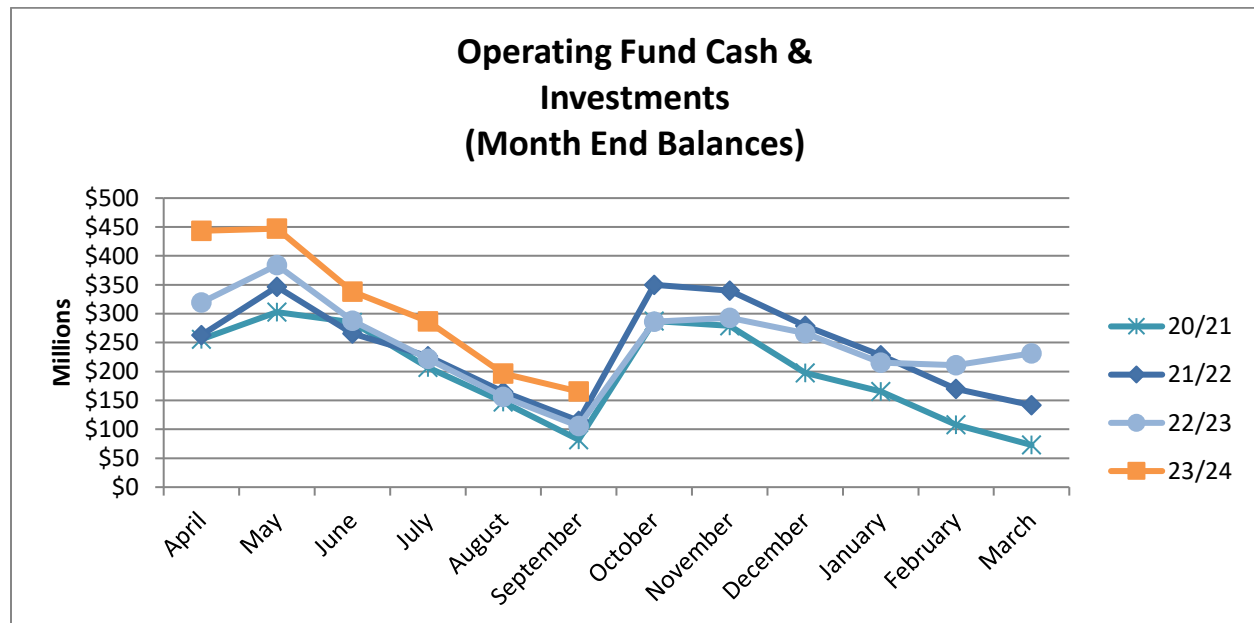


During the quarter, no money market investments were made with three investments carried over from the prior period and one investment maturing. The total ending value of money market investments was \$82,835,141 with an average cost of \$27,611,714, and an original average term of 181 days. This compares to the same period last year when there were two investments held at the end of the period with a total cost of \$34,493,200, an average cost of \$17,246,600 and an average term to maturity of 237 days.

There were no additional bond investments made during the quarter. One bond matured late in the quarter and two bonds were carried from prior periods for an ending face value of \$103,000,000 and an original average term of two years. This compares to the same period last year when there were five investments held at the end of the period with a total face value of \$157,100,000 with an average term to maturity of two years.

Funds held in the investment bank accounts, including term deposits and GICs, totaled \$455,961,720 at the end of the quarter. This balance represents all funds including related agencies such as Halifax Water, HRM reserve funds, as well as operating funds. The income from investment accounts provided a quarterly return of 1.40% for an annualized return of 5.58%. Using 5.22% as the proxy for the BA and BDN average annual yield for the quarter, the incremental income in the investment account was \$394,028 over BA's and BDN's.

