



## **Administrative Report**

### **Office of the Director of Financial Services/Treasurer**

**To: Warden McNamara and Members of County Council**

**From: Sandra Zwiers  
Director of Financial Services/Treasurer**

**Date: Wednesday, July 17, 2019**

**Subject: Investment Performance Report - 2018**

**Report #: 2019-0717-FIN-R014-SZ**

---

#### **Purpose**

The purpose of this report is to provide Council with a review of the Corporation's investments as at December 31, 2018.

#### **Background**

A statement of the Corporation's short-term investments is provided for Council's review in accordance with the Corporation's **Investment Policy** reporting guidelines. Specifically, the report will highlight the following:

#### **Investments**

- 1) Listing of individual securities held at the end of the reporting period;
- 2) Listing of investment maturity date;
- 3) Percentage of the total portfolio each type of investment represents;
- 4) A statement about the performance of the investment portfolio during the period covered by the report;
- 5) A statement of the Director of Financial Services / Treasurer as to whether or not, in his or her opinion, all investments were made in

## Administrative Report

Page 2

July 17, 2019

Investment Performance Report - 2018

---

accordance with the investment policies and goals adopted by the Corporation; and

- 6) Such other information that the Council may require that, in the opinion of the Director of Financial Services / Treasurer, should be included.

## Discussion

At December 31, 2018 the Corporation's investments were retained within six categories of short-term to medium-term holdings: **CIBC**, the Corporation's financial institution; **ONE Investment Program**, pooled investment program for Ontario municipalities; **Windsor Family Credit Union (WFCU)**, investment certificates; **Libro Credit Union (Libro)**, investment certificates, **Canaccord Genuity Corp. (Canaccord)**, investment certificates; and **CIBC Private Wealth Management (PWM)**, Principal Protected Notes (PPN's), a division of CIBC.

**Table 1** details the holdings in various categories, the percentage allocation, interest earned, the rate of return as at December 31, 2018 and the average rate for 2018.

**Table 1**

Investment	Amount @ 12/31 (\$)	% of Funds	Net Investment Income (includes unrealized gains/losses at Dec 31, 2018)	Int. Rate 12/31/18	Avg. Int. Rate '18
CIBC	44,768,748	30%	937,406	2.45%	2.10%
One*- Money	6	N/S	141	0.200%	0.229%
One* - HISA	62,439	1%	927	1.51%	1.51%
One*- Bond Fund	9,535,076	6%	141,965	N/A	1.489%
One*- Corp. Bond	8,534,106	6%	97,448	N/A	1.155%

**Administrative Report**

Page 3

July 17, 2019

Investment Performance Report - 2018

<b>Investment</b>	<b>Amount @ 12/31 (\$)</b>	<b>% of Funds</b>	<b>Net Investment Income (includes unrealized gains/losses at Dec 31, 2018</b>	<b>Int. Rate 12/31/18</b>	<b>Avg. Int. Rate `18</b>
One*- Equity Fund	8,722,410	6%	(261,894)	N/A	-2.915%
WFCU	28,301,628	19%	501,072	2.4% to 3.4%	2.833%
LIBRO	12,489,326	8%	249,509	2.02% to 2.55%	2.197%
Canaccord	10,000,000	7%	9,795	2.75%	2.75%
CIBC PWM – PPN's	25,531,200	17%	337,412	N/A	1.336%

\* Average return for the pool of all ONE products was (0.61) % using a marked to market approach at December 31, 2018. The average rate of return for the pool of all ONE products using only realized gains/losses was 1.56%.

Prior to year end the equity and bond markets fell considerably. Very quickly after year end however, the markets rebounded and returns stabilized to budgeted levels.

The \$25.5 million investment with CIBC PWM incorporates a balance of short term and medium term holdings including, Principal Protected Notes (PPN's) with medium-term maturity as outlined in **Table 2**.

