ONE Joint Investment Board
Regular Board Meeting
Agenda

Meeting #:	**2020-02**
Date:	**May 20 2020, 9:00 a.m.**
Location:	**Zoom Virtual Meeting**

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7. **Closed Session**

Recommendation:
[Default resolution required here once confirmed]

8. **Reconvene in Public Session**

9. **Authorizing Motion**

10. **Adjournment**

Recommendation:
THAT the meeting adjourn at ____________.

11. **Next Meeting: June 23, 2020 (9am) - Zoom Virtual Meeting**

ONE

REPORT

To: ONE Joint Investment Board
From: Colin Macdonald, Manager of Investments and
Keith Taylor, Chief Investment Officer
Date: May 20, 2020
Re: Fund Offerings and Investment Managers Report
Report: 20-010

1. Recommendations

It is recommended that the Board:

1.1. Approve the following fund offerings:

Fund/Investment Vehicle	Asset Class
ONE HISA	Cash
ONE Canadian Government Bond Fund	Domestic sovereign bonds
ONE Corporate Bond Fund	Domestic corporate credit
ONE Global Bond Fund	Global fixed income (including high yield bonds)
ONE Canadian Equity Fund	Domestic equity
ONE Global Equity Fund	Global equity (including emerging markets)

1.2. Approve the following external managers for each fund:

Fund/Investment Vehicle	Investment Manager
ONE HISA	NA
ONE Canadian Government Bond Fund	MFS Investment Management
ONE Corporate Bond Fund	MFS Investment Management
ONE Global Bond Fund	Manulife Asset Management
ONE Canadian Equity Fund	Guardian Capital LP
ONE Global Equity Fund	Mawer Investment Management Ltd.

1.3. Receive for information as follows:

a. The legislative backdrop for the prudent investor standard;
b. The process of establishing a Joint Investment Board;
c. Discussion on investing under the Prudent Investor Standard versus Legal List;
d. Discussion on Founding Municipalities' money not required immediately and how it is defined;
e. Description of the key planning tools to be used under the ONE Prudent investor program:
   i. the Investment Policy Statement;

ii. Municipal Client Questionnaire; and
iii. Investment Plan;

f. Risk and return analysis
    i. Why moving to prudent investor improves risk / return for municipalities
    ii. Risk tolerance of Founding Municipality versus proposed allocations;
g. The Building Blocks of Prudent Investor Allocations – Outcomes and Funds;
h. Investment manager selection process and review of managers selected; and,
i. Canadian investment exposures – mandates and managers.

2. Key Points

- The outcomes-based approach used by the ONE Joint Investment Board (ONE JIB) will build several investment allocations that suit a range of investment purposes for municipalities. These allocations will use five pooled funds that ONE Investment will create.

- These five pooled funds and a cash-like investment vehicle will represent the building blocks to populate the investment allocations.

- The five pooled funds provide a range of investment exposures that will enable the ONE JIB to build diversified allocations for municipalities.

- The investment mandates of the pooled funds are designed to offer lower risk exposures.

- Mangers recommended to manage the pooled funds are all active managers. ONE staff, the ONE Investment Advisory Committee and the ONE Investment Board have reviewed their philosophy, process, people and performance. They are comfortable recommending these managers for use in the ONE JIB's investment program.

3. Background

Background on Ontario Prudent Investor Regime for Municipalities

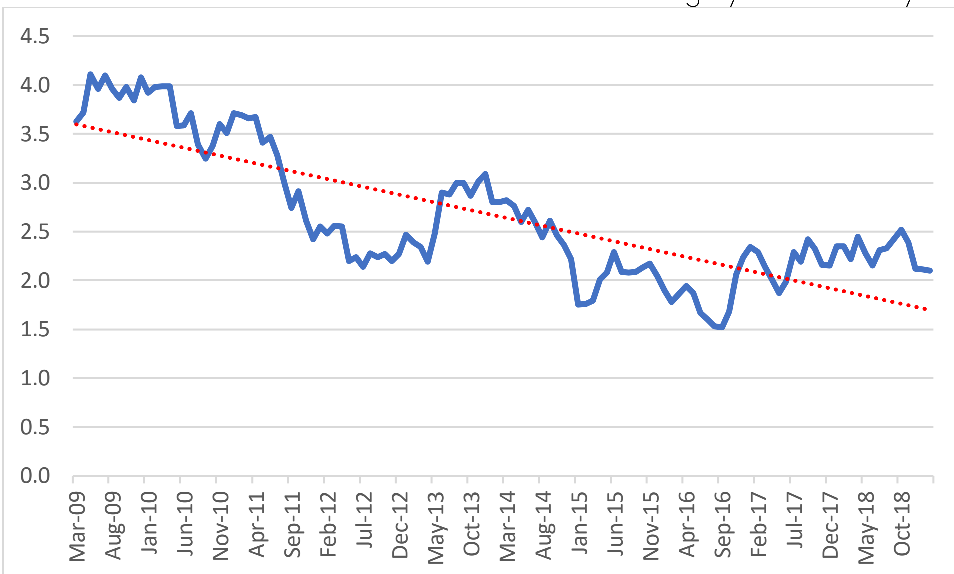
Recent amendments[1] to the *Municipal Act, 2001* (Act) and changes to O. Reg. 438/97 (Regulation) provide eligible municipalities the option to invest money not required immediately according to the Prudent Investor (PI) standard. The purpose of these reforms is to enable municipalities to earn improved risk-adjusted rates of return by building more

[1] Appendix 1 – Changing Investment Power in Ontario was prepared by ONE Investment and provides details related to the changing municipal investment environment.

diverse portfolios of investments. Municipalities that opt into the prudent regime will no longer be restricted to a prescribed list of investments (e.g. Canadian bonds and money market securities).

Municipalities have consistently advocated for broadened investment powers since the 2008 global financial crisis. The low interest rate environment which followed the financial crisis provided fewer opportunities to earn the returns that were previously available as demonstrated in the Chart 1. Further, the number of eligible Canadian equities has declined over the years.

Chart 1: Government of Canada marketable bonds – average yield over 10 years



Source: [Bank of Canada]

In 2015, the City of Toronto was the first municipality in Ontario to be granted access to the PI regime. Prior to the effective date of January 1, 2018 for the City's PI regime, the City was required to establish an independent Investment Board (IB) and develop a new investment policy.

What is the Prudent Investor Standard?

The "prudent investor standard" places no restrictions on eligible securities but does require an investor to construct an investment portfolio with the care, skill, diligence and judgment of a prudent investor. The standard was successfully implemented through Ontario pension fund reforms and was included in the Ontario *Trustee Act* in 1999.

To comply with the PI standard according to the Act, a municipality must consider the following criteria in planning investments, in addition to other relevant criteria:

1. General economic conditions.
2. The possible effect of inflation or deflation.
3. The role that each investment or course of action plays within the municipality's portfolio of investments.
4. The expected total return from income and the appreciation of capital.

5. Needs for liquidity, regularity of income and preservation or appreciation of capital.

In addition, a municipality must diversify its investments to an extent that is appropriate for general economic and capital market conditions. There is also a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.

A move to the PI regime requires the passage of a new irrevocable by-law. Once such a by-law has been passed and a municipality is subject to the PI regime, it does not matter if it no longer meets the eligibility criteria, as long as it met one of them at the time of passing of the by-law. To opt out of the PI regime, a municipality would need a regulation of the Lieutenant Governor in Council.

The Regulation also specifies the governance model to be used if a municipality wishes to access the PI regime. All investments made under the PI provisions of the Regulation must be implemented by delegation to an IB or a JIB. For a municipality that elects to move to the PI regime and establish an IB or JIB, in addition to establishing a new IB or JIB and appointing its members, Council would also have to adopt an investment policy to govern the investment strategies and activities of the IB or JIB

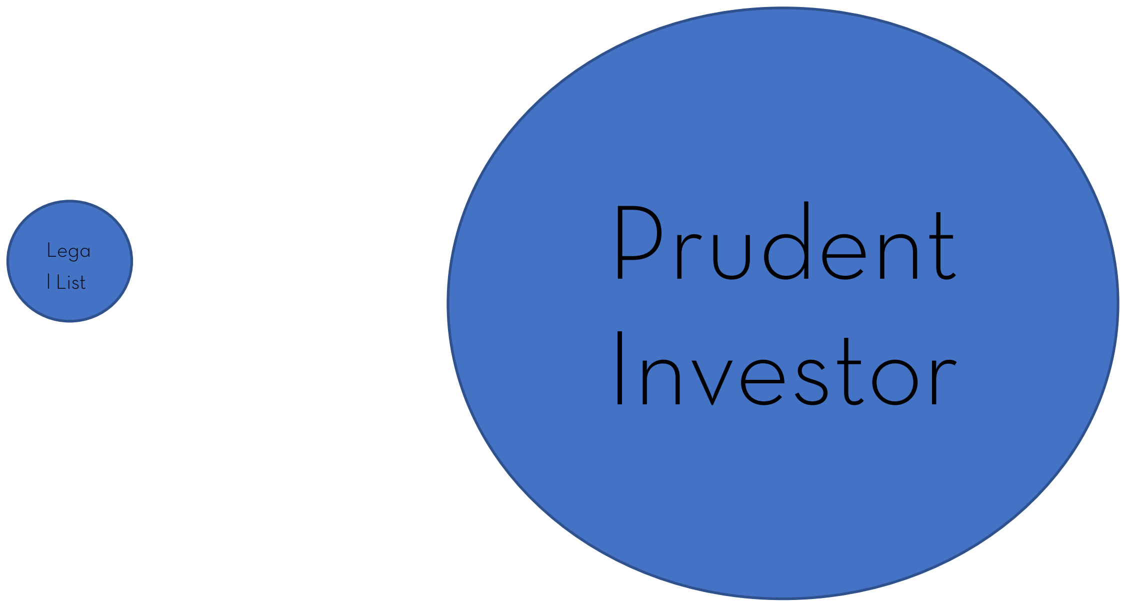
What are the benefits of the Prudent Investor Regime?

Since there are no restrictions on individual securities that can be acquired, the PI standard allows a wider range of potential investments. This permits a greater degree of diversification, which is a key tool in managing portfolio risk. The greater range of investment options also permits access to a variety of securities and securities classes that can produce better returns than the securities prescribed in the current Legal List. In addition, the PI standard also allows a portfolio to be modified to accommodate new types of securities and changing market conditions. In short, for money not required immediately, the PI standard has the potential to produce higher returns with less risk over time and enable investors to better align their portfolio with their willingness to accept risk.

"Over longer horizons, underlying economic growth matters more than short-lived panics with respect to returns, and international diversification does an excellent job of protecting investors."[2]

[2] Asness, Clifford S., Isrealov, Roni, and John M. Liew. (2011). "International Diversification Works (Eventually)" Financial Analysts Journal Volume 67, Number 3.

Diagram 1: Investment Options using the Prudent Investor Standard (not to scale)



Legal List	Prudent
• Canadian federal, provincial and municipal government or government-guaranteed bonds • Short-term and fixed-income securities issued by Canadian chartered banks and credit unions. • Other prescribed securities	The world (as long as it is invested with the care, skill, diligence and judgment of a prudent investor)

Legal List versus Prudent Investor

Municipalities will need to decide whether to invest money that it does not require immediately under the new PI regime or to continue to invest under the Legal List. Table 1 below compares these two approaches.

Investing under the PI standard is generally preferred by experts to the Legal List because it provides greater opportunities for diversification and risk management with potentially greater investment returns.

Table 1: Legal List versus Prudent Investor Standard

Legal List	Prudent Investor Standard
• Council develops a statement of investment policies and goals	• Council develops an investment policy, the IB or JIB develops an investment plan to support Council's policy
• Easy to monitor in theory	• Monitoring requires more detailed policies and procedures
• Regulations can be difficult to interpret	• Requires more detailed independent due diligence
• Time consuming to evolve to reflect evolving capital markets	• Evolves concurrently with capital markets
• May provide a false sense of security	• Consistent with fiduciary duty
• Risk is determined by the Legal List	• Risk can be determined and controlled at the portfolio level
• Ability to diversify is more limited	• Ability to provide greater diversification and risk reduction

Transitioning to the Prudent Investor Regime

All municipalities can access the PI regime. How the PI regime is accessed, however, will depend on the municipality's ability to meet the requirements set out in the legislative framework. These requirements can be found in Part II of the Regulation, which sets out eligibility criteria for municipalities, as well as the required governance structure.

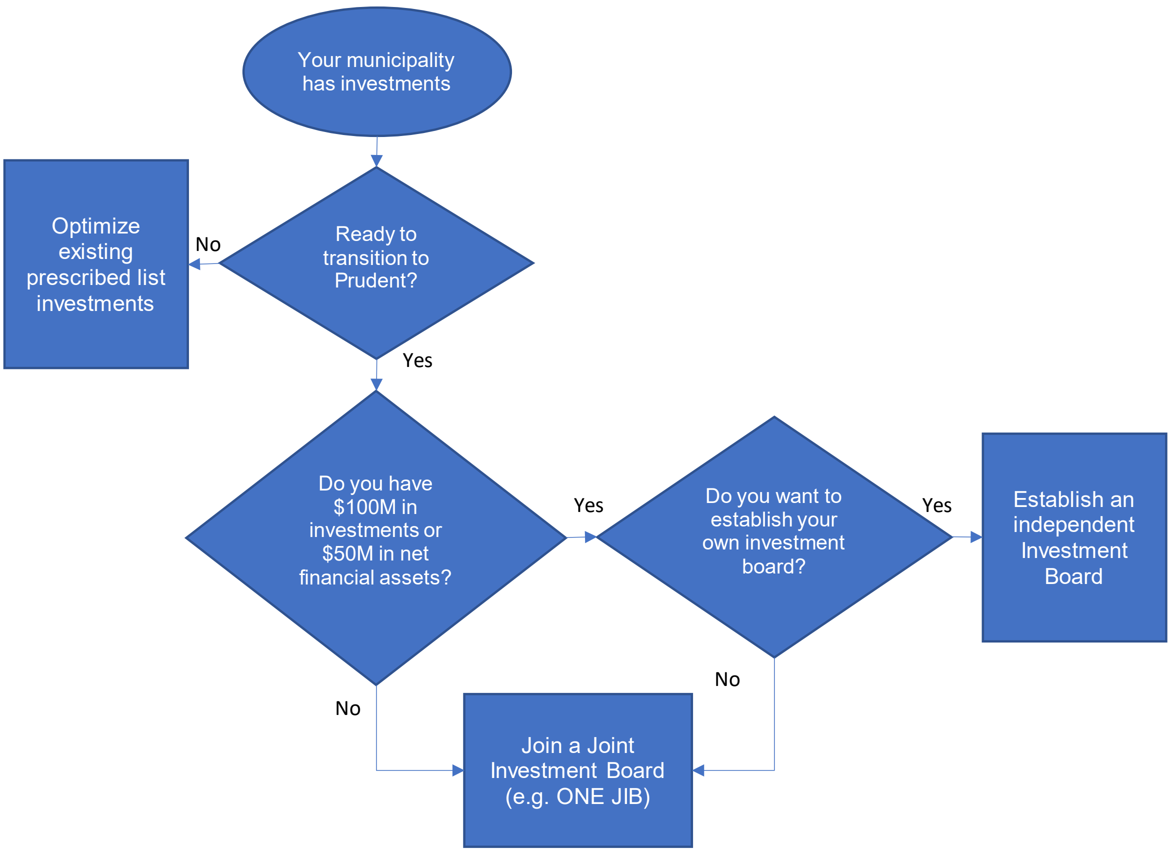
Municipalities that meet the specified financial eligibility criteria have the most options. The financial eligibility criteria are:

1. In the opinion of the treasurer, the municipality has at least $100M in money and investments that it does not require immediately, or
2. The municipality has $50M in net financial assets as reported in Schedule 70 of the most recent Financial Information Return

A municipality that meets one of these two criteria can invest according to the PI regime in the following two ways. It can independently establish its own IB, or it can establish and invest through a JIB with one or more other municipalities, if all of the establishing municipalities have, in the opinion of each of their treasurers, a combined total of at least $100M in money and investments that the municipalities do not require immediately.

A municipality that does not meet the criteria can only access the PI regime by investing through an existing JIB established by another municipality or municipalities. Refer to Diagram 2 to view the options visually.

Diagram 2: Decision tree about the Transition to the Prudent Investor Standard



Investment Board Structure

The requirement for an IB/JIB is set out in section 17 of the Regulation. The structure shares some of the features with governance structures found in the pension sector. Specifically, for municipalities, according to the Regulation, IBs/JIBs established under section 196 (IB) or section 202 (JIB) of the Act are local boards of the municipalities.

Key points about IBs/JIBs:

1) The IB or JIB must be given "control and management" of the municipality's money and investments not required immediately.
2) The municipality must delegate to the IB or JIB:
   a) The municipality's powers to make investments, and
   b) The municipality's duties under section 418.1 of the Act

The establishing municipality in the case of an IB and the municipalities in the case of a JIB are free to determine the size of the IB or JIB and qualifications of the IB or JIB members. They are prohibited from appointing any member of Council or municipal staff to the IB or JIB except the municipal treasurer in the case of an IB and except for municipal treasurers in the case of a JIB, provided they do not constitute more than 25% of the JIB members.

Council retains ultimate control, however, by providing direction to the IB or JIB through Council's approved investment policy. The investment policy governs the IB's or JIB's investment plans. The investment policy should include a definition for what the municipality deems to be its money that is not required immediately (i.e. what will be under the IB's or JIB's control), objectives for returns on investment, risk tolerance, and needs for liquidity among other components.

Council must review its investment policy at least annually and update it as required. The investment plan must also be updated by the IB or JIB at least annually following Council's review of its investment policy to ensure continued compliance with the policy. An annual investment report must be provided by the IB or JIB to Council and it must include, among other matters, a statement by the treasurer as to whether all investments are in compliance with the investment policy and investment plan.

Another consideration is that the required governance model can be costly to both set up and run. Establishing an IB independently requires one municipality to bear the full start-up costs, as well as annual operation costs. The City of Toronto spent more than $500,000[3] in 2017 before its IB was even operational. Going forward, remuneration for members of the Toronto IB will be up to $215K per annum[4]. In general, independent set up costs include a significant amount for lawyer fees; while ongoing costs include remuneration for board members and municipal support staff, board insurance, consultant fees, and other agents' fees such as third-party manager fees. Municipalities wishing to share these costs can consider joining a JIB, rather than going it alone.

Joining a Joint Investment Board

As of May 6, 2020, no JIB has been established in Ontario. The only IB that has been created is the Toronto IB. A municipality could consider working with other municipalities to create a JIB or wait until others have created one and evaluate that experience before making a commitment to join.

Creating a New JIB

A municipality could work with others to establish a JIB. The benefit of this approach would be the sharing of startup and ongoing costs among the founding members of the JIB. ONE Investment has collaborated with a limited number of municipalities to establish the ONE Joint Investment Board (ONE JIB).

ONE Investment is a not for profit corporation formed by CHUMS Financing Authority which is wholly owned by the Municipal Finance Officers' Association of Ontario (MFOA) and Local

[3] https://www.toronto.ca/legdocs/mmis/2017/ex/bgrd/backgroundfile-101438.pdf
[4] https://www.toronto.ca/legdocs/mmis/2017/ex/bgrd/backgroundfile-101512.pdf

Authority Services (LAS), a corporation of the Association of Municipalities of Ontario (AMO). It currently offers investment products for Ontario municipalities under the Legal List approach to investing.

ONE Investment's offering is a cost-effective turnkey solution to municipalities that wish to access the PI regime but do not qualify on their own or are cautious about the work and costs of going it alone. ONE's proposed approach will provide each municipality with:

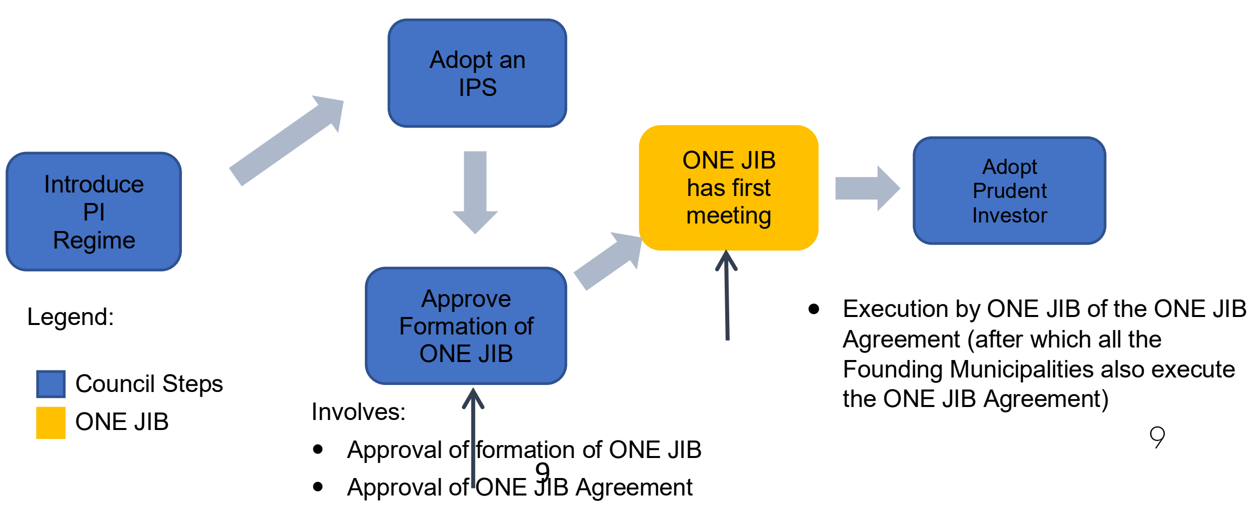
1. A structure through which to invest under the PI standard (ONE JIB);
2. Support for the ONE JIB on behalf of the Participant Municipalities;
3. Legal legwork to prepare the various legal agreements needed to make the governance structure work;
4. Assistance on crafting a comprehensive prudent investment policy that complies with the applicable legislation;
5. Assistance to the ONE JIB in developing an investment plan that corresponds to each municipality's needs, objectives, and comfort level;
6. Reporting and monitoring that will help each municipality track its performance and meet its reporting obligations under the Regulation; and ,
7. Municipal finance advice, if desired, on how to make an investment program an integral part of the capital budget process and asset management financing strategy.

A founding member of ONE JIB can qualify for lower fees or, perhaps, to have its municipal treasurer appointed to ONE JIB.

Figure 1 below outlines the steps in implementing the PI regime under the Regulation. The establishment of ONE JIB involves a three-step Council approval process outlined below:

1. Adoption of an Investment Policy Statement (IPS) which outlines the manner in which a Municipality will invest under the PI regime and which is based on the completed Municipal Client Questionnaire;
2. Execution of the Initial Formation Agreement which establishes ONE JIB and which is described in a separate report; and,
3. Execution of the ONE JIB Agreement which establishes the relationship between the Municipality, ONE JIB and ONE Investment and which is described in a separate report.

Figure 1 - Overview of Prudent Investor



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These steps must be undertaken by each of the Founding Municipalities if they wish to pursue the PI regime, which begins with establishing ONE JIB. Once the Authorizing By-law is passed by all the Founding Municipalities ONE JIB will hold its inaugural meeting at which it will decided to execute the ONE JIB Agreement with the Founding Municipalities. The ONE JIB Agreement is the primary operating document for municipalities that decide to invest with ONE JIB. Once this Agreement is executed Founding Municipalities will then pass a by-law (Prudent Investor Enabling By-law) officially opting into the PI regime as at the Prudent Effective Date set out therein.

The Prudent Investor Enabling By-law each Council pass is the last step to adopting the PI regime and can be viewed as a housekeeping matter. After the Prudent Effective Date that is set out in the Prudent Investor Enabling By-law, each Founding Municipality can start transferring its money and investments that are not required immediately to ONE JIB for investing in accordance with the PI regime.

Currently there are six municipalities, outlined in Table 2 below, that are Founding Municipalities working together to establish ONE JIB. These six Founding Municipalities have sufficient monies to meet the Regulations $100 million in money not required immediately.

Money Not Required Immediately

Under section 418.1 of the Act "money that is not required immediately" (MNRI) can be invested in any security, provided that in making the investment the municipality exercises the care, skill, diligence and judgment that a prudent investor would exercise in making the investment. If a municipality elects to pass a by-law under section 418.1, the effect will be that its MNRI must be invested in accordance with the prudent investor regime.

Every municipality has MNRI and also "money that is required immediately" (MRI).

Under prudent investor regime, municipalities retain the management and control of their MRI[5] whereas management and control of their MNRI must be transferred to an IB/JIB (i.e., ONE JIB).

It is up to the municipal Council to determine what portion, if any, of the money in a reserve fund or from a particular source is actually required to meet immediate financial obligations and what portion is not so required and therefore can be invested for the long term.

In making the determination, Council may consider:

1. the time horizon within which the monies are needed to meet financial obligations
2. the purpose for which the monies have been collected or set aside and will be used
3. the source of the money
4. any combination of the foregoing

[5] MRI must be invested in accordance with the Legal List.

The determination of MNRI is essentially a time issue. There is no universally accepted definition of MNRI, but ONE's legal counsel has used **18 months** as a generally accepted benchmark. It appears reasonable for most municipalities, but it is up to each municipality to define how it determines MNRI. This means that individual Councils may prefer different timeframes to determine the monies that form MNRI. Municipalities should define how they determine their MNRI within their Investment Policy Statement (IPS).

Any changes in MNRI must be communicated immediately in writing to ONE JIB using the Municipal Client Questionnaire (MCQ).

Table 2 highlights the timeframes determined by each Founding Municipality for their MNRI in their IPS. Monies required before this timeframe form MRI, which the Treasure will continue to control, and monies required beyond the timeframe represent MNRI that will be managed by the ONE JIB.

Table 2: Timeframe to Determine Founding Municipality MNRI

Name of Municipality	Timeframe
Town of Bracebridge	18 Months
Town of Huntsville	18 Months
Town of Innisfil	24 months
City of Kenora	24 months
The District of Muskoka	18 months
Town of Whitby	18 months

Table 3 shows the total amount of <u>cash and investments</u> that each Founding Municipality has determined to be MNRI. These amounts also include locked in portion of MNRI that is not available for investment for ONE JIB i.e., local hydro company shares etc.

Table 3: Breakdown of Founding Municipality MNRI

Name of Municipality	Total Amount of MNRI	Cash Portion	In kind Portion	Locked in Portion
Town of Bracebridge	$36,400,000	$5,600,000		$30,800,000
Town of Huntsville	$19,749,000	$8,000,000		$11,749,000
Town of Innisfil	$37,700,000	$15,010,123		$22,689,877
City of Kenora	$50,000,000	$35,000,598	$5,000,000	$9,999,402
The District of Muskoka	$127,787,324	$125,519,324		$2,268,000
Town of Whitby	$167,215,932	$107,954,932	$6,000,000	$53,261,000
Total	$438,852,256	$297,084,977	$11,000,000	130,767,279

The Three Key Planning Documents

ONE Investment has developed three document templates to help guide Council and ONE JIB in setting objectives and investment strategies that will be fully compliant with municipal legislation:

1. The Municipal Client Questionnaire
2. The Investment Policy Statement
3. The Investment Plan

Municipal Client Questionnaire (MCQ)

The purpose of this questionnaire is to identify money and investments not required immediately in order to advise on the appropriate account structure. Based on the future cash flow needs and client risk tolerance, provided by the municipal staff in its completed MCQ, ONE JIB can advise on investment allocations, create an Investment Plan and manage investments effectively on an ongoing basis.

The municipality's finance staff have completed the MCQ and presented it to Council with the IPS for its consideration and approval. The MCQ will also be used by ONE JIB in conjunction with the IPS to develop the Investment Plan that reflects each municipal Council's direction.

As municipal circumstances change the municipality may need to revise MNRI or inform the ONE JIB of other details that could influence how their MNRI are invested. The MCQ should be updated to inform the ONE JIB of such changes. It is the responsibility of the municipality to inform ONE Investment on a timely basis of any relevant changes in circumstances via revisions in their MCQ.

Investment Policy Statement (IPS)

The IPS is a high level and comprehensive overview and it is through this document that Council provides the strategic direction that will guide ONE JIB's Investment Plan design and implementation. It is through this document that Council ultimately controls its MNRI. A municipality must have an IPS according to the Regulation governing municipal investments under the prudent investor standard. Through its IPS, a municipality must define its objectives for return on investment, risk tolerance and need for liquidity. At a minimum, Council will be required to review and, if necessary, amend, this document annually. However, if Council priorities change or fiscal circumstances require, the IPS can be reviewed and amended at any point in time. It is the municipality's responsibility to notify ONE JIB of any changes to the IPS so that the Investment Plan can be updated accordingly.

The IPS is a comprehensive statement of a Municipalities investment policy and constitutes Council's investment directions for the Municipalities funds in which it has a direct or indirect interest including, without limitation, its MNRI and its MRI.

Investment Plan

The Investment Plan is a more detailed document that outlines ONE JIB's overall investment approach as well as the investment mix for each Municipality's investment objectives based on the IPS and informed by details within the MCQ. The adoption of an Investment Plan is the responsibility of ONE JIB, as required by the Regulation. The Investment Plan can only be finalized after the inaugural meeting of ONE JIB. At that meeting, ONE JIB will review, modify, if necessary, and adopt the draft Investment Plan.

4. Analysis

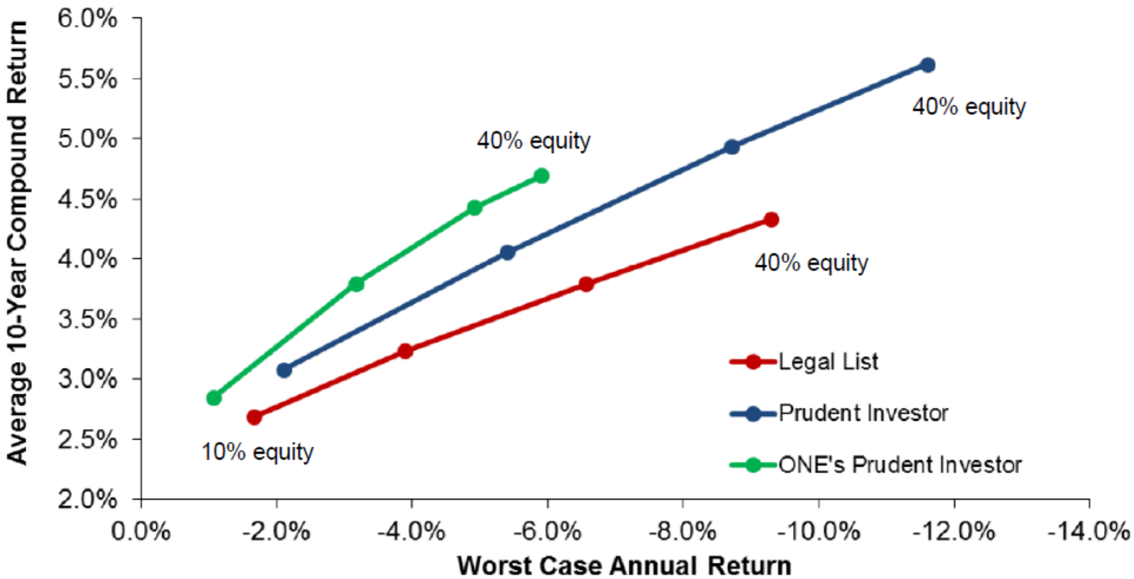
Risk and return analysis – Justifying Merits of Prudent Investor

The prudent investor standard's purpose is to enable municipalities to earn improved risk-adjusted rates of return by building more diverse investment portfolios. ONE Investment's analysis validates that the move to the prudent investor standard should allow Ontario municipalities to generate higher returns, but more importantly, this analysis suggests that it may be possible to do so while also potentially lowering overall investment risks.

The methodology used to demonstrate this is known as 'efficient frontiers'. The efficient frontier is the set of portfolios that offer the highest expected return for a defined level of risk or the lowest risk for a given level of expected return. Portfolios that lie below the efficient frontier are sub-optimal because they do not provide enough return for the level of risk.

The efficient frontier can be represented in a graph that shows how different investment allocations influence risk and return. Higher returns typically can only be achieved by assuming greater risk. The efficient frontier shows the tradeoff between incremental risk and incremental return. Using data provided by Aon, an external consultant retained by ONE Investment, an efficient frontier was created to represent the opportunities under the prudent investor standard. Risk was defined in this study using a proprietary risk measure called Conditional Tail Expectation (CTE). This measure uses scenario analysis to determine investment returns over a wide range of different circumstances. Chart 2 shows the efficient frontiers generated by this study. In this graph, a better outcome either is upwards or to the left (i.e., more return for each level of risk, or less risk for any given level of return).

Chart 2: Efficient Frontiers



NOTE: The data in Chart 2 was provided by the investment consultant, Aon. The 'worst case annual return' represents an average return of 50 of the worst outcomes from 1000 scenarios run. Because it is an average, it does not preclude results lower than this average in any single year. The blue prudent investor line was created by Aon to represent a generic prudent investor efficient frontier.

The red line represents the efficient frontier available under the Legal List. As the equity allocation is increased from 10% to 40% (going from left to right on the graph) both the risk and return increase. The blue line represents prudent investor efficient frontier based on Aon's analysis, which represent the universe of securities available to Ontario municipalities under the Prudent Investor regulations. It is comprised of the Legal List offerings, as well as US high yield bonds, global bonds and global stocks. The expanded universe of available investments increases the return potential and offers better diversification, which helps to reduce overall risk. As the graph shows, the prudent investor efficient frontier offers superior risk/return potential versus investing under the Legal List alone.

Finally, ONE's prudent investor frontier shows the value that ONE brings to Ontario municipalities through its investment offerings. The ONE Investment funds are designed to have a relatively low-risk profile and are actively managed. The choice of investment managers, combined with their investment style, helps to improve the overall risk/return frontier of the ONE prudent investor portfolios. The efficient frontier generated by ONE's offerings under the prudent investor standard is higher than Aon's prudent investor frontier, resulting in a better risk/return profile.

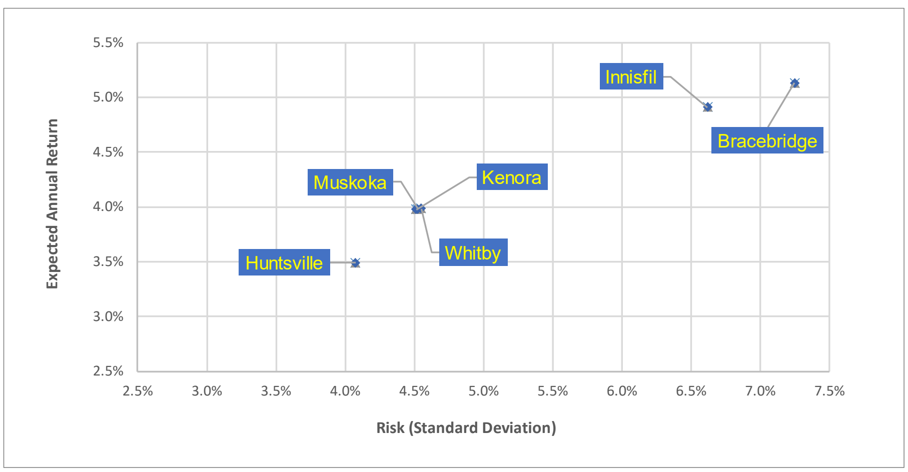
The overall conclusions from the efficient frontier analysis is that the municipalities investing through the prudent investor standard should be able to achieve superior investment results versus investing under the Legal List while still maintaining acceptable levels of investment risk.

ONE believes that the risk/return outcomes generated by Aon's model are necessarily imprecise. The asset allocations it produces should be treated only as broad indicators of potential outcomes. These are not predictions of returns since future asset-class behavior is unknown. As well, it is difficult to model all of ONE's specific building block asset classes using traditional market indices, particularly for the Global Bond Fund and the lower risk equity funds. For these reasons, ONE is not planning to create asset allocations that match those implied by Aon's model.

Founding Members – Summary of proposed allocations

Since the prudent investor standard's main purpose is to enable municipalities to earn improved risk-adjusted rates of returns, staff have analyzed the risk/return profiles for ONE JIB's Founding Municipalities (see Chart 3). The chart is for illustration purposes pending ONE JIB Direction on outcomes.

Chart 3: Founding Municipalities Risk/Return Details



	Return	Std Dev
Bracebridge	5.1%	7.2%
Huntsville	3.5%	4.1%
Innisfil	4.9%	6.6%
Kenora	4.0%	4.5%
Muskoka	4.0%	4.5%
Whitby	4.0%	4.5%

The annual expected returns are based on Aon's modeling. The expected returns are conservative forward-looking estimates of long-term returns based on macroeconomic and capital market forecasts. The measure of risk used in Chart 3 is standard deviation, which is a measure of the dispersion of risk, which can be used to understand the probability of outcomes. A low standard deviation means that the values tend to be close to the mean (i.e., the expected return), while a high standard deviation indicates that the values are spread out over a wider range. The standard deviation can be used to show the probability of returns falling within a specified range. Assuming a normal distribution, approximately 68% of the time the returns should fall within one standard deviation of the expected return. For example, if the annual expected return is 4% and the standard deviation is 5%, then in any one year the returns should be between -1% and +9% approximately 68% of the time. The standard deviation analysis simply attaches probabilities that reflect the normal distribution of investment outcomes.

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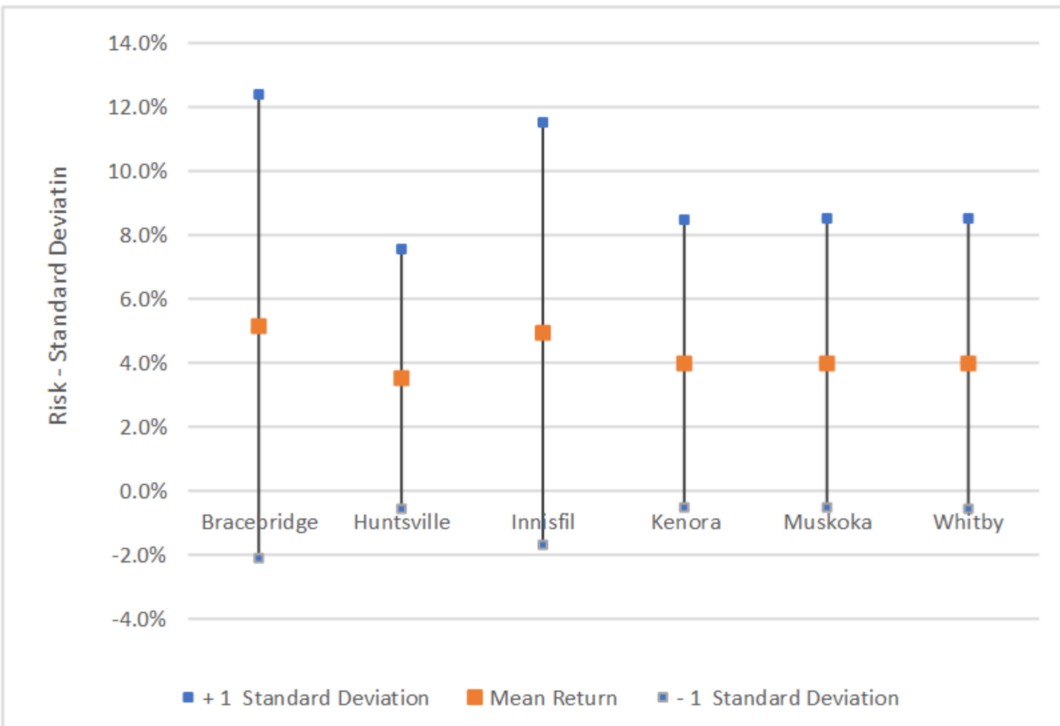
This type of analysis helps investors digest the volatility that is associated with their investments and provides the ONE JIB with a framework to confirm that the allocations for each municipality are appropriate, considering their risk tolerance as disclosed in their MCQ. Chart 4, again for illustration purposes, outlines the expected returns associated with the proposed initial allocations for the Founding Municipalities. The chart shows the expected annual return as an orange dot, while the line shows the range of returns one standard deviation above and below this expected annual return.