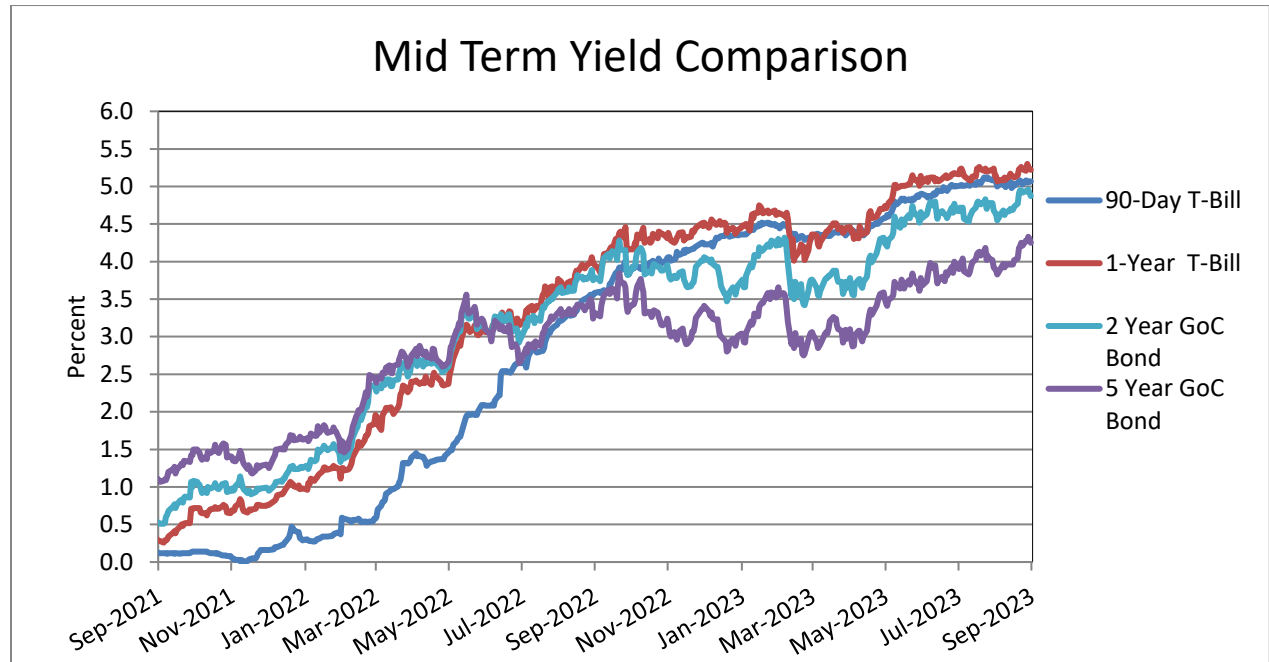
Cumulative incremental gross investment income from the 2007 policy change that expanded the non-government sector weight was \$5,748,114 including a \$142,091 increase during the reporting period. An additional increase of \$208,365 was realized over the reporting period due to a 2019 change made to the investment policy that excludes operational cash requirements from the sector weights, providing a cumulative impact since April 2019 of \$2,981,727.



HRM Long Term Bond Pool

At the end of the quarter, the provincial bond segment of the portfolio had a face value of \$103,000,000 after one bond matured during the quarter. Yields on the remaining bond holdings range from 1.16% to 1.37% with a weighted average yield of 1.26%. The bonds held at the end of the reporting period have maturity dates ranging from December 2023 to June 2024.

### Government Sector Performance – September 2021 to September 2023



#### Subsequent to End of Reporting Quarter

On October 25, 2023, the Bank of Canada (BoC) maintained the overnight rate at 5% as expected. During deliberations, it was noted that the monetary policy was working to slow growth with consumer spending coming in weaker than expected. Foreign demand also softened resulting in exports leveling. The labour market is still tight but there are clear signs that it is easing. That said, it was also clear that concern remains that the 2% target core inflation may require a further rise in the policy rate.

#### Environmental, Social, and Governance (ESG) Monitoring & Reporting

As proposed by the Committee and approved by Council, Staff has incorporated ESG ratings of each counterparty in the financial institution component of the municipal portfolio. The monitoring process continues with this reporting period. S&P Global was selected as the rating agency for assessing ESG scores. Staff performed a counterparty review on October 12, 2023, revealing that ESG scores of all eligible counterparties were notably higher than the industry average. Throughout the review process, no significant upgrades or downgrades were identified for any of the listed counterparties.

#### Outlook & Strategy

Staff continue to monitor guidance with respect to the BoC's overnight rate. Given current guidance, staff anticipate the investment bank accounts will continue to provide higher overall return when compared to instruments with similar risk. The strategy remains to maximize returns by investing short term surplus cash in high interest savings accounts, keeping in mind their liquidity adds a safety factor.