## Administrative Report

Page 4

July 17, 2019

Investment Performance Report - 2018

---

**Table 2**

<b>Description</b>	<b>Return</b>	<b>Amount @ 12/31</b>	<b>Yield @ Market</b>	<b>Maturity Date</b>
CIBC Cdn. Blue-Chip Growth	100% @ maturity	7,000,000	0.0%	03/11/2022
CIBC US Blue-Chip Growth	65% @ maturity	4,000,000	0.00%	09/12/2022
CIBC Cdn. Equity Guaranteed	0.5%- 6.0% per annum	6,000,000	4.4%	03/13/2023
CIBC Cdn. Banks Coupon Deposit Note	100% of inc. in TSX Banks Index	3,000,000	2.04%	03/13/2023
CIBC Cdn. Equity Guaranteed	0.5%- 6.5% per annum	5,500,000	0.5%	04/22/2024

In compliance with policy guidelines, the Director of Financial Services / Treasurer attests that all investments have been made in accordance with the Corporation's policies and goals.

### **Analysis of the Investment Market**

2018 was another volatile year in the investment market. The year saw the Bank of Canada overnight rate increase in January (to 3.45%), July (to 3.7%) and again in October (to 3.95%). Generally, rising interest rates translate into higher returns for guaranteed investment products. The benefit of rising interest rates is always tempered by an investor's ability to move funds to take advantage of these higher returns. The Corporation's investments have been structured in a ladder approach that is well suited to a rising interest rate market. Short and medium-term funds are routinely maturing to allow

the Corporation to take advantage of interim rate increases. In December 2018, an opportunity to place excess operating funds into a higher yielding GIC was identified and \$10 Million was transferred into a 60 day instrument. These and other short term placements helped mitigate the negative returns experienced in the bond and equity portfolios.

The Corporation's investments in bonds and equities have a more complex relationship to changes in interest rates. In compliance with the tenants of the Corporation's Investment Policy, bond and equity instruments are purchased with principal protection in mind and a longer term investment horizon that matches future capital requirements. Bonds held in the CIBC PWM portfolio matured during the year and proceeds were diverted back into the fixed income portfolio. While 2018 rates of return were less than anticipated, the intention is to hold the balance of these investments until maturity to eliminate any risk of principal loss and increase the likelihood of increased returns.

### **Participation in the ONE Investment Joint Investment Board (JIB)**

Effective March 1, 2018, Section 418.1 of the *Municipal Act, 2001*, authorizes municipalities (other than the City of Toronto) to opt into the prudent investor regime after January 1, 2019. Provided a number of eligibility criteria are met, municipalities can pass a bylaw to adopt prudent investor status and begin investing in a broader range of financial instruments. Prior to this change, municipalities were restricted to investing in a prescribed list of securities. As its name suggests, adopting the new regime requires municipalities to exercise the care, skill, diligence and judgement that a prudent investor would exercise in making such investment decisions.

ONE Investment has committed to developing a turnkey solution that allows municipalities access to these broader investment powers. The foundation of that solution is the establishment of a Joint Investment Board made up of interested qualifying municipalities. Administration has met with representatives from ONE Investment to gain a better understanding of the structure and value proposition associated with the County's participation as a founding JIB member. Factors such as diversification, portfolio control and timing of fund transfers into the program have all been discussed. Administration is encouraged by the responses to questions raised and intends to bring forward a report to seek approval from County Council to move forward with JIB participation.

## **Administrative Report**

Page 6

July 17, 2019

Investment Performance Report - 2018

---

It was the intention of ONE Investment to establish the founding joint investment board by the fall of 2019. Certain other interested founding municipalities are currently part of the provincial regional government review which has extended the timeline for establishing the JIB to the end of 2019 and possibly early 2020. Administration will monitor the outcomes of the regional government review and any impacts they may have on the prudent investor opportunity with ONE Investment and report to Council at the appropriate time on a recommendation on moving forward in the JIB process.

### **Summary**

Administration will continue to monitor interest rate trends and investigate funding opportunities, taking into consideration cash flow requirements.

### **Financial Implications**

The revenue generated from the Corporation's investment portfolio is reflected in the General Administration budget. Allocations of earned interest are made on an annual basis to various capital reserves (eg. Capital Reserve, NWEHS Reserve) in accordance with the Corporation's Reserve Strategy.

### **Recommendation**

That County Council receive the Investment Performance Report – 2018 for information.

**Administrative Report**

Page 7

July 17, 2019

Investment Performance Report - 2018

---

Respectfully Submitted

*Sandra Zwiery*

Originally Signed by

Sandra Zwiery, Director of Financial Services/Treasurer

Concurred With,

*Robert Maisonville*

Originally Signed by

Robert Maisonville, Chief Administrative Officer