Chart 4: Framing range of expected Founding Municipalities returns



	+1 Standard Deviation	Mean Return	-1 Standard Deviation	Standard Deviation
Bracebridge	12.4%	5.1%	-2.1%	7.2%
Huntsville	7.6%	3.5%	-0.6%	4.1%
Innisfil	11.5%	4.9%	-1.7%	6.6%
Kenora	8.5%	4.0%	-0.5%	4.5%
Muskoka	8.5%	4.0%	-0.5%	4.5%
Whitby	8.5%	4.0%	-0.6%	4.5%

The range of outcomes in Chart 4 should be aligned with the risk preferences of the Founding Municipalities. Each founder described their risk tolerance in their responses to the following three questions in their MCQ:

3.1 Which of the following best reflects the Municipality's investment objectives for its MNRI?

☐ Capital preservation is the main objective. Willingness to accept low returns in order to avoid any years with losses.
☐ Achieve moderate growth without excessive risk to capital.
☐ Willingness to accept higher risk, including risk of loss of capital, for potentially higher returns over the longer term

3.2 What is the Municipality's risk tolerance for its MNRI?

☐ Low (Conservative Approach: A very small chance of loss of capital over a 5-year period)
☐ Moderate (Moderate chance of loss of capital over a 5-year period)
☐ High (Greater uncertainty with potential of higher returns over a 5-year period)

3.3 Annual Return Expectations: Which range best reflects the Municipality's expected annual return for its MNRI?

☐ 0% to 2% gain
☐ 5% loss to 5% gain
☐ 10% loss to 10% gain

The municipal IPS defines risk tolerance and this information on risk tolerances is elaborated in the MCQ. The answers to these questions in the MCQ from each of the Founding Municipalities capture how they evaluate risk. Table 4 provides a summary of the Founding Municipalities responses.

Table 4: MCQ responses on risk

	Main Objective	**Risk Tolerance**	**Annual Return Expectations**
Bracebridge	Moderate Growth	Moderate Risk	-5% to +5%
Huntsvile	Moderate Growth	Moderate Risk	-5% to +5%
Innisfil	Moderate Growth	Moderate Risk	-5% to +5%
Kenora	Capital Preservation	Low Risk	0% to +2.5%
Muskoka	Higher Returns	Moderate Risk	-5% to +5%
Whitby	Higher Returns	Moderate Risk	-5% to +5%

The proposed allocations and the range of expected returns as noted in Chart 4 appear to be consistent with the responses of the Founding Municipalities related to risk tolerance. Individual municipal investment mix and investment time horizons may vary based on specific investment objectives.

The Building Blocks of Prudent Investor Allocations – Outcomes & Funds

ONE Investment's approach for the prudent investor offering intends to set up a suite of funds with a relatively low risk profile to be used as building blocks to construct investment offerings that are suitable for the investment of long-term monies of Ontario municipalities. An outcome-based approach will be used as a way of communicating the municipal investment needs and translating them into investment allocations.

The outcomes should be structured to facilitate client understanding of their purpose and expected behavior. MNRI can be allocated based on these outcomes in an intuitive way, which should reflect the purpose of all municipal reserves, reserve accounts and other balances. This should help Council and staff understand the connection between municipal accounts and the investment outcomes. Each one of these outcomes has a unique asset allocation that is designed to be appropriate for the outcome's purpose and is outlined in more detail along with the specific asset allocations assigned to each outcome in a separate report to the ONE JIB (Investment Outcomes 20-011).

The asset allocations associated with these investment outcomes will be constructed with pooled investment funds that ONE Investment is creating. These pooled funds will be used as 'building blocks' to create the allocations for each outcome. Each outcome will use the same set of pooled funds in different proportions to construct the outcomes. The outcomes will each have different risk/return characteristics even though they are built with the same underlying pooled funds.

The following considerations influenced the construction of the investment allocations, pooled funds and investment process for the ONE Investment prudent investor offering:

- The investment objective should not be solely focused on maximizing returns. Levels of risk in each allocation are equally important. The purpose is to earn improved risk-adjusted rates of return by building more diverse portfolios of investments.
- As the municipal clients are non-taxable, they are relatively indifferent between returns generated from capital gains versus recurring income. The source of return on investments is not particularly important for this client base.
- Growth in investments is one of the primary objectives. Additionally, preserving the purchasing power is also a key consideration for municipal investors. In many cases the investments will fund future construction projects or to replace aging assets, where preserving the purchasing power of investments is highly relevant to the municipalities.
- Allocation to equity investments will help the portfolios achieve sufficient growth to offset inflation. For allocations intended to grow a rate in excess of inflation, larger allocations to equities will be appropriate.
- Because Canada has a small weight in global stock markets and because it is not a well-diversified market, the asset allocations will emphasize non-Canadian holdings.

- Exposure to Canadian equities and fixed income is appropriate as our municipal clients will prefer some exposure to this market with which they may be familiar and because it has no currency risk.
- Tolerance bands for broad asset classes help to ensure sharp movements in equities relative to bonds would prompt the manager to rebalance. The allocation bands for each outcome will be designed to ensure that if equities outperformed bonds by approximately 20% a rebalance would be required.
- The strategic asset allocation weights assigned are not expected to change. Except in extreme market situations, no market timing is expected to be done by the ONE JIB.
- Accounts will be rebalanced twice annually, as needed, and any cash flows will be deployed to help rebalance allocations back to the intended target mix. Rebalance ensures that the allocation weights are held relatively constant, and the risk profile of the outcomes also remains at the intended target.
- Due to extremely low expected returns, Cash is used primarily in the outcomes with the relatively short investment horizons.
- The ONE HISA (High Interest Savings Account) will be used to reflect allocations to cash where appropriate.
- Unconstrained Global Bonds (the ONE Global Bond Fund) form a substantial portion of the allocations because of their combination of higher return expectations than Canadian bonds and significantly lower risk than equities.
- ONE Global Bond Fund has meaningful exposure to high yield bonds and types of fixed income securities that are not represented in the other Canadian bond funds. This has diversification benefits for the allocations.
- The ONE Canadian Government Bond Fund provides heavy exposure to Canadian government bonds and the maturity profile of this Fund is relatively short. These features make it a very low risk investment, which is important when building diversified investment portfolios.
- The ONE Canadian Corporate Bond Fund is designed to give exposure to very high credit quality Canadian fixed income. It has a longer maturity profile than the ONE Canadian Government Bond Fund and the ONE Global Bond Fund. The credit exposure helps generate additional income for the portfolios and while its maturity profile has implications for diversification benefits.
- The Canadian Equity Fund is designed with a risk targeting approach, which limits exposure to cyclical sectors such as the energy and materials sector. The fund tends to have less volatile returns than the broad Canadian equity market. In weaker equity markets it often performs better than the broader Canadian equity markets.
- The Global Equity Funds provides exposure to international equities including emerging markets. The international equity exposure is important as it improves overall growth potential. The tendency of the performance to dampen the downside in weak markets was a criterion used when selection the external manager for this fund.

- Currency exposure is understood to be a source of diversification for investments. At this time the ONE JIB does not intend to actively hedge the returns of foreign investment exposures. This does not preclude investment managers employing currency hedging as part of their active investment management process.
- The investment funds/vehicles used in the ONE Investment prudent investor outcomes provide exposure to the basic portfolio building blocks. They each represent the key asset classes required to build diversified allocations as described in Table 5.

Table 5: Initial Investments vehicles

Fund/Investment Vehicle	Asset Class
ONE HISA	Cash
ONE Canadian Government Bond Fund	Domestic sovereign bonds
ONE Corporate Bond Fund	Domestic corporate credit
ONE Global Bond Fund	Global fixed income (including high yield bonds)
ONE Canadian Equity Fund	Domestic equity
ONE Global Equity Fund	Global equity (including Emerging Markets)

- Table 5 represents the investment vehicles that will be used initially when the ONE JIB starts investing founder MNRI. All of these investments are fully liquid investment vehicles.
- The asset classes available under the ONE Investment prudent investor offering are intended to be expanded over time. As assets under management grow, new funds and exposures will be explored to enhance the diversification benefits and return potential.
- At a later date the investment offering may be expanded to include infrastructure and real estate or other alternative investments, which may include investments that are less liquid.
- The ONE JIB will evaluate the investment offering on an ongoing basis and adjust and improve the offering as appropriate.

Preparations for the investment offerings of the JIB

The preparations for launching the ONE JIB dates back to 2018. Working on the advice from ONE Investment's Investment Advisory Committee (IAC), the structure of the investment offerings was recommended to enable the ONE JIB could commence the investment process in an expedited manor after the ONE JIB was formed. All of these preparations form the groundwork and structure for the investment activities of the JIB. The ONE JIB will be required to review and approve these details before the any investment activity takes place.

In September 2018 ONE staff issued an RFP for Investment Consulting Services to undertake three tasks:

1. Support ONE Investment in determining asset class strategies;
2. Conduct manager searches based on the strategies; and,
3. Review existing ONE Investment fund managers.

The investment consultant, Aon, was selected to assist ONE Investment with these tasks. ONE staff instructed the consultant to provide research and list of candidates for two new mandates (global equity and global bond) to be used as building blocks in creating the three investment solutions for municipal clients:

1. Contingency outcome (long-term, low risk growth);
2. Stable return outcome (a reasonably steady payout each year while growing principal at least at the rate of inflation); and,
3. Target date outcomes.

Investment Manager Selection Process

The manager selection process involved screening a larger list of candidates based on suitability of the manager/mandate to fit the criteria established by ONE Investment. This process involved quantitative and qualitative screening of candidates to create a short list of managers to interview. Interviews were conducted with each managers/mandate to gain more in-depth understanding. This ultimately allowed the IAC to identify managers to recommend for use by the ONE JIB for the prudent investors offering.

In February 2019, the investment consultant, Aon, recommended a short list of managers and provided comprehensive analysis to support the choice of this short list of candidates for the Investment Advisory Committee to review. Aon conducted operational due diligence on all candidates, provided an overview of the candidates' business, investment staff, philosophy, process, risk management and qualified the firm's approach to ESG policies. Comprehensive analysis of historical risk and return analysis was also provided. These details were reviewed before selecting candidates to be interviewed by the IAC.

The selection process of managers typically involves the use of what is known as the 4P's of manager searches', which covers the 4 topics: People, Philosophy, Process, and Performance. This framework captures the key considerations and questions that help differentiate the investment managers and help justify the selection of the manager to be used. Table 6 summarizes the 4P's:

Table 6: Typical Manager Evaluation Criteria - The 4P's

The 4 P's	Considerations
People	Is the investment team stable? What is their experience level? Is there equity ownership? What is the team dynamic? Is there key person risk and do they have proper succession planning?

	Do they instill confidence?
Philosophy	Discipline, confidence and conviction in an manager's investment philosophy are key considerations that give insight about the manager's ability to generate repeatable results. What are their guiding principles that drive their investment decision-making process? What investment style do they employ and what capital market inefficiencies are they trying to exploit?
Process	How is the philosophy executed? How are securities researched and selected? Is the investment process well defined? Can they adequately justify why securities are in the mandates? Do they have proper sell discipline? How often are investment positions reviewed? Who is accountable for performance? How do they ensure the mandates are adequately diversified? How is risk managed?
Performance	How does their performance compare to their peers? How consistent are the investment results? When and why has their performance deviated from their benchmark? Do they have a performance record that is long enough to gain confidence that the outperformance is repeatable? Annualized returns indicate the long-term performance. They tend to smooth out good and bad years and hence should be used to understand average returns. They tell little about the dispersion of returns. Calendar year returns are evaluated to identify the dispersion of returns. When did these returns depart from the benchmark returns and why? Is the pattern of manager returns highly volatile? Do the manger returns vary considerably from the manager's performance benchmark? Can the manger consistently outperform their benchmark?

In addition to the traditional manager selection criteria described in Table 6, other criteria were also considered that include the evaluation of policies regarding environmental, social and governance (ESG) of the manager. How ESG considerations are evaluated and factored into the investment process give comfort to the end investors and also have implication for the suitability of investment and the sustainability of performance of individual securities. ONE Investment notes that ESG consideration for municipal investors is being focused on more closely and is a highly relevant criteria for the manager selection process.

Other criteria used in the selection process including evaluation of manager fees, domicile of mandate and tax implications, attributes of the investments and their appropriateness for the prudent investor offering and other business-related considerations. Ultimately, the selection of managers evaluated all the factors/consideration to make a holistic analysis. Input from IAC members and relevant ONE staff individually ranked the managers interviewed. The results were compared and debated until a consensus was formed on the mangers to be selected.

Global Equity Investment Manger Search

The following criteria were chosen in the belief that they would balance an opportunity for more return potential with strong risk management. These criteria are appropriate considering the risk profile of municipal investors and the need to generate growth.

1. MSCI All Country World Index (approximately 10% in emerging markets) as a benchmark; Emerging Market exposure is desirable;
2. Broad diversification; and,
3. Strong downside protection.

Exposure to global equities is one of the key reasons for municipalities to move to the prudent investor regime, as this type of exposure is not available under the Legal List. The growth potential and diversification benefits versus other asset classes justify its inclusion in the ONE Investment mandates. The MSCI All Country World Index (MSCI ACWI) is a market capitalization weighted index that includes large and mid-cap companies across 23 Developed Markets and 26 Emerging Markets. It provides wide geographic exposure and the inclusion of emerging markets tends to increase the growth profile of investments. The broad diversification and downside protection criteria for manager selection provide help to lower the volatility associated with global equity investments. This is in line with the relatively low risk approach of all the ONE Investment mandates.

Based on the recommendation of the consultant, the IAC selected the candidates in Table 8 to be interviewed on March 14, 2019. Some of the attributes and details that were presented during the interview process are also detailed in the table.

Table 8: Global Equity Managers Interviewed

	GQG Partners LLC	Longview Partners (Guernsey) Limited	Mawer Investment Management Ltd.	Morgan Stanley Investment Management
Strategy Name	Global Equity	Equity Total Return (Unhedged)	Global Equity	Global Franchise
Inception	June 2016	December 2002	October 2009	March 1996
Benchmark	MSCI ACWI	MSCI ACWI	MSCI ACWI	MSCI ACWI
Assets in Strategy (CAD$ billion)	$8.05	$36.0	$8.7	$25.80
Firm Ownership	Some ownership by	Primarily owned by Rajiv	100% employee ownership	100% owned by Morgan

	senior professionals	Jain(Founder, CIO and Chairman of firm). Some ownership by senior professionals		Stanley
Strategy Staff	11	8	30	9
Investment Approach	Fundamental, Bottom-Up & Top Down	Fundamental, Bottom-Up	Fundamental, Bottom-Up	Fundamental, Bottom-Up
Investment Style	Growth/Quality	Quality	Quality	Quality
Turnover of holdings per year	40-50%	20%	16%	20% to 30%
Maximum Emerging Market Exposure	20%	Unconstrained by geography or sector	20%	30%

Final Selection: Mawer Investment Management's Global Equity Strategy

All of the candidates interviewed would have been satisfactory choices and the decision-making process was more a matter of identifying the best or most suitable manager. The consensus of the IAC was that Mawer should be selected as the manager. The ONE Investment Global Equity Fund will invest in units of the Mawer Investment Management's Global Equity Strategy pooled fund. As the assets under management grow it may become practical to instead have Mawer manage the mandate as a separate account, which would allow the ONE Investment Global Equity Fund to structure the fund to minimize the impact of foreign withholding taxes on investment income.

Mawer exhibits a very strong cohesive firm and investment culture with appropriate alignments of interest. Firm stability and low personnel turnover are positive attributes. Employee ownership is broadly diversified. The investment process is rigorous, well thought out, and strictly adhered to. Their deep fundamental analysis is supported by a quantitative probabilistic framework. Discussions of ideas are very strong. The portfolio has broad exposure outside of purely large-cap stocks. The firm also runs a global small cap product, which can generate ideas for this fund since all research is standardized. The strategy had a very cohesive and understandable approach to their investment management process that the IAC felt would resonate with municipal investors. Their answers to questions on ESG matters differentiated them for the other candidates, as they clearly demonstrated that their good judgment and moral standards were more important in making investment decisions

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than the growth prospects of the firms involved. They were able to explain in a succinct way how they assign investment weights to each position and clearly demonstrated the process of that ensured sell discipline. The manager does not employ a currency hedging strategy. The IAC separately discussed the merits of hedging the currency exposure related to global equity holdings and it was noted that this tended to diminish the diversification benefits associated with global equity investing.

Global Fixed Income Investment Manager Search

The following criteria are expected to provide a stable return through both income and capital gains by giving the manager the latitude to access any bonds in the world.

1. Global unconstrained portfolio;
2. Stable return is favored; and,
3. Short duration.

Shorter duration is appropriate for this search to limit the interest rate risk, and to allow the manager to concentrate on adding value for this fixed income mandate. In a low interest rate environment, the ability to generate returns from traditional fixed income investments is somewhat limited. The unconstrained nature of the mandate means the manager is less beholden to the benchmark and has more flexibility to seek returns by investing in different sectors or investment types to augment returns. The manager of this mandate will use active management to select securities and use high conviction ideas in a portfolio comprised primarily of fixed-income securities of global issuers, including corporate bonds and government bonds. The mandate will include exposure to emerging and developed markets and include both investment grade and high yield securities. The low interest sensitivity of investments, well-diversified positions and an average credit rating of investment grade mean that the mandate has a relatively low risk profile.

Based on the recommendation of the consultant, the IAC selected the candidates in Table 9 to be interviewed on April 14, 2019. Some of the attributes and details that were presented during the interview process are also detailed in the Table 9.

Table 9: Global Fixed Income Managers Interviewed

	BlackRock	MFS Investment Management	Manulife Asset Management	PIMCO
Product	BlackRock Fixed Income Global Opportunities	MFS Canadian Short Corporate Plus Fixed Income Strategy	Manulife Asset Management Strategic Fixed Income	PIMCO Monthly Income Fund
Inception	May 2010	Not available	October 1986	January 2011
Benchmark	No Benchmark	FTSE Canada	Bloomberg	Bloomberg

		Short Term Corporate Index	Barclays Multiverse Index	Barclays U.S Aggregate Hedged CAD
Assets in Strategy (CAD$ billion)	$44.45	Not available	$31.38	$268.81
Fixed Income Staff	460	93	156	Not available
Average Credit Quality	A-	Investment Grade	Investment Grade	A
Duration Range	Not available	1 year to 4.5 years	2 years to 6 years	Not available
Yield to Maturity	4.27%	Not available	5.02%	5.26%

Final Selection: Manulife Asset Management's Strategic Fixed Income product

The IAC recommended that the JIB select Manulife Asset Management's Strategic Fixed Income product to be used to represent global fixed income exposures. The ONE Investment Global Bond Fund intends to invest in units of the Manulife Asset Management Strategic Fixed Income pooled fund.

While all of the candidates interviewed had the capacity to provide a mandate that satisfied the search objectives, Manulife's approach resonated. They offered an opportunity set within the fixed income space with ample capabilities to add value. They have a long track-record demonstrating excellent risk adjusted returns. They appeared to have a strong team dynamic and instilled confidence that they could manage relatively complex strategies well and offered a broad opportunity set of capabilities within the fixed income markets. Despite the complexity involved with unconstrained fixed income, they were able to explain their process well and clearly explain how they attain their performance. The rationale behind aspects of their investment approach were well thought out, well explained and gave confidence in their abilities. Being able to explain the strategy to municipal investors more readily is a secondary consideration in the selection of managers, but it is important that the end investors gain comfort in how their money is managed. They have an active currency hedging strategy that typically is above 50% hedged back to the Canadian dollar. The interaction between international interest rates and currency movements means that a fully hedged approach may not be optimal. Hedging is used to reduce volatility and for diversification purposes but has been used to enhance overall performance. This product has a particularly low correlation to the Canadian government bonds, which implies good diversification benefits for the ONE Investment prudent investor offering.

Canadian Investment Exposures – mandates and managers

ONE Investment has a suite of investment products that are currently available to municipal investors under the Legal List. The low-risk attributes of these portfolios are suitable to be paired with the new Global Equity and Global Fixed Income mandates. Together they will be used to build well-diversified allocations for the ONE Investment Prudent Investor offering. As existing investment managers are being used and these mandates have a long performance track record, the IAC was comfortable with these managers and mandates for use under the prudent investor offering.

Three of the ONE Investment Legal List portfolios will be used as a template to create pooled funds for the prudent investor offering. It is anticipated that initially the holdings of the Legal List portfolios and prudent investor pooled funds will be substantially the same. As the pooled funds will not be subject to the strict rules of the Legal List, the managers will have more freedom to allow the pooled funds to assume similar investment exposure without being subject to the same prescriptive restrictions of the Legal List. It is contemplated that in the future these pooled funds with Canadian investment exposure may modify their mandates to be less similar to the Legal List portfolio offerings.

ONE Canadian Equity Fund

The manager of this fund will be Guardian Capital LP, a subsidiary of Guardian Capital Group Limited, listed on the Toronto Stock Exchange. This Canadian investment manager has been managing a nearly identical mandate for ONE Investment since January 2007. The strategy uses a risk-targeted approach that limits exposure to the resource sector to reduce exposure to cyclical sectors of the Canadian equity market, which makes the mandate relatively low risk.

The strategy is a Growth-at-a-Reasonable Price (GARP) style that seeks companies with above average growth and quality, which expects to add value primarily through bottom-up stock selection while adhering to sector weighting limits. They look for strong business franchises exhibiting long term growth potential. The attractiveness of these growth opportunities, however, must be supported by four key components:

1. The business must exhibit a sustainable competitive advantage within their marketplace;
2. The firm must be supported by a strong management team;
3. The firm's balance sheet must be appropriately healthy for the industry they operate in; and,
4. The valuation of the stock must be reasonable relative to its growth potential

As the new ONE Canadian Equity Fund will mirror the existing ONE Canadian Equity Portfolio, a description of the Legal List mandate and characteristics have been presented in Table 10 while recent sector allocations have been presented in Table 11. This information should help the ONE JIB understand the expected exposures and characteristics of the ONE Canadian Equity Fund.

Table 10: ONE Canadian Equity Portfolio

Investment Objective	To outperform S&P/TSX Composite

Investment Process	Primarily through bottom-up stock selection
Size of Companies	Mid to large cap stocks
Portfolio Diversification	35 to 50 stocks in addition to sector weighting limits
Cash Flow and Dividend	The portfolio favours companies with a high and stable level of cash flow. Most stocks in the portfolio pay a dividend since it is a sign quality; however, payment of a dividend or the level is not a requirement.
Asset Under Management (Legal List) (March 31, 2020)	$ 397.8 million

Table 11: ONE Canadian Equity Portfolio Sector Weights, As at March 31, 2020

Sector	S&P/TSX Composite (%)	ONE Portfolio (%)
Energy	13.2	5.1
Materials	11.7	8.2
Industrials	11.9	18.0
Consumer Discretionary	3.5	3.8
Consumer Staples	4.5	15.0
Health Care	1.0	0.0
Financials	32.0	24.4
Information Technology	7.0	11.2
Communication Services	6.4	9.8
Utilities	5.7	4.5
Real Estate	3.1	0.0
TOTAL	100.0	100.0

ONE Canadian Government Bond Fund

The manager of this fund will be MFS Investment Management who has been managing a nearly identical mandate for ONE Investment under the Legal List since October 1997. This fund will invest in very high credit quality Canadian bonds and emphasizes exposure to government bonds including federal, provincial and municipal bonds. By design, this fund will have very short bond duration, which means it has relatively low interest rate risk. These features will make this fund a very low risk investment mandate. As the new ONE Canadian Government Bond Fund will mirror the existing ONE Canadian Government Bond Portfolio, a description of this Legal List mandate and characteristics are presented in Table 12. This information should help the ONE JIB understand the expected exposures and characteristics of the ONE Canadian Government Bond Fund.

Table 12: ONE Canadian Government Bond Portfolio, As at March 31, 2020

Investment Objective	To provide a competitive rate of return in conservatively managed short-term bonds with a priority of capital preservation.
Investment Process	Driven by combination macro-economic analysis and fundamental research
Bond Duration	2.5 years
Yield to Worst	1.40%
Average Coupon	2.46%
Average Credit Quality	AA
Exposure to Corporate Credit	41.5%
Asset Under Management (March 31, 2020)	$216.4 million

ONE Canadian Corporate Bond Fund

The manager of this fund will be MFS Investment Management who has been managing a nearly identical mandate for ONE Investment under the Legal List since September 2008. This fund will invest in very high credit quality Canadian bonds and emphasizes exposure to corporate bonds. This fund will have an intermediate bond duration, which means its performance is sensitive to changes in the level of interest rates. These features mean that the fund will have a relatively low risk profile but would typically be expected to generate higher returns than the ONE Canadian Government Bond Fund. As the new ONE Canadian Corporate Bond Fund will mirror the existing ONE Canadian Corporate Bond Portfolio, a description of this Legal List mandate and characteristics have been presented in Table 13. This information should help the ONE JIB understand the expected exposures and characteristics of the ONE Canadian Corporate Bond Fund.

Table 13: ONE Canadian Corporate Bond Portfolio, As at March 31, 2020

Investment Objective	Provide a competitive rate of return within a conservatively managed portfolio of diversified corporate and government bonds.
Investment Process	Driven by combination macro-economic analysis and fundamental research
Bond Duration	5.35 years
Yield to Worst	2.23%
Average Coupon	2.99%
Average Credit Quality	AA-

Exposure to Corporate Credit	66.0%
Asset Under Management (March 31, 2020)	$282.8 million

Conclusion

The groundwork to build ONE JIB has been underway for several years and involved comprehensive planning that included ONE Investment staff, IAC, input from Founding Municipalities as well as other consultants and legal experts. This creates a solid foundation for the ONE JIB to move forward. This report summarizes many of the considerations for foundation of ONE JIB's the prudent investor offering. The background information presented here is considered vital to gaining and understanding the nuances and details that will be relevant for the ONE JIB members.

In addition to background information provided for informational purposes, specific details about Founding Municipalities MNRI, risk and return considerations, investment offerings, and manager selections have been elaborated so the ONE JIB members can start deliberating on the aspects of how the Founding Municipalities MNIR will be invested in an expedited manner.

The key items in this report for the ONE JIB are:

1. Approval of the investment vehicles/funds to be used
2. Approval of managers selected for each of the ONE Investment pooled funds

Other details in this report are intended as background information and detail that will help the ONE JIB members make informed decisions on the two action items above.

Drafted by: Colin Macdonald, Manager of Investments and
Keith Taylor, Chief Investment Officer
Approved for submission by: Judy Dezell and Donna Herridge, Co-President/CEO

Appendix 1

Changing Municipal Investment Powers in Ontario

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Changing Municipal Investment Powers in Ontario

For all municipalities in Ontario, except for the City of Toronto, investment powers are governed by the *Municipal Act, 2001* (the "Act"). In the case of Toronto, investment powers are dealt with under the *City of Toronto Act, 2006*. Section 9 of the Act grants natural person powers to municipalities and sections 8 and 10 indicate that such powers are to be interpreted broadly. However, there are a number of powers identified in section 17 of the Act which are excluded from this broad grant of powers. Section 17 explicitly states that the power of municipalities to invest is not derived from its natural person powers. Instead investment powers are based on "express authority" found in the legislation.

Investment Powers Under the *Municipal Act, 2001*

Until recently, the express authority to invest under the Act, was found exclusively in section 418.

> 418 (1) A municipality may invest in prescribed securities, in accordance with the prescribed rules, money that it does not require immediately including,
>
> (a) money in a sinking, retirement or reserve fund;
>
> (b) money raised or received for the payment of a debt of the municipality or interest on the debt; and
>
> (c) proceeds from the sale, loan or investment of any debentures. 2001, c. 25, s. 418 (1).

Section 418 makes it clear that municipalities can only invest in securities that are prescribed in regulations according to rules and conditions also set out by regulation. Subsection 418(6) gives broad regulatory authority to the Lieutenant Governor in Council (Cabinet) to prescribe rules, define eligible securities and to specify that there is no authority to invest in any securities other than those set out in regulation.

In addition to section 418, section 420 permits municipalities to enter into agreements for the investment of money with other municipalities or certain other public entities (e.g. public hospital, universities, school boards or an agent of any of these groups). Section 420 provides the authority for municipal comingled investment funds such as those made available under the ONE Investment Program (the "ONE Funds").

Legal List Investing

As noted above, the Act permits the Ontario government to prescribe eligible investments and investment rules in a regulation. The legal list was the only permitted investment approach available to municipalities for many years until amendments were made to the Act in March of 2018. The first investment regulation in Ontario came into force in 1997 (O. Reg. 438/97, the "Regulation"). The Regulation has been amended numerous times since then, most recently in March of 2018.[1] The list of eligible investments and various

[1] Last amended by O. Reg. 43/18 which appeared in the Ontario Gazette on March 17, 2018.

conditions has been summarized in a table prepared by the Municipal Finance Officers' Association (MFOA) and attached hereto as Appendix A.[2]

The Regulation sets out a range of eligible securities for municipal investments. This approach to investing is often referred to as a "legal list" approach since it explicitly lists the securities or securities classes that are eligible for municipalities. All other securities are ineligible. In addition to identifying eligible securities for investment purposes, the Regulation has a number of other requirements, including:

- Conditions
  - Securities can have additional conditions. For example, only bonds issued by listed eligible issuers can be acquired by municipalities. In some cases, securities require a prescribed minimum rating. In other cases the municipality might be required to have a certain minimum rating. In still others, securities might only be accessible through the ONE Investment Program. The latter applies to shares of Canadian corporations and corporate bonds with a maturity of five years or more.
  - The Regulation stipulates that, with some limited exceptions, only securities denominated in Canadian dollars are eligible

- Investment Policy
  - Section 7 of the Regulation requires the council of a municipality to adopt a statement of investment policies and goals before it invests in a legal list security. The Regulation requires such policies to address the following, at a minimum:
    - the municipality's risk tolerance and the preservation of its capital;
    - the municipality's need for a diversified portfolio of investments; and
    - obtaining legal advice and financial advice with respect to the proposed investments.

- Annual Reporting
  - Section 8 of the Regulation states that council shall require the treasurer to prepare and provide to the council annually, or more frequently as specified by the council, an investment report. The investment report shall contain:
    - a statement about the performance of the portfolio of investments of the municipality during the period covered by the report;
    - a description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;
    - a statement by the treasurer as to whether or not, in his or her opinion, all investments are consistent with the investment policies and goals adopted by the municipality;

[2] MFOA's summary of the Regulation is current up to the amendments made by O. Reg. 43/18.

        - a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security; and
        - such other information that the council may require or that, in the opinion of the treasurer, should be included.

- Additional Duty of the Treasurer
    - The investment report must also contain a statement by the treasurer as to whether any of the investments for which a minimum rating is required fell below the minimum rating set out in the Regulation during the period covered by the report.

Finally, the Regulation also deals with forward rate agreements. These are agreements entered into by a municipality and a Schedule I, II or III Bank under the *Bank Act* (Canada) to make an investment at a future date in a prescribed security. The Regulation stipulates a number of conditions that must be met in these agreements.

In 2018, a number of amendments were made to the legal list provisions of the Regulation. The following changes were made to a newly created Part I of the Regulation that is the foundation for municipalities investing using the legal list approach. These include:

- Sell investments that fall below the minimum rating set out in the regulation according to a plan, including expected timelines for selling the investment ("workout plan"), adopted by the municipality (used to be within 180 days);
- Minimum ratings on certain securities reduced to A-;
- Can invest in securities of Credit Unions and Caisses Populaires under certain conditions;
- Can accept any donation, including equities, if sold according to a municipal workout plan
- American dollar accounts acceptable (used to be all securities had to be denominated in Canadian dollars);
- 180 day limitation on bond forward agreements replaced by limit of 12 months; and
- AMO/LAS/MFOA/CHUMS can participate in the ONE Funds.

While these changes were welcomed, they did not significantly expand the range of investments that municipalities could make. However, expanded investment powers came with the addition of the prudent investor standard to the regulation.

Prudent Investor Standard Investing

On May 30, 2017, Royal Assent was given to *An Act to Amend Various Acts in Relation to Municipalities* (Bill 68). This was an omnibus Act that made amendments to numerous statutes dealing with municipalities. With respect to municipal investment powers, the Act was amended to include a new section 418.1, which introduced a new approach to investment that was previously introduced to the *City of Toronto Act, 2006* in 2015. The new section gives municipalities access to an alternative investment approach to the existing "legal list." The new "prudent investor standard" approach offers access to a broader range of securities and an enhanced ability to control risk through greater diversification. In addition to this amendment to the Act, in 2018 amendments were also made to the Regulation that made changes to the existing legal list provisions and, as well, introduced rules and conditions related to the prudent investor standard.

What is the prudent investor standard?

The "prudent investor standard" places no restrictions on eligible securities but does require a municipality to exercise the care, skill, diligence and judgment of a prudent investor when investing under the new regime.

The municipality must consider the following criteria in planning investments, in addition to any other criteria that are relevant to the circumstances:

1. General economic conditions.
2. The possible effect of inflation or deflation.
3. The role that each investment or course of action plays within the municipality's portfolio of investments.
4. The expected total return from income and the appreciation of capital.
5. Needs for liquidity, regularity of income and preservation or appreciation of capital.

The municipality must diversify its investments to an extent that is appropriate to general economic and investment market conditions.

To access these expanded investment powers, a municipality must:

- Meet specific financial criteria;
- Pass an appropriate by-law
- Enter into an agreement to establish an investment board ("IB") or joint investment board ("JIB");
- Adopt and maintain an investment policy;
- Have the IB or JIB adopt and maintain an investment plan that is consistent with the municipality's investment policy;
- Monitor investment performance, and
- Review performance reports and update the investment policy as needed.

The policy and the plan should be adopted and the agreement must be entered into before the by-law is passed.

This report sets out below the financial criteria and discusses the prudent investor governance model below. Subsequent reports will discuss the investment policy and by-law required.

The new standard is not directly available to all municipalities. To invest under the new standard a municipality must meet one at least one of the following financial eligibility conditions:

- In the opinion of the treasurer, the municipality has at least $100 M in money investment that it does not require immediately, or
- Has $50 M in net financial assets as reported in the Financial Information Return posted on the Ministry's website on the day the by-law is passed.

A municipality need only meet one of these conditions to be able to pass a by-law to adopt the prudent investor standard. Once a by-law has been passed and the municipality is using the prudent investor regime, it does not matter if it ceases to meet either of the financial eligibility conditions, as long as it met one of them at the time of passing the by-law. Appendix B shows all municipalities that meet either or both of the financial eligibility conditions based on 2016 Financial Information Returns (FIRs).

Municipalities that do not meet either of these conditions independently can still access the prudent investor regime by pooling resources with other municipalities. Municipalities that collectively have $100 M in money and investments that they do not require immediately may jointly invest through a pooled or joint arrangement.

Benefits of the Prudent Investor Standard

Since there are no restrictions on individual securities that can be acquired, the prudent investor standard allows a wider range of potential investments. This permits a greater degree of diversification and diversification is a key tool in managing portfolio risk. The greater range of investment options also permits access to a variety of securities and securities classes that can produce better returns than the securities on the current legal list. In addition, the prudent investor standard allows a portfolio to be modified to accommodate new types of securities and changing market conditions. In short, for money not required immediately, the prudent investor standard has the potential to produce higher returns with less risk over time and allow investors to better align their portfolio with their willingness to accept risk.

The prudent investor standard, like the legal list, applies to money not required immediately. Its greatest potential benefit is to allow municipalities to substitute investment returns for tax dollars to finance capital projects. The investment products that would be attractive under the prudent investor regime will often have longer investment horizons and are ideal for financing assets with long lives. A municipality does not require investment options beyond the legal list if it only wants a high degree of liquidity and minimal risk.

Legal List vs Prudent Investor

Municipalities will need to decide whether to invest money not required immediately under the new prudent investor standard or to continue to invest using the legal list. A municipality can choose one approach or the other, but not both. (A municipality adopting the prudent investor regime may still, of course, continue to invest its money that is required immediately under the legal list.)

In Ontario, investing under the prudent investment standard is generally considered by experts to be preferred to the legal list because it provides greater opportunities for diversification and risk management with potentially greater investment returns. Table 1 compares and contrasts the two approaches that Ontario municipalities now have.

Table 1: Legal List vs Prudent Investor Standard

Legal List	Prudent Investor Standard
• Council develops a statement of investment policies and goals	• Council develops an investment policy, the IB or JIB develops an investment plan to implement council's policy
• Easy to monitor in theory	• Monitoring requires more detailed policies and procedures
• Regulations can be difficult to interpret	• Evolves concurrently with capital markets
• Time consuming to evolve to reflect evolving capital markets	• Requires more detailed independent due diligence
• May provide a false sense of security	• Consistent with fiduciary duty
• Risk is determined by the legal list	• Risk can be determined and controlled at the portfolio level
• Ability to diversify is more limited	• Ability to provide greater diversification and risk reduction

The Prudent Investor Governance Model

The Regulation requires a particular governance model to be used if a municipality wishes to use the prudent investor standard authorized by s. 418.1 of the Act and Part II of the Regulation. The governance model, set out in s. 17 of the Regulation, states that funds not required immediately must be invested through an IB or a JIB. [3] A municipality must:

- Establish an IB or JIB under section 196 (IB) or section 202 (JIB). Such a board is a local board of the municipality.[4]
- Give "control and management" of the municipality's investments to the IB or JIB
- The municipality must delegate to the IB or JIB:
    - The municipality's powers to make investments, and
    - The municipality's duties under section 418.1 of the Act.

[3] The Act provides in subsection 418.1(12) that money that the municipality does not require immediately includes:

i. money in a sinking, retirement or reserve fund
ii. money raised or received for the payment of a debt of the municipality or interest on the debt and
iii. proceeds from the sale, loan or investment of any debenture.

[4] Note that as a municipal service board, an IB or JIB is subject to various other provisions of the Act (e.g. open meetings, conflict of interest) as well as any municipal policies that might be operative with respect to local boards (e.g. codes of conduct).

In the case of a new IB or JIB the municipality is free to determine the size of the board and qualifications of board members but is prohibited from appointing any member of council or municipal staff person to the board except the municipal treasurer, provided that the treasurer does not make up more than 25% of its members.

A municipality that does not meet either of the financial eligibility conditions on its own has several options with respect to alternative arrangements. It can:

- enter into a written agreement to invest through an IB established by another municipality[5] before the day the by-law is passed with the following parties:
    - the IB
    - any other municipalities investing through the IB.

  (paragraph 3 of section 15 and subsection 17(3) of the Regulation)

- enter into a written agreement to invest through the City of Toronto IB with the following parties:
    - the City of Toronto
    - the City of Toronto IB
    - any other municipalities investing through the City of Toronto IB[6].

  (paragraph 3 of section 15 and section 43 of O. Reg. 610/06)

- enter into an agreement to establish and invest through a JIB with one or more municipalities. In order to establish a JIB, all of the municipalities establishing the JIB must have, in the opinion of their treasurers, a combined total of at least $100M in money and investments that the municipalities do not require immediately.
  (paragraph 2 of section 15 and subsection 17(2) of the Regulation)

- enter into an agreement to invest through an existing JIB established by other municipalities before the day the by-law is passed with the following parties:
    - the JIB
    - any other municipalities investing through the JIB.

  (paragraph 3 of section 15 and subsection 17(3) of the Regulation)

The ONE investment Program will establish a JIB to oversee pooled access to the standard so that small and medium sized municipalities can enjoy the better returns through the prudent investor standard.

[5] The other municipality must have been able to fulfill one of the financial eligibility conditions.

