

DBRS Morningstar Finalizes Provisional Ratings on Certain Guarantee Linked Notes Issued by Manitoulin USD Ltd., Algonquin 2022-3

STRUCTURED CREDIT

DBRS, Inc. (DBRS Morningstar) finalized the following provisional ratings on the Algonquin Series 2022-3 Class B Guarantee Linked Notes (the Class B Notes), the Algonquin Series 2022-3 Class C Guarantee Linked Notes (the Class C Notes), and the Algonquin Series 2022-3 Class D Guarantee Linked Notes (the Class D Notes; together, with the Class B Notes and Class C Notes, the Notes) issued by Manitoulin USD Ltd. (the Issuer) referencing the executed Junior Loan Portfolio Financial Guarantees (the Financial Guarantee), dated as of August 23, 2022, between the Issuer as Guarantor and the Bank of Montreal (BMO; rated AA with a Stable trend by DBRS Morningstar) as Beneficiary with respect to a portfolio of primarily U.S. and Canadian senior secured and senior unsecured loans originated or managed by BMO:

- Class B Notes at AA (sf)
- Class C Notes at A (sf)
- Class D Notes at BBB (low) (sf)

The ratings on the Notes address the timely payment of interest and ultimate payment of principal on or before the Scheduled Termination Date (as defined in the Financial Guarantee referenced above). The payment of the interest due on the Notes is subject to the Beneficiary's ability to pay the Guarantee Fee Amount (as defined in the Financial Guarantee referenced above).

To assess portfolio credit quality, DBRS Morningstar may provide a credit estimate, internal assessment, or ratings mapping of BMO's internal ratings model. Credit estimates, internal assessments, and ratings mappings are not ratings; rather, they represent an abbreviated analysis, including model-driven or statistical components of default probability for each obligor that is used in assigning a rating to a facility sufficient to assess portfolio credit quality.

The ratings reflect the following considerations:

- (1) The Financial Guarantee, dated as of August 23, 2022.
- (2) The integrity of the transaction structure.
- (3) DBRS Morningstar's assessment of the portfolio quality.
- (4) Adequate credit enhancement to withstand projected collateral loss rates.

With regard to the Coronavirus Disease (COVID-19) pandemic, the magnitude and extent of performance stress posed to global structured finance transactions remain highly uncertain. This considers the fiscal and monetary policy measures and statutory law changes that have already been implemented or will be implemented to soften the impact of the crisis on global economies. Some regions, jurisdictions, and asset classes are, however, affected more immediately. Accordingly, DBRS Morningstar may apply additional short-term stresses to its rating analysis by, for example, front-loading default expectations and/or assessing the liquidity position of a structured finance transaction with more stressful operational risk and/or cash flow timing considerations.

For more information regarding DBRS Morningstar's additional adjustment for select industries related to the pandemic, please see its May 18, 2020, commentary, "CLO Risk Exposure to the Coronavirus Disease (COVID-19)" at <https://www.dbrsmorningstar.com/research/361112>.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

There were no Environmental/Social/Governance factors (ESG) that had a significant or relevant effect on the credit analysis.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at <https://www.dbrsmorningstar.com/research/396929>.

Notes:

All figures are in U.S. dollars unless otherwise noted.

The principal methodologies are Rating CLOs and CDOs of Large Corporate Credit (January 26, 2022) and Mapping Financial Institution Internal Ratings to DBRS Morningstar Ratings for Global Structured Credit Transactions (February 24, 2022), which can be found on [dbrsmorningstar.com](https://www.dbrsmorningstar.com) under Methodologies & Criteria.

The DBRS Morningstar Sovereign group releases baseline macroeconomic scenarios for rated sovereigns. DBRS Morningstar analysis considered impacts consistent with the baseline scenarios as set forth in the following report: <https://www.dbrsmorningstar.com/research/384482>.

The rated entity or its related entities did participate in the rating process for this rating action. DBRS Morningstar had access to the accounts and other relevant internal documents of the rated entity or its related entities in connection with this rating action.

Please see the related appendix for additional information regarding the sensitivity of assumptions used in the rating process.

This rating is endorsed by DBRS Ratings Limited for use in the United Kingdom, and by DBRS Ratings GmbH for use in the European Union, respectively. The following additional regulatory disclosures apply to endorsed ratings:

Each of the principal asset class methodologies employed in the analysis addressed one or more particular risks or aspects of the rating and were factored into the rating decision. Specifically, for the recovery rate, DBRS Morningstar applied the senior secured and senior unsecured recovery rates defined in its "Rating CLOs and CDOs of Large Corporate Credit" (January 26, 2022) methodology. DBRS Morningstar applies different recovery rates depending on the recovery tier and seniority.

DBRS Morningstar used its CLO Asset Model to determine expected default rates for the portfolio at each rating level. To determine the credit risk of each underlying reference obligation, DBRS Morningstar relied on either public ratings or a ratings mapping to DBRS Morningstar ratings of BMO's internal ratings models. The mapping was completed in accordance with DBRS Morningstar's "Mapping Financial Institution Internal Ratings to DBRS Morningstar Ratings for Global Structured Credit Transactions" (February 24, 2022) methodology.

This is the first rating action since the Initial Rating Date.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. DBRS Morningstar understands further information on DBRS Morningstar historical default rates may be published by the Financial Conduct Authority (FCA) on its webpage: <https://www.fca.org.uk/firms/credit-rating-agencies>.

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Rating Committee Chair: Jerry van Koolbergen, Managing Director, U.S. Structured Credit
Initial Rating Date: August 16, 2022

For more information on this credit or on this industry, visit www.dbrsmorningstar.com or contact us at info@dbrsmorningstar.com.

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Rating CLOs and CDOs of Large Corporate Credit and DBRS Morningstar CLO Asset Model Version 2.2.3 (January 26, 2022)
<https://www.dbrsmorningstar.com/research/391226>

Mapping Financial Institution Internal Ratings to DBRS Morningstar Ratings for Global Structured Credit Transactions (February 24, 2022)
<https://www.dbrsmorningstar.com/research/392873>

Cash Flow Assumptions for Corporate Credit Securitizations (January 26, 2022)
<https://www.dbrsmorningstar.com/research/391225>




Interest Rate Stresses for U.S. Structured Finance Transactions (June 10, 2021)
<https://www.dbrsmorningstar.com/research/379958>

Legal Criteria for U.S. Structured Finance (June 15, 2022)
<https://www.dbrsmorningstar.com/research/398418>

Operational Risk Assessment for Collateralized Loan Obligation (CLO) and Collateralized Debt Obligation (CDO) Managers of Large Corporate Credits (September 20, 2021)
<https://www.dbrsmorningstar.com/research/384628>

Ratings

Manitoulin USD Ltd., Algonquin 2022-3

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
24-Aug-22	Class B Guarantee Linked Notes	Provis.- Final	AA (sf)	--	
24-Aug-22	Class C Guarantee Linked Notes	Provis.- Final	A (sf)	--	
24-Aug-22	Class D Guarantee Linked Notes	Provis.- Final	BBB (low) (sf)	--	

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