



Administrative Report

Office of the Director of Financial Services/Treasurer

To: Warden Tom Bain and Members of County Council

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

Date: May 2, 2018

Subject: Investment Performance Report - 2017

Report #: 2018-0502-FIN-R004-SZ

Purpose

The purpose of this report is to provide Council with a review of the Corporation's investments as at December 31, 2017.

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 by 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 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, 2017 the Corporation's investments were retained within five 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; and **CIBC Private Wealth Management (PWM)**, bonds and 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, 2017 and the average rate for 2017.

Table 1

Investment	Amount @ 12/31	% of Funds	Investment Income	Int. Rate 12/31/17	Avg. Int. Rate '17
CIBC	52,727,971	39%	576,948	1.7%	1.4%
One*- Money Market	61,376	-	365	0.6%	0.6%
One*- Bond Fund	9,393,111	7%	(14,256)	N/A	-0.15%
One*- Corp. Bond	8,436,658	6%	169,339	N/A	2.0%
One*- Equity Fund	8,984,304	7%	817,931	N/A	9.1%
WFCU	15,825,491	12%	355,160	2.5%	2.5%
LIBRO	12,460,968	9%	247,162	N/A	1.98%
CIBC PWM – Bonds	1,742,478	1%	37,105	N/A	1.3%
CIBC PWM – PPN's	25,257,324	19%	358,225	N/A	1.42%

* Average return for the pool of all ONE products is 3.62%.

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The \$27 million investment with CIBC PWM incorporates a balance of short term and medium term holdings including, Imperial Money Market (short-term holding and transition funds from matured bonds), Canada Housing Trust and Corporate Bonds as outline in [Table 2](#) and Principal Protected Notes (PPN's) with medium-term maturity as outlined in [Table 3](#).

Table 2

Description	Market Value	Interest Rate	Yield @ Market	Maturity Date
Canada Housing Trust	169,275	4.10%	1.5%	12/15/2018
Toronto Dominion Bank	347,471	2.17%	1.5%	04/02/2018
Bank of Nova Scotia	350,796	2.75%	1.7%	08/13/2018
Cash	774,450	0.2%	N/A	N/A
Imperial Money Market	100,486	0.2%	1.01%	N/A

Table 3

Description	Return	Amount @ 12/31	Yield @ Market	Maturity Date
CIBC Cdn. Blue-Chip Growth	100% @ maturity	7,000,000	6.5%	03/11/2022
CIBC US Blue-Chip Growth	65% @ maturity	4,000,000	2.47%	09/12/2022
CIBC Cdn. Equity Guaranteed	0.5%- 6.0% per annum	6,000,000	5.0%	03/13/2023
CIBC Cdn. Banks Coupon Deposit Note	100% of inc. in TSX Banks Index	3,000,000	1.88%	03/13/2023
CIBC Cdn. Equity Guaranteed	0.5%- 6.5% per annum	5,500,000	3.15%	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.

2017 was an interesting year for interest rates and the investment market. The year saw the Bank of Canada overnight rate increase in July and again in September. Subsequent to year end, rates rose again in mid-January 2018. 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.

The Corporation also invests in bonds and equities. These instruments 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. While 2017 rates of return were less than anticipated, the intention is to hold these investments until maturity to eliminate any risk of principal loss and increase the likelihood of increased returns. Having said that, future placement of new funds into these markets, particularly the bond market, will be weighed carefully against return trends.

Prudent Investor Regulatory Amendments

Effective March 1, 2018, Section 418.1 of the *Municipal Act, 2001*, now 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.

Administration is actively educating itself on these legislative changes and evaluating this opportunity in light of the Corporation's existing Investment Policy and long-term investment plans. County Council can expect further reports on these regulatory amendment advancements from administration.

Summary

Administration will continue to monitor interest rate trends, taking into consideration cash flow requirements, and investigate funding opportunities, specifically longer term assets within the One Investment Portfolio as well as through CIBC's customized deposit notes.

Recommendation

For the information of Council.

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Respectfully Submitted

Sandra Zwiers

Originally Signed by

Sandra Zwiers, Director of Financial Services/Treasurer

Concurred With,

Robert Maisonville

Originally Signed by

Robert Maisonville, Chief Administrative Officer