[6] It should be noted that the City of Toronto Investment Policy at present does not contemplate the City of Toronto IB investing on behalf of other municipalities.

Municipal vs Investment Board Responsibilities

The governance structure set out in Part II of the Regulation places clear legal obligations on the municipality as well as the IB or JIB that has responsibility for managing the investments. These responsibilities are summarized in Table 2.

Table 2: Responsibilities Under the Governance Model

Responsibilities Under the Governance Model	
Municipality	IB/JIB
• Adopts, maintains investment policy	• Adopts, maintains investment plan
• Reviews policy at least annually	• Monitors, reports performance
• Monitors performance compliance by the IB/JIB	• Updates plan to comply with investment policy
• Municipality (treasurer) reports as whether the investment plan has complied with the municipality's investment policy	• May engage agents to manage investment functions

It should be noted that the prudent investor model will require municipalities to develop more robust investment policies and to monitor their performance on an ongoing basis. For small and medium sized municipalities, the ONE Investment Program is working to offer as much assistance as possible for investment policy development, monitoring and municipal finance issues such as integrating investment strategies with capital programs.

ONE Investment and the prudent investor standard

ONE Investment is a not for profit corporation formed by CHUMS Financing Corporation (a subsidiary of the MFOA) and LAS/AMO.[7] ONE Investment currently offers many investment options for municipalities that invest using the legal list approach. These legal list products will continue to be maintained for those choosing to invest under the legal list. However, the program will also be expanded to accommodate municipalities that wish to adopt the prudent investor standard for municipal investing.

ONE Investment's Legal List Program

ONE offers five investment products that have been designed to provide investment options for municipalities with differing investment horizons. These include options that range in terms of investment horizons from portfolios for short-term funds to a Canadian Equity portfolio for municipalities with investment horizons of five or more years. Table 3 provides a summary of the product offerings, the recommended investment horizons, the investment approaches and samplings of the securities held in each product.

Table 3: ONE Investment Program Products

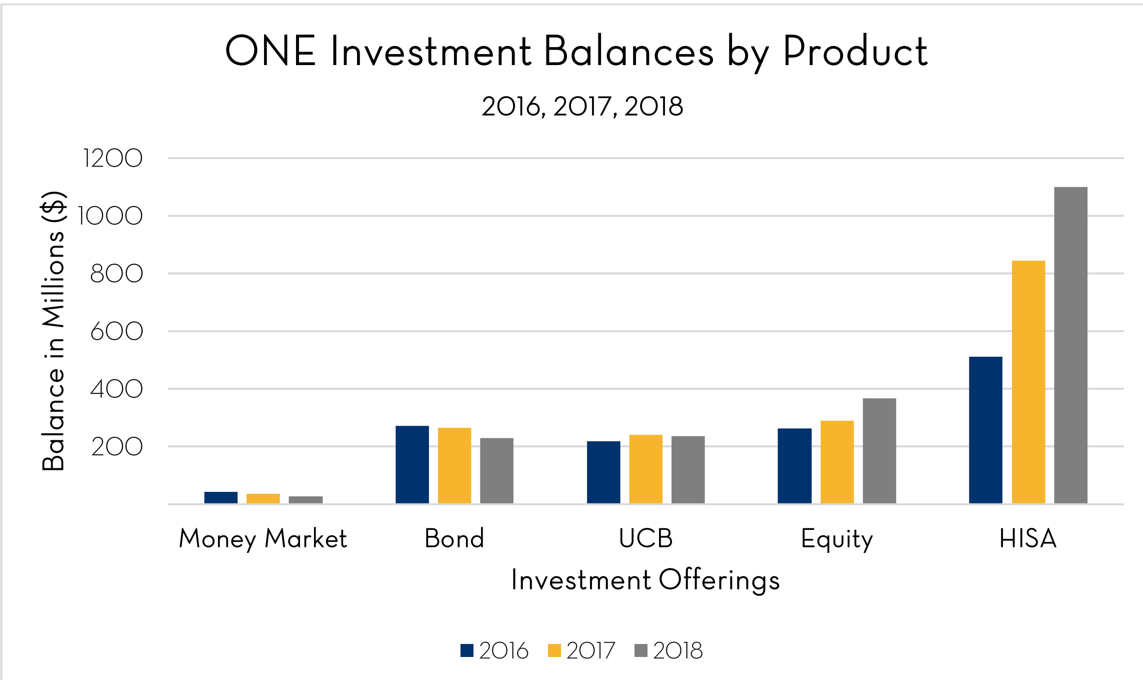
[7] See the ONE Investment Program website for further information.

Portfolio	Intended Investment Horizon	Investment Approach	Holdings
HISA (High Interest Savings Account)	1+ months	Deposits with a Schedule One Canadian Bank under a master LAS/CHUMS account	• Bank deposits
Money Market	1 month to 18+ months	Preserve capital and maintain liquidity while maximizing short-term income	• Canadian treasury bills • High quality commercial paper • Banker's acceptances • Floating rate notes
Bond	18 months to 3+ years	Provide a higher return over longer investment horizons through diversified investments	• Federal, provincial and municipal bonds • High quality bank paper • Bank guaranteed debt
Universe Corporate Bond*	4+ years	Investment in highly rated corporate bonds maturing over a wide timeframe	• Canadian corporate bonds • Federal, provincial and municipal bonds
Canadian Equity*	5+ years	A diversified, conservatively managed portfolio of equity securities issued by Canadian corporations	• Canadian equity securities

** These asset classes (Canadian equities and Canadian Corporate Bonds with maturities longer than five years) are available for investment for municipalities only through ONE Program as per the Regulation.*

Table 4 shows balances as of December 31 for the years 2016, 2017 and 2018. Balances at the end of 2018 were just under $2 B. With the exception of the money market portfolio, all products have seen significant growth in recent years. Growth in products with longer investment horizons suggest that more municipalities are using investment revenues to finance capital projects.

Table 4: ONE Investment Balances by Product



Unsurprisingly, large municipalities have larger balances, on average, than small ones. Nevertheless, ONE Investment has numerous smaller investors as Table 5 illustrates. Almost 70% of all investors have populations of 25,000 or less, although they collectively hold about 17% of the total investments. At the other end of the population spectrum, municipalities with a population of 100,000 or more constitute 13% of investors but hold 51% of the total investments.

Table 5: ONE Investment Investor Profile (as at Dec 31, 2018)

Population (000s)	Muni's	Number of Investors	% of Total Investors	Market Penetration	Investment ($M)	% Total Investment
<5	193	44	29%	22%	74	4%
5 - 25	157	59	39%	38%	245	13%
25 - 50	26	17	11%	65%	287	15%
50 - 100	33	13	9%	39%	325	17%
100+	35	19	13%	54%	944	51%
Total	444	152	100%	34%	1,875	100%

ONE Investment's Prudent Investor Program

Under the prudent investor regime, and its governance model, an arm's length IB or JIB will have the "control and management" of the investment funds. The ONE Investment Program is working to provide opportunities for all municipalities to access the prudent investment standard. Specifically, ONE is:

- Recruiting experts for a JIB
  - ONE has recruited highly experienced experts to participate in a JIB as required under the Regulation. Some of these individuals have deep investment experience and knowledge while others have experience and knowledge of municipal finance through experience working in the municipal finance sector.
  - Creating an agreement that will permit interested municipalities to establish and invest through ONE Joint Investment Board ("ONE JIB") to take advantage of the prudent investor regime
- Preparing draft agreements for other municipalities to invest through ONE JIB
- Recruiting investment experts to manage the investment portfolios of participating municipalities according to their investment policies and to advise municipalities on an appropriate allocation of funds consistent with their investment objectives
- Building a model investment policy template to assist municipalities in crafting investment policies and standards that can ensure that investments are made that are consistent with a municipality's investment goals and risk tolerance
- Providing investment advice and municipal finance advice so that municipalities are better equipped to integrate their investment program with their capital program
- Providing education and training to municipal staff on investing and the use of investment funds to support municipal objectives and priorities
  - ONE Investment has produced a number of investment newsletters dealing with the new prudent investor regime
  - Seminars and webinars. One staff regularly produce investment seminars and webinars on a range of investment issues
  - One on one discussions with municipal finance staff in municipalities with ONE Investment's experts in investment portfolio construction and municipal finance. This provides valuable assistance for municipalities to clarify their

investment goals and understand how to integrate their investment policies with other related polices such as their capital budget, debt management program and reserve contribution policies

ONE Investment will establish a JIB, ONE JIB, with several municipalities that, collectively, have at least $100 M to invest. ONE JIB will develop investment plans for participating municipalities and manage their funds according to those plans.

Summary

Municipal investment powers have been significantly expanded in Ontario for municipalities that meet eligibility criteria and adopt a particular governance model set out in Part II of the Regulation. Two different and mutually exclusive approaches to investing have existed since January 1, 2019. The existing "legal list" approach, which is the traditional approach to investing for municipalities, continues. The new prudent investor regime approach is open to municipalities that meet eligibility criteria, either individually or collectively, and delegate control and management of their money not required immediately to an IB or JIB.

The prudent investor regime places no restrictions on securities but stresses that investment portfolios be constructed with regard to broad criteria that include:

- General economic conditions,
- The possible effect of inflation or deflation,
- The role that each investment or course of action plays within the municipality's portfolio of investments,
- The expected total return from income and the appreciation of capital, and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

The investment of municipal money is undertaken by an IB or JIB that is a local board of the municipality or municipalities. No councilors are permitted to sit on the board. The only staff allowed to sit on the board is the municipal treasurer or, in the case of a JIB, several treasurers provided they do not comprise more than 25% of the membership of the IB or JIB.

ONE Investment is creating ONE JIB to provide access to the prudent investor standard regime for municipalities that do not qualify for the standard on their own or for municipalities that do not wish to incur the up front and ongoing maintenance costs associated with the investment governance model on their own. ONE Investment will:

- Create and support ONE JIB
- Prepare draft agreements for municipalities interested in investing through ONE JIB
- Assist municipalities in writing their investment policies
- Support municipalities with draft reports and by-laws
- Support ONE JIB in creating municipal investment plans
- Provide robust reporting to municipalities on investment performance

Dated May 9, 2018

MFOA SUMMARY OF ELIGIBLE MUNICIPAL INVESTMENTS UNDER PART I OF O. REG. 438/97 AS AMENDED (HEREAFTER REFERRED TO AS THE "REGULATION")

LAST REVIEWED: MARCH 2018

NTD: 1) References to "a term of more than 2 years" means a 'remaining term to maturity greater than 2 years'.
2) References to "a term of 2 years or less" means a 'remaining term to maturity of 2 years or less'.
3) Eligible investments for the proceeds of the sale of shares of the City of Ottawa's corporation incorporated under section 142 of the *Electricity Act, 1998* are not included.

Eligible Investment (and regulatory authority) Security	Issuer	Conditions	Minimum Security Ratings	Minimum Municipal Debt/Credit Rating or Other Requirement
Section 2, paragraph 1. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by:	**i.** Canada, a province or a territory of Canada	• Applies to all municipalities		
	ii. an agency of Canada, a province or territory of Canada	• Applies to all municipalities		
	iii. a country other than Canada	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: AA(low) • Fitch: AA- • Moody's: Aa3 • S & P: AA- 3(1)	
	iv. a municipality in Canada, including the municipality making the investment	• Applies to all municipalities		
	v. a school board or similar entity in Canada	• Applies to all municipalities		

[A] Formerly, municipalities had to sell downgraded securities within 180 days. Now, when a security falls below the required standard, the municipality shall create a plan, including expected timelines for selling the security ("Workout Plan") and shall sell the security in accordance with the Workout Plan.

Eligible Investment (and regulatory authority) Security	Issuer	Conditions	Minimum Security Ratings	Minimum Municipal Debt/Credit Rating or Other Requirement
	vi. a local board as defined in the *Municipal Affairs Act* (excluding a school board or municipality) or a conservation authority established under the *Conservation Authorities Act*	• Applies to all municipalities		
Section 2, paragraph 1. cont'd.	**vii.** Municipal Finance Authority of British Columbia	• Applies to all municipalities		
	iv.1 Ontario Infrastructure and Lands Corporation (OILC)	• Applies to all municipalities		
	v.1 a university in Ontario that is authorized to engage in an activity described in s. 3 of the *Post-secondary Education Choice and Excellence Act, 2000*	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan*A if investment falls below standard 3(6)	• DBRS: AA(low) • Fitch: AA- • Moody's: Aa3 • S & P: AA- 3(1)	
	v.2 a college established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan*A if investment falls below standard 3(6)	• DBRS: AA(low) • Fitch: AA- • Moody's: Aa3 • S & P: AA- 3(1)	

*A Formerly, municipalities had to sell downgraded securities within 180 days. Now, when a security falls below the required standard, the municipality shall create a plan, including expected timelines for selling the security ("Workout Plan") and shall sell the security in accordance with the Workout Plan.

Eligible Investment (and regulatory authority) Security	Issuer	Conditions	Minimum Security Ratings	Minimum Municipal Debt/Credit Rating or Other Requirement
	vi.1 a board of a public hospital within the meaning of the *Public Hospitals Act*	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: AA(low) • Fitch: AA- • Moody's: Aa3 • S & P: AA- 3(1)	
	vi.2 a non-profit housing corporation incorporated under s. 13 of the *Housing Development Act*	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: AA(low) • Fitch: AA- • Moody's: Aa3 • S & P: AA- 3(1)	
	vi.3 a local housing corporation as defined in s. 24 of the *Housing Services Act, 2011*	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: AA(low) • Fitch: AA- • Moody's: Aa3 • S & P: AA- 3(1)	
Section 2, paragraph 2. Bonds, debentures, promissory notes or other evidence of indebtedness ("Corporate Debt")	a corporation	• Applies to all municipalities • Corporate Debt must be secured by the assignment to a trustee of payments sufficient to meet amounts payable under the Corporate Debt[1]		

[1] Corporate Debt must be secured by the assignment to a trustee (as defined in the Trustee Act) of payments that Canada or a province or territory thereof has agreed to make or is required to make under a federal, provincial or territorial statute and such payments must be sufficient to meet the amounts payable under the Corporate Debt, including the amounts payable at maturity.

*A Formerly, municipalities had to sell downgraded securities within 180 days. Now, when a security falls below the required standard, the municipality shall create a plan, including expected timelines for selling the security ("Workout Plan") and shall sell the security in accordance with the Workout Plan.

Eligible Investment (and regulatory authority) Security	 Issuer	Conditions	Minimum Security Ratings	Minimum Municipal Debt/Credit Rating or Other Requirement
Section 2, paragraph 3. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments ("Deposit Securities") (with a term of 2 years or less) issued, guaranteed or endorsed by:	**i.** a bank listed in Schedule I, II or III of the *Bank Act* (Canada)	• Applies to all municipalities • May be expressed or payable in US$ 6(3)		
	ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*	• Applies to all municipalities • May be expressed or payable in US$ 6(3)		
	iii. a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies ("Credit Union or League")	• Applies to all municipalities • May be expressed or payable in US$ 6(3) • If a municipality's total investments in Deposit Securities issued by a Credit Union or League, regardless of the term have, in the opinion of the treasurer, a value in excess of $250,000, the municipality is prohibited from making any further investment in such Deposit Securities with a term greater than 2 years unless the Credit Union or League meets the financial requirements set forth in the regulation within 30 days before the investment is made[2] 3(2.0.1) – 3(2.0.4)		

[2] The Credit Union or League is to provide: (i) audited financial statements indicating that the following financial indicators are met or (ii) written certification that all of the financial indicators mentioned below are met:

1. Positive retained earnings in its audited financial statements for its most recently completed fiscal year
2. Regulatory capital of at least the percentage of its total assets obtained by adding 1% to the minimum percentage set out in paragraph 1 of subsection 15(3) of O. Reg. 237/09 (General) as of the date of the latest audited financial statements, calculated in accordance with O. Reg. 237/09 (General) made under the *Credit Unions and Caisses Populaires Act, 1994*
3. Regulatory capital of at least the percentage of its total risk weighted assets obtained by adding 1% to the minimum percentage set out in paragraph 2 of subsection 15(3) of O. Reg. 237/09 (General) as of the date of the latest audited financial statements, calculated in accordance with O. Reg. 237/09 (General)
4. Positive net income in its audited financial statements for 3 of its 5 most recently completed fiscal years.

Eligible Investment (and regulatory authority) Security	Issuer	Conditions	Minimum Security Ratings	Minimum Municipal Debt/Credit Rating or Other Requirement
Section 2, paragraph 3.1. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments ("Deposit Securities") (with a term of more than 2 years) issued, guaranteed or endorsed by:	**i.** a bank listed in Schedule I, II or III of the *Bank Act* (Canada) *B	• Applies to all municipalities • Securities must be rated • May be expressed or payable in US$ 6(3) • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: A(low) • Fitch: A- • Moody's: A3 • S & P: A- *C 3(2)	
	ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act* *B	• Applies to all municipalities • Securities must be rated • May be expressed or payable in US$ 6(3) • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: A(low) • Fitch: A- • Moody's: A3 • S & P: A- *C 3(2)	
Section 2, paragraph 4. Bonds, debentures, promissory notes or other evidence of indebtedness ("Debt Securities") (with a term of 2 years or less)[*D] issued or guaranteed by:	**i.** a bank listed in Schedule I, II or III of the *Bank Act* (Canada)	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: AA(low) • Fitch: AA- • Moody's: Aa3 • S & P: AA- 3(1)	

[A] Formerly, municipalities had to sell downgraded securities within 180 days. Now, when a security falls below the required standard, the municipality shall create a plan, including expected timelines for selling the security ("Workout Plan") and shall sell the security in accordance with the Workout Plan.

*B Deleted a Credit Union or League.

*C Minimum credit ratings were reduced from AA- and equivalents.

*D Formerly, there was no differentiation for Debt Securities in credit ratings based on term (all Debt Securities required a minimum rating of AA- or equivalents).

Eligible Investment (and regulatory authority) **Security**	**Issuer**	**Conditions**	**Minimum Security Ratings**	**Minimum Municipal Debt/Credit Rating or Other Requirement**
	ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: AA(low) • Fitch: AA- • Moody's: Aa3 • S & P: AA- 3(1)	
Section 2, paragraph 4.1. Bonds, debentures, promissory notes or other evidence of indebtedness ("Debt Securities") (with a term of more than 2 years)[*D] issued or guaranteed by:	**i.** a bank listed in Schedule I, II or III of the *Bank Act* (Canada) *B	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: A(low) • Fitch: A- • Moody's: A3 • S & P: A- *C 3(2)	
	ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act* *B	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: A(low) • Fitch: A- • Moody's: A3 • S & P: A- *C 3(2)	

*A Formerly, municipalities had to sell downgraded securities within 180 days. Now, when a security falls below the required standard, the municipality shall create a plan, including expected timelines for selling the security ("Workout Plan") and shall sell the security in accordance with the Workout Plan.

*B Deleted a Credit Union or League.

*C Minimum credit ratings were reduced from AA- and equivalents.

*D Formerly, there was no differentiation for Debt Securities in credit ratings based on term (all Debt Securities required a minimum rating of AA- or equivalents).

Eligible Investment (and regulatory authority) **Security**	 **Issuer**	**Conditions**	**Minimum Security Ratings**	**Minimum Municipal Debt/Credit Rating or Other Requirement**
Section 2, paragraph 4.2. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments ("Deposit Securities") (with a term of more than 2 years)*E issued, guaranteed or endorsed by:	a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies ("Credit Union or League")	• Applies to all municipalities • May be expressed or payable in US$ 6(3) • If a municipality's total investments in Deposit Securities issued by a Credit Union or League, regardless of the term have, in the opinion of the treasurer, a value in excess of $250,000, the municipality is prohibited from making any further investment in such Deposit Securities with a term greater than 2 years unless the Credit Union or League meets the financial requirements set forth in the regulation within 30 days before the investment is made[2] • Must sell excess Deposit Securities with a term of more than 2 years within the expected timelines set out in the Workout Plan*F if the $250,000 threshold is exceeded and the Credit Union or League cannot meet the prescribed financial requirements 3(2.0.1) – 3(2.0.4) 3(6.1.1) – 3(6.1.2)		

[2] The Credit Union or League is to provide: (i) audited financial statements indicating that the following financial indicators are met or (ii) written certification that all of the financial indicators mentioned below are met:

Positive retained earnings in its audited financial statements for its most recently completed fiscal year

Regulatory capital of at least the percentage of its total assets obtained by adding 1% to the minimum percentage set out in paragraph 1 of subsection 15(3) of O. Reg. 237/09 (General) as of the date of the latest audited financial statements, calculated in accordance with O. Reg. 237/09 (General) made under the Credit Unions and Caisses Populaires Act, 1994

Regulatory capital of at least the percentage of its total risk weighted assets obtained by adding 1% to the minimum percentage set out in paragraph 2 of subsection 15(3) of O. Reg. 237/09 (General) as of the date of the latest audited financial statements, calculated in accordance with O. Reg. 237/09 (General)

Positive net income in its audited financial statements for 3 of its 5 most recently completed fiscal years.

*E Formerly, all Deposit Securities (of a Cdn. bank, a Loan or Trust Corporation or a Credit Union or League) with a term of more than 2 years had a minimum rating requirement of AA- or equivalents.

*F Formerly, municipalities had to sell downgraded securities within 180 days. Now, if a municipality holds Deposit Securities of a Credit Union or League in excess of the $250,000 limit and the Credit Union or League cannot meet the prescribed financial requirements, the municipality shall create a plan, including expected timelines for selling the Deposit Securities with a term of more than 2 years in excess of the $250,000 limit ("Workout Plan") and shall sell such securities in accordance with the Workout Plan. To determine the value of the investments, the value of all such Deposit Securities with a term of 2 years or less shall be counted as part of the total first, followed by the value of all such Deposit Securities with a term of more than 2 years.

Eligible Investment (and regulatory authority) Security	Issuer	Conditions	Minimum Security Ratings	Minimum Municipal Debt/Credit Rating or Other Requirement
Section 2, paragraph 4.3. Bonds, debentures, promissory notes or other evidence of indebtedness ("Debt Securities") issued or guaranteed by:*H	a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies ("Credit Union or League")	• Applies to all municipalities • Credit Union or League must meet the prescribed financial requirements set forth in the regulation[2] • Must sell the investment within the expected timelines set out in the Workout Plan*G if the Credit Union or League cannot meet the prescribed financial requirements 3(2.0.1) – 3(2.0.5) 3(6.1.1) 3(6.1.3)		
Section 2, paragraph 5. Short-term securities, (<u>term of 3 days or less</u>) that are issued by:	**i.** a university in Ontario that is authorized to engage in an activity under s. 3 of the *Post-secondary Education Choice and Excellence Act, 2000*	• Applies to all municipalities		
	ii. a college established under the *Ontario College of Applied Arts and Technology Act, 2002*	• Applies to all municipalities		
	iii. a board of a public hospital within the meaning of the *Public Hospitals Act*	• Applies to all municipalities		

[2] The Credit Union or League is to: provide (i) audited financial statements indicating that the following financial indicators are met or (ii) written certification that all of the financial indicators mentioned below are met:

Positive retained earnings in its audited financial statements for its most recently completed fiscal year

Regulatory capital of at least the percentage of its total assets obtained by adding 1% to the minimum percentage set out in paragraph 1 of subsection 15(3) of O. Reg. 237/09 (General) as of the date of the latest audited financial statements, calculated in accordance with O. Reg. 237/09 (General) made under the Credit Unions and Caisses Populaires Act, 1994

Regulatory capital of at least the percentage of its total risk weighted assets obtained by adding 1% to the minimum percentage set out in paragraph 2 of subsection 15(3) of O. Reg. 237/09 (General) as of the date of the latest audited financial statements, calculated in accordance with O. Reg. 237/09 (General)

Positive net income in its audited financial statements for 3 of its 5 most recently completed fiscal years.

*G Formerly, municipalities had to sell downgraded securities within 180 days. Now, if a municipality holds Debt Securities of a Credit Union or League and the Credit Union or League can no longer meet the prescribed financial requirements, the municipality shall create a plan, including expected timelines for selling the Debt Securities ("Workout Plan") and shall sell such securities in accordance with the Workout Plan.

*H Formerly, there was no differentiation for Debt Securities and no special requirements for Credit Unions or Leagues (a Cdn. bank, a Loan and Trust Corporation and a Credit Union and League all required a minimum rating of AA- or equivalents).

Eligible Investment (and regulatory authority) Security Issuer	Conditions	Minimum Security Ratings	Minimum Municipal Debt/Credit Rating or Other Requirement
Section 2, paragraph 6. Bonds, debentures, promissory notes, other evidence of indebtedness or other securities issued or guaranteed by the International Bank for Reconstruction and Development (IBRD)	• Applies to all municipalities		
Section 2, paragraph 6.1. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by a supranational financial institution or a supranational governmental organization other than the IBRD	• Applies to all municipalities • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard 3(6)	• DBRS: AAA • Fitch: AAA • Moody's: Aaa • S & P: AAA 3(2.1)	
Section 2, paragraph 7. Securities that are arrangements for the sale of assets that entitle the purchaser to an undivided beneficial interest in a pool of assets (formerly described as asset-backed securities)[*I]	• Applies to all municipalities • Securities must be rated • Municipal debt or credit rating must meet prescribed levels • Must sell within the expected timelines set out in the Workout Plan[*A] if investment falls below standard[3] 3(6) 3(6.1)	Term of more than 1 year: • DBRS: AAA • Fitch: AAA • Moody's: Aaa • S & P: AAA 3(3) Term of 1 year or less: • DBRS: R-1 (high) • Fitch: F1+ • Moody's: Prime-1 • S & P: A-1+ 3(4)	• DBRS: AA (low) • Fitch: AA- • Moody's: Aa3 • S & P: AA- 4.1(1)(a) OR • Through the One Investment Program 4.1(1)(b) 4.1(2)

[3] Requirement to sell in accordance with the Workout Plan does not apply to an investment made on a day before subsection 3(6.1) came into force, i.e., July 31, 2009. 3(6.1)

*A Formerly, municipalities had to sell downgraded securities within 180 days. Now, when a security falls below the required standard, the municipality shall create a plan, including expected timelines for selling the security ("Workout Plan") and shall sell the security in accordance with the Workout Plan.

I The current definition was previously set out in subsection 50(1) of Regulation 733 of the Revised Regulations of Ontario, 1990 made under the Loan and Trust Corporations Act
which regulation was revoked on August 1, 2008.

Eligible Investment (and regulatory authority) Security Issuer	Conditions	Minimum Security Ratings	Minimum Municipal Debt/Credit Rating or Other Requirement
Section 2, paragraph 7.1. Cdn. Corporate Debt – bonds, debentures, promissory notes or other evidence of indebtedness issued by a Cdn. corporation (with a remaining term to maturity of more than 5 years)	• Corporate issuer must be incorporated under the laws of Canada or a Cdn. province • Securities must be rated • Must sell within the expected timelines set out in the Workout Plan*A if investment falls below standard 3(6)	• DBRS: A (low) • Fitch: A- • Moody's: A3 • S & P: A- *C 3(4.1)	• Security is only eligible if the investment is made through the One Investment Program 4.1(1.1) 4.1(2)
Section 2, paragraph 7.2. Cdn. Corporate Debt – bonds, debentures, promissory notes or other evidence of indebtedness issued by a Cdn. corporation (with a remaining term to maturity of more than 1 year and not more than 5 years)	• Applies to all municipalities • Corporate issuer must be incorporated under the laws of Canada or a Cdn. province • Securities must be rated • Municipal debt or credit rating must meet prescribed levels • Must sell within the expected timelines set out in the Workout Plan*A if investment falls below standard 3(6)	• DBRS: A (low) • Fitch: A- • Moody's: A3 • S & P: A- *C 3(4.1)	

A Formerly, municipalities had to sell downgraded securities within 180 days. Now, when a security falls below the required standard, the municipality shall create a plan, including expected timelines for selling the security ("Workout Plan") and shall sell the security in accordance with the Workout Plan.

*C Minimum credit ratings were reduced from AA- and equivalents.

Eligible Investment (and regulatory authority) Security Issuer	Conditions	Minimum Security Ratings	Minimum Municipal Debt/Credit Rating or Other Requirement
Section 2, paragraph 8. Cdn. corporate negotiable promissory notes or commercial paper other than securities referred to in paragraph 7 (with a term of 1 year or less)	• Applies to all municipalities • Corporate issuer must be incorporated under the laws of Canada or a Cdn. province • Securities must be rated • Municipal debt or credit rating must meet prescribed levels • Must sell within the expected timelines set out in the Workout Plan*A if investment falls below standard 3(6)	• DBRS: R-1 (mid) • Fitch: F-1+ • Moody's: Prime-1 • S & P: A-1+ 3(5)	• DBRS: AA (low) • Fitch: AA- • Moody's: Aa3 • S & P: AA- 4.1(1)(a) OR • Through the One Investment Program 4.1(1)(b)
Section 2, paragraph 8.1. Shares of a Cdn. corporation	• Corporate issuer must be incorporated under the laws of Canada or a Cdn. province		• Security is only eligible if investment is made through the One Investment Program 4.1(1.1) 4.1(2)
Section 2, paragraph 9. Bonds, debentures promissory notes and other evidences of indebtedness of a corporation incorporated under s. 142 of the *Electricity Act, 1998*	• Must meet the requirements set out in the Regulation 3(7)–3(10)		
Section 2, paragraph 10. Any security acquired as a gift in a will or as a donation not made for a charitable purpose	• Applies to all municipalities • Security must have been first acquired as a gift in a will or as a donation not made for a charitable purpose • Must sell within the expected timelines set out in the Workout Plan*J 3(11)		

*A Formerly, municipalities had to sell downgraded securities within 180 days. Now, when a security falls below the required standard, the municipality shall create a plan, including expected timelines for selling the security ("Workout Plan") and shall sell the security in accordance with the Workout Plan.

*J Formerly, municipalities had to sell downgraded securities within 180 days. Now, if a security acquired as a gift or in a will in accordance with the Regulation does not constitute an eligible security under the Regulation, the municipality shall create a plan, including expected timelines for selling the security ("Workout Plan") and shall sell the security in accordance with the Workout Plan. In the event the security does constitute an eligible investment under the Regulation, the applicable provisions of the Regulation apply to such security.

Eligible Investment (and regulatory authority) **Security** **Issuer**	**Conditions**	**Minimum Security Ratings**	**Minimum Municipal Debt/Credit Rating or Other Requirement**
Section 2, paragraph 11. **revoked**			
Section 2, paragraph 12. Shares of a corporation-court ordered	• Applies to all municipalities • Corporation that issued the shares must have debt payable to the municipality • Under a court order, the corporation must have received protection from its creditors • The acquisition of the shares in lieu of a debt must have been authorized by the court order • The treasurer is of the opinion that the debt is uncollectable unless the debt is converted into shares under the court order		
Section 2.1. Securities subject to a court ordered plan of compromise and arrangement as described in s. 2.1	• Applies to all municipalities • Investment must have been made before January 12, 2009		

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Appendix B: Municipalities that quality for the prudent investor standard

Source: MMA presentation at the MFOA 2018 Annual Conference

#	Municipality	Total Balance	Financial Assets
1	Durham R	1,924,151,122	882,061,171
2	Halton R	1,765,881,957	1,099,120,746
3	Mississauga C	883,868,413	491,864,626
4	Hamilton C	790,720,269	83,958,423
5	London C	463,070,565	196,514,232
6	Brampton C	355,388,120	453,375,585
7	Richmond Hill T	330,801,789	274,373,367
8	Oakville T	327,208,610	267,683,951
9	Greater Sudbury C	290,916,767	173,318,271
10	Guelph C	227,313,124	74,614,042
11	Markham C	197,742,752	430,096,225
12	Burlington C	186,124,594	174,611,608
13	Brantford C	177,616,667	82,124,812
14	Waterloo C	148,854,104	126,754,766
15	Kitchener C	139,030,212	206,623,776
16	Haldimand County	137,676,262	66,588,213
17	Milton T	106,423,550	89,276,539
18	Peterborough C	94,488,006	81,853,383
19	Aurora T	83,950,425	53,346,916
20	Cambridge C	72,632,342	97,654,165
21	Clarington M	55,768,350	55,046,267
22	Pickering C	49,423,158	114,844,670
23	Ajax T	40,801,450	113,388,413
24	Essex Co	34,876,841	77,430,400

25	Kenora C	32,825,228	72,344,711
26	Woodstock C	29,225,274	59,348,269
27	Niagara Falls C	26,888,545	103,123,951
28	Whitby T	21,323,178	134,161,722
29	Vaughan C	19,847,806	343,301,204
30	Newmarket T	5,000,000	61,442,214
31	Windsor C	-	138,643,000
32	Oxford Co	-	75,235,535
33	Sault Ste. Marie C	-	59,617,723
34	York R	2,318,411,139	-1,438,122,970
35	Peel R	1,468,103,288	-147,035,207
36	Ottawa C	1,387,643,332	-1,676,685,624
37	Niagara R	402,792,313	-69,117,584
38	Waterloo R	162,072,560	-568,631,111
39	Kingston C	128,890,480	-168,774,329

REPORT

To: ONE Joint Investment Board
From: Colin Macdonald, Manager of Investments and Keith Taylor, Chief Investment Officer
Date: May 20, 2020
Re: Investment Outcomes
Report: 20-011

1. Recommendations

It is recommended that the Board:

1.1. Approve an investment outcomes framework that will guide the allocation of investments for prudent investor mandates.

1.2. Approve an asset allocation to be assigned to each of the investment outcomes.

2. Summary

- The new outcomes framework differs significantly from what Municipal Councils approved in the Investment Policy Statement (IPSs) and Municipal Client Questionnaire (MCQs). Because ONE JIB must discharge its prudential obligation within the existing IPS and MCQ four key questions must be answered by ONE JIB:
  (i) How best to exercise its fiduciary duty while respecting Council approved Investment Policy Statements and Municipal Client Questionnaires?
  (ii) Is the standard deviation estimated appropriate considering each the municipality's risk profile?
  (iii) How much foreign exposure is appropriate?
  (iv) In the case of Canadian bond exposure - what mix should be used of the Canadian Government Bond Fund (short duration) versus Canadian Corporate Bond Fund (intermediate duration with somewhat higher credit exposure)?
- ONE Investment worked with its Investment Advisory Committee to develop investment outcomes that would allow staff to translate municipal IPSs and cash flow forecasts into draft investment plans that include asset allocations
- While trying to operationalize the outcomes framework, ONE Investment staff experienced challenges in translating the information provided by the municipalities without imposing a significant degree of judgement.
- To address subjectivity, the investment outcomes have been reviewed to better align with the municipal objectives and cash flow forecasts while also allowing better assignment to appropriate investment allocations in a consistent and defensible manner.

- The new outcomes framework is not consistent with the Council approved IPSs and MCQs.
- ONE Investment funds are designed to be low risk, which influenced the allocation weights in each of the outcomes.
- Exposure to global equities and fixed income provide higher return potential and diversification benefits not available under the Legal List and are limited to a maximum of 70% of each investment outcome allocation.

3. Background

ONE Investment worked with municipal finance experts to devise a series of outcomes aligned with municipal reserve and reserve fund objectives

Over the last year, ONE Investment has worked with the staff from the Founding Municipalities (FMs) to clearly define their investment needs. By aligning their cash flow forecasts with investment outcomes, ONE JIB has a better understanding of the future use of funds and required investment horizons. When combined with the Council approved IPS and MCQ, ONE JIB has the necessary information and tools to guide the investment decisions which will ultimately find their way into ONE JIB's Investment Plan for each FM.

As ONE Investment staff worked with municipalities a series of outcomes emerged, as outlined in the table below, to differentiate the ultimate uses of funds available for investment. This helped inform the draft Investment Plans shared with municipal Councils and which were agreed upon by ONE Investment's Investment Advisory Committee (IAC).

Investment Outcome	Objective(s)
Contingency	Contributions for unexpected events
Stable Return	To generate stable returns to fund recurring needs
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements. May also include contributions to asset management reserves

All FMs used this initial framework to inform IPSs and MCQs.

The IAC helped ONE Investment determine appropriate allocations for each outcome to aid in drafting Investment Plans

For each outcome, the IAC developed allocations based on the funds that would be initially offered to the FMs (Appendix 1). ONE Investment staff used these allocations to guide the development of the draft Investment Plans. However, in implementing the untested framework staff noticed that many judgement calls were required regarding risk tolerance and assignment of funds to appropriate outcomes. Additionally, applying the framework ultimately yielded highly conservative draft Investment Plans with lower than anticipated return expectations.

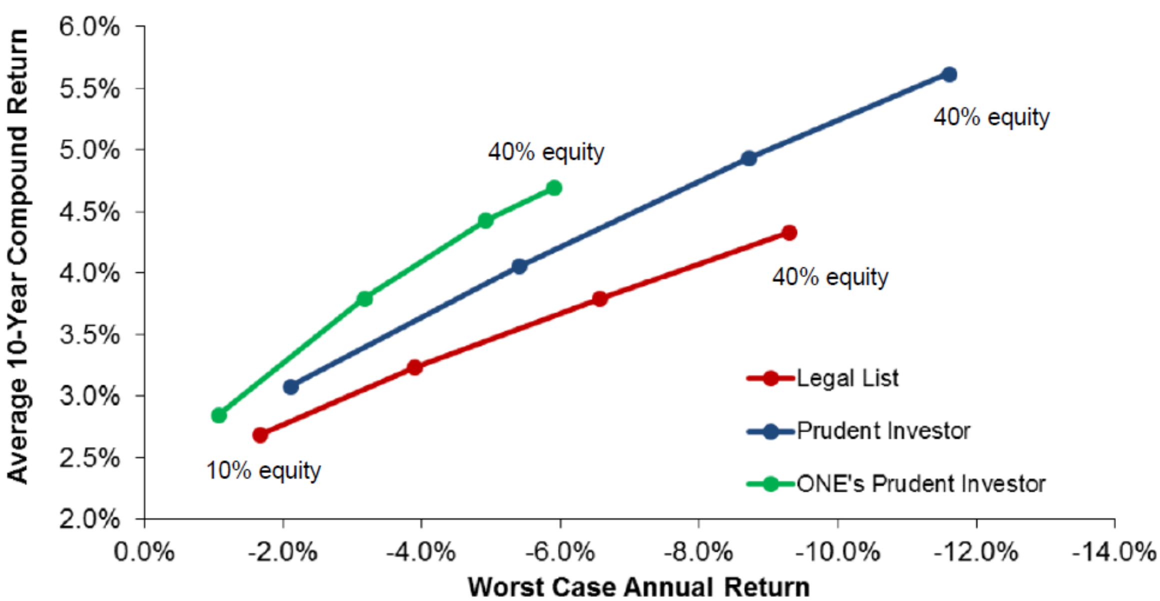
4. Analysis

When all FM investment work was examined as a complete package, an opportunity presented itself to review the investment plan to improve the return profile.

ONE Investment selected investment products and managers which focus on low risk which presented on opportunity to increase the allocation of equity and returns – helping to offset tax rate increases as well as continuing to focus on the preservation and growth of principal.

The projected overall risk level of the asset allocations for ONE Investment prudent investor offerings was evaluated by an external consultant, Aon, and has been presented in Chart 1. Aon's analysis includes a proprietary risk measure that measures worst-case annual returns via a Monte Carlo analysis. The key point demonstrated in the chart is that moving from the legal list investment regime increases the return potential but can also increase the overall investment risk also.

Chart 1
Efficient Frontiers



NOTE: The data in Chart 2 was provided by the investment consultant, Aon. The 'worst case annual return' represents an average return of 50 of the worst outcomes from 1000 scenarios run. Because it is an average, it does not preclude results lower than this average in any single year. The blue prudent investor line was created by Aon to represent a generic prudent investor efficient frontier.

Lower risk investment funds allow meaningful equity allocations with acceptable amount of risk.

