



Administrative Report

Office of the Director, Financial Services/Treasurer

To: Warden MacDonald and Members of Essex County Council

From: Sandra Zwiers, MAcc, CPA, CA
Director, Financial Services/Treasurer

Date: Wednesday, April 05, 2023

Subject: Investment Performance Report - 2022

Report #: 2023-0503-FIN-R10-SZ

Purpose

To provide County Council with a review of the Corporation's investments as at December 31, 2022.

Background

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

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 being covered by the report;
- 5) A statement by the Director of Financial Services / Treasurer as to whether or not, in her opinion, all investments were made in 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, 2022, the Corporation's investments were held across seven institutions in various short, medium- and long-term instruments: **CIBC**, the Corporation's financial institution; **ONE Investment**, pooled investment program for Ontario municipalities; **Windsor Family Credit Union (WFCU)**, investment certificates; **Scotiabank**, investment certificates; **Canaccord Genuity Corp. (CGWM)**, investment certificates; **Raymond James**, 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, 2022 and the average rate for 2022.

Table 1

Investment	Fair Market Value @ 12/31 (\$)	% of Funds	Net Investment Income (includes unrealized gains/losses @ Dec 31, 2022)	Interest Rate @ Dec 31, 2022	Average Interest Rate 2022
CIBC	84,800,508	30.42%	1,875,374	4.84%	2.56%
ONE – HISA	66,527	0.02%	1,362	4.22%	2.07%
ONE – Bonds	9,743,322	3.50%	(582,351)	0.52%	(4.04%)
ONE – Corp. Bonds	8,617,542	3.09%	(984,831)	0.61%	(8.37%)
ONE – Equity	36,370,605	13.05%	(4,525,193)	2.04%	(7.94%)
WFCU	70,417,641	25.26%	1,863,893	2.5% to 5.25%	3.76%

LIBRO	71,553	0.03%	264,233	N/A	1.25%
Scotiabank	10,126,816	3.63%	126,816	5.26%	5.26%
CGWM	10,206,209	3.66%	206,209	4.80%	4.80%
Raymond James	10,219,986	3.67%	219,986	5.05%	5.05%
CIBC PWM	38,110,997	13.67%	5,788,500	N/A	19.74%

The \$38.11 million investment with CIBC PWM incorporates a balance of short- and medium-term Principal Protected Notes (PPN's) with maturities as outlined in Table 2. It should be noted that Table 2 illustrates the PPN portfolio at its principle protected value. Any PPN at December 31, 2022 that had a market value below its original principal amount is shown at the protected principal amount. No PPN would be sold before maturity if it was valued below its original principal amount.

Table 2

Description	Return	Principal Amount (\$) @ 12/31	Yield @ Market	Maturity Date
CIBC CDN Equity Guaranteed	0.5% - 6.0% per annum	6,000,000	6.0%	03/13/2023
CIBC CDN Banks Coupon Deposit Note	100% of inc. in TSX Banks Index	3,000,000	2.7%	03/13/2023
CIBC CDN Equity Guaranteed	0.5% - 6.5% per annum	5,500,000	6.5%	04/22/2024
CIBC CDN Indexed PTF CLF	6.0% - 21.0% @ maturity	8,000,000	6.0%	04/28/2028

CIBC CDN Pipeline Indexed AR CLF	8.0% - 28.0% @ maturity	2,000,000	8.0%	04/28/2028
CIBC CDN Banks Growth Deposit Note	140% of average of index	4,340,000	0.0%	03/19/2029
CIBC CDN Indexed AR PFL CLF	160% of average of index	6,510,000	0.0%	03/19/2029
CIBC CDN Indexed Growth Deposit Note	110% of index	5,141,000	0.0%	07/18/2029

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

Markets across the globe experienced significant volatility during 2022. As inflation took hold and central banks raised interest rates to curb the trend, the market responded negatively. Despite an overall negative return of 8.5% for the year, the Toronto Stock Exchange (TSX) managed to weather the storm better than its US counterparts. The Dow Jones Industrial average provided a negative return of 8.88%, the S&P 500 Index posted a negative return of 19.24% and the tech-heavy Nasdaq Composite suffered the most dramatically with a 33.63% negative return.

The Canadian market was buffered by strong performances in the energy sector, in particular in the oil and gas industry, where the price of oil reached a high of \$123.70USD per barrel in 2022.

The Corporation's short- and medium-term portfolio instruments performed well during 2022 while long-term instruments fared poorly. Realized gains in short- and medium- term products totaled approximately \$10.175 million. Unrealized losses in long-term products (namely bonds and equities) totaled approximately \$6 million.

The strong realized gain results were due to increasing interest rates by the Bank of Canada impacting GIC rates of return. In many instances, GIC's were purchased with cashable options that allowed the Corporation to take advantage of multiple rate hikes throughout the year and earn numerous

yield pick-ups. The Corporation also continues to benefit from a strong relationship with local financial institutions and competitive GIC pricing.

To balance the portfolio, the Corporation holds bonds and equities with a long-term investment goal. Unrealized losses during the year are anticipated to be overcome in future years and therefore these portfolios were maintained at their 2021 levels. Consideration will be made in 2023 to increase bond and/or equity holdings to take advantage of relatively lower unit prices which will in turn yield higher returns in the future as market volatility potentially wanes.

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

Financial Implications

The revenue generated from the Corporation's investment portfolio is reflected in the General Administration – Administrative and Financial Services Budget. Allocations of earned interest are made on an annual basis to the various capital reserves in accordance with the Corporation's Reserve Strategy.

Consultations

Heidi McLeod, Manager of Accounting – Administration / Deputy Treasurer

Recommendation

That Essex County Council receive the Investment Performance Report – 2022 for information.

Approvals

Respectfully Submitted,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Director, Financial Services/Treasurer

Concurred With,

Mary Birch

Mary Birch, BA, CMO, Interim Chief Administrative Officer