We continue to balance the portfolio with government sector instruments in the form of provincial treasury bills and bonds. This provides diversification of the portfolio while maintaining a suitable level of risk for the needs of treasury.



## **Policy Compliance**

### Objectives:

Preservation of Capital - There was no loss of capital during the quarter.

Liquidity - No overdraft charges were incurred, and sufficient cash was available to meet all requirements.

Competitive Return on Investments - The rolling one-year rate of return for money market return exceeds the 5<sup>th</sup> percentile for the quarter ending September 30, 2023 before allowing for fees that could have been paid to an external management firm. Staff maintains that the rate of return objective of the Investment Policy has been met for the money market portfolio. Bond investments will continue to be held to maturity.

### Strategies:

Diversification of Investment Portfolio - Staff believe that diversification has been adequately maintained under the constraints of the Policy.

Regular Review of Performance - Performance data continues to be reported to the Investment Policy Advisory Committee.

Risk Management Approach - In implementing investment decisions, staff seeks a balance between the objectives of the Investment Policy and the risks inherent in markets to look to achieve an optimal rate of return.

## **FINANCIAL IMPLICATIONS**

As discussed above, operating fund investment income for the three months ending September 30, 2023, was \$3,038,097 versus the updated forecast of \$2,500,000 which resulted in a surplus of \$538,097. The actual rate of return was 1.18% for the period.

## **RISK CONSIDERATION**

There are no significant risks associated with the recommendations in this report.

## **COMMUNITY ENGAGEMENT**

Investment activities are reported quarterly to the Investment Policy Advisory Committee. The majority of members of this Committee (4 of 5) are volunteers from the general public. The Committee reports to the Audit and Finance Committee of Council quarterly on staff's compliance with the Investment Policy. In addition, the Committee conducts an annual review of the Investment Policy and makes recommendations for any changes considered appropriate.

## **ENVIRONMENTAL IMPLICATIONS**

No environmental implications were identified.

**ALTERNATIVES**

The Audit & Finance Standing Committee could decline to approve the recommendation.

**ATTACHMENTS**

Attachment 1 - Sector Weight Schedule @ September 30, 2023 (Schedule A)  
Appendix A - Economic Statistics and Central Bank Actions  
Appendix B - List of Eligible Investments  
Appendix C - DBRS Rating Scale

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Vicki Robertson, CPA, Deputy Treasurer, Finance & Asset Management, 902-817-1479

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**Total Portfolio  
Sector Weights @ September 30, 2023**