One of the primary goals of the prudent investor regime is to generate higher returns at acceptable levels of risk. ONE Investment prudent investor funds are relatively low risk strategies by design; hence allocations can assume higher equity weightings while still maintaining reasonable risk levels. The risk return characteristics of the ONE Investment prudent investor funds should allow superior returns without necessarily involving more risk. It allows flexibility to increase equity allocations to achieve higher returns while still assuming reasonable levels of investment risk.

ONE JIB needs to establish a methodology to guide the process of assigning investment allocations.

To leverage the increased return potential contemplated in the 'efficient frontiers' modeling, ONE Investment re-imagined the outcomes framework as is summarized in the Table 1. The revised framework has two main factors – outcomes and investment horizon.

From an outcomes perspective, it defines the anticipated use of the funds under four different categories. Target date outcomes are for a future anticipated use of the funds. In some case this may be a specific capital project or to meet reserve level. They involve a well-defined time frame for when the money will be required. Contingency outcomes are intended to meet unexpected events as well as create stable returns for future asset management needs. The stable return outcomes produce a regular anticipated flow of income. Finally, cash plus outcomes identifies funds that are transitioning between MNRI and Money Required Immediately (MRI).

The investment time horizon perspective corresponds to each outcome. As the cash plus strategy has a time frame under five years, the remaining outcomes have been aligned with a longer time horizon and a greater potential for returns.

Table 1
Investment Outcomes

Outcome Category	Outcome Strategy	Objective	Risk Tolerance, Liquidity	Investment Horizon
Cash Plus	Cash < 3 yrs	Preservation of capital	Low risk; high liquidity	< 3 years
	Cash Plus 3-5 yrs	Preservation of capital	Low risk; high liquidity	3 - 5 years
Stable Return	Stable Return	Income generation: To generate stable returns to fund recurring needs	Moderate risk with emphasis on growth and stable returns, regular liquidity	> 5 years (Perpetual)
Contingency	Contingency	Contributions for unexpected events	Higher risk, emphasis on longer-term capital growth with some liquidity	> 5 years (Perpetual)
	Asset mgt reserves	Contributions to generate stable returns to fund asset management reserves	Higher risk, emphasis on longer-term capital growth; low liquidity	> 10 years (Perpetual)
Target Date	Target Date 5-10 yrs	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements	Moderate risk, liquid	5 - 10 years
	Target Date > 10 yrs	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements	Higher risk, emphasis on long term inflation-adjusted growth	> 10 years

The choice of investment outcomes defines the asset allocation assigned to each municipality.

Each outcome strategy has a unique asset allocation, which reflects the risk/return characteristics appropriate for each outcome. A municipality may have portions of its MNRI allocated to several different outcomes. The investment allocations for each outcome are reflected in Table 2.

Table 2
Outcomes - Investment Allocations

							Allocation			
Outcome	HISA	Canadian Equity Fund	Global Equity Fund	Canadian Government Bond Fund	Canadian Corporate Bond Fund	Global Bond Fund	Equity	Fixed Income	Cash	Total
Cash	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%			100%	100%
Cash Plus	20.0%	3.0%	7.0%	10.5%	10.5%	49.0%	10%	70%	20%	100%
Stable Return	10.0%	9.0%	21.0%	9.0%	9.0%	42.0%	30%	60%	10%	100%
Contingency	0.0%	18.0%	42.0%	6.0%	6.0%	28.0%	60%	40%		100%
Asset Management	0.0%	27.0%	63.0%	1.5%	1.5%	7.0%	90%	10%		100%
Target Date 5-10	0.0%	15.0%	35.0%	7.5%	7.5%	35.0%	50%	50%		100%
Target Date 10+	0.0%	22.5%	52.5%	3.8%	3.8%	17.5%	75%	25%		100%

The allocation of equity versus fixed income has some implications for the level of risk associated with each outcome, but a more relevant understanding of the risk/return relationship of these investment allocations is presented in Table 3, which shows the return and standard deviations that have been estimated for each outcome.

Typically, standard deviation is the metric that is used to evaluate the level of investment risk. It is a measure of the dispersion of investment returns. A standard deviation of 5% means that typically (two-thirds of the time) investment returns will tend to be within 5% of the expected return. Table 3 illustrates the risk/return estimates for the outcomes. Note that the values presented are projections to be used for discussion purposes and might not be representative of actual investment results.

Table 3
Outcomes - Investment Allocations

Outcome Category	Outcome Strategy	Allocation			Strategy Expected Return	Strategy Standard Deviation
		Equity	Fixed Income	Cash		
Cash Plus	Cash < 3 yrs			100%	0.9%	1.3%
	Cash Plus 3-5 yrs	10%	70%	20%	3.0%	2.8%
Stable Return	Stable Return	30%	60%	10%	3.8%	4.2%
Contingency	Contingency	60%	40%		4.9%	6.6%
	Asset mgt reserves	90%	10%		5.8%	9.1%
Target Date	Target Date 5-10 yrs	50%	50%		4.6%	5.8%
	Target Date > 10 yrs	75%	25%		5.3%	7.9%

Outcomes with higher equity allocations still tend to have reasonable standard deviations. Appendix 2 provides a comparison of the initial versus revised outcome framework from a risk perspective.

International investment exposure offers diversification benefits but is capped at 70%

A key reason for municipalities to join the prudent investor regime is to expand the available investment opportunities, which includes the ability to invest in foreign equities and fixed income securities. The outcomes presented in the tables above have up to 70% of their allocations in non-Canadian investments. This will dramatically increase the investment universe for Ontario municipalities and offers the potential for greater returns and better diversification. Note that the Global Fixed Income Fund has an active currency hedging policy that should limit the foreign currency exposure of the international investments.

What FMs are saying

In analyzing the potential new outcomes framework, feedback was sought from FMs. ONE Investment staff presented the revised outcomes framework to FMs to help them understand how MNRI will be invested. Staff also explained how it is possible to categorize all municipal reserves, reserve funds and other balances within this outcome framework. Feedback can be generally described as supportive with the consistent question being how ONE JIB would reconcile the new outcomes framework to the outcomes framework upon which municipal Council approved IPSs and MCQs were built. The revised outcome framework was well received. The assigned investment allocations are viewed as a separate decision and the ultimate risk/return profile of investments should be reflective of the risk profile of the municipalities.

Appendices 3-8 provide a short summary comparing the original outcomes framework with the revised outcomes framework for each FM along with its draft Investment Plan that was presented to municipal Council when approving the IPS and MCQ as background information.

5. Conclusion

The revised outcome framework is an essential component that will be used when drafting the final Investment Plans for municipalities investing under ONE JIB. Any changes in the outcome framework will directly impact the investment allocations of all FMs.

The revised outcome framework provides a method to systematically link the municipal circumstances with the process of assigning investment allocations. This framework is designed to be understandable for the municipalities, but still provides ONE JIB with a solid basis to allocate client MNRI in an appropriate way. It provides a template that guides how information provided in the municipality's IPS and MCQ will be translated into investment allocations.

The specific weights of equity versus fixed income in these outcomes will directly impact the risk profile for municipalities investing through ONE JIB, and ONE JIB should consider and discuss the weights presented in this document and advise amendments as appropriate. The overall allocation to foreign fixed income and equities is another aspect that the ONE JIB should deliberate on and provide feedback as this will also have a significant impact on the overall risk/return profile of the investment program.

Drafted by: Colin Macdonald, Manager of Investments and
Keith Taylor, Chief Investment Officer
Approved for submission by: Judy Dezell and Donna Herridge, Co-President/CEO

Appendix 1: Returns and Standard Deviation and weight of Original Outcome Allocations

Outcome	ONE High Interest Savings Account (HISA)	ONE Global Unconstrained Bond Fund	ONE Canadian Government Bond Fund	ONE Canadian Corporate Bond Fund	Total fixed income	ONE Canadian Equity Fund	ONE Global Equity Fund	Total Equity	Total Investments	**Estimated outcome returns**	**Estimated Standard Deviatiuon**
Contingency (default)		60	10		70	5	25	30	100	**4.2%**	**4.5%**
Contingency (moderate risk)		50	10		60	5	35	40	100	**4.4%**	**5.1%**
Contingency (higher risk)		35	5		40	10	50	60	100	**5.0%**	**6.7%**
Stable Return (default)		60	30		90	0	10	10	100	**3.4%**	**3.0%**
Stable Return (Moderate risk)		60	20		80	5	15	20	100	**3.8%**	**3.8%**
Target Date 2-3	100		0		100			0	100	**0.9%**	**1.3%**
Target Date 4-5		40	20	40	100	0	0	0	100	**2.7%**	**2.8%**
Target Date 2025		45		30	75	5	20	25	100	**3.8%**	**4.1%**
Target Date 2030		45		20	65	5	30	35	100	**4.2%**	**4.8%**
Target Date 2035		45		10	55	5	40	45	100	**4.6%**	**5.6%**
Target Date 2040		40		5	45	5	50	55	100	**4.9%**	**6.4%**
Forward looking 10 year return projection	0.915%	3.6%	2.1%	2.2%	na	6.0%	6.1%	na	na		
Annual Standard Deviation projection	na	4.0%	1.8%	3.4%	na	12.6%	10.4%	na	na		
Aon's average annual CTE projection	na	-4.1%	-0.8%	-4.3%	na	-18.7%	-14.6%	na	na		

Appendix 2: Revised Outcomes Framework with Return and Standard Deviation

Outcome Category	Outcome Strategy	Objective	Risk Tolerance, Liquidity	Investment Horizon	Allocation			Strategy Return	Strategy Std Dev
					Equity	Fixed Income	Cash		
Cash Plus	Cash < 3 yrs	Preservation of capital	Low risk; high liquidity	< 3 years			100%	0.9%	1.3%
	Cash Plus 3-5 yrs	Preservation of capital	Low risk; high liquidity	3 - 5 years	10%	70%	20%	3.0%	2.8%
Stable Return	Stable Return	Income generation: To generate stable returns to fund recurring needs	Moderate risk with emphasis on growth and stable returns, regular liquidity	> 5 years (Perpetual)	30%	60%	10%	3.8%	4.2%
Contingency	Contingency	Contributions for unexpected events	Higher risk, emphasis on longer-term capital growth with some liquidity	> 5 years (Perpetual)	60%	40%		4.9%	6.6%
	Asset mgt reserves	Contributions to generate stable returns to fund asset management reserves	Higher risk, emphasis on longer-term capital growth; low liquidity	> 10 years (Perpetual)	90%	10%		5.8%	9.1%
Target Date	Target Date 5-10 yrs	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements	Moderate risk, liquid	5 - 10 years	50%	50%		4.6%	5.8%
	Target Date > 10 yrs	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements	Higher risk, emphasis on long term inflation-adjusted growth	> 10 years	75%	25%		5.3%	7.9%

Appendix 3 – Account Mapping and Investment Allocations
Town of Bracebridge

1. Summary

- Bracebridge has $5.7 million available to invest, all with a time horizon of greater than 10 years.
- The Bracebridge's Council has established its investment objectives and risk
- The revised outcomes and further analysis prompted shifting some MNRI to alternate outcomes.
- The changes to the outcomes result in an increase in the allocation to equities from 33% in total to 67.6%
- The increase exposure to equites increases expected returns by 0.9% while increasing standard deviation by 2.6%.

2. Background

Bracebridge's IPS and MCQ establish the amount available for investing, their investment objectives, investment horizons and risk tolerance

Bracebridge initially has $5.7 million available for the ONE JIB to invest, all of which is expected to have a timeframe of greater than 10 years. At the end of 2019, the Town had reserves and reserve funds totalling approximately $14.8 million. However, the Town expects a significant drawdown of its reserves in 2020 to support the construction of a multi-use community centre costing $54 million, leaving a forecast balance of $6.75 million. A portion of this is self-financed (i.e., the municipality has borrowed from their reserve and reserve funds), resulting in a balance of $5.7 million in money not required immediately.

After a drawdown for the community centre, Bracebridge plans to rebuild its reserves. Capital reserves, which are the target date reserves, are expected to grow by more than 5% annually. These target date reserves are expected to grow from $2.9 million in 2020 to $17 million by 2030. The MNRI portion of reserves established for contingency purposes are expected to remain roughly constant over the next three years.

The Town does not anticipate liquidating any of its investments over the next ten years.
The Town's return objective is an annual return that at least meets inflation. Their primary objectives based on the time horizon and needs should be oriented around growth in investments.

Bracebridge's overall risk tolerance is moderate with an annual downside comfort of -5% in a single year. Their IPS states their risk tolerance on contingency and target date funds with a term of greater than 5 years is high.

3. Analysis

Mapping Bracebridge's MNRI to the revised outcomes shifts $2M from the Stable Return outcome to the refined contingency outcome.

Further analysis of Bracebridge's cash flow forecasts indicated that the investment horizon of the money previously allocated to Stable Return would be more appropriately shifted to the Contingency outcome. As the Target Date outcomes were consolidated into 5-10 year and greater than 10 year time horizons, the appropriate allocation of their Target Date 2030 funds was the Target Date > 10 years outcome.

Table 1
Comparison of MNRI allocation to Original and Revised Outcomes

Draft Plan Presented to Council		Revised Mapping	
Original Outcomes	Amount ($)	Revised Outcomes	Amount ($)
Target Date 2023		Cash < 3 yrs	
Target Date 2025		Cash Plus 3-5 yrs	
Stable Return	2,036,309	Stable Return	
Contingency (Low to moderate risk)	761,358	Contingency	2,797,667
Contingency (High risk)		Asset mgt reserves	
Target Date 2030	2,898,710	Target Date 5-10 yrs	
Target Date 2035, 2040, 2045		Target Date > 10 yrs	2,898,710
Total	$5,696,377		$5,696,377

Compared to the Draft Plan the Revised Mappings would shift the overall allocations from 33% equities to 67.6% equities.

The revised outcomes mapping, along with the revised suggested fund allocation weights for each outcome, results in a shift among funds. The changes result in a greater allocation to both the Canadian Equity Fund and the Global Equity Fund and a decreased allocation to the CDN Government, Canadian Corporate, and Global Bond Funds. See table 2 for specific allocations.

Table 2
Allocation Between ONE Funds
Comparison between Original Draft and Revised Mapping

	Draft Plan Presented to Council		Revised Mapping	
Fund	Total Invested	Percentage	Total Invested	Percentage
HISA	-	0.0%	-	0.0%
CDN Equity Fund	322,887	5.7%	1,155,790	20.3%
Global Equity Fund	1,555,738	27.3%	2,696,843	47.3%
CDN Govt Bond Fund	445,330	7.8%	276,562	4.9%
CND Corp Bond Fund	579,742	10.2%	276,562	4.9%
Global Bond Fund	2,792,680	49.0%	1,290,621	22.7%
Total $	$5,696,377	100.0%	$5,696,377	100.0%

The proposed changes to mapping and allocations will increase the average expected returns but will also increase the volatility of the portfolio

The revised outcome mappings and increased equity allocation will increase expected returns to 5.1% from 4.2%. The changes would also mean that standard deviation would increase from 4.6% to 7.2% compared to the plan presented to council. See table 3 for further details.

Table 3
Risk and Return Comparison
Draft plan to Revised Mappings

Plan version	Average Expected Returns	Standard Deviation
Draft Plan Presented to Council	4.2	4.6
Revised Plan Based on New Mappings	5.1	7.2
Difference	+0.9	+2.6

5. Conclusion

Staff is looking for feedback on whether the revised mappings lead to an allocation that is more in line with Bracebridge's risk tolerance and return objectives.

Prepared by: Colin Macdonald, Manager of Investments and Keith Taylor Chief Investment Officer
Approved for submission by: Judy Dezell and Donna Herridge, Co-President/CEO

Subject:	Investment Policy Statement	**Policy Number:**	TOB-2019-006
Date Developed:	December 10, 2019	**Date Approved:**	
Lead Department:	Finance	**Date Modified: (if applicable)**	

POLICY STATEMENT

1. The Corporation of the Town of Bracebridge strives to optimize utilization of its cash resources within statutory limitations while recognizing the importance of protecting and preserving capital together with the need to maintain solvency and liquidity to meet ongoing financial requirements. Funds that are defined as money not required immediately are to be invested within the scope of the Prudent Investor Standard where diversification and potential for the growth of investments play a prominent role.

DEFINITIONS

2. The following capitalized terms have the meanings set out below:

Act means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Agent means any administrator, Custodian, payment servicer, portfolio manager, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment.

Asset Mix (or Asset Allocation) means the proportion of each asset class in a portfolio. Asset classes include bank deposits, money market securities, bonds and equities, among other things.

Authorizing By-law means a by-law of a Founding Municipality which authorizes: (i) the entering into of the Initial Formation Agreement; (ii) the establishment of ONE JIB; (iii) the approval of the Client Questionnaire and the adoption of the IPS; and (iv) the entering into of the ONE JIB Agreement.

Benchmark means an index that is representative of a specific securities market (e.g. the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms.

CFA Institute refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

Custodian means a specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks").

Director of Finance/Treasurer means the Director of Finance/Treasurer as appointed by by-law of the Corporation of the Town of Bracebridge or their designate.

Environmental, Social and Governance (ESG) Investing means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone, with the goal of enhancing long-term outcomes.

External Portfolio Managers means third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a Pooled Fund. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation.

Internal Controls means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.

Investment Plan means the investment plan applicable to the Long-Term Funds investments and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

Investment Policy Statement (IPS) means the investment policy applicable to the Municipality's investments adopted and maintained by the Council of the Municipality for Long-Term Funds under the Regulation, and for Short-Term Funds, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Municipality for the benefit of persons other than the Municipality itself and may make reference to source(s) of money in which the Municipality may have an indirect interest but which the Municipality has no authority to invest.

JIB is short for Joint Investment Board and means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.

Legal List Securities means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.

Local Distribution Corporation (LDC) means a corporation incorporated under section 142 of the *Electricity Act, 1998*.

Long-Term Funds means the Municipality's money that is to be used to meet financial obligations that become due more than eighteen (18) months following the date of receipt of such money and is characterized as money that is not required immediately by the Municipality as described in section 24. Monies that are Long Term Funds will be invested in accordance with the Prudent Investor Standard.

Modern Portfolio Theory means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

Municipality means the Corporation of the Town of Bracebridge.

ONE JIB means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Municipality, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.

ONE JIB Agreement means the agreement effective as of [June 1, 2020], entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Municipality's Long-Term Funds.

Participating Municipality means each of the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.

Pooled Fund means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute funds that are invested and managed by an External Portfolio Manager. Funds are pooled or combined with funds of other investors.

Portfolio means any collection of funds that are grouped together and required for specific purposes.

Proxy Voting means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to participate. External Portfolio Managers usually vote proxies on behalf of their clients.

Prudent Effective Date means [June 1, 2020], the date on which the prudent investor regime applies to the Municipality.

Prudent Investor Standard means the standard that applies when the Municipality invests money that it does not require immediately under section 418.1 of the Act. It requires the Municipality to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Municipality can invest. The Prudent Investor Standard makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio in respect of the Municipality's Long-Term Funds, rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

Regulation means Ontario Regulation 438/97.

Risk means the uncertainty of future investment returns.

Risk Tolerance means the financial ability to absorb a loss. Risk tolerance increases with the build-up of capital funding.

Securities Lending means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.

Short-Term Funds means money that is required immediately by the Municipality, as described in section 23, and which remains under the control and management of the Municipality. The funds can be invested in appropriate Legal List Securities.

PURPOSE

3. This Investment Policy Statement (IPS) governs the investment of the Town's money not required immediately (MNRI) and money required immediately (MRI). The IPS is intended, among other things, to direct the Director of Finance/Treasurer in the investment of MRI and to direct ONE Joint Investment Board (ONE JIB) in the investment of MNRI, by implementing the Founding Municipality Authorizing By-law, pursuant to which the Municipality authorized the establishment of guidelines for the prudent management of the Municipality's MNRI pursuant to section 418.1 of the Act.

4. In addition to the Municipality's MRI and MNRI, the Municipality may, from time to time, be entrusted with the management of money and investments for a third party beneficiary ("third party trust funds"). Such source(s) of money, referred to in this IPS as "designated funds", are listed in Schedule “A” attached hereto. The designated funds are identified in this IPS for the sole purpose of enabling the Municipality to better see, on an aggregated basis, the various financial assets in which the Municipality has an interest.

5. The goals of this IPS are to:

   5.1. Define and assign responsibilities for investment of MRI and MNRI;

   5.2. Describe the Municipality’s responsibilities with respect to third party trust funds and designated funds;

   5.3. Ensure compliance with the applicable legislation;

   5.4. Direct ONE JIB as to the Municipality’s investment goals and risk tolerance;

   5.5. Provide guidance and limitations regarding the investments and their underlying risks;

   5.6. Establish a basis of evaluating investment performance and the underlying risks; and

   5.7. Establish a reporting standard to Council.

SCOPE:

6. This IPS applies to employees of the Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Director of Finance/Treasurer and any agent or advisor providing services to ONE JIB in connection with the investment of the portfolio of the Town of Bracebridge shall accept and strictly adhere to this IPS.

LEGISLATIVE AUTHORITY:

7. Investments of MRI will, in accordance with this IPS, only be made in Legal List Securities.

8. Investments of MNRI are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Municipality to earn improved risk-adjusted rates of return.

9. Money and investments that the Municipality holds as third party trust funds or has an interest in as designated funds will be subject to applicable legislation and any related agreements or instruments.

10. The Act provides that the Municipality must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:

    10.1. General economic conditions;

    10.2. The possible effect of inflation or deflation;

    10.3. The role that each investment plays within the Municipality’s total portfolio of investments;

    10.4. The expected total return from income and the appreciation of capital; and

    10.5. Needs for liquidity, regularity of income and preservation or appreciation of capital.

STANDARDS OF CARE:

11. For MNRI, the standard to be used by the Municipality and ONE JIB shall be the “prudent investor” standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Municipality’s MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances, that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.

12. As well, the Prudent Investor Standard makes use of Modern Portfolio Theory, which looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio.

13. Officers, employees and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking into account the prescribed risk and other parameters set out in this IPS and market factors. The Municipality’s staff, acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment’s performance, provided underperformance relative to expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY:

14. Determination of the Municipality’s MNRI is the responsibility of Council. In making the determination, Council may consider:

    14.1. the time horizon within which the monies are needed to meet financial obligations;

    14.2. the purpose for which the monies have been collected or set aside and are to be used;

    14.3. the source of the money; or

    14.4. any combination of the foregoing.

15. The Municipality’s MNRI will be comprised of money that is to be used to meet financial obligations that become due more than eighteen (18) months from the date of receipt of such money by the Municipality.

16. For certainty, all money of the Municipality that has not been identified as MNRI (other than third party trust funds and any designated funds referenced in section 4) shall be deemed for purposes of this IPS to be MRI.

17. Determination of the Municipality's MNRI and MRI may be modified at any time and from time to time, by action of Council, and with respect to specific funds by the Director of Finance/Treasurer, in accordance with the provisions set out in section 30.3.

18. Any changes in this IPS regarding the Municipality's MNRI and MRI must be communicated immediately in writing to ONE JIB.

19. The Municipality's portfolios represent funds required for specific purposes. A high level description of each of these portfolios and their objectives is provided in section 23.3.3. and section 24.3.2. This IPS applies to the following money of the Municipality, its agencies, boards and commissions including:

    19.1. MRI which is invested in Legal List Securities; and

    19.2. MNRI which is invested under the prudent investor regime.

ROLES AND RESPONSIBILITIES:

20. No person including, without limitation, ONE JIB members, may engage in an investment transaction except as provided under the terms of this IPS.

21. **Role of ONE JIB**

    21.1. ONE JIB has been appointed by the Municipality in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement (Appendix "A").

    21.2. ONE JIB exercises control and management of the Municipality's MNRI and the investments made by it with such MNRI.

    21.3. Additional responsibilities of ONE JIB include:

        21.3.1. Reviewing this IPS;

        21.3.2. Adopting and maintaining an Investment Plan that complies with this IPS;

        21.3.3. Engaging External Portfolio Managers, Custodians, administrators and other investment professionals (Agents);

        21.3.4. Allocating the money and investments under its control and management among External Portfolio Managers;

        21.3.5. Monitoring the performance of the Agents; and

        21.3.6. Reporting to the Municipality.

    21.4. The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

22. **Role of Municipal Staff**

22.1. This IPS is approved and adopted by Council with input from the Director of Finance/Treasurer, and from ONE JIB with respect to MNRI. MRI of the Municipality, and any third party trust funds referenced in section 4, remain under the control and management of the Director of Finance/Treasurer.

22.2. The Director of Finance/Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:

22.2.1. Investment management of MRI, and any third party trust funds referenced in section 4 by, or under the direction of, the Director of Finance/Treasurer;

22.2.2. In the management of MRI of the Municipality, and any third party trust funds referenced in section 4, the Director of Finance/Treasurer may engage one or more agents and service providers. ONE Investment can assist with the investment of the Municipality's MRI, in Legal List Securities and with the investment of third party trust funds, in accordance with the terms of the applicable trust, if permitted, at the request of the Municipality.

22.2.3. Explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and

22.2.4. A system of controls exercised by the Director of Finance/Treasurer to regulate the activities of staff in the Finance Department.

22.3. Individuals involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

22.4. Authorized individuals acting in accordance with this policy and exercising due diligence shall be relieved of personal liability and responsibility for an individual security's credit risk or market price change.

INVESTMENT

23. **MRI: Short-Term Funds**

23.1. The Municipality's MRI is described in this IPS as Short-Term Funds. Short-Term Funds consist of money needed to meet the financial obligations of the Municipality coming due within eighteen (18) months from the date of receipt of such money and are controlled and managed by the Director of Finance/Treasurer.

23.2. **Short-Term Funds: Investment Objectives**

23.2.1. The main focus of the investment of Short Term Funds is cash management, and the interest income generated by the investment is a contributor to budgetary revenues. To the extent possible, the Municipality shall attempt to match its investments with anticipated obligations.

23.2.2. Capital preservation is paramount and this portfolio needs to be highly liquid. Consequently, only high quality, short-term investments that are also Legal List Securities will be held in this portfolio. The Municipality may invest in fully liquid money market securities and deposit accounts. The Municipality aims to maximize returns subject to the constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserving capital and to further manage risk through diversification by issuer and credit quality.

23.3. **Short-Term Funds: Eligible Investments**

23.3.1. Short Term Funds may be invested in high quality, short-term investments that are also Legal List Securities available from banks, dealers and other financial institutions. Eligible investments include the following offerings by ONE Investment:

23.3.1.1. ONE Investment High Interest Savings Account;

23.3.1.2. ONE Investment Money Market Portfolio; and

23.3.1.3. ONE Investment Bond Portfolio

23.3.2. Investment in the foregoing is subject to the Municipality entering into the prescribed Agency Agreement with LAS and CHUMS.

23.3.3. The Municipality monitors and determines the amount of its MRI. It will, from time to time, be comprised of:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Target Date	Contributions toward specific projects	Extremely low risk, next day liquidity	Less than 18 months
Stability	Contributions to mitigate impacts of infrequent events	Extremely low risk, next day liquidity	Less than 18 months

24. **MNRI: Long-Term Funds**

24.1. The Municipality's MNRI is described in this IPS as Long-Term Funds. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the Long-Term Funds and the investments made therewith.

24.2. From time to time, the Municipality may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to pay those obligations. ONE JIB will select the investment(s) to be liquidated. The timing of such liquidation will be determined by ONE JIB in consultation with the Director of Finance/Treasurer.

24.3. **Long-Term Funds: Investment Objectives**

24.3.1. In setting the objectives noted below, the Municipality has taken into account the following considerations:

24.3.1.1. Preservation of capital;

24.3.1.2. Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;

24.3.1.3. Diversification by asset class, market, sector, issuer, credit quality and term to maturity;

24.3.1.4. Income and capital appreciation; and

24.3.1.5. Macro risks, such as inflation, economic growth and interest rates.

24.3.2. The Municipality has identified the following investment objectives for its Long-Term Funds:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements	Low risk, liquid	18 months to 3 years
		Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
	Contributions to asset management reserves	High risk with emphasis on growth, liquid	Greater than 5 years
Stability	Generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
Contingency	Contributions for unexpected events	High risk with emphasis on growth, liquid	Greater than 5 years

24.3.3. Investment of Long-Term Funds is managed by ONE JIB, which balances expected investment risks and returns to generate asset mixes that create outcomes to meet the needs and risk tolerances defined below. Returns have an impact on municipal revenues, as well as a longer term impact on future years' budgets and should, at a minimum, keep pace with inflation. To the extent possible, the Long-Term Funds' investment horizons are aligned with the Municipality's obligations and may consist of liquid and illiquid securities.

24.4. **Long-Term Funds: Eligible Investments**

24.4.1. Eligible investments for Long-Term Funds include the following offerings by ONE Investment:

24.4.1.1. ONE Investment High Interest Savings Account;

24.4.1.2. ONE Canadian Government Bond Fund;

24.4.1.3. ONE Canadian Corporate Bond Fund;

24.4.1.4. ONE Investment Canadian Equity Fund;

24.4.1.5. ONE Global Unconstrained Bond Fund; and

24.4.1.6. ONE Investment Global Equity Fund.

24.4.2. Additionally, nothing in this IPS prevents Long-Term Funds from being held in cash, short term money market instruments, or overnight deposits.

24.5. **Long-Term Funds: Local Distribution Corporation (LDC) Securities**

24.5.1. The direct investment in LDC assets shall be included as part of the Long-Term Funds. Specific details of this investment shall be approved by Council, and ONE JIB shall adhere to all terms and conditions as directed. More specifically, ONE JIB will be prohibited from selling LDC assets without the consent of the Municipality. LDC assets are to be viewed as separate standalone investments. These investments are not to be included in calculations regarding asset mix/allocations or other constraints that apply to the Long-Term Funds. Any voting related to the LDC shares will be undertaken by the municipality.

25. **Third Party Trust Funds and Designated Funds**

25.1. In addition to the Municipality's own money, the Municipality is from time to time entrusted with third party trust funds, and the Municipality's responsibilities and obligations with respect thereto may be subject to other legislation and governed by other agreements and instruments. To the extent that there is any conflict or inconsistency between the provisions of this IPS and the terms and conditions contained in such other legislation, agreements or instruments applicable to third party trust funds, the latter shall prevail.

25.2. The Municipality's third party trust funds and the designated funds are listed in Schedule “A”.

25.3. For certainty, the third party trust funds and the designated funds are not MNRI of the Municipality, and such funds are not under the control or management of ONE JIB.

26. **Investment Management**

26.1. **Investment Management of Short-Term Funds**

26.1.1. The investment of Short-Term Funds shall be controlled and managed by the Director of Finance/Treasurer.

26.2. **Investment Management of Long-Term Funds**

26.2.1. The investment of Long-Term Funds shall be controlled and managed by ONE JIB. An investment advisor shall be retained by ONE JIB to define and manage the asset allocation using External Portfolio Managers.

26.2.2. Competent External Portfolio Managers shall be appointed by ONE JIB and they shall enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any External Portfolio Manager changes deemed in the best interest of the Municipality. For each External Portfolio Manager, ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards and performance expectations, which are documented in each External Portfolio Manager's guidelines.

27. **Transition to Prudent Investor Regime**

27.1. Until the Prudent Effective Date, the Municipality will continue to control and manage its MRI, MNRI and investments in Legal List Securities. Some of such investments were made with MRI and some with MNRI.

27.2. Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be MNRI shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Municipality does not require immediately to be held, and to continue to be held by ONE JIB, in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a bank to be held to maturity and invested upon receipt of cash proceeds.

27.3. Management of third party trust funds and any designated funds is not directly affected by the Prudent Effective Date.

28. **Investment Constraints**

28.1. **Environmental, Social and Governance (ESG) Investing**

28.1.1. The Municipality supports ESG investing for Short-Term and Long-Term Funds.

28.1.2. For the investment of Short-Term Funds, the Director of Finance/Treasurer is required to invest in instruments that support responsible ESG principles.

28.1.3. For the investment of Long-Term Funds, ONE JIB is required to explore how External Portfolio Managers are implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested. Accommodating specific ESG considerations may not be possible either due to availability or to costs.

28.2. **Securities Lending**

28.2.1. The Municipality may invest in pooled funds, and other investment funds that are controlled by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager that apply to such pools permit such an action.

28.3. **Derivatives**

28.3.1. Derivatives may be used for the investment of Long-Term Funds where they are fully covered by a backing asset, e.g., as for currency or other hedging, to change portfolio duration or in covered call strategies. Derivatives may not be used for speculative purposes.

28.4. **Use of Leverage**

28.4.1. Nothing in this IPS prevents the use of leverage, provided it is prudent to do so. Leverage is inherent in the use of certain types of investment strategies and instruments. Where leverage is employed, ONE JIB (for MNRI) and the Director of Finance/Treasurer (for MRI) shall have in place monitoring procedures to manage overall exposure to any counterparty and in the aggregate.

28.5. **Pooled Funds**

28.5.1. All investment strategies may be pursued directly through holdings of corporate and government issuers and indirectly via pooled funds and investment funds or any combination thereof.

28.6. **Currency Hedging**

28.6.1. The Municipality's funding requirements are in Canadian dollars, accordingly foreign currency exposure is generally hedged back to Canadian currency. However, it shall not be a violation of this IPS for investments in global mandates to be unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB.

29. **Performance Monitoring, Rebalancing and Management**

29.1. **Short-Term Funds**

29.1.1. The Director of Finance/Treasurer shall monitor the performance, rebalance asset mix and manage short-term funds in a manner that achieves the investment objectives set out in this IPS.

29.2. **Long-Term Funds**

29.2.1. For the investment of Long-Term Funds, each account's asset mix will be monitored on a frequent basis by ONE JIB. Should the asset mixes deviate outside the ranges set out in the Investment Plan, the account will be rebalanced as soon as practicable taking into consideration variations in market liquidity and the investment objectives. Cash inflows and outflows will be used to rebalance as much as possible. If they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

29.2.2. Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. ONE JIB shall provide at least annual reporting described in section 35.2 that demonstrates the Municipality's holdings, declares compliance with this IPS and shows External Portfolio Manager performance.

ADMINISTRATIVE POLICIES

30. Flow of Funds and Annual Municipal Budget

30.1. Transfer to ONE JIB as Part of Budget Process

30.1.1. On an annual basis, as part of the Municipality's budget process, the Municipality shall identify the amount, if any, of Long-Term Funds that it holds. Any Long Term Funds not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

30.2. Transfer to Municipality as Part of Budget Process

30.2.1. On an annual basis, as part of the Municipality's budget process, ONE JIB shall be notified by the Director of Finance/Treasurer as to the amount, if any, required by the Municipality from the Long-Term Funds then under the control and management of ONE JIB for the Municipality's short-term purposes. Such amount shall be deemed to be Short-Term Funds and shall be returned to the Municipality in a lump sum or by way of periodic payments, as directed by the Director of Finance/Treasurer.

30.3. Flow of Funds Otherwise than through the Budget Process

30.3.1. **Surplus Funds**

30.3.1.1. The Short-Term Funds capture revenues received by the Municipality during each year after the approval of the Municipality's budget for the year. Any amounts deemed to be surplus by the Director of Finance/Treasurer at any such time during the year shall be transferred to ONE JIB to be under its management and control as Long-Term Funds. Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

30.3.2. **Contingencies**

30.3.2.1. The Director of Finance/Treasurer is authorized, from time to time after the approval of the Municipality's budget, to direct ONE JIB to return any amounts determined by the Director of Finance/Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Municipality's budget in force for that year. Provided, however, that the aggregate of the amounts to be returned to the Municipality under this section during the year shall not exceed 25% of the Long-Term Funds under the control and management of ONE JIB as at the date that the Municipality approved its budget for the year (the Budgeted Long-Term Funds). In determining the Budgeted Long-Term Funds for purposes of calculating the 25% limit, any Long-Term Funds to be transferred to the control and management of ONE JIB in accordance with that year's budget pursuant to section 30.1.1 shall be included and any amount to be returned by ONE JIB to the Municipality pursuant to section 30.1.2 shall be excluded.

30.3.2.2. In the event that expenditures for unexpected contingencies exceed 25% of the Budgeted Long-Term Funds, ONE JIB may be directed to return any amounts under its control and management by motion of the Council of the Municipality.

31. Valuation of Investments

31.1. Investments shall be valued at cost and according to the values provided by the Custodian(s). For the investment of Long-Term Funds, values of unitized vehicles shall be valued according to the unit values published daily by the Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the External Portfolio Manager to the Custodian no less frequently than quarterly.

32. Voting Rights

32.1. Subject to the provisions of section 24.5, with respect to LDC securities, where External Portfolio Managers have been appointed, such External Portfolio Managers may assume the responsibility of exercising voting rights and will report their voting policies to ONE JIB annually. The Municipality may access these policies at any time.

33. Internal Controls

33.1. The Director of Finance/Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring compliance with governing legislation and with policies and procedures established by the Director of Finance/Treasurer. To the extent ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

34. Custodians

34.1. All investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For Long-Term Funds, the Custodian shall be acceptable to ONE Investment. For Short-Term Funds the Custodian shall be acceptable to ONE Investment, if ONE Investment is administering the investment of the Municipality's Short-Term Funds, and to the Director of Finance/Treasurer.

35. Reporting

35.1. Short-Term Funds

35.1.1. For the investment of Short-Term Funds, the Director of Finance/Treasurer shall report annually to Council, prior to or together with, the annual audited financial statements of the Corporation. The investment report from the Director of Finance/Treasurer shall include:

35.1.1.1. A listing of investments, with market value, held at the end of the reporting period;

35.1.1.2. A statement about the performance of the investment portfolio during the reporting period;

35.1.1.3. A statement as to whether or not, in their opinion, all investments were made in accordance with this IPS;

35.1.1.4. A record of the date of each transaction; and

35.1.1.5. Such other information that Council may require or that, in their opinion, should be included.

35.2. **Long-Term Funds**

35.2.1. The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of Long-Term Funds at least annually. Such report shall include the following:

35.2.1.1. Investment performance during the period covered by the report;

35.2.1.2. Asset mix of the total portfolio;

35.2.1.3. A listing of individual investments held at the end of the reporting period showing, where appropriate, their average term to maturity and yield relative to the benchmark, book value, market value, realized/unrealized gains/losses and actual income received;

35.2.1.4. Dates of all transactions including the purchase and sale prices;

35.2.1.5. A statement by the Director of Finance/Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and

35.2.1.6. Any other pertinent information in the opinion of the Director of Finance/Treasurer.

35.3. All securities invested on behalf of the Municipality by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Municipality by a Custodian, which shall provide monthly reporting showing all securities held, their book values, market values and all income received.

APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE

36. Revocation / Amendment of Previous Investment Policy

36.1. Upon coming into effect, this IPS supersedes previously approved investment policies of the Municipality. Specifically, Investment Policy TOB-2014-002 is repealed as of the date this IPS comes into effect.

37. Modifications to the IPS

37.1. At least annually Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Director of Finance/Treasurer with respect to the investment of Short-Term Funds and from ONE JIB with respect to the investment of Long-Term Funds.

37.2. Following the Council's review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

37.3. At a minimum, the annual review will take into account:

37.3.1. the adequacy of funding for capital works;

37.3.2. the Municipality's ability to reduce other spending;

37.3.3. flexibility of the timeframe to payout; and

37.3.4. sensitivity to loss.

38. **Effective Date**

38.1. This IPS is adopted by the Council of the Municipality and is effective [June 1, 2020]. The Director of Finance/Treasurer is directed to sign a copy of this IPS to evidence approval and to deliver a copy of this IPS to ONE JIB.

Signed by:

Director of Finance/Treasurer

Date

SCHEDULE "A"

Third Party Trust Funds

1. Care and Maintenance Funds collected under the *Funeral, Burial and Cremation Services Act, 2002*.

APPENDIX "A"

ONE JIB Agreement

Municipal Client Questionnaire

Recommended Review: Annually. However, if

a. there is a significant change in the Municipality's circumstances (or)
b. there is a significant change in reserves/expenses

then a review is recommended within three months of the occurrence of such change.

