



Administrative Report

Office of the Director, Financial Services/Treasurer

To: Warden MacDonald and Members of Essex County Council

From: Melissa Ryan, CPA
Director, Financial Services/Treasurer

Date: Wednesday, May 01, 2024

Subject: Investment Performance Report- 2023

Report #: 2024-0501-FIN-R08-MR

Purpose

To provide County Council with a review of the Corporation's investments as at December 31, 2023.

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, 2023, the Corporation's investments were held across ten 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, **LIBRO**, investment certificates, **National Bank**, investment certificates, **TD Canada Trust**, principal protected notes (PPN's), 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, 2023 and the average rate for 2023.

Table 1

Investment	Fair Market Value @ 12/31 (\$)	% of Funds	Net Investment Income @ Dec 31, 2023	Average Interest Rate 2023
CIBC	77,295,639	25.89%	3,843,751	4.97%
ONE – HISA	70,022	0.02%	3,495	4.99%
ONE – Bonds	10,192,174	3.41%	232,806	2.28%
ONE – Corp. Bonds	9,155,724	3.07%	238,943	2.61%
ONE – Equity	42,632,754	14.28%	1,830,155	4.29%
WFCU	60,701,095	20.33%	3,136,323	5.17%
LIBRO	79,296	0.03%	0	N/A
Scotiabank	10,526,000	3.53%	565,662	5.37%
Raymond James	20,827,575	6.98%	964,330	4.63%
National Bank	10,000,000	3.35%	119,523	6.61%
CanAccord	0	0.00%	427,637	4.39%
CIBC PWM (PPNs)	43,059,056	14.42%	1,222,467	2.84%
TD Bank (PPNs)	14,032,684	4.70%	102,663	0.73%
Totals	298,572,019	100.00%	12,687,756	4.25%

The \$43.1 million investment with CIBC PWM and the \$14 million invested with TD 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 principal protected value. Any PPN at December 31, 2023 that had a market value below its original principal amount is shown at the protected principal amount with a 0% yield. 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% - 6.5% per annum	5,500,000	2.38%	04/22/2024
CIBC CDN Banks Growth Deposit Note	140% of average of index	4,340,000	0.00%	03/19/2029
CIBC CDN Indexed AR PFL CLF	160% of average of index	6,510,000	0.00%	03/19/2029
CIBC CDN Indexed Growth Deposit Note	110% of index	5,141,000	18.51%	07/18/2029
CIBC CDN Indexed AR AUTO DPNT CLF	Investors will receive a minimum Fixed Return plus 5.00% of the amount	4,690,800	10.37%	03/21/2030
CIBC CDN IDX AR PFL TTL PREM YLD	Maximum Reference Asset Return of 9.30%	4,690,800	4.53%	03/21/2030
CIBC GTH DPNT LKD CND IDX AR PEL	Variable Return equal to 280.00% of the average of the Reference Asset Returns (in the Reference Portfolio)	4,000,000	0.00%	05/06/2030
CIBC AUTO DPNT LKD CND IND PLF CLF	Investors will receive a minimum Fixed Return plus 5.00% of the amount	4,000,000	6.58%	05/06/2030

Description	Return	Principal Amount (\$) @ 12/31	Yield @ Market	Maturity Date
CIBC AUTO DPNT LKD CND IND PLF CLF 2	Investors will receive a minimum Fixed Return plus 5.00% of the amount	4,000,000	0.00%	05/06/2030
TD CND Diversified Basket	Min. Coupon + Growth PPN	2,000,000	0.00%	04/11/2029
TD SPTSX60 Index	Growth PPN	2,000,000	0.43%	04/11/2025
TD SPTXLVPR Index	Boosted Return + Growth PPN	2,000,000	0.70%	04/11/2028
TD SOLCAB40 Index	Growth PPN	2,000,000	0.70%	04/13/2026
TD SPTSX Capped Energy Index	Growth PPN	2,000,000	4.25%	04/12/2027
TD SPTSX Capped Energy Index	Growth PPN	2,000,000	0.10%	04/11/2028
TD CDN Pipelines	Auto callable PPN	2,000,000	0.00%	04/19/2027
Total PPNs		56,872,600		

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

In the investment landscape of 2023, the global markets experienced significant shifts amidst economic uncertainties and geopolitical tensions. Despite the challenges, the S&P/TSX Composite Index showcased resilience, reaching an 18-month high by the end of the year of nearly an 8% increase, driven partly by impressive gains in gold miners and financials. Similarly, the S&P 500 Index rose to new all-time highs and saw a 24% gain boosted by encouraging economic growth and the anticipation of a potential reversal in interest rate hikes by major central banks. The Dow Jones Industrial average provided a 13.7% gain in the year as well.

The year witnessed the rise of the humble guaranteed investment certificate (GIC) to prominence, propelled by a series of interest rate hikes by the Bank of Canada, which elevated GIC yields from below one per cent to as high as over 6 per cent, highlighting the evolving landscape of fixed-income investments and the pursuit of viable strategies to navigate prevailing market conditions.

The Corporation's short- and medium-term portfolio instruments performed exceptionally well during 2023 while long-term instruments did not fair as well, although we saw a boost in some long-term investments from 2022 unrealized losses. Realized gains in short- and medium- term products totaled approximately \$11.4 million. Gains in long-term products, PPNs (namely bonds and equities) totaled approximately \$1.3 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.

Our investment strategy for 2024 follows the County Investment policy and emphasizes a balanced approach to navigate the current market conditions effectively. We will continue to prioritize high-interest-rate Guaranteed Investment Certificates (GICs) if the rates continue to be favourable as well as bonds, equities, and Principal Protected Notes (PPNs) to achieve steady returns while minimizing risk exposure. High-interest-rate GICs remain a cornerstone, offering stability and reliable yields. Bonds, both government and corporate, provide additional income streams with guaranteed backing. Equities offer growth potential and dividends, particularly in resilient sectors. Principal Protected Notes offer opportunities for market participation with

downside protection. We will carefully monitor interest rate trends and explore investment opportunities while considering our cash flow needs.

Financial Implications

The revenue generated from the Corporation's investment portfolio is split between the operating budget and supporting growth in reserves. In 2023, \$1,453,000 remained in operations while the balance was transferred to various reserves.

Allocations of earned interest are made on an annual basis to the various reserves in accordance with the Corporation's Reserve Strategy and Council direction during budget deliberations.

Consultations

Heidi McLeod, Manager of Accounting – Administration / Deputy Treasurer

Recommendation

That Essex County Council receive report 2024-0501-FIN-R08-MR, Investment Performance 2023 as information.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
N/A	N/A