**ATTACHMENT 1**

SCHEDULE A

	Category Status	Cumulative Amount Invested @ Book Value	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>						
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>0</b>	<b>970,610,042</b>	<b>100%</b>	<b>970,610,042</b>	<b>100%</b>
Federal Government	Open	0				
Business Development Bank	Open	0				
Canada Mortgage & Housing Corp.	Open	0				
Canadian Wheat Board	Open	0				
Export Development Canada	Open	0				
Farm Credit Corp	Open	0				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>82,835,141</b>	<b>970,610,042</b>	<b>100%</b>	<b>887,774,901</b>	<b>91%</b>
Total Alberta (R-1 High)	Open	0	242,652,511	25%	242,652,511	25%
Alberta (R-1 High)	Open	0				
Alberta Capital Finance Authority (R-1 High)	Open	0				
Alberta Treasury Branches (R-1 High)	Open	0				
British Columbia (R-1 High)	Open	0	242,652,511	25%	187,287,121	19%
Manitoba (R-1 Mid)	Open	0	242,652,511	25%	242,652,511	25%
New Brunswick (R-1 Mid)	Open	0	242,652,511	25%	242,652,511	25%
Nova Scotia (R-1 Mid)	Open	0	242,652,511	25%	242,652,511	25%
Ontario (R-1 Mid)	Open	82,835,141	242,652,511	25%	107,133,370	11%
Quebec (R-1 Mid)	Open	0	242,652,511	25%	242,652,511	25%
Quebec		0				
Financement Quebec		0				
Hydro Quebec		0				
Saskatchewan (R-1 High)	Open	0	242,652,511	25%	242,652,511	25%
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>	<b>242,652,511</b>	<b>25%</b>	<b>242,652,511</b>	<b>25%</b>
Calgary (R-1 High)	Open		97,061,004	10%	97,061,004	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>407,961,720</b>	<b>708,009,478</b>		<b>300,047,758</b>	
	<b>BA's Schedule A Canadian Banks R-1</b>					
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Mid</b>	<b>396,808,644</b>				
Bank of Montreal (R-1 High)	Open	149,276,994	194,122,008	20%	44,845,014	5%
BMO - Instruments		0				
BMO - Account		149,276,994				
Bank of Nova Scotia (R-1 High)	Open	374,874	194,122,008	20%	193,747,134	20%
Bank of Nova Scotia Effective Cash		374,874				
Bank of Nova Scotia - Notice Account		0				
Canadian Imperial Bank of Commerce (R-1 High)	Open	117,009,845	194,122,008	20%	77,112,164	8%
CIBC - Instruments		100,000,000				
CIBC - Account		17,009,845				
Royal Bank (R-1 High)	Open	40,146,745	194,122,008	20%	153,975,263	16%
RBC - Instruments		0				
RBC IS		25				
RBC - Account		40,146,720				
Toronto Dominion (R-1 High)	Open	90,000,186	194,122,008	20%	104,121,822	11%
TD - Instruments		90,000,000				
TD - Account		186				
		0				
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>11,153,075</b>				
National Bank of Canada (R-1 Mid)	Open	11,153,075	145,591,506	15%	134,438,431	14%
National - Instruments		0				
National - Account		11,153,075				
OMERS Realty Corporation (R-1 High)	Open	0	145,591,506	15%	145,591,506	15%
CDP Financial Inc (R-1 High)	Open	0	145,591,506	15%	145,591,506	15%
Desjardins Total		0	145,591,506	15%	145,591,506	15%
Desjardins Group (R-1 High)	Open	0				
Caisse Centale Desjardins (R-1 High)	Open	0				
		0				
<b>Total Cash and Equivalents</b>		<b>490,796,861</b>				
<b>Federal Government &amp; its Guarantees</b>						
<b>Money Market</b>		<b>0</b>	<b>194,122,008</b>	<b>100%</b>	<b>194,122,008</b>	<b>20%</b>
<b>Reserves - Bond Pool</b>		<b>0</b>	<b>194,122,008</b>	<b>100%</b>	<b>194,122,008</b>	<b>20%</b>
<b>Provincial Government &amp; their Guarantees</b>		<b>0</b>	<b>194,122,008</b>	<b>20%</b>	<b>194,122,008</b>	<b>20%</b>
<b>Money Market</b>		<b>0</b>	<b>194,122,008</b>	<b>20%</b>	<b>194,122,008</b>	<b>20%</b>
Alberta		0	194,122,008	20%	194,122,008	20%
Alberta		0				
Alberta Capital Finance Authority		0				
Alberta Treasury Branches		0				
British Columbia		0	194,122,008	20%	138,756,618	14%
Manitoba		0	194,122,008	20%	194,122,008	20%
New Brunswick		0	194,122,008	20%	194,122,008	20%
Nova Scotia		0	194,122,008	20%	194,122,008	20%
Ontario		0	194,122,008	20%	58,602,867	6%
Quebec		0	194,122,008	20%	194,122,008	20%
Quebec		0				
Financement Quebec		0				
Hydro Quebec		0				
Saskatchewan		0	194,122,008	20%	194,122,008	20%
<b>Reserves - Bond Pool</b>		<b>108,049,390</b>	<b>194,122,008</b>	<b>20%</b>	<b>86,072,618</b>	<b>9%</b>
Alberta		0	194,122,008	20%	194,122,008	20%
Alberta		0				
Alberta Capital Finance Authority		0				
Alberta Treasury Branches		0				
British Columbia		55,365,390	194,122,008	20%	138,756,618	14%
Manitoba		0	194,122,008	20%	194,122,008	20%
New Brunswick		0	194,122,008	20%	194,122,008	20%
Nova Scotia		0	194,122,008	20%	194,122,008	20%
Ontario		52,684,000	194,122,008	20%	58,602,867	6%
Quebec		0	194,122,008	20%	194,122,008	20%
Quebec		0				
Financement Quebec		0				
Hydro Quebec		0				
Saskatchewan		0	194,122,008	20%	194,122,008	20%
<b>Total Fixed</b>		<b>108,049,390</b>				
Equities						
Bank of Montreal						
Total Equities		<b>6,410</b>				
Total Investments		598,852,661				
Interest Bearing Bank Accounts - O/S Cheque Coverage		48,000,000 *				
<b>Total Investments and O/S Cheques Coverage</b>		<b>646,852,661</b>				