1. CLIENT INFORMATION

1.1 NAME OF MUNICIPALITY: ______________________________
(Municipality)

1.2 NAME OF THE TREASURER: ______________________________

1.3 NAME OF PRIMARY DAY-TO-DAY CONTACT**: ______________________________

1.4 TITLE OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.5 ADDRESS: ______________________________

1.6 PHONE NUMBER OF TREASURER: ______________________________

1.7 PHONE NUMBER OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.8 FAX NUMBER: ______________________________

1.9 EMAIL OF TREASURER: ______________________________

1.10 E-MAIL OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.11 DATE OF PREVIOUS MUNICIPAL CLIENT QUESTIONNAIRE: ______________________________

1.12 If there have been no material changes to the information contained in the last Municipal Client Questionnaire provided to ONE Investment, indicate here:

____

1.13 Is the Municipality invested under Legal List with ONE Investment? ☐ Yes ☐ No

1.14 Is the Municipality invested under Prudent Investor Regime? ☐ Yes ☐ No

**Primary day-to-day contact should have a comprehensive understanding of the Municipality's financial position and investment needs.

1.15 Please provide the following information for all individuals authorized to provide instructions to ONE Investment:

NAME	TITLE	EMAIL

2. INVESTMENT KNOWLEDGE AND EXPERIENCE

2.1. Which statement best describes the Municipality's level of investment knowledge and experience with financial markets and products?

- ☐ Very limited knowledge
- ☐ Basic knowledge and minimal experience
- ☐ Good knowledge and some investment experience
- ☐ Strong knowledge and experience
- ☐ Advanced knowledge and extensive experience

2.2 Please confirm that the Municipality is prepared to have exposure to the equity markets in accordance with its IPS and the corresponding Investment Plan. If no such exposure is contemplated, so state.

____

2.3 Check the following statements that apply to the Municipality's current investment portfolio? [*Check all that apply*]

- ☐ Canadian money market securities (e.g. Cash, bank accounts, HISA etc.)
- ☐ Locked In Investments (GIC's PPN's etc.)
- ☐ Local Distribution Corporation Securities (cemetery, trusts, hydro funds etc.)
- ☐ Fixed income (government and/or corporate bonds)
- ☐ Equities

3. INVESTMENT OBJECTIVES AND RISK TOLERANCE

This section of the Questionnaire asks about the Municipality's Money Not Required Immediately (MNRI). In general, investors can expect a higher annualized rate of return if the investor is also willing to accept volatility or fluctuation in the market value of their investments. For example, investors can expect that the average annual rate of return for a five year period will be higher where the portfolio's returns are varied when measured on a year by year basis, with some years having negative returns. A portfolio which has a steady return year over year, with little possibility of negative returns in any year, will most likely have a lower annualized return when measured on a rolling five year average.

3.1 Which of the following best reflects the Municipality's investment objectives for its MNRI?

- ☐ Capital preservation is the main objective. Willingness to accept low returns in order to avoid any years with losses.
- ☐ Achieve moderate growth without excessive risk to capital.
- ☐ Willingness to accept higher risk, including risk of loss of capital, for potentially higher returns over the longer term

3.2 What is the Municipality's risk tolerance for its MNRI?

- ☐ Low (Conservative Approach: A very small chance of loss of capital over a 5 year period)
- ☐ Moderate (Moderate chance of loss of capital over a 5 year period)
- ☐ High (Greater uncertainty with potential of higher returns over a 5 year period)

3.3 Annual Return Expectations: Which range best reflects the Municipality's expected annual return for its MNRI?

- ☐ 0% to 2% gain
- ☐ 5% loss to 5% gain
- ☐ 10% loss to 10% gain

3.4 Other information: Is there any other information about the Municipality's investment objectives and risk tolerance for its MNRI that is relevant to the IPS or Investment Plan?

____

____

Sections 4 and 5 of this Questionnaire asks about the Municipality's assets, liabilities and cash flow and is not limited to MNRI. It is intended to assist ONE Investment in obtaining an understanding of the Municipality's financial circumstances, including its cash flow needs.

4. FINANCIAL INFORMATION

4.1 Size of Assets and Liabilities

Description	Amount
Total Assets	
Short Term Assets	
Long Term Assets	
Long Term Debt	
Total Revenues	
Reserves	
Reserve Funds	
Trust Funds	
Sinking Funds	
Pension Funds	
Operating Funds	

4.2 Cash Flow Projections by Year (e.g. Revenue Fund, Reserve Fund, Trust Fund etc.)

Type	2019	2020	2021	2022	2022-2030

Funding/Expenditure Analysis

4.3 Has the Municipality completed a cash flow analysis?

☐ Yes ☐ No

Please answer 4.4 through 4.8 if cash flow analysis has been completed by the Municipality.

4.4 How often is a cash flow analysis of reserves, reserve funds and expected expenditures completed by the Municipality?

____

4.5 Please specify month and year of the last update to the cash flow analysis.

4.6 How confident is your municipality with your current cash flow forecast?
☐ Very Confident ☐ Moderately Confident ☐ Considerable Uncertainty

4.7 How many years did the cash flow analysis forecast extend?
☐ One year ☐ Two years ☐ Three years ☐ Five years ☐ Seven years ☐ 10 years or more

4.8 How sensitive are the expenditures of the municipality to inflation? Does the investment plan need to emphasize sensitivity to inflation?

4.9 How much and how often does the Municipality require funds from the operating reserves?

Type of Operating Reserve	Amount Needed	Frequency

4.10 How does the Municipality manage unanticipated requests for funding? When was the last occurrence and how was it handled?

4.11 If the Municipality has completed a capital budget and asset management plan, how many years out does this forecast extend?

☐ Less than 3 years ☐ 3-5 Years ☐ 5-10 Years ☐ 10 years or more

4.12 Are the capital reserves growing annually for the Municipality?
☐ Yes ☐ No

4.13 If yes, what approximate annual rate are the capital reserves growing by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.14 If no, at what approximate annual rate is the Municipality's capital reserves declining by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.15 What annual rate is the Municipality's capital expenditures rising by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.16 Is there a particular year when the Municipality has unusual, large expected capital expenditure(s)?
☐ Yes ☐ No

4.17 If so, please explain the timing and nature of the expenditure(s)

4.18 What are the total capital reserves available for investment as the Municipality's MNRI?

☐ less than $5 million ☐ between $5 and $10 million ☐ between $10 and $20 million
☐ between $20 and $49 million ☐ between $50 million and $99 million ☐ over $100 million

5. PORTFOLIO INFORMATION

No.	Description	Amount ($)
5.1	Total Amount of MNRI	
5.2	Total Amount of "Money Required Immediately" - MRI	
5.3	MNRI currently invested with ONE Investment	
5.4	MRI currently invested with ONE Investment	
5.5	Total Amount currently invested with ONE Investment	
5.6	Total Locked In portion of MNRI that is not available for investment moving to ONE JIB (e.g. local Hydro company shares)	
5.7	Total Locked In portion of funds not moving to ONE JIB due to legislation or other requirements (e.g. cemetery trust)	

5.8 Please list the name of securities with amounts invested and maturity dates that are not fully liquid (e.g. GIC's, PPN's etc.) which will be pledged as part of the Municipality's Prudent Investor investments (it is contemplated that proceeds from these investments will be transitioned into ONE Investments Prudent Investor pools at maturity or earlier if instructions given to liquidate prior to maturity.)

Type/Description	Amount	Maturity Date

5.9 What percentage of the MNRI portion of the portfolio is required by the Municipality in the following time periods? (Timeframes can be changed based on the Municipality's requirement)

[___] to [___] year: ____________________

[___] to [___] years: ____________________

[___] to [___] years: ____________________

More than 10 years: ____________________

6. PORTFOLIO MANAGEMENT AND ASSET ALLOCATION

Section 6 of this Questionnaire asks about the Municipality's existing investment policies, if any. Such policies may apply to MNRI and to MRI.

6.1 Are the Municipality's investments subject to any prohibited investment or other similar restrictions (Y/N)? If yes, please list:

____

6.2 Are the Municipality's investments subject to any investment concentration limits?

____

6.3 Are the Municipality's investments subject to any specific diversification requirements?

____

6.4 Please provide here any other restrictions and constraints (i.e. other than as contained in Municipal legislation) relating to the Municipality's investments:

____

7. ACKNOWLEDGEMENT

I confirm that information provided to ONE Investment in this form is complete and accurate as at the date hereof.

Dated this ________ day of _______________, 20___

______________________________ ______________________________

______________________________ ______________________________

Name and Signature of Treasurer

Second Signature (if Required)

13641323.2

Town of Bracebridge

Investment Plan

Date: [June 1, 2020]

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

13641322.8

Contents

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

1. Definitions

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Asset Allocation (Asset Mix): Proportion of each asset class in a portfolio.

Asset Class: a group of securities with similar characteristics and expected behaviours. Examples include Canadian stocks and global bonds.

Benchmark means an independently verifiable index that is representative of a specific securities market (e.g., the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms. A Benchmark can be a single Index or a combination of one or more indices.

Custodian: A specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks"). ONE Investment's custodian is CIBC Mellon.

Environmental, Social and Governance (ESG) Investing means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a ONE Investment Pool. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation;

Investment Policy Statement (IPS): The investment policy adopted by Council and updated annually determines Bracebridge's money that it requires immediately (Short-Term Funds) and money that it does not require immediately (Long-Term Funds), and sets out, among other things, Bracebridge's objectives and risk tolerances.

Long-Term Funds: Money not required immediately by Bracebridge.

Municipal Client Questionnaire: A document which shall be completed by the treasurer of each participating municipality and which includes information on municipal investments and risk preferences that must be reviewed annually.

ONE Investment: A not for profit organization that will serve as an agent of the ONE JIB to operationalize the investment activities of the ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): Established by certain founding municipalities as a municipal services board under section 202 of the Municipal Act as required under Part II of the Regulation, and is the duly appointed Joint Investment Board for Bracebridge, as constituted from time to time and acting pursuant to the Terms of Reference set out in the ONE JIB Agreement.

ONE JIB Agreement: means the agreement effective as of [June 1, 2020], entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of Bracebridge's Long-Term Funds.

Prudent Investor Standard: Requires ONE JIB, when investing money under section 418.1 of the Act, to exercise the care, skill, diligence and judgement that a prudent investor would exercise in making such an investment, but does not restrict the securities in which a municipality can invest. The Prudent Investor standard applies to the entire portfolio of Bracebridge's Long-Term Funds under control of the ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

2. Purpose of Investment Plan

As required under the Act's Prudent Investor regime, this Investment Plan (Plan) establishes how ONE Joint Investment Board (ONE JIB) will invest Bracebridge's money that it does not require immediately (Long-Term Funds or MNRI). These Long-Term Funds have been determined by Bracebridge to be not immediately required by Bracebridge (MNRI). This Plan complies with Bracebridge's Investment Policy Statement (IPS) adopted by Council on [date] and is based on the information in the Municipal Client Questionnaire dated [date] attached as Appendix A. This Plan applies to all investments that are controlled and managed by ONE JIB on behalf of Bracebridge.

At least annually, following Council's review of its IPS, ONE JIB shall review this Plan and update it as needed. This current Plan should be reviewed by [date].

3. Responsibility for Plan

This Plan is the responsibility of ONE JIB, which has authorized its agent ONE Investment to exercise its administrative investment functions in accordance with the Regulation. ONE JIB oversees ONE Investment staff using procedures, reports and regular audits to ensure compliance with the Act and the Regulation in addition to Bracebridge's IPS and ONE JIB's own investment policies and standards.

This Plan is dependent on clear communication between Bracebridge, ONE JIB and ONE Investment regarding Bracebridge's needs, which is especially important when investment needs change. To ensure clear communication, ONE Investment employs a Municipal Client Questionnaire as part of its annual review. It is the responsibility of Bracebridge to ensure that ONE Investment is aware of any needs that are not addressed in the Municipal Client Questionnaire and, as soon as practicable, of any material changes that occur during the year. It is the responsibility of ONE JIB and ONE Investment to provide liquidity to the extent possible, to adjust to changing needs in a timely fashion and to communicate any difficulties in so doing as soon as possible to Bracebridge. The process for communicating changes in the Municipal Client Questionnaire, IPS and other issues is set out in Appendix B [**NTD: Appendix B**]. The process for moving funds in/out of ONE Investment is outlined in Appendix E.

4. Custodian

All investments under the control and management of ONE JIB shall be held for safekeeping in the name of Bracebridge by CIBC Mellon.

5. Investment Goals and Objectives

Bracebridge's total portfolio includes all of its MNRI. Returns have an impact on municipal revenues, as well as a longer-term impact on future years' budgets and should, at a minimum, keep pace with inflation over the long run.

Investments may consist of liquid and non-liquid assets depending on future obligations. Expected investment risks and returns are balanced to create outcomes that provide a high probability that Bracebridge's investment objectives can be achieved.

MNRI will be invested to generate any or all of the following outcomes:

a. Funding contingencies, where returns are reinvested with a view to growing principal over the long term for large withdrawals in unpredictable situations; and'
b. Creating stable returns, where principal is maintained and a reliable stream of returns may be available for to spend as/if needed; and,
c. Funding target date projects, where **Bracbridge** has some definition of an obligation for a specific project at a specific time

Bracebridge has identified the following details of their investment objectives for its MNRI.

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Contributions for unexpected events	Higher risk with emphasis on growth, liquid	Greater than 5 years
Stable Return	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements	Lower risk, liquid	18 months to 3 years
		Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
	Contributions to asset management reserves	Higher risk with emphasis on growth, liquid	Greater than 5 years

The above table represents details from Bracebridge's IPS that provides guidance relevant to how the ONE JIB will determine the investment allocations. Additional context from the Client Questionnaire and dialogue from the treasurer was used to interpret the details in the table above to construct allocations that are reflective of the municipality's current goals, objectives, circumstances and risk tolerance.

While Bracebridge's accounts/reserves are specified to require liquidity (individually), collectively the municipality has ample flexibility that should allow some exposure to less liquid investments as/if needed. This is more relevant for accounts/reserves with longer investment horizons. This currently has no impact on the how investments will be selected as all ONE Investment funds are fully liquid investment vehicles. Less liquid investment vehicles may become available through ONE Investment at a later date.

Additionally details in the Client Questionnaire indicate that Bracebridge does not anticipate a need to access funds that are identified as MNRI in over the next 10 years and anticipates that their balances in MNRI will be increasing in subsequent years. This indicates that collectively the municipality has flexibility that may allow them to invest with a relatively long time horizon.

6. Investment Allocations

6.1 Asset Allocations

Asset allocations for each solution are expected to be relatively stable until the next annual review. Any changes to the amounts in each account must be communicated formally as outlined in Appendix B.

The goals, objectives, constraints and circumstances of the municipality are taken into consideration when assigning asset allocations for the municipality via ONE Investment's outcome based approach. These decisions are informed by the requirement to use the Prudent Investor Standard as defined in the Municipal Act. This Standard identifies several key considerations that need to be incorporated in the decision making process, including:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment or course of action plays within Bracebridge's portfolio of investments;
- The expected total return on investment and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

The following comments explain how ONE JIB is taking these considerations into account:

- Current economic conditions can be characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. It would seem that the global economy is in the later stage of an economic expansion, and there is some potential for deceleration of economic growth going forward and potential for global trade tensions or other macro economic risks to adversely affect growth.
- Inflationary pressures in Canada remain relatively benign and it is reasonable to expect that inflation as measured by the Consumer Price Index (CPI) will remain broadly in the range of 2% per annum. However, to protect the purchasing power of existing monies invested with the ONE JIB returns will need to at a minimum, match the change in Non-Residential Construction Price Index (a version of the inflation index that is most relevant for the municipality). Allocations to equity investments in Bracebridge's plan should help to achieve this goal. Achieving such results will

require Bracebridge to achieve higher returns than seem currently available within fixed income investment opportunities. As such, a significant allocation to equities is appropriate.

- Investment allocations will be diversified to help reduce the volatility of the investment portfolio and offer suitable risk return characteristics for Bracebridge.
- Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Investment Manager believes to be appropriate for Bracebridge. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining a risk profile that is appropriate for the municipality.
- The key investment consideration for Bracebridge is to achieve growth for the monies invested, with above-inflation returns. In the short to medium term there is limited need for recurring income from the investment portfolios, and the municipality has sufficient financial flexibility such that liquidity is not the primary investment objective for the municipality.

6.2 Account Structure

The amounts of Money Not Required Immediately, as disclosed in Bracebridge's Municipal Client Questionnaire (dated (DD,MM,YYYY) have been allocated into investment outcome categories to provide guidance to the ONE JIB when investing these monies.

In summary, the total allocation to each outcome is:

Outcome	**Allocation**
Contingencies	$761,358
Stable returns	2,036,309
Target Date	2,898,719
	$ 5,696,377
Other Investments:	
Lakeland Holdings Ltd.	$ 29,684,154

These outcomes will be generated using ONE Investment Pools and products to create solutions via specific asset allocations. Descriptions of the ONE Investment Pools and the asset allocations for each solution are in Appendix C and D.

The process of moving from the current investments to the target weights, both noted below, is outlined in the Transition Plan in Appendix E.

6.3 Contingency Solution

Bracebridge has identified a need to generate long-term growth for funds within the Contingency Solution that may be drawn upon during times of unexpected need. Emphasis on the preservation of purchasing power / inflation considerations was a key consideration expressed by the municipality and therefore growth in value of their investments is emphasized. Bracebridge's circumstances should allow them to take an above average risk profile, making the 'higher risk' Contingency outcome appropriate (further detail about the contingency outcome allocations is described in Appendix C). These funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	25	35	45	Index A
ONE Canadian Gov't Bond Fund	0	5	10	Index B
ONE Canadian Equity Fund	5	10	15	Index C
ONE Global Equity Fund	40	50	60	Index D
Total		100		

Benchmark: 35% x Index A + 5% x Index B + 10% x Index C + 50% Index D
Contingency Solution returns and risk are discussed in section 6.6.

6.4 Stable Return Solution

Bracebridge has identified a need to generate a stable return on certain funds while also growing principal sufficiently to offset inflation. Some key accounts that represent part of the Stable Return Solution include reserves from Land Disposition and Building Fees. While the Stable Return Solution is designed to generate income that could be used to fund regular municipal spending needs, the recurring income is not a high priority for Bracebridge in the near term. All income generated from the Stable Return Solutions is intended to be reinvested. Based on the expressed risk tolerances and current circumstances of the municipality, the investment manager has assigned the 'low risk' Stable Return Solution (which has a higher allocation to equities than the default Stable Return Outcome). Details of all asset mix ranges are available in Appendix C. Stable return funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	15	20	25	Index B
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	10	15	20	Index D
Total		100		

Benchmark: 60% x Index A + 20% x Index B + 5% x Index C + 15% x Index D
Stable Return Solution returns and risk are discussed in section 6.6.

6.5 Target Date Solution

Target date outcomes will be managed with the objective of providing for the return of principal and income and capital gains at a target date in the future. Some examples of reserves/accounts that are identified as being Target Date Solutions include certain development charge reserves, fire department reserves, general government reserves and reserves for major infrastructure projects. The related funds will be invested in building block funds that follow a glide-path of progressively lower risk over time. The glide path is explained in Appendix D. All income will be reinvested to ensure growth of the investments to meet the target date outcome. The amounts allocated to target date outcomes will be allocated 100% in the 2030 target date solution (designed for target dates ranging from 6 to 10 years from now):

Target Date June 30 2030 Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	35	45	55	Index A
ONE Canadian Corporate Bond Fund	25	30	35	Index F
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	15	20	25	Index D
Total		100		

Benchmark: 45% x Index A + 30% x Index F + 5% x Index C + 15% x Index D
Target Date June 30 2030 Solution returns and risk are discussed in section 6.6.

6.6 Projected Investment Returns

The prospects for improved returns with acceptable levels of investment risks are a key consideration for any municipality investing in the Prudent Investor regime. The table below provides a projection of the annual returns of the investment outcomes (and consolidated outcomes). These estimates were derived from an analysis of long term returns based on conservative capital market assumptions and economic forecasts. These return details are presented for information purposes only and actual investment outcomes may differ materially from those shown below:

Outcome	Weight	Projected Returns
Contingency	13.4%	5.0%
Stable Return	35.7%	3.8%
Target Date 2030	50.9%	4.2%
Est. Portfolio Returns		4.2%

6.7 Other Accounts

[this section does not apply]

7. Constraints

Besides those listed here, there are also constraints specific to each externally managed portfolio that are available on the ONE Investment website.

7.1 Environmental, Social and Governance (ESG) Investing

ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing External Portfolio Managers. External Portfolio Managers are assessed for their ESG policies. ONE JIB recognizes the practical difficulties of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by External Portfolio Manager based on a number of factors, including the degree of control exercised by ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations will not be possible due to availability, costs or other factors.

7.2 Securities Lending

Unitized vehicles that are controlled by an External Portfolio Manager may engage in securities lending if their policies permit such an action. ONE JIB intends to consider securities lending and may introduce a formalized policy to allow securities lending.

7.3 Derivatives

Derivatives may be used for the investment of Long-Term Funds where they are fully covered by a backing asset. Examples of such uses of derivatives include, but are not necessarily limited to: the ability to replicate investments otherwise permitted in the Plan and in the IPS, to equitize cash, to hedge currency exposures, to manage risk exposures, to change portfolio duration or to engage in covered call strategies. Derivatives may not be used for speculative purposes or to increase the risk of the portfolio.

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and Funds (the ONE Investment Pools) used as building blocks in the asset allocation for each outcome. These External Portfolio Managers are chosen and monitored based on a due diligence process with oversight by ONE JIB and One Investment and input from an external consultant knowledgeable in the asset classes and in the range of investment options and portfolio managers suitable for institutional investors.

9. Rebalancing

Each account's asset mix will be monitored on a periodic basis by ONE Investment's management and staff. Should the asset mixes deviate outside the minimum or maximum weights noted in appendix C, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions are to be completed as soon as reasonably viable, taking into account the investment objectives. Cash inflows / outflows are used to rebalance as much as possible; if they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

ONE Investment will rebalance all accounts as close as practicable back to target weights twice annually based on a fixed time schedule. ONE JIB has established rebalance dates of April 15 and October 15. Accounts that are within a 2% threshold of the intended targets would not need to be rebalanced as part of this periodic rebalancing process.

10. Accommodating Cashflow Needs

This Investment Plan is intended to be dynamic and responsive to changing needs of Bracebridge. Once informed of changing needs at Bracebridge by the Treasurer or designated staff, ONE JIB may need to revise allocations, deploy incoming monies or sell fund units accordingly. Additionally, income from investments will be automatically reinvested into the investment outcomes where appropriate and cashflow needs of Bracebridge are expected to be financed with the sale of fund units. Any fee discounts that apply for Bracebridge are intended to be reinvested into the Stability Outcome or as otherewise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

There are certain investments made by Bracebridge that have a strategic purpose beyond solely generating investment returns. These investments often involve provision of services within Bracebridge or may have resulted from legacy assets of the municipality. While technically these assets are part of the responsibility of ONE JIB, ONE JIB will not be exercising discretion in the management of these investments without specific direction from Bracebridge. The treasurer has also requested that the voting of proxies for Lakeland Holdings Ltd. shares be coordinated with the municipality. Bracebridge is actively involved with providing input at shareholder meetings and expects to remain doing so. The ONE JIB is respectful and is supportive of this. The table below identifies the specified investments:

Description	Units as at December 31, 2018	$ Value as at December 31, 2018	Maturity	Investment Instructions
Lakeland Holdings Ltd. shares	5,497	$ 29,684,154	Not applicable	Do Not Sell

11.2 Transitional Investments

MNRI that Bracebridge will transfer to the JIB will be funded out of available cash and through liquidation of the ONE Investment legal list portfolios. No illiquid investments (other than the Hydro shares noted above) will be included as part of their contribution to the ONE JIB. As such the investment plan does not need to include a transition plan for such illiquid assets.

The transition of monies into MNRI will involve the sale of some or all of ONE Investment portfolios. As these are highly liquid investment vehicles monies can be made available to fund the transfer of MNRI to the JIB within a few days.

12. Comments by Investment Manager

Certain qualitative factors were considered in assigning the investment allocations. Bracebridge's MNRI are temporarily low as the community completes construction of a multi-use community centre that is anticipated to cost approximately $54 million. Monies to finance this commitment include contributions from other governmental sources as well as balances that will be held as part of MRI until the funds are needed.

The municipality has significant cashflow flexibility in coming years and anticipates that balances in MNRI may increase in excess of $500k per year for several years. Because of this the municipality sees their initial contribution to the JIB as very long term in nature and does not contemplate that it will need to meaningfully drawdown MNRI within the next 10 years. This implies that the municipality has the flexibility to assume a relatively high risk profile. At the time of writing, the recommended overall exposure to equity within the portfolios was targeted at 33%, an appropriate level for the municipality.

Signed by:

______________________________	______________________________
Keith Taylor, Investment Manager	[Name], Chair
ONE Investment	ONE Investment Joint Investment Board
______________________________	______________________________
Date	Date

Appendix A: Most Recent Municipal Client Questionnaire

Appendix B: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in Bracebridge's investment needs be communicated to ONE JIB on a timely basis. These include changes in:

- Risk tolerance;
- The IPS;
- Timeframes and/or estimated amounts for financial obligations, including sooner-than-expected amounts and longer timeframes;
- Desired end use of funds, especially if that is likely to affect the investment approach
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the Municipal Client Questionnaire on the ONE Investment website to [name] at [email address]. They cannot be considered received without a formal return email acknowledgement from ONE Investment.

Appendix C: Description of ONE Investment Pools, Products and Solutions

Following is a list of the ONE Investment Pools and products used to achieve target asset allocations. For more information on how these ONE Investment Pools and solutions are managed, please see further detail on the ONE Investment website [insert_link_details_here.HTML]

ONE Investment Pool or Product	External Portfolio Manager	Mandate	Asset Allocation
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Savings account
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity that meet the Legal List requirements	100% short-term government bonds
ONE Canadian Corporate Bond Fund	MFS	Canadian Bond exposure inclusive of corporate credit	Canadian Fixed Income
ONE Global Unconstrained Bond Fund	[Not Disclosed]	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	[Not Disclosed]	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian	Canadian Equity with conservative investment approach	Canadian Equities

Solutions

The asset allocations for ONE Investment's solutions are the following. Rebalancing will be managed for these asset allocations as explained in the Plan.

Contingency Solution

	Default									
	Lower Risk % Weight			Duration (Years)	Moderate Risk % Weight			Higher Risk % Weight		
	Min	Target	Max		Min	Target	Max	Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	40	50	60	25	35	45
ONE Canadian Government Bond Fund	0	10	15	1.6 – 3.6	0	10	15	0	5	10
ONE Canadian Corporate Bond Fund				3.0 – 6.9						
Total fixed income	**66**	**70**	**74**		**54.5**	**60**	**64.5**	**35**	**40**	**45**
ONE Canadian Equity Fund	0	5	10		0	5	10	5	10	15
ONE Global Equity Fund	15	25	35		25	35	45	40	50	60
Total equity	**26**	**30**	**34**		**35.5**	**40**	**45.5**	**55**	**60**	**65**

Stable Return Solution

	Default						
	Lowest Risk % Weight			Duration (Years)	Low Risk % Weight		
	Min	Target	Max		Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	50	60	70
ONE Canadian Government Bond Fund	25	30	35	1.6 – 3.6	15	20	25
ONE Canadian Corporate Bond Fund				3.0 – 6.9			
Total fixed income	**88**	**90**	**92**		**76.5**	**80**	**83.5**
ONE Canadian Equity Fund	0	0	0		0	5	10
ONE Global Equity Fund	8	10	12		10	15	20
Total equity	**8**	**10**	**12**		**16.5**	**20**	**23.5**

Asset allocations for target date solutions are in Appendix D.

Appendix D: Target Date Solutions' Glide-path Asset Allocations

Investments with target dates will be managed to reduce risk as the end date approaches. This is known as following a glide-path. Below is the asset allocation glide-path that will be followed with a view to generating asset growth for long term holdings and shifting gradually to safety of principal for shorter term holdings.

Term to Target Date in Years																		
		2 to 3			**4 to 5**			**6 to 10**			**11 to 15**			**16 to 20**			**> 20**	
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE High Interest Savings Account	0	100	100															
ONE Global Unconstrained Bond Fund				35	40	45	35	45	55	35	45	55	35	45	55	30	40	50
ONE Canadian Government Bond Fund	0	0	100	15	20	25												
ONE Canadian Corporate Bond Fund				35	40	45	25	30	35	15	20	25	5	10	15	0	5	10
Total Fixed Income	**100**	**100**	**100**	**90**	**100**	**100**	**71.25**	**75**	**78.75**	**60.75**	**65**	**69.25**	**50.25**	**55**	**59.75**	**40**	**45**	**50**
ONE Canadian Equity Fund				0	0	0	0	5	10	0	5	10	0	5	10	0	5	10
ONE Global Equity Fund				0	0	0	15	20	25	25	30	35	35	40	45	40	50	60
Total Equity				0	0	10	21.25	25	28.75	30.75	35	39.25	40.25	45	49.75	50	55	60
Expected return		2.2%			2.7%			3.8%			4.2%			4.6%			4.9%	

Appendix E: Transition Plan [To Be Completed]

At the writing of this Plan (DDMMYY), Bracebridge's holdings were the following.

Account	Current Holdings	Amount
Account 1	ONE Universe Corporate Bond Portfolio	$ 2,188,592
Account 2	ONE Investment HISA	14,534,862
Account 3	ONE Equity Portfolio	1,078,075
		$ 17,801,530

The objective is to move to the below allocations as quickly as practicable. The settlement cycle on ONE Investment portfolios & HISA is very short so no special considerations will need to be planned to accommodate the transition of assets to the JIB

Account	Target Holdings	Amount
Account A: Contingency	ONE Investment Contingency Solution	$ 761,358
Account B: Target Date	ONE Investment 2030 Target Date Solution	2,036,309
Account C: Stability	ONE Investment Stable Return Solution	2,898,710
		$ 5,696,377

Target holding weights will be maintained within the asset allocation bands identified in section 6 of this document until instructed otherwise.

Date

Treasurer

Keith Taylor, Investment Manager
ONE Investment

Appendix F: Transferring Funds

Document here how funds will be transferred in/out of ONE JIB and into what municipal short-term account they will come from/go to.

Appendix G: ONE JIB's Investment Approach

Investment Approach

Investment Approach

1. Our Investment solutions are designed to address 3 key investment outcomes. Each one of these outcomes will have a unique asset mix and investment objective. These are intended to be used instead of having an asset mix defined in the IPS.
    - Contingency: needs that function like insurance, entail unpredictable, infrequent bullet payments. Clients may have target sizes for these reserves, so that when the investments grow to that size, either funds can be diverted out or contributions can be reduced. For these reasons, a growth profile is preferred.
    - Stable Return: these are used to fund ongoing capital investments and are needed to generate a consistent reliable return stream. May be needed at different risk levels and tolerances for dipping into principal.
    - Target Date Projects: these are savings vehicles for projects with predictable (but perhaps not perfectly predictable) target dates where the risk of meeting the required payment is clearly defined. Includes sinking fund debentures and serial bonds.
    - As appropriate the JIB can create custom asset mixes to accommodate specific municipal needs, but it is anticipated that the Contingency, Stable Return and Target Date outcomes will be sufficient for most municipalities.

2. ONE Investment will use a series of building block asset class funds managed externally using off-the-shelf pooled funds as much as possible. This approach facilitates the following:
    a. Managers can be added and subtracted in an asset class easily at any point in time;
    b. New asset classes can be added as new building block funds;
    c. Risk profiles and solutions can be added/changed without creating new funds.
    d. The Joint Investment Board will be able to tell easily whether clients are invested in appropriate risk exposures.

Capital Markets Beliefs

Asset Allocation

1. Theoretical underpinnings:
    a. Modern Portfolio theory provides a useful conceptual construct that demonstrates the value of diversification for investment portfolios. Diversification is a key feature that helps reduce risk in investor portfolios.
    b. We believe in Prudent Investing as a process.
2. Our investment objectives will vary with each need we are trying to meet. The following issues are taken into account for each need and their weights will vary depending on the target outcome and risk tolerance:
    a. Safety of principal
    b. Adequate liquidity
    c. Diversification by geographic exposure, asset class, sector, issuer, credit quality and term to maturity.
    d. Capital appreciation.

e. Income generation

3. Long-term asset allocation is the most important portfolio component driving risk and return. Higher returns generally entail taking more risk. Over most long-term periods, equities have outperformed fixed income. Given their higher risk profile, equities should outperform fixed income over the longer term. In setting asset allocation, consideration is given to macro risks, such as inflation, economic growth and interest rates.

4. Tactical Asset Allocation (market timing) at the total portfolio level is unlikely to consistently add value. In some extreme cases, it may be useful.

5. For clients who present us with a substantial sum for investing, we do not believe that dollar cost averaging into stock markets will generate optimal returns. Because stock markets tend to go up over time dollar cost averaging represents a delay in entering markets and receiving returns. However, some clients may view dollar cost averaging as a way of managing timing risk and we will not oppose those who do.

Asset Classes and Asset Class Strategies

6. ONE Investment clients are non-taxable and are therefore indifferent as to the source of return (interest, dividends, capital gains) except where covenants require use of dividends only. However, as municipalities are required to balance their budgets annually and because they do not recognize unrealized investment gains, they may occasionally have to sell holdings that have risen in value to generate “income” for fiscal purposes. There may be less opportunity to plan the recognition of gains/losses when investing in our Prudent Investor offerings.

7. Our range of client offerings is expected to expand over time, starting with initial offerings in the public equity and public and private debt markets. Other asset classes, including possibility real and private assets, will be considered in due course.

8. Cash and cash equivalents can be used to manage risk and enhance liquidity. Staying in cash for long periods to avoid risk may not be a prudent strategy as it entails an opportunity cost.

9. The use of fixed income during periods of rising interest rates may be appropriate for the following reasons:
   a. To manage volatility;
   b. To match maturities to cash needs;
   c. To generate income; and,
   d. Provide diversification benefits.

10. For fixed income and target return investing, it is not prudent to set a target return or yield and then find an instrument or portfolio that will generate that yield. It is preferable to define a risk level and accept the return or yield associated with it.

11. We are comfortable holding low quality securities in mandates if their weights are constrained. Such allocations can offer correlation benefits that can improve overall portfolio risk metrics while potentially increasing overall portfolio returns.

12. Clients prefer portfolio stability and are quite sensitive to losses. Investment recommendations are not solely focused on return potential but also consider risk. Historical drawdowns experience is a highly relevant consideration when selecting external investment managers.

13. We expect our clients prefer absolute to relative returns. Outperforming a given benchmark is of little consolation if the client is losing money.

14. For benchmark-relative investing, active management makes sense if the manager can add net value (after fees) on a risk-adjusted basis.

15. Derivatives will not be used for speculative purposes. They may be used to manage risk or to replicate specific asset classes, but only where they are fully covered by a backing asset, e.g., as for currency hedging or covered call strategies.

16. Some exposure to foreign currencies may be desirable to improve diversification and potentially enhance returns. Therefore, it shall not be a violation if global mandates are unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB. While the ONE JIB does not intend to implement a currency hedging strategy directly, the external portfolio managers hired to manage the funds may use currency hedging as part of their investment strategy.

Investment Managers

17. Success with active mandates is more likely with strong conviction and less constrained mandates.

18. Considerations included in evaluating managers:
    - Performance
    - Corporate changes
    - Service levels
    - Adherence to portfolio parameters and stated philosophies
    - Appropriate benchmarks
    - Insights and research capabilities
    - Internal controls and operational processes
    - Comprehensive investment management process
    - Risk management
    - Depth of management team

- Cost is an important consideration when choosing a strategy or investment manager, but not in isolation: we will consider value for money in decision-making. We will aim for competitive costs, including tiered pricing. We may consider a performance-based fee structure where the base is equivalent to a passive fee and the bonus is paid in accordance with performance delivered net of fees above the benchmark.

Other

19. Securities lending is permitted by legislation for Legal List investors. For Prudent Investors, we require minimum collateral of 102% with guidelines to be specified later.

20. Borrowing, including shorting, is not allowed. This does not include mortgages on real estate, which we will address when we review the possibility of investing in that asset class.

21. The ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing investment managers. Investment managers are assessed for their ESG policies. ONE JIB does not necessarily endorse sole use of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by manager based on a number of factors, including the degree of control exercised by the ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations may not be possible either due to availability or to costs. We may be able to provide client reporting on this subject. Future offerings may include more specific responsible offerings.

APPENDIX "D"

<u>Initial Formation Agreement</u>

Appendix 4 - Account Mapping and Investment Allocations
Town of Huntsville

1. Summary

- Huntsville has $8.0 million available to invest, revised downward from $10 million since the draft plan was developed. One Investment is expecting an updated MCQ to confirm of this for investment planning purposes.

- The Huntsville Council has established its investment objectives and risk tolerance through its IPS and MCQ

- The revised outcomes, lower amount to invest, and further analysis prompted shifting some MNRI to alternate outcomes.

- The changes to the outcomes result in an increase in the allocation to equities from 15.5% in total to 34.4% and decreases cash holdings from 35% to 30%.

- The increased exposure to equites increases expected returns by 0.6% while increasing standard deviation by 1.4%.

2. Background

Huntsville's IPS and MCQ establish the amount available for investing, their investment objectives, investment horizons and risk tolerance

Huntsville initially has $8.0 million available for the ONE JIB to invest. The Town has a planned $3 million streetscape project planned for 2022/23. Additionally, the Town is anticipating that repairs to the municipal pool will be required in 2022, the full scope and cost of which are not yet known. The remainder of the Town's MNRI are associated with capital reserve and reserve funds ($1 million) that have a long time-horizon or are established for contingency purposes. The Town's return objective is an annual return that at least meets inflation. They are looking to achieve moderate growth without excessive risk to capital.

Huntsville's overall risk tolerance is moderate with an annual downside comfort level of negative 5% in a single year. Their IPS states their risk tolerance on contingency and target date funds with a term of greater than 5 years is high, while their tolerance for risk on funds expected to be required in 4 to 5 years is moderate and their risk on shorter term investments (3 years or less) is low.

3. Analysis

A combination of a drop in MNRI by $2 million and a review of investment horizons led to a reallocation of Stable Return money and a shift of a small portion of funds to a longer time horizon.

Initially $10 million, Huntsville's long-term fund estimates have been revised downward to $8 million since the draft investment plan was developed, this reduction largely impacted contingency allocations. Further analysis of Huntsville's MCQ indicated that approximately $4 million would be required in the 2 to 5-year range, and this was split evenly between the two shorter term Cash and Cash Plus outcomes. Since the MCQ did not indicate a need for a regular income, the previous Stable Return allocation was shifted to the Contingency outcome. Additionally, $1 million was allocated to the longer-term target date outcome.

Table 1
Comparison of MNRI allocation to Original and Revised Outcomes

Draft Plan Presented to Council		Revised Mapping	
Original Outcomes	Amount ($)	Revised Outcomes	Amount ($)
Target Date 2023	3,500,000	Cash < 3 yrs	2,000,000
Target Date 2025		Cash Plus 3-5 yrs	2,000,000
Stable Return	2,000,000	Stable Return	
Contingency (Low to moderate risk)	4,500,000	Contingency	3,000,000
Contingency (High risk)		Asset mgt reserves	
Target Date 2030		Target Date 5-10 yrs	
Target Date 2035, 2040, 2045		Target Date > 10 yrs	1,000,000
Total	$10,000,000		$8,000,000

Compared to the Draft Plan the Revised Mappings would shift the overall allocations from 15.5% equities to 34.4% equities; cash holdings decrease from 35% to 30%.

The revised outcomes mapping, lower initial MNRI figure, along with the revised suggested fund allocation weights for each outcome, results in a shift among funds. The changes result in a higher allocation to both the Canadian Equity Fund and the Global Equity Fund and a decreased allocation to the Canadian Government, and Global Bond Funds. While not contemplated in the first draft the revised mapping contemplates a small allocation to Canadian

Corporate Bonds. Short-term cash holdings decrease by $1.1 million under the revised mapping. See Table 2 for specific allocations.

Table 2
Allocation Between ONE Funds
Comparison between Original Draft and Revised Mapping

	Draft Plan Presented to Council		Revised Mapping	
Fund	Total Invested	Percentage	Total Invested	Percentage
HISA	3,500,000	35.0%	2,400,000	30.0%
CDN Equity Fund	225,000	2.3%	825,000	10.3%
Global Equity Fund	1,325,000	13.3%	1,925,000	24.1%
CDN Govt Bond Fund	1,050,000	10.5%	427,500	5.3%
CND Corp Bond Fund	-	0.0%	427,500	5.3%
Global Bond Fund	3,900,000	39.0%	1,995,000	24.9%
Total $	$10,000,000	100.0%	$ 8,000,000	100.0%

The proposed changes to mapping and allocations will increase the average expected returns but will also increase the volatility of the portfolio

The revised outcome mappings and increased equity allocation will increase expected returns to 3.5% from 2.9%. The changes would also mean that standard deviation would increase from 2.7% to 4.1% compared to the plan presented to council. See table 3 for further details.

Table 3
Risk and Return Comparison
Draft plan to Revised Mappings

Plan version	Average Expected Returns	Standard Deviation
Draft Plan Presented to Council*	2.9	2.7
Revised Plan Based on New Mappings	3.5	4.1
Difference	+0.6	+1.4

Since the draft plan was presented to council interest rates have dropped. The projected return for HISA, a significant holding, have been revised from 2.2% to 0.915%. For comparability purposes, the draft plan returns have been revised from 3.3% to 2.9% reflect the revised assumptions.

5. Conclusion

Staff is looking for feedback on whether the revised mappings lead to an allocation that is more in line with Huntsville's risk tolerance and return objectives.

Prepared by: Colin Macdonald, Manager of Investments and Keith Taylor Chief Investment Officer
Approved for submission by: Judy Dezell and Donna Herridge, Co-President/CEO

Town of Huntsville Staff Report

Meeting Date: December 12, 2019 **To:** Corporate Services Committee

Report Number: CORP-2019-74 **Confidential:** No

Author(s): Julia McKenzie, Manager of Finance/Treasurer

Subject: Investment Policy Statement

Report Highlights

Investment Policy Statement for approval to incorporate the changes required as Huntsville intends to be a founding member of the ONE JIB (Joint Investment Board).

Recommendation

That: Committee approve the Investment Policy Statement as attached to Report CORP-2019-74;

And Further That: Appendix I: "ONE JIB Agreement" be included in the Investment Policy Statement once it is written to the satisfaction of the Treasurer;

And Further That: Investment Policy (Recommendation No. GC136-15) be rescinded on June 1, 2020.

Background

Municipalities that are subject to the *Municipal Act, 2001* (the "**Act")** have no general power to invest money. Such powers must be found either in express provisions of the Act or by necessary implication.

Historically, municipalities that are subject to the Act had very limited express investment powers under section 418 of the Act. Section 418 continues to apply to all municipalities that are subject to the Act unless they elect to pass a by-law pursuant to the new section 418.1. Section 418 of the Act provides that "money that is not required immediately" can only be invested in securities prescribed by the Province in O. Reg. 438/97 (the "**Regulation**"). These prescribed securities are generally referred to as the "Legal List Securities" and are included in Part I of the Regulation.

Effective January 1, 2019, the new section 418.1 of the Act came into force. Section 418.1 provides that "money that is not required immediately" (can be invested under that section in any security, provided that in making the investment the municipality exercises the care, skill, diligence and judgment that a prudent investor would exercise in making the investment. If a municipality elects to pass a by-law under section 418.1, the effect will be that its "money that is not required immediately" must be invested in accordance with the prudent investor regime. The rules, conditions and procedures that apply to investments under section 418.1 are set out in Part II of the Regulation.

Investing "money that is not required immediately" (MNRI) in Legal List Securities or in accordance with the prudent investor regime are mutually exclusive alternatives. That is to say, section 418 does not apply to a municipality that has adopted the prudent investor regime under section 418.1.

Every municipality, regardless of whether section 418 or 418.1 applies to it, has MNRI and also money that is required immediately (MRI). Municipalities retain the management and control of their MRI. The Act does not include any express provisions that deal with the investment of MRI. However, it is consistent with prudent practice to invest such money until it is actually spent, in order to preserve the capital value of that money. Accordingly, it is necessarily implied that a municipality has the power to invest such money on a short term basis. Because the Act is silent as to how municipalities are to deal with MRI and because of the historical investment powers under the Act, a conservative approach is to invest MRI in appropriate Legal List Securities.

Municipalities that elect to pass a by-law pursuant to the new section 418.1 include in their investment policy (i) the basis upon which they distinguish between MNRI and MRI, and (ii) principles governing the investment of each category of money. This Investment Policy Statement (IPS) is intended to respond to the foregoing requirements.

Discussion

Huntsville currently invests funds as per the Council approved Policy Budget&Financial-06 Investments which allows the Treasurer to invest funds under the "Legal List". The Investment Policy Statement attached to this report serves to allow Huntsville to invest under Prudent with the ONE Joint Investment Board for MNRI and also provides guidance to the Treasurer for MRI. The attached policy will come into force once the ONE Joint Investment Board is formed on June 1, 2020 and at that time the current Investment Policy will be rescinded.

The Investment Policy Statement includes Appendix I: ONE JIB Agreement which has been currently left blank, as this Agreement is still in the development stage and is not included in the policy. Once the Agreement has been finalized and reviewed the Town's legal council the agreement will be included and will form part of the policy.

The Draft Investment Policy Statement, as well as the Municipal Client Questionnaire, were provided to the ONE Investment and LAS Staff for the development of the Draft Investment Plan which will be applicable to long term funds held by the ONE JIB and will be amended from time to time.

Options

1. Adopt the Investment Policy Statement as presented and continue to move forward as a Founding Member of the ONE Joint Investment Board (**recommended**).
2. Do not pursue any further investigation and consider joining the Board after implementation. (not recommended)

Capital

The development of the IPS considers the need to be looking at longer term horizons for investment management to match the timing of the needs of capital dollars based on asset management plans. Creating a more strategic approach to maintaining investments creates greater opportunity increase yields on long term funds.

Operational

The Treasurer must identify MNRI (money not required immediately) which will be needed for short term needs (less than 18 months). These funds will be held in liquid investments to ensure there is adequate access as needed for the operations of the Town.

Council Strategic Direction / Relevant Policies / Legislation / Resolutions

Council Resolution 166-19 June 24, 2019
Sections 418 and 418.1 of the Municipal Act, 2001.
Ontario Regulation 438/97.
Strategic Plan - Gov 3.1, GOV 3.3

Attachments

Investment Policy Statement - Huntsville - Draft
Investment Plan - Hunstville Draft

Consultations

Julie Stevens, CPA, CA Commissioner of Finance and Corporate Services for the District Municipality of Muskoka
Stephen Rettie, CPA, CMA Director of Finance/Treasurer for the Town of Bracebridge
Laurie Bissonette, CPA, CGA, Director of Finance, District Municipality of Muskoka
Keith Taylor, Chief Investment Officer, ONE Investment

Respectfully Submitted: Julia McKenzie, Manager of Finance/Treasurer

Manager Approval (if required): ________________________________

Director Approval: ________________________________

CAO Approval: Denise Corry, Chief Administrative Officer

CORPORATE POLICY - INVESTMENT POLICY STATEMENT

SECTION: Budget&Financial	EFFECTIVE DATE: June 1, 2020
SUBJECT: INVESTMENT POLICY STATEMENT	POLICY NUMBER: Budget-Financial-XX

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1. GLOSSARY AND DEFINITIONS

The following capitalized terms are defined terms which have the meanings set out below:

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Agent: means any administrator, Custodian, payment servicer, portfolio manager, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment.

Asset Mix (or Asset Allocation): means the proportion of each asset class in a portfolio. Asset classes include bank deposits, money market securities, bonds and equities, among other things.

Authorizing By-law: means a by-law of a Founding Municipality which authorizes: (i) the entering into of the Initial Formation Agreement; (ii) the establishment of ONE JIB; (iii) the approval of the Client Questionnaire and the adoption of the IPS; and (iv) the entering into of the ONE JIB Agreement.

Benchmark: means an index that is representative of a specific securities market (e.g. the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms.

CFA Institute: refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

Custodian: means a specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks").

Environmental, Social and Governance (ESG) Investing: means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone with the goal of enhancing long-term outcomes.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a Pooled Fund. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation.

Internal Controls: means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.

Investment Plan: means the investment plan applicable to the Long-Term Funds investments and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

Investment Policy Statement (IPS): means the investment policy applicable to the Municipality's investments adopted and maintained by the Council of the Municipality for Long-Term Funds under the Regulation, and for Short-Term Funds, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Municipality for the benefit of persons other than the Municipality itself and may make reference to source(s) of money in which the Municipality may have an indirect interest but which the Municipality has no authority to invest.

JIB: is short for Joint Investment Board and means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.

Legal List Securities: means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.

Local Distribution Corporation or LDC: means a corporation incorporated under section 142 of the *Electricity Act, 1998*.

Long-Term Funds: means the Municipality's money that is to be used to meet financial obligations that become due more than 18 (eighteen) months following the date of receipt of such money and is characterized as money that is not required immediately by the Municipality as described in section 5.2. Monies that are Long Term Funds will be invested in accordance with the Prudent Investor Standard.

Modern Portfolio Theory: means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

Municipality: means the Corporation of the Town of Huntsville.

ONE JIB: means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Municipality, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.

ONE JIB Agreement: means the agreement effective as of [June 1, 2020], entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Municipality's Long-Term Funds.

Participating Municipality: means from time to time each of the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.

Pooled Fund: means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute funds that are invested and managed by an External Portfolio Manager. Funds are pooled or combined with funds of other investors.

Portfolio: means any collection of funds that are grouped together and required for specific purposes.

Proxy Voting: means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to participate. External Portfolio Managers usually vote proxies on behalf of their clients.

Prudent Effective Date: means [June 1, 2020], the date on which the prudent investor regime applies to the Municipality.

Prudent Investor Standard: means the standard that applies when the Municipality invests money that it does not require immediately under section 418.1 of the Act. It requires the Municipality to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Municipality can invest. The Prudent Investor Standard makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio in respect of the Municipality's Long-Term Funds rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

Regulation: means Ontario Regulation 438/97.

Risk: means the uncertainty of future investment returns.

Risk Tolerance: means the financial ability to absorb a loss. Risk tolerance increases with the build-up of capital funding.

Securities Lending: means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.

Short-Term Funds: means money that is required immediately by the Municipality as described in section 5.1 and which remains under the control and management of the Municipality. The funds can be invested in appropriate Legal List Securities.

Sinking Fund: means a fund established to fulfil the requirements to make annual contributions in respect of various debenture issues wherein money is to be regularly set aside for the payment of the principal of the debentures at maturity.

Sinking Fund Required Contributions (Annual Sinking Fund Requirement): means the amount of money to be set aside each year for deposit into a sinking fund or a retirement fund, as applicable, for each sinking fund and term debenture issue in accordance with the Municipality's debenture by-laws when such debentures are issued.

Sinking Fund Required Earnings: means the investment earnings needed for the Sinking Fund Contributions to continue to grow to a value sufficient to repay the principal at maturity for each issue of sinking fund and term debentures.

Sinking Fund Excess Earnings: means the investment earnings in excess of the required earnings.

2. PURPOSE AND LEGISLATIVE FRAMEWORK

2.1 Purpose

This Investment Policy Statement (IPS) governs the investment of the Municipality's Money Not Required Immediately (MNRI) and Money Required Immediately (MRl). lt is intended, among other things, to direct the Treasurer in the investment of MRI and to direct ONE Joint Investment Board (ONE JIB) in the investment of MNRI by implementing the Authorizing By-law pursuant to which the Municipality authorized the establishment of guidelines for the prudent management of the Municipality's MNRI pursuant to section 418.1 of the Act.

ln addition to the Municipality's MRI and MNRI, the Municipality is from time to time entrusted with the management of money and investments for a third party beneficiary ("third party trust funds").

There are also source(s) of money in which the Municipality may have an indirect interest but which the Municipality currently has no authority to invest. Such source(s) of money, referred to in this IPS as "designated funds", are listed in Schedule A attached hereto. The designated funds are identified in this IPS for the sole purpose of enabling the Municipality to better see, on an aggregated basis, the various financial assets in which the Municipality has an interest. The Municipality is not responsible for the investment activities or performance of designated funds.

The goals of this IPS are to:

- Define and assign responsibilities for investment of MRI and MNRI;
- Describe the Municipality's responsibilities with respect to third party trust funds and designated funds
- Ensure compliance with the applicable legislation;
- Direct ONE JIB as to the Municipality's investment goals and risk tolerance;
- Provide guidance and limitations regarding the investments and their underlying risks;
- Establish a basis of evaluating investment performance and the underlying risks; and,
- Establish a reporting standard to Council.

2.2 Scope

This IPS applies to employees of the Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Treasurer, and any agent or advisor providing services to ONE JIB in connection with the investment of the portfolio shall accept and strictly adhere to this IPS.

2.3 Legislative Authority

Investments of MRI will, in accordance with this IPS, only be made in Legal List Securities.

Investments of MNRI are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Municipality to earn improved risk-adjusted rates of return.

Money and investments that the Municipality holds as third party trust funds or has an interest in as designated funds will be subject to applicable legislation and any related agreements or instruments.

The Act provides that the Municipality must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment plays within the Municipality's total portfolio of investments;
- The expected total return from income and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

2.4 Standard of Care

For MNRI, the standard to be used by the Municipality and ONE JIB shall be the "prudent investor" standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Municipality's MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances, that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.

As well, the Prudent Investor Standard makes use of Modern Portfolio Theory, which looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio.

Officers, employees and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking into account the prescribed risk and other parameters set out in this IPS and market factors. The Municipality's staff acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment's performance, provided underperformance relative to expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

3. MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY

3.1 Determination of MNRI and MRI

Determination of the Municipality's MNRI is the responsibility of Council. In making the determination, Council may consider:

- the time horizon within which the monies are needed to meet financial obligations
- the purpose for which the monies have been collected or set aside and are to be used
- the source of the money
- any combination of the foregoing

The Municipality's MNRI will be comprised of money that is to be used to meet financial obligations that become due more than 18 (eighteen) months from the date of receipt of such money by the Municipality.

For certainty, all money of the Municipality that has not been identified as MNRI (other than third party trust funds and any designated funds referenced in Section 2.1) shall be deemed for purposes of this IPS to be MRI.

Determination of the Municipality's MNRI and MRI may be modified at any time and from time to time by action of Council and with respect to specific funds by the Treasurer in accordance with the provisions of Section 6.2 Third Party Trust Funds and Designated Funds.

Any changes in this IPS regarding the Municipality's MNRI and MRI must be communicated immediately in writing to ONE JIB.

3.2 Overview of Portfolios

The Municipality's portfolios represent funds required for specific purposes. A high level description of each of these portfolios and their objectives is provided in Section 5 below. This IPS applies to the following money of the Municipality, its agencies, boards and commissions including:

- MRI which is invested in Legal List Securities; and/or
- MNRI which is invested under the prudent investor regime.

4. ROLES AND RESPONSIBILITIES

No person including, without limitation, ONE JIB, may engage in an investment transaction except as provided under the terms of this IPS.

4.1 Role of ONE JIB

ONE JIB has been appointed by the Municipality in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement (Appendix I).

ONE JIB exercises control and management of the Municipality's MNRI and the investments made by it with such MNRI.

Among the responsibilities of ONE JIB are the following:

- Reviewing this IPS;
- Adopting and maintaining an Investment Plan that complies with this IPS;
- Engaging External Portfolio Managers, Custodians, administrators and other investment professionals (Agents);
- Allocating the money and investments under its control and management among External Portfolio Managers;
- Monitoring the performance of the Agents; and,
- Reporting to the Municipality.

The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

4.2 Role of Municipal Staff

This IPS is approved and adopted by Council with input from the Treasurer, and from ONE JIB with respect to MNRI. MRI of the Municipality, and any third party trust funds referenced in Section 2.1, remain under the control and management of the Treasurer.

The Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:

- Investment management of MRI and any third party trust funds referenced in Section 2.1 by, or under the direction of, the Treasurer;
- Explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and,

- A system of controls exercised by the Treasurer to regulate the activities of subordinate officials, if any.

In the management of MRI of the Municipality, and any third party trust funds referenced in Section 2.1, the Treasurer may engage one or more agents and service providers. ONE Investment can assist with the investment of the Municipality's MRI, in Legal List Securities, and with the investment of third party trust funds, in accordance with the terms of the applicable trust, if permitted, at the request of the Municipality.

5. INVESTMENT

5.1 MRI: Short-Term Funds

The Municipality's MRI is described in this IPS as Short-Term Funds. Short-Term Funds consist of money needed to meet the financial obligations of the Municipality coming due within 18 (eighteen) months from the date of receipt of such money and are controlled and managed by the Treasurer.

5.1.1 Short-Term Funds: Investment Objectives

The main focus of the investment of Short Term Funds is cash management, and the interest income generated by the investment is a contributor to budgetary revenues. To the extent possible, the Municipality shall attempt to match its investments with anticipated obligations.

Capital preservation is paramount and this portfolio needs to be highly liquid. Consequently, only high quality, short-term investments that are also Legal List Securities will be held in this portfolio. The Municipality may invest in fully liquid money market securities and deposit accounts. The Municipality aims to maximize returns subject to the constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserving capital and to further manage risk through diversification by issuer and credit quality.

5.1.2 Short-Term Funds: Eligible Investments

Short Term Funds may be invested in high quality, short-term investments that are also Legal List Securities available from banks, dealers and other financial institutions. Eligible investments include the following offerings by ONE Investment:

- ONE Investment High Interest Savings Account;
- ONE Investment Money Market Portfolio; and,
- ONE Investment Bond Portfolio

Investment in the foregoing is subject to the Municipality entering into the prescribed Agency Agreement with LAS and CHUMS.

The Municipality monitors and determines the amount of its MRI. It will, from time to time, be comprised of:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Target Date	Contributions toward specific projects	Extremely low risk, next day liquidity	Less than 18 months
Stability	Contributions to mitigate impacts of infrequent events	Extremely low risk, next day liquidity	Less than 18 months

The investment objectives for the Town for short term funds, ranked in priority, are as follows:

a) Security of Principal
The primary objective for MRI is to ensure the security of principal. To minimize the risk of loss, investments shall be subject to minimum credit ratings and shall be diversified by maturity, type of investment and issuer. Investing activities will be reviewed on a regular basis as actual, revised and forecasted operating and capital plans are completed. Maturity dates should be staggered so that investment cash inflows occur throughout the year.

b) Liquidity Requirements
Liquidity is measured by the ease with which securities can be converted to cash to meet forecast spending. It is recognized that the various investments that are eligible under Ontario's Eligible Investments and Related Financial Agreements Regulation, possess different features and thus market prices will vary depending on market conditions as well as the particular features of the type of investment.

To ensure adequate liquidity, the Municipality's investments shall be diversified by holding securities of various terms to maturity and by various types of investments and issuers and to the extent possible, the term of such investments shall match the forecasted requirements for such funds to meet expenditures.

c) Rate of Return
The Municipality's funds shall be invested to maximize the rate of return within acceptable risk levels while respecting the security of principal, legal constraints and the adequate liquidity needs of each investment portfolio.

The composition of each portfolio, including its term to maturity and type of investments, shall be adjusted within the guidelines of this Policy to take advantage of market opportunities. Such changes shall be made with the periodic interest rate outlook and target portfolio structure approved by the Treasurer.

5.2 MNRI: Long-Term Funds

The Municipality's MNRI is described in this IPS as Long-Term Funds. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the Long-Term Funds and the investments made therewith.

From time to time, the Municipality may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to pay those obligations. ONE JIB will select the investment(s) to be liquidated. The timing of such liquidation will be determined by ONE JIB in consultation with the Treasurer.

5.2.1 Long-Term Funds: Investment Objectives

In setting the objectives noted below, the Municipality has taken into account the following considerations:

- Preservation of capital;
- Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;
- Diversification by asset class, market, sector, issuer, credit quality and term to maturity;
- Income and capital appreciation; and,
- Macro risks, such as inflation, economic growth and interest rates.

The Municipality has identified the following investment objectives for its Long-Term Funds.

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements	Low risk, liquid	18 months to 3 years
		Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
	Contributions to asset management reserves	High risk with emphasis on growth, liquid	Greater than 5 years
Stability	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
Contingency	Contributions for unexpected events	High risk with emphasis on growth, liquid	Greater than 5 years

Investment of Long-Term Funds is managed by ONE JIB, which balances expected investment risks and returns to generate asset mixes that create outcomes to meet the needs and risk tolerances defined below. Returns have an impact on municipal revenues, as well as a longer term impact on future years' budgets and should, at a minimum, keep pace with inflation. To the extent possible, the Long-Term Funds' investment horizons are aligned with the Municipality's obligations and may consist of liquid and illiquid securities.

5.2.2 Long-Term Funds: Eligible Investments

Eligible investments for Long-Term Funds include the following offerings by ONE Investment:

- ONE Investment High Interest Savings Account;
- ONE Canadian Government Bond Fund;
- ONE Canadian Corporate Bond Fund;
- ONE Investment Canadian Equity Fund;
- ONE Global Unconstrained Bond Fund ; and,
- ONE Investment Global Equity Fund.

Additionally, nothing in this IPS prevents Long-Term Funds from being held in cash, short term money market instruments, or overnight deposits.

5.2.3 Long-Term Funds: Sinking Funds

This section has intentionally been left blank.

5.2.4 Long-Term Funds: Local Distribution Corporation (LDC) Securities

The direct investment in LDC assets, shall be included as part of the Long-Term Funds. Specific details of this investment shall be approved by Council and ONE JIB shall adhere to all terms and conditions as directed. More specifically, ONE JIB will be prohibited from selling the LDC assets without the consent of the Municipality. LCD assets are to be viewed as separate standalone investments. These investments are not to be included in calculations regarding asset mix/allocations or other constraints that apply to the Long-Term Funds. Any proxy voting for LDC shares will be directed by the Municipality.

5.2.5 Long-Term Funds:

This section has intentionally been left blank.

5.3 Third Party Trust Funds and Designated Funds

In addition to the Municipality's own money, the Municipality is from time to time entrusted with third party trust funds, and the Municipality's responsibilities and obligations with respect thereto may be subject to other legislation and governed by other agreements and instruments. To the extent that there is any conflict or inconsistency between the provisions of this IPS and the terms and conditions contained in such other legislation, agreements or instruments applicable to third party trust funds, the latter shall prevail.

The Municipality's third party trust funds and the designated funds are listed in Schedule A.

For certainty, the third party trust funds and the designated funds are not MNRI of the Municipality, and such funds are not under the control or management of ONE JIB.

5.4 Investment Management

5.4.1 Investment Management of Short-Term Funds

The investment of Short-Term Funds shall be controlled and managed by the Treasurer.

5.4.2 Investment Management of Long-Term Funds

The investment of Long-Term Funds shall be controlled and managed by ONE JIB. An investment advisor shall be retained by ONE JIB to define and manage the asset allocation using External Portfolio Managers.

Competent External Portfolio Managers shall be appointed by ONE JIB and they shall enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any External Portfolio Manager changes deemed in the best interest of the Municipality. For each External Portfolio Manager, ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards, and performance expectations, which are documented in each External Portfolio Manager's guidelines.

5.5 Transition to Prudent Investor Regime

Until the Prudent Effective Date, the Municipality will continue to control and manage its MRI, MNRI and investments in Legal List Securities. Some of such investments were made with MRI and some with MNRI.

Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be not required immediately shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Municipality does not require immediately to be held, and to continue to be held by ONE JIB, in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a bank to be held to maturity and invested upon receipt of cash proceeds.

Management of third party trust funds and any designated funds is not directly affected by the Prudent Effective Date.

5.6 Investment Constraints

5.6.1 Environmental, Social and Governance (ESG) Investing

The Municipality supports ESG investing for Short-Term and Long-Term Funds.

For the investment of Long-Term Funds, ONE JIB is required to explore how External Portfolio Managers are implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested. Accommodating specific ESG considerations may not be possible either due to availability or to costs.

5.6.2 *Securities Lending*

Securities lending is not permitted for short term. Investments directly held by the municipality. The municipality may hold externally managed investment portfolios that engage in securities lending.

For the investment of Long-Term Funds, the Municipality may invest in pooled funds, and other investment funds that are controlled by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager that apply to such pools permit such an action.

5.6.3 *Derivatives*

Derivatives may not be used for speculative purposes. They may be used for the investment of Long-Term Funds where they are fully covered by a backing asset, e.g., as for currency or other hedging, to change portfolio duration or in covered call strategies.

5.6.4 *Use of Leverage*

Nothing in this IPS prevents the use of leverage, provided it is prudent to do so. Leverage is inherent in the use of certain types of investment strategies and instruments. Where leverage is employed, ONE JIB (for MNRI) and the Treasurer (for MRI) shall have in place monitoring procedures to manage overall exposure to any counterparty and in the aggregate.

5.6.5 *Pooled Funds*

All investment strategies may be pursued directly through holdings of corporate and government issuers and indirectly via pooled funds and investment funds or any combination thereof.

5.6.6 *Currency Hedging*

The Municipality's funding requirements are in Canadian dollars, accordingly foreign currency exposure is generally hedged back to Canadian currency. However, it shall not be a violation of this IPS for investments in global mandates to be unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB.

5.7 Performance Monitoring, Rebalancing and Management

5.7.1 Short-Term Funds

The Treasurer shall have ultimate authority for all investment transactions and to ensure that all investments are made in accordance with this.

5.7.2 Long-Term Funds

For the investment of Long-Term Funds, each account's asset mix will be monitored on a frequent basis by ONE JIB. Should the asset mixes deviate outside the ranges set out in the Investment Plan, the account will be rebalanced as soon as practicable taking into consideration variations in market liquidity and the investment objectives. Cash inflows /outflows will be used to rebalance as much as possible. If they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. ONE JIB shall provide at least annual reporting described in Section 6.6 that demonstrates the Municipality's holdings, declares compliance with this IPS and shows External Portfolio Manager performance.

6. ADMINISTRATIVE POLICIES

6.1 Flow of Funds and Annual Municipal Budget

6.1.1 Transfer to ONE JIB as Part of Budget Process

On an annual basis, as part of the Municipality's budget process, the Municipality shall identify the amount, if any, of Long-Term Funds that it holds. Any Long Term Funds not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

6.1.2 Transfer to Municipality as Part of Budget Process

On an annual basis, as part of the Municipality's budget process, ONE JIB shall be notified by the Treasurer as to the amount, if any, required by the Municipality from the Long-Term Funds then under the control and management of ONE JIB for the Municipality's operational and capital expenditure purposes. Such amount shall be deemed to be Short-Term Funds and shall be returned to the Municipality in a lump sum or by way of periodic payments, as directed by the Treasurer

6.2 Flow of Funds Otherwise than through the Budget Process

6.2.1 Surplus Funds

The Short-Term Funds capture revenues received by the Municipality during each year after the approval of the Municipality's budget for the year. Any amounts deemed to be surplus by the Treasurer at any such time during the year shall be transferred to ONE JIB to be under its management and control as Long-Term Funds. Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

6.2.2 Contingencies

The Treasurer is authorized, from time to time after the approval of the Municipality's budget, to direct ONE JIB to return any amounts determined by the Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Municipality's budget in force for that year. Provided however that the aggregate of the amounts to be returned to the Municipality under this Section 6.2.2 during the year shall not exceed [25%] of the Long-Term Funds under the control and management of ONE JIB as at the date that the Municipality approved its budget for the year (the Budgeted Long-Term Funds). In determining the Budgeted Long-Term Funds for purposes of calculating the 25% limit, any Long-Term Funds to be transferred to the control and management of ONE JIB in accordance with that year's budget pursuant to Section 6.1.1 shall be included and any amount to be returned by ONE JIB to the Municipality pursuant to Section 6.1.2 shall be excluded.

6.3 Valuation of Investments

Investments shall be valued according to the values provided by the Custodian(s). For the investment of Long-Term Funds, values of unitized vehicles shall be valued according to the unit values published daily by the Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the External Portfolio Manager to the Custodian no less frequently than quarterly.

Information required under Public Sector Accounting Standards for financial statement reporting purposes will be provided by the Custodian to the Municipality on an annual basis.

6.4 Voting Rights

Subject to the provisions of Section 5.2.4 with respect to LDC securities, where External Portfolio Managers have been appointed, such External Portfolio Managers shall assume the responsibility of exercising voting rights and will report their voting policies to ONE JIB annually. The Municipality may access these policies at any time.

6.5 Internal Controls

The Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring compliance with governing legislation and with policies and procedures established by the Treasurer. To the extent

ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

6.6 Custodians

All investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For Long-Term Funds, the Custodian shall be acceptable to ONE Investment. For Short-Term Funds the Custodian shall be acceptable to ONE Investment if ONE Investment is administering the investment of the Municipality's Short-Term Funds, otherwise the Custodian shall be acceptable to the Municipality.

6.7 Reporting

6.7.1 Short-Term Funds

For the investment of Short-Term Funds, the Treasurer shall report annually to Council. This report shall contain a statement about the performance of the portfolio of investments of the Municipality during the period covered by the report as well as a statement by the Treasurer as to whether or not, in their opinion, all investments were made in accordance with the investments policies and goals adopted by the municipality

6.7.2 Long-Term Funds

The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of Long-Term Funds at least annually. Such report shall include the following.

- Investment performance during the period covered by the report;
- Asset mix of the total portfolio;
- A listing of individual investments held at the end of the reporting period showing, where appropriate, their average term to maturity and yield relative to the benchmark, book value, market value, realized/unrealized gains/losses and actual income received;
- Dates of all transactions including the purchase and sale prices;
- A statement by the Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and
- Any other pertinent information in the opinion of the Treasurer.

All securities invested on behalf of the Municipality by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Municipality by a Custodian, which shall provide monthly reporting showing all securities held, their book values, market values and all income received.

7. APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE

7.1 Modifications to the IPS

At least annually Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Treasurer with respect to the investment of Short-Term Funds and from ONE JIB with respect to the investment of Long-Term Funds.

Following the Council's review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

At a minimum, the annual review will take into account:

- the adequacy of funding for capital works;
- the Municipality's ability to reduce other spending;
- flexibility of the timeframe to payout; and
- sensitivity to loss.

7.2 Effective Date

7.2.1 This IPS is adopted by Council of the Municipality effective [June 1, 2020].

Schedule A

Third Party Trust Funds and Designated Funds

Third Party Trust Funds

Care and maintenance trust funds under the *Funeral, Burial and Cremation Services Act*, 2002 which are to be invested pursuant to the *Trustee Act*.

Designated Funds

The Municipality has no authority or responsibility with respect to investment of designated funds.

- Reserve Funds of the Huntsville Business Improvement Area (BIA)
- Municipal Accommodation Tax Funds – Tourism Entity Share

Appendix I: ONE JIB Agreement

Municipal Client Questionnaire

Recommended Review: Annually. However, if

a. there is a significant change in the Municipality's circumstances (or)
b. there is a significant change in reserves/expenses

then a review is recommended within three months of the occurrence of such change.

1. CLIENT INFORMATION

1.1 NAME OF MUNICIPALITY: ______________________________
(Municipality)

1.2 NAME OF THE TREASURER: ______________________________

1.3 NAME OF PRIMARY DAY-TO-DAY CONTACT**: ______________________________

1.4 TITLE OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.5 ADDRESS: ______________________________

1.6 PHONE NUMBER OF TREASURER: ______________________________

1.7 PHONE NUMBER OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.8 FAX NUMBER: ______________________________

1.9 EMAIL OF TREASURER: ______________________________

1.10 E-MAIL OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.11 DATE OF PREVIOUS MUNICIPAL CLIENT QUESTIONNAIRE: ______________________________

1.12 If there have been no material changes to the information contained in the last Municipal Client Questionnaire provided to ONE Investment, indicate here:

____

1.13 Is the Municipality invested under Legal List with ONE Investment? ☐ Yes ☐ No

1.14 Is the Municipality invested under Prudent Investor Regime? ☐ Yes ☐ No

**Primary day-to-day contact should have a comprehensive understanding of the Municipality's financial position and investment needs.

Municipal Client Questionnaire

1.15 Please provide the following information for all individuals authorized to provide instructions to ONE Investment:

NAME	TITLE	EMAIL

2. INVESTMENT KNOWLEDGE AND EXPERIENCE

2.1. Which statement best describes the Municipality's level of investment knowledge and experience with financial markets and products?

- ☐ Very limited knowledge
- ☐ Basic knowledge and minimal experience
- ☐ Good knowledge and some investment experience
- ☐ Strong knowledge and experience
- ☐ Advanced knowledge and extensive experience

2.2 Please confirm that the Municipality is prepared to have exposure to the equity markets in accordance with its IPS and the corresponding Investment Plan. If no such exposure is contemplated, so state.

____

2.3 Check the following statements that apply to the Municipality's current investment portfolio? [*Check all that apply*]

- ☐ Canadian money market securities (e.g. Cash, bank accounts, HISA etc.)
- ☐ Locked In Investments (GIC's PPN's etc.)
- ☐ Local Distribution Corporation Securities (cemetery, trusts, hydro funds etc.)
- ☐ Fixed income (government and/or corporate bonds)
- ☐ Equities

3. INVESTMENT OBJECTIVES AND RISK TOLERANCE

This section of the Questionnaire asks about the Municipality's Money Not Required Immediately (MNRI). In general, investors can expect a higher annualized rate of return if the investor is also willing to accept volatility or fluctuation in the market value of their investments. For example, investors can expect that the average annual rate of return for a five year period will be higher where the portfolio's returns are varied when measured on a year by year basis, with some years having negative returns. A portfolio which has a steady return year over year, with little possibility of negative returns in any year, will most likely have a lower annualized return when measured on a rolling five year average.

3.1 Which of the following best reflects the Municipality's investment objectives for its MNRI?

- ☐ Capital preservation is the main objective. Willingness to accept low returns in order to avoid any years with losses.
- ☐ Achieve moderate growth without excessive risk to capital.
- ☐ Willingness to accept higher risk, including risk of loss of capital, for potentially higher returns over the longer term

3.2 What is the Municipality's risk tolerance for its MNRI?

- ☐ Low (Conservative Approach: A very small chance of loss of capital over a 5 year period)
- ☐ Moderate (Moderate chance of loss of capital over a 5 year period)
- ☐ High (Greater uncertainty with potential of higher returns over a 5 year period)

3.3 Annual Return Expectations: Which range best reflects the Municipality's expected annual return for its MNRI?

- ☐ 0% to 2% gain
- ☐ 5% loss to 5% gain
- ☐ 10% loss to 10% gain

3.4 Other information: Is there any other information about the Municipality's investment objectives and risk tolerance for its MNRI that is relevant to the IPS or Investment Plan?

____

____

Sections 4 and 5 of this Questionnaire asks about the Municipality's assets, liabilities and cash flow and is not limited to MNRI. It is intended to assist ONE Investment in obtaining an understanding of the Municipality's financial circumstances, including its cash flow needs.

4. FINANCIAL INFORMATION

4.1 Size of Assets and Liabilities

Description	Amount
Total Assets	
Short Term Assets	
Long Term Assets	
Long Term Debt	
Total Revenues	
Reserves	
Reserve Funds	
Trust Funds	
Sinking Funds	
Pension Funds	
Operating Funds	

4.2 Cash Flow Projections by Year (e.g. Revenue Fund, Reserve Fund, Trust Fund etc.)

Type	2019	2020	2021	2022	2022-2030

Funding/Expenditure Analysis

4.3 Has the Municipality completed a cash flow analysis?

☐ Yes ☐ No

Please answer 4.4 through 4.8 if cash flow analysis has been completed by the Municipality.

4.4 How often is a cash flow analysis of reserves, reserve funds and expected expenditures completed by the Municipality?

4.5 Please specify month and year of the last update to the cash flow analysis.

4.6 How confident is your municipality with your current cash flow forecast?
☐ Very Confident ☐ Moderately Confident ☐ Considerable Uncertainty

4.7 How many years did the cash flow analysis forecast extend?
☐ One year ☐ Two years ☐ Three years ☐ Five years ☐ Seven years ☐ 10 years or more

4.8 How sensitive are the expenditures of the municipality to inflation? Does the investment plan need to emphasize sensitivity to inflation?

4.9 How much and how often does the Municipality require funds from the operating reserves?

Type of Operating Reserve	Amount Needed	Frequency

4.10 How does the Municipality manage unanticipated requests for funding? When was the last occurrence and how was it handled?

4.11 If the Municipality has completed a capital budget and asset management plan, how many years out does this forecast extend?

☐ Less than 3 years ☐ 3-5 Years ☐ 5-10 Years ☐ 10 years or more

4.12 Are the capital reserves growing annually for the Municipality?
☐ Yes ☐ No

4.13 If yes, what approximate annual rate are the capital reserves growing by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 % Contributing an additional 15% annually to capital

4.14 If no, at what approximate annual rate is the Municipality's capital reserves declining by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 % Because of large projects, the balance declines before it grows over 5 years

4.15 What annual rate is the Municipality's capital expenditures rising by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.16 Is there a particular year when the Municipality has unusual, large expected capital expenditure(s)?
☐ Yes ☐ No

4.17 If so, please explain the timing and nature of the expenditure(s)

4.18 What are the total capital reserves available for investment as the Municipality's MNRI?

☐ less than \$5 million ☐ between \$5 and \$10 million ☐ between \$10 and \$20 million
☐ between \$20 and \$49 million ☐ between \$50 million and \$99 million ☐ over \$100 million

5. PORTFOLIO INFORMATION

No.	Description	Amount ($)
5.1	Total Amount of MNRI	
5.2	Total Amount of "Money Required Immediately" - MRI	
5.3	MNRI currently invested with ONE Investment	
5.4	MRI currently invested with ONE Investment	
5.5	Total Amount currently invested with ONE Investment	
5.6	Total Locked In portion of MNRI that is not available for investment moving to ONE JIB (e.g. local Hydro company shares)	
5.7	Total Locked In portion of funds not moving to ONE JIB due to legislation or other requirements (e.g. cemetery trust)	

5.8 Please list the name of securities with amounts invested and maturity dates that are not fully liquid (e.g. GIC's, PPN's etc.) which will be pledged as part of the Municipality's Prudent Investor investments (it is contemplated that proceeds from these investments will be transitioned into ONE Investments Prudent Investor pools at maturity or earlier if instructions given to liquidate prior to maturity.)

Type/Description	Amount	Maturity Date

5.9 What percentage of the MNRI portion of the portfolio is required by the Municipality in the following time periods? (Timeframes can be changed based on the Municipality's requirement)

[___] to [___] year: ____________________

[___] to [___] years: ____________________

[___] to [___] years: ____________________

More than 10 years: ____________________

6. PORTFOLIO MANAGEMENT AND ASSET ALLOCATION

Section 6 of this Questionnaire asks about the Municipality's existing investment policies, if any. Such policies may apply to MNRI and to MRI.

6.1 Are the Municipality's investments subject to any prohibited investment or other similar restrictions (Y/N)? If yes, please list:

____

6.2 Are the Municipality's investments subject to any investment concentration limits?

____

6.3 Are the Municipality's investments subject to any specific diversification requirements?

____

6.4 Please provide here any other restrictions and constraints (i.e. other than as contained in Municipal legislation) relating to the Municipality's investments:

____

7. ACKNOWLEDGEMENT

I confirm that information provided to ONE Investment in this form is complete and accurate as at the date hereof.