## Appendix A

Economic Statistics	Canada			United States		
	Jul	Aug	Sep	Jul	Aug	Sep
Unemployment Rate	5.5%	5.5%	5.5%	3.5%	3.8%	3.8%
Jobs Created / (Lost) ('000's)	(6)	40	64	236	227	336
Core Inflation Rate (year over year)	3.3%	4.0%	3.8%	3.2%	3.7%	3.7%

Date	Central Bank	Central Bank Action
Oct 26, 2022	Bank of Canada	Raised overnight rate to 3.75%
Nov 2, 2022	U.S. Federal Open Market Committee	Raised target range to 3.75% to 4.00%
Dec 7, 2022	Bank of Canada	Raised overnight rate to 4.25%
Dec 14, 2022	U.S. Federal Open Market Committee	Raised target range to 4.25% to 4.50%
Jan 25, 2023	Bank of Canada	Raised overnight rate to 4.50%
Feb 1, 2023	U.S. Federal Open Market Committee	Raised target range to 4.50% to 4.75%
March 8, 2023	Bank of Canada	Maintained overnight rate at 4.50%
March 22, 2023	U.S. Federal Open Market Committee	Raised target range to 4.75% to 5.00%
April 12, 2023	Bank of Canada	Maintained overnight rate at 4.50%
May 3, 2023	U.S. Federal Open Market Committee	Raised target range to 5.00% to 5.25%
June 7, 2023	Bank of Canada	Raised overnight rate to 4.75%
June 14, 2023	U.S. Federal Open Market Committee	Maintained target range to 5.00% to 5.25%
July 12, 2023	Bank of Canada	Raised overnight rate to 5.00%
July 26, 2023	U.S. Federal Open Market Committee	Raised target range to 5.25% to 5.50%
Sep 6, 2023	Bank of Canada	Maintained overnight rate at 5.00%
Sep 20, 2023	U.S. Federal Open Market Committee	Maintained target range at 5.25% to 5.50%
Oct 25, 2023	Bank of Canada	Maintained overnight rate at 5.00%
Nov 1, 2023	U.S. Federal Open Market Committee	Maintained target range at 5.25% to 5.50%

List of Eligible Investments

The Government of Canada & Its Guarantees:

Federal Government

Business Development Bank

Canada Mortgage & Housing Corporation

Canadian Wheat Board

Export Development Canada

Farm Credit Corporation

Provincial Governments & Their Guarantees:

The Province of Alberta & Its Guarantees

The Province of British Columbia & Its Guarantees

The Province of Manitoba & Its Guarantees

The Province of New Brunswick & Its Guarantees

The Province of Ontario & Its Guarantees

The Province of Quebec & Its Guarantees

The Province of Saskatchewan & Its Guarantees

The Province of Nova Scotia

Municipal Governments & Their Guarantees:

The Municipality of Calgary & Its Guarantees

Financial Institutions & Their Guarantees (Tier 1):

The Bank of Montreal & Its Guarantees

The Bank of Nova Scotia & Its Guarantees

Canadian Imperial Bank of Commerce & Its Guarantees

Royal Bank of Canada & Its Guarantees

Toronto Dominion Bank & Its Guarantees

Financial Institutions & Corporations (Tier 2):

National Bank of Canada

### Dominion Bond Rating Service (DBRS) Rating Scale

#### **R-1 (high)**

Short-term debt rated R-1 (high) is of the highest credit quality and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above average. Companies achieving an R-1 (high) rating are normally leaders in structurally sound industry segments with proven track records, sustainable positive future results, and no substantial qualifying negative factors. Given the extremely tough definition DBRS has established for an R-1 (high), few entities are strong enough to achieve this rating.

#### **R-1 (middle)**

Short-term debt rated R-1 (middle) is of superior credit quality and, in most cases, ratings in this category differ from R-1 (high) credits by only a small degree. Given the extremely tough definition DBRS has established for the R-1 (high) category, entities rated R-1 (middle) are also considered strong credits, and typically exemplify above average strength in key areas of consideration for the timely repayment of short-term liabilities.

#### **R-1 (low)**

Short-term debt rated R-1 (low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.