Dated this ________ day of _______________, 20___

____________________________ ____________________________

____________________________ ____________________________

Name and Signature of Treasurer Second Signature (if Required)

Town of Huntsville

Investment Plan

DRAFT: V9_9/16/2018

Date: [June 1, 2020]

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

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200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

1. Definitions

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Asset Allocation (Asset Mix): Proportion of each asset class in a portfolio.

Asset Class: a group of securities with similar characteristics and expected behaviours. Examples include Canadian stocks and global bonds.

Benchmark means an independently verifiable index that is representative of a specific securities market (e.g., the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms. A Benchmark can be a single Index or a combination of one or more indices.

Custodian: A specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks"). ONE Investment's custodian is CIBC Mellon.

Environmental, Social and Governance (ESG) Investing means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a ONE Investment Pool. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation;

Investment Policy Statement (IPS): The investment policy adopted by Council and updated annually determines Huntsville's money that it requires immediately (Short-Term Funds) and money that it does not require immediately (Long-Term Funds), and sets out, among other things, Huntsville's objectives and risk tolerances.

Long-Term Funds: Money not required immediately by Huntsville.

Municipal Client Questionnaire: A document which shall be completed by the treasurer of each participating municipality and which includes information on municipal investments and risk preferences that must be reviewed annually.

ONE Investment: A not for profit organization that will serve as an agent of the ONE JIB to operationalize the investment activities of the ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): Established by certain founding municipalities as a municipal services board under section 202 of the Municipal Act as required under Part II of the Regulation, and is the duly appointed Joint Investment Board for Huntsville, as constituted from time to time and acting pursuant to the Terms of Reference set out in the ONE JIB Agreement.

ONE JIB Agreement: means the agreement effective as of [June 1, 2020], entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of Huntsville's Long-Term Funds.

Prudent Investor Standard: Requires ONE JIB, when investing money under section 418.1 of the Act, to exercise the care, skill, diligence and judgement that a prudent investor would exercise in making such an investment, but does not restrict the securities in which a municipality can invest. The Prudent Investor standard applies to the entire portfolio of Huntsville's Long-Term Funds under control of the ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

2. Purpose of Investment Plan

As required under the Act's Prudent Investor regime, this Investment Plan (Plan) establishes how ONE Joint Investment Board (ONE JIB) will invest Huntsville's money that it does not require immediately (Long-Term Funds or MNRI). These Long-Term Funds have been determined by Huntsville to be not immediately required by Huntsville (MNRI). This Plan complies with Huntsville's Investment Policy Statement (IPS) adopted by Council on [date] and is based on the information in the Municipal Client Questionnaire dated [date] attached as Appendix A. This Plan applies to all investments that are controlled and managed by ONE JIB on behalf of Huntsville.

At least annually, following Council's review of its IPS, ONE JIB shall review this Plan and update it as needed. This current Plan should be reviewed by [date].

3. Responsibility for Plan

This Plan is the responsibility of ONE JIB, which has authorized its agent ONE Investment to exercise its administrative investment functions in accordance with the Regulation. ONE JIB oversees ONE Investment staff using procedures, reports and regular audits to ensure compliance with the Act and the Regulation in addition to Huntsville's IPS and ONE JIB's own investment policies and standards.

This Plan is dependent on clear communication between Huntsville, ONE JIB and ONE Investment regarding Huntsville's needs, which is especially important when investment needs change. To ensure clear communication, ONE Investment employs a Municipal Client Questionnaire as part of its annual review. It is the responsibility of Huntsville to ensure that ONE Investment is aware of any needs that are not addressed in the Municipal Client Questionnaire and, as soon as practicable, of any material changes that occur during the year. It is the responsibility of ONE JIB and ONE Investment to provide liquidity to the extent possible, to adjust to changing needs in a timely fashion and to communicate any difficulties in so doing as soon as possible to Huntsville. The process for communicating changes in the Municipal Client Questionnaire, IPS and other issues is set out in Appendix B [**NTD: Appendix B**]. The process for moving funds in/out of ONE Investment is outlined in Appendix E.

4. Custodian

All investments under the control and management of ONE JIB shall be held for safekeeping in the name of Huntsville by CIBC Mellon.

5. Investment Goals and Objectives

Huntsville's total portfolio includes all of its MNRI. Returns have an impact on municipal revenues, as well as a longer-term impact on future years' budgets and should, at a minimum, keep pace with inflation over the long run.

Investments may consist of liquid and non-liquid assets depending on future obligations. Expected investment risks and returns are balanced to create outcomes that provide a high probability that Huntsville's investment objectives can be achieved.

MNRI will be invested to generate any or all of the following outcomes:

a. Funding contingencies, where returns are reinvested with a view to growing principal over the long term for large withdrawals in unpredictable situations; and'
b. Creating stable returns, where principal is maintained and a reliable stream of returns may be available for to spend as/if needed; and,
c. Funding target date projects, where Huntsville has some definition of an obligation for a specific project at a specific time

Huntsville has identified the following details of their investment objectives for its MNRI.

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Contributions for unexpected events	Higher risk with emphasis on growth, liquid	Greater than 5 years
Stable Return	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements	Lower risk, liquid	18 months to 3 years
		Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
	Contributions to asset management reserves	Higher risk with emphasis on growth, liquid	Greater than 5 years

The above table represents details from Huntsville's IPS that provides guidance relevant to how the ONE JIB will determine the investment allocations. Additional context from the Client Questionnaire and dialogue from the treasurer was used to interpret the details in the table above to construct allocations that are reflective of the municipality's current goals, objectives, circumstances, and risk tolerance.

Huntsville's MNRI balances are not expected to remain stable and the municipality expects to significantly draw down the balances in through 2023 to improve municipal faculties and upgrade/expand the fleet (i.e. snow removal trucks). The municipality anticipates that MNRI will start increasing thereafter. There is considerable uncertainty about the cost of spending to upgrade the pool facilities. Therefore, the plan will highlight liquidity as a key consideration when building the investment allocations to accommodate for these near term spending needs.

6. Investment Allocations

6.1 Asset Allocations

Asset allocations for each solution are expected to be relatively stable until the next annual review. Any changes to the amounts in each account must be communicated formally as outlined in Appendix B.

The goals, objectives, constraints and circumstances of the municipality are taken into consideration when assigning asset allocations for the municipality via ONE Investment's outcome based approach. These decisions are informed by the requirement to use the Prudent Investor standard as defined in the Municipal Act. This standard identifies several key considerations that need to be incorporated in decision making process, including:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment or course of action plays within Huntsville's portfolio of investments;
- The expected total return on investment and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

The following comments explain how ONE JIB is taking these considerations into account:

- Current economic conditions can be characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. It would seem that the global economy is in the later stage of an economic expansion, and there is some potential for deceleration of economic growth going forward and potential for global trade tensions or other macro economic risks to adversely affect growth.
- Inflationary pressures in Canada remain relatively benign and it is reasonable to expect that inflation as measured by the Consumer Price Index (CPI) will remain broadly in the range of 2% per annum. To protect the purchasing power of existing monies invested with the ONE JIB returns will need to, at a minimum, match the change in CPI. Allocations to equity investments in Huntsville's plan should help to achieve this goal.
- Investment allocations will be diversified to help reduce the volatility of the investment portfolio and offer suitable risk return characteristics for Huntsville.
- Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Investment Manager believes to be appropriate for Huntsville. As the portfolios will be broadly diversified, these potential returns are

expected to be achieved while still maintaining a risk profile that is appropriate for the municipality.

- The significant funding needs of Huntsville in 2021-2023 period suggest that the priority be placed on ensuring liquidity and preservation of principal to meet these needs. A more growth oriented allocation can be assumed after these funding needs have been addressed. Until then, investments will place more emphasis on preservation of capital and liquidity which may reduce allocations to equity investments.

6.2 Account Structure

The amounts of Money Not Required Immediately, as disclosed in Huntsville's Municipal Client Questionnaire (Dated DD,MM,YYYY) have been allocated into investment outcome categories to provide guidance to the ONE JIB when investing these monies.

In summary, the total allocation to each outcome is:

Outcome	Allocation
Contingencies	$4,500,000
Stable returns	2,000,000
Target Date	3,500,000
	$10,000,000
Other Investments:	
Lakeland Holdings Inc (Hydro) shares	$ 11,749,000

These outcomes will be generated using ONE Investment Pools and products to create solutions via specific asset allocations. Descriptions of the ONE Investment Pools and the asset allocations for each solution are in Appendix C and D.

The process of moving from the current investments to the target weights both noted below is outlined in the Transition Plan in Appendix E.

6.3 Contingency Solution

Huntsville will need to generate long-term growth for funds within the Contingency Solution that may be drawn upon during times of unexpected need. Huntsville's circumstances should allow them to take a relatively conservative risk profile, making the 'lower risk' Contingency outcome appropriate (further detail about the contingency outcome allocations is described in Appendix C). These funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed.

	% Weight			
Asset class	Minimum	Target	Maximum	Benchmark

ONE Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	0	10	15	Index B
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	15	25	35	Index D
Total		100		

Benchmark: 60% x Index A + 10% x Index B + 5% x Index C + 25% Index D
Contingency Solution returns and risk are discussed in section 6.6.

6.4 Stable Return Solution

Huntsville has identified a need to generate a stable return on certain funds while also growing principal sufficiently to offset inflation. Some key accounts that represent part of the Stable Return Solution include reserves related to building development, planning, policy and projects. While the Stable Return Solution is designed to generate income that could be used to fund regular municipal spending needs, the recurring income is not a high priority for Huntsville in the near term. All income generated from the Stable Return Solutions is intended to be reinvested. Based on the expressed risk tolerances and current circumstances of the municipality, the Investment Manager has assigned the 'lowest risk' Stable Return Solution (which has a relatively low allocation to equities). Details of all asset mix ranges are available in Appendix C. Stable return funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	25	30	35	Index B
ONE Canadian Equity Fund	0	0	0	Index C
ONE Global Equity Fund	8	10	12	Index D
Total		100		

Benchmark: 60% x Index A + 30% x Index B + 0% x Index C + 10% x Index D
Stable Return Solution returns and risk are discussed in section 6.6.

6.5 Target Date Solution

Target date outcomes will be managed with the objective of providing for the return of principal and income and capital gains at a target date in the future. Some key examples of projects/accounts that are identified as being Target Date Solutions include reserves related to the improvement of pool facilities, upgrading and expanding their fleet capital (i.e. snow removal trucks) and to finance the 'streetscape projects' that will revitalize and improve the main street area. While the costs of the streetscapes project and the fleet capital spending are known with a reasonable amount of certainty, there is considerable uncertainty surrounding the ultimate spending required for the pool facilities improvements and spending timeline. The Client Questionnaire identifies that 35% of MNRI will spent in the 2- 5 year time frame, with the major portion of this spending will occur on or before 2023. As such capital preservation and liquidity are the highest priorities for funds allocated to Target Date Solutions. Due to the anticipated significant drawdown over the next few years an allocation of of the MNRI has been assigned to the 2-3 year target date outcome. All returns will be reinvested to ensure growth of the investments to meet the target date outcome.

2- 3 Year Target Date Solution

Asset class	% Weight Minimum	Target	Maximum	Benchmark
High Interest Savings Account	0	100	100	Index E
Total		100		

Benchmark: 100% x Index E

2-3 Year Target Date Solution returns and risk are discussed in section 6.6.

6.6 Projected Investment Returns

The prospects for improved returns with acceptable levels of investment risks are a key considerations for any municipality investing in the Prudent Investor regime. The table below provides a projection of the annual returns of the investment outcomes (and consolidated outcomes). These estimates were derived from an analysis of long-term returns based on conservative capital market assumptions and economic forecasts. These return details are presented for information purposes only and actual investment outcomes may differ materially from those shown below:

Outcome	Weight	Projected Return
Contingency	45.0%	4.2%
Stable Return	20.0%	3.4%
2-3 Year Target Date	35.0%	2.2%
Est. Portfolio Returns		3.3%

6.7 Other Accounts

[this section does not apply]

7. Constraints

Besides those listed here, there are also constraints specific to each externally managed portfolio that are available on the ONE website.

7.1 Environmental, Social and Governance (ESG) Investing

ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing External Portfolio Managers. External Portfolio Managers are assessed for their ESG policies. ONE JIB recognizes the practical difficulties of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by External Portfolio Manager based on a number of factors, including the degree of control exercised by ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations will not be possible due to availability, costs or other factors.

7.2 Securities Lending

Unitized vehicles that are controlled by an External Portfolio Manager may engage in securities lending if their policies permit such an action. ONE JIB intends to consider securities lending and may introduce a formalized policy to allow securities lending.

7.3 Derivatives

Derivatives may be used for the investment of Long-Term Funds where they are fully covered by a backing asset. Examples of such uses of derivatives include, but are not necessarily limited to: to replicate investments otherwise permitted in this Plan and in the IPS, to equitize cash, to hedge currency exposures, to manage risk exposures, to change portfolio duration or to engage in covered call strategies. Derivatives may not be used for speculative purposes or to increase the risk of the portfolio.

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and Funds (the ONE Investment Pools) used as building blocks in the asset allocation for each outcome. These External Portfolio Managers are chosen and monitored based on a due diligence process with oversight by ONE JIB and One Investment and input from an external consultant knowledgeable in the asset classes and in the range of investment options and portfolios managers suitable for institutional investors.

9. Rebalancing

Each account's asset mix will be monitored on a periodic basis by ONE Investment's management and staff. Should the asset mixes deviate outside the minimum or maximum weights noted in appendix C, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions are to be completed as soon as reasonably viable taking into account the investment objectives. Cash inflows / outflows are used to rebalance as much as possible; if they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

ONE Investment will rebalance all accounts as close as practicable back to target weights twice annually based on a fixed time schedule. ONE JIB has established rebalance dates of April 15 and October 15. Accounts that are within a 2% threshold of the intended targets would not need to be rebalanced as part of this periodic rebalancing process.

10. Accommodating Cashflow Needs

This Investment Plan is intended to be dynamic and responsive to changing needs of Huntsville. Once informed of changing needs at Huntsville by the Treasurer or designated staff, ONE JIB may need to revise allocations, deploy incoming monies or sell fund units accordingly. Additionally, income from investments will be automatically reinvested into the investment outcomes where appropriate and cashflow needs of Huntsville are expected to be financed with the sale of fund units. Any fee discounts that apply for Huntsville are intended to be reinvested into the [?Stability Outcome?] as directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

There are certain investments made by Huntsville that have a strategic purpose beyond solely generating investment returns. These investments often involve provision of services within Huntsville or may have resulted from legacy assets of the municipality. While technically these assets are part of the responsibility of ONE JIB, ONE JIB will not be exercising discretion in the management of these investments without specific direction from Huntsville. The treasurer has also requested that the voting of proxies for Lakeland Holdings Inc (Hydro) shares be coordinated with the municipality. The table below identifies the specified investments:

Description	Units as at DDMMYY	$ Value as at DDMMYY	Maturity	Investment Instructions
Lakeland Holdings Inc (Hydro) shares	###	$ 11.75 million	Na	Do Not Sell

11.2 Transitional Investments

MNRI that Huntsville will transfer to the ONE JIB will be funded out of available cash and through liquidation of the ONE Investment legal list portfolios. No illiquid investments (other than the Hydro shares noted above) will be included as part of their contribution to the ONE JIB. As such the Investment Plan does not need to include a transition plan for such illiquid assets.

The transition of monies into MNRI will involve the sale of some or all of ONE Investment portfolios. As these are highly liquid investment vehicles monies can be made available to fund the transfer of MNRI to the JIB within a few days.

12. Comments by Investment Manager

Certain qualitative factors were considered in assigning the investment allocations. Huntsville has significant spending needs over the next few years due to several large spending needs. The need to pay for these identified expenses on near term time horizon means that the focus is on preservation of capital for such monies. A significant portion of the client's MNRI will be invested in the 2-3 Year Target Date Solution to accommodate funding needs for these projects.

Monies identified as Stable Return and Contingency Solutions have more flexibility to assume risk due to the longer time horizon involved. After spending on these large projects is completed, it is expected that the municipality will have sufficient cashflow to start rebuilding balances in MNRI. At that point, with these major commitments completed the risk profile assigned to investments may need to be revisited. Until then, emphasis on liquidity and a relatively low risk allocation on MNRI will remain appropriate. At the time of writing, the recommended overall exposure to equity within the portfolios was targeted at about 15.5%, which is an appropriate level for the municipality considering the shorter term liquidity needs.

Signed by:

____________________________	____________________________
Keith Taylor, Investment Manager ONE Investment	[Name], Chair ONE Investment Joint Investment Board
____________________________	____________________________
Date	Date

Appendix A: Most Recent Municipal Client Questionnaire

Appendix B: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in Huntsville's investment needs be communicated to ONE JIB on a timely basis. These include changes in:

- Risk tolerance;
- The IPS;
- Timeframes and/or estimated amounts for financial obligations, including sooner-than-expected amounts and longer timeframes;
- Desired end use of funds, especially if that is likely to affect the investment approach
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the Municipal Client Questionnaire on the ONE Investment website to [name] at [email address]. They cannot be considered received without a formal return email acknowledgement from ONE Investment.

Appendix C: Description of ONE Investment Pools, Products and Solutions

Following is a list of the ONE Investment Pools and products used to achieve target asset allocations. For more information on how these ONE Investment Pools and solutions are managed, please see [further detail on the ONE Investment website WWW.insert_Web_Link.ON.CA/insert_link_details_here.HTML]

ONE Investment Pool or Product	External Portfolio Manager	Mandate	Asset Allocation
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Savings account
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity that meet the Legal List requirements	100% short-term government bonds
ONE Canadian Corporate Bond Fund	MFS	Canadian Bond exposure inclusive of corporate credit	Canadian Fixed Income
ONE Global Unconstrained Bond Fund	[Not Disclosed]	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	[Not Disclosed]	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian	Canadian Equity with conservative investment approach	Canadian Equities

Solutions

The asset allocations for ONE Investment's solutions are the following. Rebalancing will be managed for these asset allocations as explained in the Plan.

Contingency Solution

	Default Lower Risk % Weight			Duration (Years)	Moderate Risk % Weight			Higher Risk % Weight		
	Min	Target	Max		Min	Target	Max	Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	40	50	60	25	35	45
ONE Canadian Government Bond Fund	0	10	15	1.6 – 3.6	0	10	15	0	5	10
ONE Canadian Corporate Bond Fund				3.0 – 6.9						
Total fixed income	**66**	**70**	**74**		**54.5**	**60**	**64.5**	**35**	**40**	**45**
ONE Canadian Equity Fund	0	5	10		0	5	10	5	10	15
ONE Global Equity Fund	15	25	35		25	35	45	40	50	60
Total equity	**26**	**30**	**34**		**35.5**	**40**	**45.5**	**55**	**60**	**65**

Stable Return Solution

	Default Lowest Risk % Weight			Duration (Years)	Low Risk % Weight		
	Min	Target	Max		Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	50	60	70
ONE Canadian Government Bond Fund	25	30	35	1.6 – 3.6	15	20	25
ONE Canadian Corporate Bond Fund				3.0 – 6.9			
Total fixed income	**88**	**90**	**92**		**76.5**	**80**	**83.5**
ONE Canadian Equity Fund	0	0	0		0	5	10
ONE Global Equity Fund	8	10	12		10	15	20
Total equity	**8**	**10**	**12**		**16.5**	**20**	**23.5**

Asset allocations for target date solutions are in Appendix D.

ONE INVESTMENT

Appendix D: Target Date Solutions' Glide-path Asset Allocations

Investments with target dates will be managed to reduce risk as the end date approaches. This is known as following a glide-path. Below is the asset allocation glide-path that will be followed with a view to generating asset growth for long term holdings and shifting gradually to safety of principal for shorter term holdings.

	Term to Target Date in Years																	
		2 to 3			**4 to 5**			**6 to 10**			**11 to 15**			**16 to 20**			**> 20**	
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE High Interest Savings Account	0	100	100															
ONE Global Unconstrained Bond Fund				35	40	45	35	45	55	35	45	55	35	45	55	30	40	50
ONE Canadian Government Bond Fund	0	0	100	15	20	25												
ONE Canadian Corporate Bond Fund				35	40	45	25	30	35	15	20	25	5	10	15	0	5	10
Total Fixed Income	**100**	**100**	**100**	**90**	**100**	**100**	**71.25**	**75**	**78.75**	**60.75**	**65**	**69.25**	**50.25**	**55**	**59.75**	**40**	**45**	**50**
ONE Canadian Equity Fund				0	0	0	0	5	10	0	5	10	0	5	10	0	5	10
ONE Global Equity Fund				0	0	0	15	20	25	25	30	35	35	40	45	40	50	60
Total Equity				0	0	10	21.25	25	28.75	30.75	35	39.25	40.25	45	49.75	50	55	60
Expected return		2.2%			2.7%			3.8%			4.2%			4.6%			4.9%	

Appendix E: Transition Plan [To Be Completed]

At the writing of this Plan (DDMMYY), Huntsville's holdings were the following.

Account	Current Holdings	Amount
Account 1	ONE Universe Corporate Bond Portfolio	$ 664,000
Account 2	ONE Investment HISA	6,324,000
Account 3	ONE Equity Portfolio	1,200,000
Account 4	ONE Bond Portfolio	498,000
		$ 8,690,000

The objective is to move to the below allocations as quickly as practicable. The settlement cycle on ONE Investment portfolios & HISA is very short so no special considerations will need to be planned to accommodate the transition of assets to the JIB

Account	Target Holdings	Amount
Account A: Contingency	ONE Investment Contingency Solution	$ 4,500,000
Account B: Stable Return	ONE Investment Stable Return Solution	2,000,000
Account C: Target Date	ONE Investment 2-3 Target Date Solution	3,500,000
		$ 10,000,000

Target holding weights will be maintained within the asset allocation bands identified in section 6 of this Investment Plan until instructed otherwise.

Date

Treasurer

Keith Taylor, Investment Manager
ONE Investment

Appendix F: Transferring Funds

Document here how funds will be transferred in/out of ONE JIB and into what municipal short-term account they will come from/go to.

Appendix G: ONE JIB's Investment Approach

Investment Approach

Investment Approach

1. Our Investment solutions are designed to address 3 key investment outcomes. Each one of these outcomes will have a unique asset mix and investment objective. These are intended to be used instead of having an asset mix defined in the IPS.
    - Contingency: needs that function like insurance, entail unpredictable, infrequent bullet payments. Clients may have target sizes for these reserves, so that when the investments grow to that size, either funds can be diverted out or contributions can be reduced. For these reasons, a growth profile is preferred.
    - Stable Return: these are used to fund ongoing capital investments and are needed to generate a consistent reliable return stream. May be needed at different risk levels and tolerances for dipping into principal.
    - Target Date Projects: these are savings vehicles for projects with predictable (but perhaps not perfectly predictable) target dates where the risk of meeting the required payment is clearly defined. Includes sinking fund debentures and serial bonds.
    - As appropriate the JIB can create custom asset mixes to accommodate specific municipal needs, but it is anticipate the Contingency, Stable Return and Target Date outcomes will be sufficient for most municipalities.

2. ONE Investment will use a series of building block asset class funds managed externally using off-the-shelf pooled funds as much as possible. This approach facilitates the following:
    a. Managers can be added and subtracted in an asset class easily at any point in time;
    b. New asset classes can be added as new building block funds;
    c. Risk profiles and solutions can be added/changed without creating new funds.
    d. The Joint Investment Board will be able to tell easily whether clients are invested in appropriate risk exposures.

Capital Markets Beliefs

Asset Allocation

1. Theoretical underpinnings:
    a. Modern Portfolio theory provides a useful conceptual construct that demonstrates the value of diversification for investment portfolios. Diversification is a key feature that helps reduce risk in investor portfolios.
    b. We believe in Prudent Investing as a process.
2. Our investment objectives will vary with each need we are trying to meet. The following issues are taken into account for each need and their weights will vary depending on the target outcome and risk tolerance:
    a. Safety of principal
    b. Adequate liquidity
    c. Diversification by geographic exposure, asset class, sector, issuer, credit quality and term to maturity.
    d. Capital appreciation.

    e. Income generation

3. Long-term asset allocation is the most important portfolio component driving risk and return. Higher returns generally entail taking more risk. Over most long-term periods, equities have outperformed fixed income. Given their higher risk profile, equities should outperform fixed income over the longer term. In setting asset allocation, consideration is given to macro risks, such as inflation, economic growth and interest rates.

4. Tactical Asset Allocation (market timing) at the total portfolio level is unlikely to consistently add value. In some extreme cases, it may be useful.

5. For clients who present us with a substantial sum for investing, we do not believe that dollar cost averaging into stock markets will generate optimal returns. Because stock markets tend to go up over time dollar cost averaging represents a delay in entering markets and receiving returns. However, some clients may view dollar cost averaging as a way of managing timing risk and we will not oppose those who do.

Asset Classes and Asset Class Strategies

6. ONE Investment clients are non-taxable and are therefore indifferent as to the source of return (interest, dividends, capital gains) except where covenants require use of dividends only. However, as municipalities are required to balance their budgets annually and because they do not recognize unrealized investment gains, they may occasionally have to sell holdings that have risen in value to generate "income" for fiscal purposes. There may be less opportunity to plan the recognition of gains/losses when investing in our Prudent Investor offerings.

7. Our range of client offerings is expected to expand over time, starting with initial offerings in the public equity and public and private debt markets. Other asset classes, including possibility real and private assets, will be considered in due course.

8. Cash and cash equivalents can be used to manage risk and enhance liquidity. Staying in cash for long periods to avoid risk may not be a prudent strategy as it entails an opportunity cost.

9. The use of fixed income during periods of rising interest rates may be appropriate for the following reasons:
    a. To manage volatility;
    b. To match maturities to cash needs; and,
    c. To generate income.
    d. Provide diversification benefits

10. For fixed income and target return investing, it is not prudent to set a target return or yield and then find an instrument or portfolio that will generate that yield. It is preferable to define a risk level and accept the return or yield associated with it.

11. We are comfortable holding low quality securities in mandates if their weight are constrained. Such allocations can offer correlation benefits that can improve overall portfolio risk metrics while potentially increasing overall portfolio returns.

12. Clients prefer portfolio stability and are quite sensitive to losses. Investment recommendations are not solely focused on return potential but also consider risk. Historical drawdowns experience is a highly relevant consideration when selecting external investment managers.

13. We expect our clients prefer absolute to relative returns. Outperforming a given benchmark is of little consolation if the client is losing money.

14. For benchmark-relative investing, active management makes sense if the manager can add net value (after fees) on a risk-adjusted basis.

15. Derivatives will not be used for speculative purposes. They may be used to manage risk or to replicate specific asset classes, but only where they are fully covered by a backing asset, e.g., as for currency hedging or covered call strategies.

16. Some exposure to foreign currencies may be desirable to improve diversification and potentially enhance returns. Therefore, it shall not be a violation global mandates may be unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considers to be beneficial or desirable by ONE JIB. While the ONE JIB does not intend to implement a currency hedging strategy directly, the external portfolio managers hired to manage the funds may use currency hedging as part of their investment strategy.

Investment Managers

17. Success with active mandates is more likely with strong conviction and less constrained mandates.

18. Considerations included in evaluating managers:
    - Performance
    - Corporate changes
    - Service levels
    - Adherence to portfolio parameters and stated philosophies
    - Appropriate benchmarks
    - Insights and research capabilities
    - Internal controls and operational processes
    - Comprehensive investment management process
    - Risk management
    - Depth of management team

- Cost is an important consideration when choosing a strategy or investment manager, but not in isolation: we will consider value for money in decision-making. We will aim for competitive costs, including tiered pricing. We may consider a performance-based fee structure where the base is equivalent to a passive fee and the bonus is paid in accordance with performance delivered net of fees above the benchmark.

Other

19. Securities lending is permitted by legislation for Legal List investors. For Prudent Investors, we require minimum collateral of 102% with guidelines to be specified later.

20. Borrowing, including shorting, is not allowed. This does not include mortgages on real estate, which we will address when we review the possibility of investing in that asset class.

21. The ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing investment managers. Investment managers are assessed for their ESG policies. ONE JIB does not necessarily endorse sole use of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by manager based on a number of factors, including the degree of control exercised by the ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations may not be possible either due to availability or to costs. We may be able to provide client reporting on this subject. Future offerings may include more specific responsible offerings.

Appendix 5 - Account Mapping and Investment Allocations
Town of Innisfil

1. Summary

- Innisfil has $15.0 million available to invest, all with a time horizon of greater than 10 years.
- The Innisfil's Council has established its investment objectives and risk.
- The revised outcomes and further cash flow analysis prompted shifting approximately half of MNRI from the stable return to the contingency outcome.
- The changes to the outcomes result in an increase in the allocation to equities from 25% in total to 60%
- The increased exposure to equites increases expected returns by 0.9% while increasing standard deviation by 2.5%.

2. Background

Innisfil's IPS and MCQ establish the amount available for investing, their investment objectives, investment horizons and risk tolerance

Innisfil initially has $15.0 million available for the ONE JIB to invest, all of which is expected to have a timeframe of 5 to 10 years.

At the end of 2019, the Town had reserves and reserve funds totalling approximately $68.5 million. Through 2021-2024, the Town expects to be upgrading its library facilities and a large capital expenditure related to its fire and arena facilities in 2026, which accounts for its high allocation of reserve and reserve funds to money required immediately.

The Town's return objective is an annual return that at least meets inflation. Their primary objectives based on the time horizon and needs should be oriented around growth in investments.

Innisfil's overall risk tolerance is moderate with an annual downside comfort level of -5% in a single year. Innisfil wishes to achieve moderate growth without excessive risk to capital.

3. Analysis

Mapping Innisfil's MNRI to the revised outcomes shifts $7.5 million from the Stable Return outcome to the refined contingency outcome.

Further analysis of Innisfil's cash flow forecasts indicated that the investment horizon and the investment objectives of the money previously allocated to Stable Return are more aligned with the Contingency outcome. The investment objectives do not identify a need for a regular target income from the funds, so the Contingency option was used, as the term was greater than 5 years, but the funds are not targeted to a specific date or project. See Table 1 for more detail.

Table 1
Comparison of MNRI allocation to Original and Revised Outcomes

Draft Plan Presented to Council		Revised Mapping	
Original Outcomes	Amount ($)	Revised Outcomes	Amount ($)
Target Date 2023		Cash < 3 yrs	
Target Date 2025		Cash Plus 3-5 yrs	
Stable Return	7,500,000	Stable Return	
Contingency (Low to moderate risk)	7,500,000	Contingency	15,000,000
Contingency (High risk)		Asset mgt reserves	
Target Date 2030		Target Date 5-10 yrs	
Target Date 2035, 2040, 2045		Target Date > 10 yrs	
Total	$15,000,000		$15,000,000

Compared to the Draft Plan the Revised Mappings would shift the overall allocations from 25.0% equities to 60.0% equities.

The revised outcomes mapping, along with the revised suggested fund allocation weights for each outcome, results in a shift among funds. The changes result in a greater allocation to both the Canadian Equity Fund (from 5% to 18%) and the Global Equity Fund (from 20% to 42%) and a decreased allocation to the Canadian Government (from 15% to 6%), and Global Bond Funds (from 60% to 28.0%). The changes to the outcome allocations result in some funds being allocated to Canadian Corporate Bonds where previously none had been allocated. See Table 2 for specific allocations.

Table 2
Allocation Between ONE Funds
Comparison between Original Draft and Revised Mapping

	Draft Plan Presented to Council		Revised Mapping	
Fund	Total Invested	Percentage	Total Invested	Percentage
HISA	-	0.0%	-	0.0%
CDN Equity Fund	750,000	5.0%	2,700,000	18.0%
Global Equity Fund	3,000,000	20.0%	6,300,000	42.0%
CDN GOV Bond Fund	2,250,000	15.0%	900,000	6.0%
CND Corp Bond Fund	-	0.0%	900,000	6.0%
Global Bond Fund	9,000,000	60.0%	4,200,000	28.0%
Total $	$15,000,000	100.0%	$15,000,000	100.0%

The proposed changes to mapping and allocations will increase the average expected returns but will also increase the volatility of the portfolio

The revised outcome mappings and increased equity allocation will increase expected returns to 4.9% from 4.0%. The changes would also mean that standard deviation would increase from 4.1% to 6.6% compared to the plan presented to council. See table 3 for further details.

Table 3
Risk and Return Comparison
Draft plan to Revised Mappings

Plan version	Average Expected Returns	Standard Deviation
Draft Plan Presented to Council	4.0	4.1
Revised Plan Based on New Mappings	4.9	6.6
Difference	+0.9	+2.5

5. Conclusion

Staff is looking for feedback on whether the revised mappings lead to an allocation that is more in line with Innisfil's risk tolerance and return objectives.

Prepared by: Colin Macdonald, Manager of Investments and Keith Taylor Chief Investment Officer
Approved for submission by: Judy Dezell and Donna Herridge, Co-President/CEO

INVESTMENT POLICY STATEMENT

FOR

TOWN OF INNISFIL (the "Municipality")

MARCH 11, 2020

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Town of Innisfil

Investment Policy Statement

OVERVIEW

Municipalities that are subject to the *Municipal Act, 2001* (the "**Act**") have no general power to invest money. Such powers must be found either in express provisions of the Act or by necessary implication.

Historically, municipalities that are subject to the Act had very limited express investment powers under section 418 of the Act. Section 418 continues to apply to all municipalities that are subject to the Act unless they elect to pass a by-law pursuant to the new section 418.1. Section 418 of the Act provides that "money that is not required immediately" can only be invested in securities prescribed by the Province in O. Reg. 438/97 (the "**Regulation**"). These prescribed securities are generally referred to as the "Legal List Securities" and are included in Part I of the Regulation.

Effective January 1, 2019, the new section 418.1 of the Act came into force. Section 418.1 provides that "money that is not required immediately" can be invested under that section in any security, provided that in making the investment the municipality exercises the care, skill, diligence and judgment that a prudent investor would exercise in making the investment. If a municipality elects to pass a by-law under section 418.1, the effect will be that its "money that is not required immediately" must be invested in accordance with the prudent investor regime. The rules, conditions and procedures that apply to investments under section 418.1 are set out in Part II of the Regulation.

Investing "money that is not required immediately" (MNRI) in Legal List Securities or in accordance with the prudent investor regime are mutually exclusive alternatives. That is to say, section 418 does not apply to a municipality that has adopted the prudent investor regime under section 418.1.

Every municipality, regardless of whether section 418 or 418.1 applies to it, has MNRI and also money that is required immediately (MRI). Municipalities retain the management and control of their MRI. The Act does not include any express provisions that deal with the investment of MRI. However, it is consistent with prudent practice to invest such money until it is actually spent, in order to preserve the capital value of that money. Accordingly, it is necessarily implied that a municipality has the power to invest such money on a short-term basis. Because the Act is silent as to how municipalities are to deal with MRI and because of the historical investment powers under the Act, a conservative approach is to invest MRI in appropriate Legal List Securities.

Municipalities that elect to pass a by-law pursuant to the new section 418.1 include in their investment policy (i) the basis upon which they distinguish between MNRI and MRI, and (ii) principles governing the investment of each category of money. This Investment Policy Statement (IPS) is intended to respond to the foregoing requirements.

1. GLOSSARY AND DEFINITIONS

The following capitalized terms are defined terms which have the meanings set out below:

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Agent: means any administrator, Custodian, payment servicer, portfolio manager, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment.

Asset Mix (or Asset Allocation): means the proportion of each asset class in a portfolio. Asset classes include bank deposits, money market securities, bonds and equities, among other things.

Authorizing By-law: means a by-law of a Founding Municipality which authorizes: (i) the entering into of the Initial Formation Agreement; (ii) the establishment of ONE JIB; (iii) the approval of the Client Questionnaire and the adoption of the IPS; and (iv) the entering into of the ONE JIB Agreement.

Benchmark: means an index that is representative of a specific securities market (e.g. the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms.

CFA Institute: refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

Custodian: means a specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks").

Environmental, Social and Governance (ESG) Investing: means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a Pooled Fund. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation.

Internal Controls: means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.

Investment Plan: means the investment plan applicable to the Long-Term Funds investments and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

Investment Policy Statement (IPS): means the investment policy applicable to the Municipality's investments adopted and maintained by the Council of the Municipality for Long-Term Funds under the Regulation, and for Short-Term Funds, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Municipality for the benefit of persons other than the Municipality itself and may make reference to source(s) of money in which the Municipality may have an indirect interest but which the Municipality has no authority to invest.

JIB: is short for Joint Investment Board and means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.

Legal List Securities: means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.

Local Distribution Corporation or LDC: means a corporation incorporated under section 142 of the *Electricity Act, 1998*.

Long-Term Funds: means the Municipality's money that is to be used to meet financial obligations that become due more than 24 months following the date of receipt of such money and is characterized as money that is not required immediately (MNRI) by the Municipality as described in section 5.2. Monies that are Long Term Funds will be invested in accordance with the Prudent Investor Standard.

MNRI: means money that is not required immediately

Modern Portfolio Theory: means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

MRI: means money required immediately

Municipality: means The Town of Innisfil.

ONE JIB: means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Municipality, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.

ONE JIB Agreement: means the agreement effective as of June 1, 2020, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Municipality's Long-Term Funds.

Participating Municipality: means from time to time each of the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.

Pooled Fund: means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute funds that are invested and managed by an External Portfolio Manager. Funds are pooled or combined with funds of other investors.

Portfolio: means any collection of funds that are grouped together and required for specific purposes.

Proxy Voting: means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to participate. External Portfolio Managers usually vote proxies on behalf of their clients.

Prudent Effective Date: means June 1, 2020 the date on which the prudent investor regime applies to the Municipality.

Prudent Investor Standard: means the standard that applies when the Municipality invests money that it does not require immediately under section 418.1 of the Act. It requires the Municipality to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Municipality can invest. The Prudent Investor Standard makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio in respect of the Municipality's Long-Term Funds rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

Regulation: means Ontario Regulation 438/97.

Risk: means the uncertainty of future investment returns.

Risk Tolerance: means the financial ability to absorb a loss. Risk tolerance increases with the build-up of capital funding.

Securities Lending: means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.

Short-Term Funds: means money that is required immediately by the Municipality as described in section 5.1 and which remains under the control and management of the Municipality. The funds can be invested in appropriate Legal List Securities.

Sinking Fund: means a fund established to fulfil the requirements to make annual contributions in respect of various debenture issues wherein money is to be regularly set aside for the payment of the principal of the debentures at maturity.

Sinking Fund Required Contributions (Annual Sinking Fund Requirement): means the amount of money to be set aside each year for deposit into a sinking fund or a retirement fund, as applicable, for each sinking fund and term debenture issue in accordance with the Municipality's debenture by-laws when such debentures are issued.

Sinking Fund Required Earnings: means the investment earnings needed for the Sinking Fund Contributions to continue to grow to a value sufficient to repay the principal at maturity for each issue of sinking fund and term debentures.

Sinking Fund Excess Earnings: means the investment earnings in excess of the required earnings.

2. PURPOSE AND LEGISLATIVE FRAMEWORK

2.1 Purpose of Policy

This IPS governs the investment of the Municipality's MNRI and MRl. lt is intended, among other things, to direct the Treasurer in the investment of MRI and to direct ONE Joint Investment Board (ONE JIB) in the investment of MNRI by implementing the Authorizing By-law (by-law name/number) pursuant to which the Municipality authorized the establishment of guidelines for the prudent management of the Municipality's MNRI pursuant to section 418.1 of the Act.

ln addition to the Municipality's MRI and MNRI, the Municipality is from time to time entrusted with the management of money and investments for a third-party beneficiary ("third party trust funds").

There are also source(s) of money in which the Municipality may have an indirect interest but which the Municipality currently has no authority to invest. Such source(s) of money, referred to in this IPS as "designated funds", are listed in Schedule A attached hereto. The designated funds are identified in this IPS for the sole purpose of enabling the Municipality to better see, on an aggregated basis, the various financial assets in which the Municipality has an interest. The Municipality is not responsible for the investment activities or performance of designated funds.

The goals of this IPS are to:

- Define and assign responsibilities for investment of MRI and MNRI;
- Describe the Municipality's responsibilities with respect to third party trust funds and designated funds
- Ensure compliance with the applicable legislation;
- Direct ONE JIB as to the Municipality's investment goals and risk tolerance;
- Provide guidance and limitations regarding the investments and their underlying risks;
- Establish a basis of evaluating investment performance and the underlying risks; and,
- Establish a reporting standard to Council.

This IPS applies to employees of the Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Treasurer and any agent or advisor providing services to ONE JIB in connection with the investment of the portfolio shall accept and strictly adhere to this IPS.

2.2 Governing Legislation

Investments of MRI will, in accordance with this IPS, only be made in Legal List Securities.

Investments of MNRI are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Municipality to earn improved risk-adjusted rates of return.

Money and investments that the Municipality holds as third-party trust funds or has an interest in as designated funds will be subject to applicable legislation and any related agreements or instruments.

The Act provides that the Municipality must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment plays within the Municipality's total portfolio of investments;
- The expected total return from income and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

2.3 Prudent Investor Standard

For MNRI, the standard to be used by the Municipality and ONE JIB shall be the "prudent investor" standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Municipality's MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances, that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.

As well, the Prudent Investor Standard makes use of Modern Portfolio Theory, which looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio.

Officers, employees and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking into account the prescribed risk and other parameters set out in this IPS and market factors. The Municipality's staff acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment's performance, provided underperformance relative to expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

3. MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY

3.1 Determination of MNRI and MRI

Determination of the Municipality's MNRI is the responsibility of Council. In making the determination, Council may consider:

- the time horizon within which the monies are needed to meet financial obligations
- the purpose for which the monies have been collected or set aside and are to be used
- the source of the money
- any combination of the foregoing

The Municipality's MNRI will be comprised of money that is to be used to meet financial obligations that become due more than 24 months from the date of receipt of such money by the Municipality.

For certainty, all money of the Municipality that has not been identified as MNRI (other than third party trust funds and any designated funds referenced in Section 2.1) shall be deemed for purposes of this IPS to be MRI.

Determination of the Municipality's MNRI and MRI may be modified at any time and from time to time by action of Council and with respect to specific funds by the Treasurer in accordance with the provisions of Section 6.2.

Any changes in this IPS regarding the Municipality's MNRI and MRI must be communicated immediately in writing to ONE JIB.

3.2 Overview of Portfolios

The Municipality's portfolios represent funds required for specific purposes. A high-level description of each of these portfolios and their objectives is provided in Section 5 below. This IPS applies to the following money of the Municipality, its agencies, boards and commissions including:

- MRI which is invested in Legal List Securities; and/or
- MNRI which is invested under the prudent investor regime.

4. ROLES AND RESPONSIBILITIES

4.1 Role of ONE JIB

ONE JIB has been appointed by the Municipality in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement (Appendix I).

ONE JIB exercises control and management of the Municipality's MNRI and the investments made by it with such MNRI.

Among the responsibilities of ONE JIB are the following:

- Reviewing this IPS;
- Adopting and maintaining an Investment Plan that complies with this IPS;
- Engaging External Portfolio Managers, Custodians, administrators and other investment professionals (Agents);
- Allocating the money and investments under its control and management among External Portfolio Managers;
- Monitoring the performance of the Agents; and,
- Reporting to the Municipality.

The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

4.2 Role of Municipal Staff

This IPS is approved and adopted by Council with input from the Treasurer, and from ONE JIB with respect to MNRI. MRI of the Municipality, and any third-party trust funds referenced in Section 2.1, remain under the control and management of the Treasurer.

Consistent with this IPS, the Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:

- Investment management of MRI and any third-party trust funds referenced in Section 2.1 by, or under the direction of, the Treasurer;
- Explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and,
- A system of controls exercised by the Treasurer to regulate the activities of the Financial Services department.

No person including, without limitation, ONE JIB, may engage in an investment transaction except as provided under the terms of this IPS.

In the management of MRI of the Municipality, and any third party trust funds referenced in Section 2.1, the Treasurer may engage one or more agents and service providers. ONE Investment can assist with the investment of the Municipality's MRI, in

Legal List Securities, and with the investment of third party trust funds, in accordance with the terms of the applicable trust, if permitted, at the request of the Municipality.

Municipal staff involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Municipal staff involved in the investment procedures shall disclose any material interest in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Municipal staff shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the Municipality.

5. INVESTMENT

5.1 MRI: Short-Term Funds

The Municipality's MRI is described in this IPS as Short-Term Funds. Short-Term Funds consist of money needed to meet the financial obligations of the Municipality coming due within 24 months from the date of receipt of such money and are controlled and managed by the Treasurer.

5.1.1 Short-Term Funds: Investment Objectives

The main focus of the investment of Short Term Funds is cash management, and the interest income generated by the investment is a contributor to budgetary revenues. To the extent possible, the Municipality shall attempt to match its investments with anticipated obligations.

Capital preservation is paramount and this portfolio needs to be highly liquid. Consequently, only high quality, short-term investments that are also Legal List Securities will be held in this portfolio. The Municipality may invest in fully liquid money market securities and deposit accounts. The Municipality aims to maximize returns subject to the constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserving capital and to further manage risk through diversification by issuer and credit quality.

5.1.2 Short-Term Funds: Eligible Investments

Short Term Funds may be invested in high quality, short-term investments that are also Legal List Securities available from banks, dealers and other financial institutions. Eligible investments include the following offerings:

- ONE High Interest Savings Account;
- ONE Money Market Portfolio;

- ONE Canadian Government Bond Portfolio; and,
- GICs, bonds, and other investments as permitted within the Legal List.

ONE Investment products noted above are subject to the Municipality entering into the prescribed Agency Agreement with LAS and CHUMS.

The Municipality monitors and determines the amount of its MRI.

5.2 MNRI: Long-Term Funds

The Municipality's MNRI is described in this IPS as Long-Term Funds. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the Long-Term Funds and the investments made therewith.

From time to time, the Municipality may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to pay those obligations. ONE JIB will select the investment(s) to be liquidated. The timing of such liquidation will be determined by ONE JIB in consultation with the Treasurer.

5.2.1 Long-Term Funds: Investment Objectives

In setting the objectives noted below, the Municipality has taken into account the following considerations:

- Preservation of capital;
- Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;
- Diversification by asset class, market, sector, issuer, credit quality and term to maturity;
- Income and capital appreciation; and,
- Macro risks, such as inflation, economic growth and interest rates.

Investment of Long-Term Funds is managed by ONE JIB, which balances expected investment risks and returns to generate asset mixes that create outcomes to meet the needs and risk tolerances defined below. Returns have an impact on municipal revenues, as well as a longer term impact on future years' budgets and should, at a minimum, keep pace with inflation. To the extent possible, the Long-Term Funds' investment horizons are aligned with the Municipality's obligations and may consist of liquid and illiquid securities.

5.2.2 Long-Term Funds: Eligible Investments

Eligible investments for Long-Term Funds include the following offerings by ONE Investment:

- ONE High Interest Savings Account;

- ONE Canadian Government Bond Fund;
- ONE Canadian Corporate Bond Fund;
- ONE Canadian Equity Fund;
- ONE Global Unconstrained Bond Fund; and,
- ONE Global Equity Fund.

Additionally, nothing in this IPS prevents Long-Term Funds from being held in cash, short term money market instruments, or overnight deposits.

5.2.3 Long-Term Funds: Sinking Funds

Not applicable.

5.2.4 Long-Term Funds: Local Distribution Corporation (LDC) Securities

The direct investment in LDC shares, prior to June 1, 2020, shall be permitted and included as part of the Long-Term Funds/MNRI held by ONE JIB. Specific details of this investment shall be approved by Council in its sole and absolute discretion, and ONE JIB shall adhere to all terms and conditions as directed. More specifically, ONE JIB shall be prohibited from selling, transferring, assigning, or pledging the LDC shares.

LDC shares are considered restricted, special assets and remain in the custody of the Town of Innisfil. LDC shares are to be viewed as separate standalone investments with the subject matter expertise and administrative functions remaining under the purview of the Town. These assets are not marketable securities and were acquired by the Town pursuant to separate legislative provisions and shareholder agreement(s). Council retains direct, de facto control of the LDC shares and ONE JIB shall adhere to all terms and conditions as directed. More specifically, Council controls all acquisition and disposition decisions related to current and future LDC assets. Any voting related to LDC shares will be undertaken solely by the Town.

The investment in LDC shares will not be included in calculations regarding asset mix/allocations or other constraints that apply to the Long-Term Funds.

5.2.5 Long-Term Funds:

Not applicable.

5.3 Third Party Trust Funds and Designated Funds

In addition to the Municipality's own money, the Municipality is from time to time entrusted with third party trust funds, and the Municipality's responsibilities and obligations with respect thereto may be subject to other legislation and governed by other agreements and instruments. To the extent that there is any conflict or inconsistency between the provisions of this IPS and the terms and conditions contained in such other legislation, agreements or instruments applicable to third party trust funds, the latter shall prevail.

The Municipality's third party trust funds and the designated funds are listed in Schedule A. As noted above, the Municipality currently has no authority or responsibility with respect to the investment of the designated funds.

For certainty, the third party trust funds and the designated funds are not MNRI of the Municipality, and such funds are not under the control or management of ONE JIB.

5.4 Investment Management

5.4.1 Investment Management of Short-Term Funds

The investment of Short-Term Funds shall be controlled and managed by the Treasurer.

5.4.2 Investment Management of Long-Term Funds

The investment of Long-Term Funds shall be controlled and managed by ONE JIB. An investment advisor shall be retained by ONE JIB to define and manage the asset allocation using External Portfolio Managers.

Competent External Portfolio Managers shall be appointed by ONE JIB and they shall enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any External Portfolio Manager changes deemed in the best interest of the Municipality. For each External Portfolio Manager, ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards, and performance expectations, which are documented in each External Portfolio Manager's guidelines.

5.5 Transition to Prudent Investor Regime

Until the Prudent Effective Date, the Municipality will continue to control and manage its MRI, MNRI and investments in Legal List Securities. Some of such investments were made with MRI and some with MNRI.

Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be not required immediately shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Municipality does not require immediately to be held, and to continue to be held by ONE JIB, in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a bank to be held to maturity and invested upon receipt of cash proceeds.

Management of third party trust funds and any designated funds is not directly affected by the Prudent Effective Date.

5.6 Investment Constraints

5.6.1 Environmental, Social and Governance (ESG) Investing

The Municipality supports ESG investing for Short-Term and Long-Term Funds.

For the investment of Long-Term Funds, ONE JIB is required to explore how External Portfolio Managers are implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested. Accommodating specific ESG considerations may not be possible either due to availability or to costs.

5.6.2 Securities Lending

The Municipality may invest in pooled funds, and other investment funds that are controlled by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager that apply to such pools permit such an action.

5.6.3 Derivatives

Derivatives may not be used for speculative purposes. They may be used for the investment of Long-Term Funds where they are fully covered by a backing asset, e.g., as for currency or other hedging, to change portfolio duration or in covered call strategies.

5.7 Performance Monitoring, Rebalancing and Management

5.7.1 Short-Term Funds

The Treasurer shall monitor the performance, rebalance asset mix and manage short-term funds in a manner that achieves the investment objectives set out in this IPS.

5.7.2 Long-Term Funds

For the investment of Long-Term Funds, each account's asset mix will be monitored on a periodic basis by ONE JIB. Should the asset mixes deviate outside the ranges set out in the Investment Plan, the account will be rebalanced as soon as practicable taking into consideration variations in market liquidity and the investment objectives. Cash inflows /outflows will be used to rebalance as much as possible. If they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. ONE JIB shall provide at least annual reporting described in Section 6.6 that demonstrates the Municipality's holdings, declares compliance with this IPS and shows External Portfolio Manager performance.

6. ADMINISTRATIVE POLICIES

6.1 Flow of Funds and Annual Municipal Budget

6.1.1 Transfer to ONE JIB as Part of Budget Process

On an annual basis, as part of the Municipality's budget process, the Municipality shall identify the amount, if any, of Long-Term Funds that it holds. Any Long Term Funds not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

6.1.2 Transfer to Municipality as Part of Budget Process

On an annual basis, as part of the Municipality's budget process, ONE JIB shall be notified by the Treasurer as to the amount, if any, required by the Municipality from the Long-Term Funds then under the control and management of ONE JIB for the Municipality's operational purposes. Such amounts shall be deemed to be Short-Term Funds and shall be returned to the Municipality in a lump sum or by way of periodic payments, as directed by the Treasurer.

6.2 Flow of Funds Otherwise than through the Budget Process

6.2.1 Surplus Funds

The Short-Term Funds capture revenues received by the Municipality during each year after the approval of the Municipality's budget for the year. Any amounts deemed to be surplus by the Treasurer at any such time during the year shall be transferred to ONE JIB to be under its management and control as Long-Term Funds. Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

6.2.2 Contingencies

The Treasurer is authorized, from time to time after the approval of the Municipality's budget, to direct ONE JIB to return any amounts determined by the Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Municipality's budget in force for that year. Provided however that the aggregate of the amounts to be returned to the Municipality under this Section 6.2.2 during the year shall not exceed [25%] of the Long-Term Funds under the control and management of ONE JIB as at the date that the Municipality approved its budget for the year (the Budgeted Long-Term Funds). In determining the Budgeted Long-Term Funds for purposes of calculating the 25% limit, any Long-Term Funds to be transferred to the control and management of ONE JIB in accordance with that year's budget pursuant to Section 6.1.1 shall be included and any amount to be returned by ONE JIB to the Municipality pursuant to Section 6.1.2 shall be excluded.

6.3 Valuation of Investments

Investments shall be valued according to the values provided by the Custodian(s). For the investment of Long-Term Funds, values of unitized vehicles shall be valued according to the unit values published daily by the Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the External Portfolio Manager to the Custodian no less frequently than quarterly.

6.4 Voting Rights

Subject to the provisions of Section 5.2.4 with respect to LDC securities, where External Portfolio Managers have been appointed, such External Portfolio Managers shall assume the responsibility of exercising voting rights and will report their voting policies to ONE JIB annually. The Municipality may access these policies at any time.

6.5 Internal Controls

The Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring compliance with governing legislation and with policies and procedures established by the Treasurer. To the extent ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

6.6 Custodians

All investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For Long-Term Funds, the Custodian shall be acceptable to ONE Investment. For Short-Term Funds the Custodian shall be acceptable to ONE Investment if ONE Investment is administering the investment of the Municipality's Short-Term Funds, otherwise the Custodian shall be acceptable to the Municipality.

6.7 Reporting

6.7.1 Short-Term Funds

For the investment of Short-Term Funds, the Treasurer shall report annually to Council, such report to be in such form and contain such content as Council may request. The report to Council shall include investment performance during the period covered and such other information as the Treasurer may consider to be pertinent.

6.7.2 Long-Term Funds

The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of Long-Term Funds at least annually. Such report shall include the following.

- Investment performance during the period covered by the report;
- Asset mix of the total portfolio;
- A listing of individual investments held at the end of the reporting period showing, where appropriate, their average term to maturity and yield relative to the benchmark, book value, market value, realized/unrealized gains/losses and actual income received;
- Dates of all transactions including the purchase and sale prices;
- A statement by the Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and

- Any other pertinent information in the opinion of the Treasurer.

All securities invested on behalf of the Municipality by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Municipality by a Custodian, which shall provide monthly reporting showing all securities held, their book values, market values and all income received.

7. APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE

7.1 Revocation / Amendment of Previous Investment Policy

This Policy replaces the existing Investment Policy CP.07-15-05.

7.2 Modifications to the IPS

At least annually Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Treasurer with respect to the investment of Short-Term Funds and from ONE JIB with respect to the investment of Long-Term Funds.

Following the Council's review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

At a minimum, the annual review will take into account:

- the adequacy of funding for capital works;
- the Municipality's ability to reduce other spending;
- flexibility of the timeframe to payout; and
- sensitivity to loss.

7.3 Effective Date

This IPS is adopted by Council of the Municipality effective June 1, 2020. The Treasurer is directed to sign a copy of this IPS to evidence approval and to deliver a copy of this IPS to ONE JIB.

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Signed by:

____

Treasurer

____

Date

Schedule A

Third Party Trust Funds and Designated Funds

Third Party Trust Funds

Not applicable.

Designated Funds

Funds collected under the *Responsibility Agreement*, between the Town of Innisfil and Friday Harbour and Big Bay Resort Association.

Municipal Client Questionnaire

Recommended Review: Annually. However, if

a. there is a significant change in the Municipality's circumstances (or)
b. there is a significant change in reserves/expenses

then a review is recommended within three months of the occurrence of such change.

1. CLIENT INFORMATION

1.1 NAME OF MUNICIPALITY: Town of Innisfil
(Municipality)

1.2 NAME OF THE TREASURER: Audrey Webb

1.3 NAME OF PRIMARY DAY-TO-DAY CONTACT**: Mike Melinyshyn

1.4 TITLE OF PRIMARY DAY-TO-DAY CONTACT: CFO, Director of Corporate Services

1.5 ADDRESS: 2101 Innisfil Beach Road, Innisfil, ON, L9S 1A1

1.6 PHONE NUMBER OF TREASURER: 705-436-3740, x2302

1.7 PHONE NUMBER OF PRIMARY DAY-TO-DAY CONTACT: 705-436-3740, x2301

1.8 FAX NUMBER: 705-436-7120

1.9 EMAIL OF TREASURER: awebb@innisfil.ca

1.10 E-MAIL OF PRIMARY DAY-TO-DAY CONTACT: mmelinyshyn@innisfil.ca

1.11 DATE OF PREVIOUS MUNICIPAL CLIENT QUESTIONNAIRE: ____________________

1.12 If there have been no material changes to the information contained in the last Municipal Client Questionnaire provided to ONE Investment, indicate here:

____

1.13 Is the Municipality invested under Legal List with ONE Investment? ☑ Yes ☐ No
1.14 Is the Municipality invested under Prudent Investor Regime? ☐ Yes ☑ No

**Primary day-to-day contact should have a comprehensive understanding of the Municipality's financial position and investment needs.

1.15 Please provide the following information for all individuals authorized to provide instructions to ONE Investment:

NAME	TITLE	EMAIL
Audrey Webb	Treasurer	awebb@innisfil.ca
Mike Melinyshyn	CFO, Director of Corporate Services	mmelinyshyn@innisfil.ca

2. INVESTMENT KNOWLEDGE AND EXPERIENCE

2.1. Which statement best describes the Municipality's level of investment knowledge and experience with financial markets and products?

- ☐ Very limited knowledge
- ☐ Basic knowledge and minimal experience
- ☒ Good knowledge and some investment experience
- ☐ Strong knowledge and experience
- ☐ Advanced knowledge and extensive experience

2.2 Please confirm that the Municipality is prepared to have exposure to the equity markets in accordance with its IPS and the corresponding Investment Plan. If no such exposure is contemplated, so state.

Yes, the municipality is prepared to have exposure to the equity markets.

2.3 Check the following statements that apply to the Municipality's current investment portfolio? [*Check all that apply*]

- ☒ Canadian money market securities (e.g. Cash, bank accounts, HISA etc.)
- ☒ Locked In Investments (GIC's PPN's etc.)
- ☒ Local Distribution Corporation Securities (cemetery, trusts, hydro funds etc.)
- ☒ Fixed income (government and/or corporate bonds)
- ☐ Equities

3. INVESTMENT OBJECTIVES AND RISK TOLERANCE

This section of the Questionnaire asks about the Municipality's Money Not Required Immediately (MNRI). In general, investors can expect a higher annualized rate of return if the investor is also willing to accept volatility or fluctuation in the market value of their investments. For example, investors can expect that the average annual rate of return for a five year period will be higher where the portfolio's returns are varied when measured on a year by year basis, with some years having negative returns. A portfolio which has a steady return year over year, with little possibility of negative returns in any year, will most likely have a lower annualized return when measured on a rolling five year average.

3.1 Which of the following best reflects the Municipality's investment objectives for its MNRI?

- ☐ Capital preservation is the main objective. Willingness to accept low returns in order to avoid any years with losses.
- ■ Achieve moderate growth without excessive risk to capital.
- ☐ Willingness to accept higher risk, including risk of loss of capital, for potentially higher returns over the longer term

3.2 What is the Municipality's risk tolerance for its MNRI?

- ☐ Low (Conservative Approach: A very small chance of loss of capital over a 5 year period)
- ■ Moderate (Moderate chance of loss of capital over a 5 year period)
- ☐ High (Greater uncertainty with potential of higher returns over a 5 year period)

3.3 Annual Return Expectations: Which range best reflects the Municipality's expected annual return for its MNRI?

- ☐ 0% to 2% gain
- ■ 5% loss to 5% gain
- ☐ 10% loss to 10% gain

3.4 Other information: Is there any other information about the Municipality's investment objectives and risk tolerance for its MNRI that is relevant to the IPS or Investment Plan?

____

____

Sections 4 and 5 of this Questionnaire asks about the Municipality's assets, liabilities and cash flow and is not limited to MNRI. It is intended to assist ONE Investment in obtaining an understanding of the Municipality's financial circumstances, including its cash flow needs.

4. FINANCIAL INFORMATION

4.1 Size of Assets and Liabilities

Description	Amount
Total Assets	$321,362,997
Short Term Assets	$111,133,418
Long Term Assets	$210,229,579
Long Term Debt	$21,756,234
Total Revenues	$117,069,014
Reserves	$17,771,931
Reserve Funds	$50,877,345
Trust Funds	$43,878
Sinking Funds	
Pension Funds	
Operating Funds	$28,000,000

4.2 Cash Flow Projections by Year (e.g. Revenue Fund, Reserve Fund, Trust Fund etc.)

Type	2019	2020	2021	2022	2023-2028
Asset Renewal funds		$6.1M	($13.4M)	($18.4)	($600K)
Growth Reserve funds		($4.2M)	$48K	($16.3M)	($11.7M)

Funding/Expenditure Analysis

4.3 Has the Municipality completed a cash flow analysis?

■ Yes ☐ No

Please answer 4.4 through 4.8 if cash flow analysis has been completed by the Municipality.

4.4 How often is a cash flow analysis of reserves, reserve funds and expected expenditures completed by the Municipality?

At a minimum completed annually, typically along side the budget process.

4.5 Please specify month and year of the last update to the cash flow analysis.

January 2020

4.6 How confident is your municipality with your current cash flow forecast?

☐ Very Confident ■ Moderately Confident ☐ Considerable Uncertainty

4.7 How many years did the cash flow analysis forecast extend?

☐ One year ☐ Two years ☐ Three years ☐ Five years ■ Seven years ☐ 10 years or more

4.8 How sensitive are the expenditures of the municipality to inflation? Does the investment plan need to emphasize sensitivity to inflation?

Asset renewal expenditures are sensitive to construction price index inflationary impacts.

4.9 How much and how often does the Municipality require funds from the operating reserves?

Type of Operating Reserve	Amount Needed	Frequency
Tax Rate Stabilization	Less than $100K	Annually
Inspection Stabilization	$100K-$600K	Contingent on building permits issuance

4.10 How does the Municipality manage unanticipated requests for funding? When was the last occurrence and how was it handled?

Unanticipated requests for funding greater than $50,000 is approved through Council.

Request below $50,000 are approved by CAO & Treasurer. It is not uncommon to receive these requests. Staff are encouraged to redirect funds from other capital project for these type of requests.

4.11 If the Municipality has completed a capital budget and asset management plan, how many years out does this forecast extend?

☐ Less than 3 years ☐ 3-5 Years ■ 5-10 Years ☐ 10 years or more

4.12 Are the capital reserves growing annually for the Municipality?
☐ Yes ■ No

4.13 If yes, what approximate annual rate are the capital reserves growing by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.14 If no, at what approximate annual rate is the Municipality's capital reserves declining by?

■ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.15 What annual rate is the Municipality's capital expenditures rising by?

☐ 1 to 2 % ☐ 3 to 4 % ■ Greater than 5 %

4.16 Is there a particular year when the Municipality has unusual, large expected capital expenditure(s)?
■ Yes ☐ No

4.17 If so, please explain the timing and nature of the expenditure(s)

2021-2024 Libraries, 2026-Lefroy Arena & Fire Hall

4.18 What are the total capital reserves available for investment as the Municipality's MNRI?

☐ less than $5 million ☐ between $5 and $10 million ■ between $10 and $20 million
☐ between $20 and $49 million ☐ between $50 million and $99 million ☐ over $100 million

5. PORTFOLIO INFORMATION

No.	Description	Amount ($)
5.1	Total Amount of MNRI	$37.7 million
5.2	Total Amount of "Money Required Immediately" - MRI	$85 million
5.3	MNRI currently invested with ONE Investment	$15 million
5.4	MRI currently invested with ONE Investment	$48.7 million
5.5	Total Amount currently invested with ONE Investment	$63.7 million
5.6	Total Locked In portion of MNRI that is not available for investment moving to ONE JIB (e.g. local Hydro company shares)	$22.7 million
5.7	Total Locked In portion of funds not moving to ONE JIB due to legislation or other requirements (e.g. cemetery trust)	$0

5.8 Please list the name of securities with amounts invested and maturity dates that are not fully liquid (e.g. GIC's, PPN's etc.) which will be pledged as part of the Municipality's Prudent Investor investments (it is contemplated that proceeds from these investments will be transitioned into ONE Investments Prudent Investor pools at maturity or earlier if instructions given to liquidate prior to maturity.)

Type/Description	Amount	Maturity Date

5.9 What percentage of the MNRI portion of the portfolio is required by the Municipality in the following time periods? (Timeframes can be changed based on the Municipality's requirement)

[___] to [___] year: ____________________

[___] to [___] years: ____________________

[5] to [10] years: $15M

More than 10 years: ____________________

6. PORTFOLIO MANAGEMENT AND ASSET ALLOCATION

Section 6 of this Questionnaire asks about the Municipality's existing investment policies, if any. Such policies may apply to MNRI and to MRI.

6.1 Are the Municipality's investments subject to any prohibited investment or other similar restrictions (Y/N)? If yes, please list:

No

6.2 Are the Municipality's investments subject to any investment concentration limits?

No

6.3 Are the Municipality's investments subject to any specific diversification requirements?

No

6.4 Please provide here any other restrictions and constraints (i.e. other than as contained in Municipal legislation) relating to the Municipality's investments:

N/A

7. ACKNOWLEDGEMENT

I confirm that information provided to ONE Investment in this form is complete and accurate as at the date hereof.

Dated this 11 day of March, 2020

Audrey Webb, Treasurer

Name and Signature of Treasurer

Mike Melinshyn, CFO Director of Corporate Services

Second Signature (if Required)

Town of Innisfil

DRAFT Investment Plan

Date: June 1, 2020

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

Contents

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

1. Definitions

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Asset Allocation (Asset Mix): Proportion of each asset class in a portfolio.

Asset Class: a group of securities with similar characteristics and expected behaviours. Examples include Canadian stocks and global bonds.

Benchmark means an independently verifiable index that is representative of a specific securities market (e.g., the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms. A Benchmark can be a single Index or a combination of one or more indices.

Custodian: A specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks"). ONE Investment's custodian is CIBC Mellon.

Environmental, Social and Governance (ESG) Investing means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a ONE Investment Pool. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation;

Investment Policy Statement (IPS): The investment policy adopted by Council and updated annually determines Innisfil's money that it requires immediately (Short-Term Funds) and money that it does not require immediately (Long-Term Funds), and sets out, among other things, Innisfil's objectives and risk tolerances.

Long-Term Funds: Money not required immediately by Innisfil.

Municipal Client Questionnaire: A document which shall be completed by the treasurer of each participating municipality and which includes information on municipal investments and risk preferences that must be reviewed annually.

ONE Investment: A not for profit organization that will serve as an agent of the ONE JIB to operationalize the investment activities of the ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): Established by certain founding municipalities as a municipal services board under section 202 of the Municipal Act as required under Part II of the Regulation, and is the duly appointed Joint Investment Board for Innisfil, as constituted from time to time and acting pursuant to the Terms of Reference set out in the ONE JIB Agreement.

ONE JIB Agreement: means the agreement effective as of [June 1, 2020], entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of Innisfil's Long-Term Funds.

Prudent Investor Standard: Requires ONE JIB, when investing money under section 418.1 of the Act, to exercise the care, skill, diligence and judgement that a prudent investor would exercise in making such an investment, but does not restrict the securities in which a municipality can invest. The Prudent Investor standard applies to the entire portfolio of Innisfil's Long-Term Funds under control of the ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

2. Purpose of Investment Plan

As required under the Act's Prudent Investor regime, this Investment Plan (Plan) establishes how ONE Joint Investment Board (ONE JIB) will invest Innisfil's money that it does not require immediately (Long-Term Funds or MNRI). These Long-Term Funds have been determined by Innisfil to be not immediately required by Innisfil (MNRI). This Plan complies with Innisfil's Investment Policy Statement (IPS) adopted by Council on [March 11, 2020] and is based on the information in the Municipal Client Questionnaire dated [March 11, 2020] attached as Appendix A. This Plan applies to all investments that are controlled and managed by ONE JIB on behalf of Innisfil.

At least annually, following Council's review of its IPS, ONE JIB shall review this Plan and update it as needed. This current Plan should be reviewed by [March 11, 2021].

3. Responsibility for Plan

This Plan is the responsibility of ONE JIB, which has authorized its agent ONE Investment to exercise its administrative investment functions in accordance with the Regulation. ONE JIB oversees ONE Investment staff using procedures, reports and regular audits to ensure compliance with the Act and the Regulation in addition to Innisfil's IPS and ONE JIB's own investment policies and standards.

This Plan is dependent on clear communication between Innisfil, ONE JIB and ONE Investment regarding Innisfil's needs, which is especially important when investment needs change. To ensure clear communication, ONE Investment employs a Municipal Client Questionnaire as part of its annual review. It is the responsibility of Innisfil to ensure that ONE Investment is aware of any needs that are not addressed in the Municipal Client Questionnaire and, as soon as practicable, of any material changes that occur during the year. It is the responsibility of ONE JIB and ONE Investment to provide liquidity to the extent possible, to adjust to changing needs in a timely fashion and to communicate any difficulties in so doing as soon as possible to Innisfil. The process for communicating changes in the Municipal Client Questionnaire, IPS and other issues is set out in Appendix B [**NTD: Appendix B**]. The process for moving funds in/out of ONE Investment is outlined in Appendix E.

4. Custodian

All investments under the control and management of ONE JIB shall be held for safekeeping in the name of Innisfil by CIBC Mellon.

5. Investment Goals and Objectives

Innisfil's total portfolio includes all of its MNRI. Returns have an impact on municipal revenues, as well as a longer-term impact on future years' budgets and should, at a minimum, keep pace with inflation over the long run.

Investments may consist of liquid and non-liquid assets depending on future obligations. Expected investment risks and returns are balanced to create outcomes that provide a high probability that Innisfil's investment objectives can be achieved.

MNRI will be invested to generate any or all of the following outcomes:

a. Funding contingencies, where returns are reinvested with a view to growing principal over the long term for large withdrawals in unpredictable situations; and'
b. Creating stable returns, where principal is maintained and a reliable stream of returns may be available for to spend as/if needed; and,
c. Funding target date projects, where Innisfil has some definition of an obligation for a specific project at a specific time. At present time Innisfil will not be investing in ONE Investment target date outcomes, but may in the future.

Innisfil's investment objectives for MNRI can be broadly categorized as follows:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Contributions for unexpected events	Higher risk tolerance, emphasis on growth, liquid	long but timing of drawdowns is uncertain
Stable Return	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	long (5+ years)

The above table summarizes Innisfil's investment needs as detailed in the IPS that provides guidance relevant to how the ONE JIB will determine the investment allocations. Additional context from the Municipal Client Questionnaire and dialogue from the treasurer was used to interpret the details in the table above to construct allocations that are reflective of the municipality's current goals, objectives, circumstances and risk tolerance.

While Innisfil's accounts/reserves are specified to require liquidity (individually), collectively the municipality has considerable flexibility that should allow some exposure to less liquid investments as/if needed. This is more relevant for accounts/reserves with longer investment horizons. This currently has no impact on the how investments will be selected as all ONE Investment funds are fully liquid investment vehicles. Less liquid investment vehicles may become available through ONE Investment at a later date.

Additionally the Town has significant funding flexibility as most of the MNRI has been identified as having a long time horizon.

6. Investment Allocations

6.1 Asset Allocations

Asset allocations for each solution are expected to be relatively stable until the next annual review. Any changes to the amounts in each account must be communicated formally as outlined in Appendix B.

The goals, objectives, constraints and circumstances of the municipality are taken into consideration when assigning asset allocations for the municipality via ONE Investment's outcome based approach. These decisions are informed by the requirement to use the Prudent Investor Standard as defined in the Municipal Act. This Standard identifies several key considerations that need to be incorporated in the decision making process, including:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment or course of action plays within Innisfil's portfolio of investments;
- The expected total return on investment and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

The following comments explain how ONE JIB is taking these considerations into account:

- Current economic conditions can be characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. It would seem that the global economy is in the later stages of an economic expansion, and there is some potential for deceleration of economic growth going forward and potential for global trade tensions or other macro economic risks to adversely affect growth.
- Inflationary pressures in Canada remain relatively benign and it is reasonable to expect that inflation as measured by the Consumer Price Index (CPI) will remain broadly in the range of 2% per annum. However, to protect the purchasing power of existing monies invested with the ONE JIB returns will also need to consider the change in Non-Residential Construction Price Index (a version of the inflation index that is most relevant for the municipality). Allocations to equity investments in Innisfil's plan should help to achieve this goal. Achieving such results will require Innisfil to achieve higher returns than seem currently available within fixed income investment opportunities. As such, a meaningful allocation to equities will be appropriate to achieve this goal.
- Investment allocations will be diversified to help reduce the volatility of the investment portfolio and offer suitable risk return characteristics for Innisfil.

- Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Investment Manager believes to be appropriate for Innisfil. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining a risk profile that is appropriate for the municipality.

6.2 Account Structure

The amounts of Money Not Required Immediately, as disclosed in Innisfil's Municipal Client Questionnaire dated 03,11,2020 have been allocated into investment outcome categories to provide guidance to the ONE JIB when investing these monies.

In summary, the initial allocation to each outcome is:

Outcome	Allocation
Contingency Solution	7,500,000
Stable Return Solution	7,500,000
Total MNRI	15,000,000

These outcomes will be generated using ONE Investment Pools and products to create solutions via specific asset allocations. Descriptions of the ONE Investment Pools and the asset allocations for each solution are in Appendix C and D.

The process of moving from the current investments to the target weights in this Plan, is outlined in the Transition Plan in Appendix E. As the Town has sufficient balances in the ONE HISA and other highly liquid investments such that little planning is required for this transition.

6.3 Contingency Solution

Innisfil has a need to generate long-term growth for funds within the Contingency Solution and potentially funds may be drawn upon during times of unexpected need. Additionally, the majority of MNRI consists of reserves where growth oriented investments would be highly appropriate to help fund capital projects, but the timing of potential drawdowns faces considerable uncertainty. Emphasis on the preservation of purchasing power / inflation considerations is a key consideration. Innisfil's circumstances should allow them to take a moderate amount of risk for funds allocated to the contingency solution, making the 'lower risk' Contingency outcome appropriate (further detail about the contingency outcome allocations is described in Appendix C). These funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	0	10	15	Index B
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	15	25	35	Index D

Total		100		

Benchmark: 60% x Index A + 10% x Index B + 5% x Index C + 25% Index D
Contingency Solution returns and risk are discussed in section 6.6.

6.4 Stable Return Solution

Innisfil has identified a need to generate stable returns on certain funds while also growing principal sufficiently to offset inflation. The Stable Return Solution is designed to generate income that could be used to fund regular municipal spending needs. Innisfil has identified that the Stable Return outcome should represent a large portion of their MNRI as it is appropriate considering its objectives and risk tolerances.

All income generated from the Stable Return Solutions will be reinvested into the stable return solution. Based on the expressed risk tolerances and current circumstances of the municipality, the Investment Manager has assigned the 'low risk' Stable Return Solution (which has a relatively low allocation to equities). Details of all asset mix ranges are available in Appendix C. Stable Return funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	15	20	25	Index B
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	10	15	20	Index D
Total		100		

Benchmark: 60% x Index A + 20% x Index B + 5% Index C + 15% x Index D
Stable Return Solution returns and risk are discussed in section 6.6.

6.5 Target Date Solution

Target date outcomes will be managed with the objective of providing for the return of principal and income and capital gains at a target date in the future. All income will be reinvested to ensure growth of the investments to meet the target date outcome. For the longer target date solutions funds will be invested in building block funds that follow a glide-path of progressively lower risk over time. The glide path is explained in Appendix D.

At the time of the writing of this Investment Plan on March 11, 2020 the use of Target Date Solutions was not deemed appropriate considering the municipalities needs and preferences. It may be appropriate to add target date solution allocations at date in the future if circumstances change.

6.6 Projected Investment Returns

The prospects for improved returns with acceptable levels of investment risks are a key consideration for any municipality investing in the Prudent Investor regime. The table below provides a projection of the annual returns of the investment outcomes (and consolidated outcomes). These estimates were derived from an analysis of long-term returns based on conservative capital market assumptions and economic forecasts. These return details are presented for information purposes only and actual investment outcomes may differ materially from those shown below. Also, note that the returns will vary from year to year and the actual investment returns available to be utilized within the municipal budget will fluctuate from year to year.

Outcome	Weight	Expected Return	Annual Return or Income Exp.
Contingency	50.0%	4.2%	$ 314,625
Stable Return	50.0%	3.8%	284,625
Est. Portfolio Returns	100.0%	4.0%	$ 599,250

Note that the annual return or income expectation noted above is based on long-term expectations, entirely hypothetical and will be highly variable from year to year.

6.7 Other Accounts

[this section does not apply]

7. Constraints

Besides those listed here, there are also constraints specific to each externally managed portfolio that are available on the ONE Investment website.

7.1 Environmental, Social and Governance (ESG) Investing

ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing External Portfolio Managers. External Portfolio Managers are assessed for their ESG policies. ONE JIB recognizes the practical difficulties of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by External Portfolio Manager based on a number of factors, including the degree of control exercised by ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations will not be possible due to availability, costs or other factors.

7.2 Securities Lending

Unitized vehicles that are controlled by an External Portfolio Manager may engage in securities lending if their policies permit such an action. ONE JIB intends to consider securities lending and may introduce a formalized policy to allow securities lending.

7.3 Derivatives

Derivatives may be used for the investment of Long-Term Funds where they are fully covered by a backing asset. Examples of such uses of derivatives include, but are not necessarily limited to: the ability to replicate investments otherwise permitted in the Plan and in the IPS, to equitize cash, to hedge currency exposures, to manage risk exposures, to change portfolio duration or to engage in covered call strategies. Derivatives may not be used for speculative purposes or to increase the risk of the portfolio.

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and Funds (the ONE Investment Pools) used as building blocks in the asset allocation for each outcome. These External Portfolio Managers are chosen and monitored based on a due diligence process with oversight by ONE JIB and One Investment and input from an external consultant knowledgeable in the asset classes and in the range of investment options and portfolio managers suitable for institutional investors.

9. Rebalancing

Each account's asset mix will be monitored on a periodic basis by ONE Investment's management and staff. Should the asset mixes deviate outside the minimum or maximum weights noted in appendix C, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions are to be completed as soon as reasonably viable, taking into account the investment objectives. Cash inflows / outflows are used to rebalance as much as possible; if they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

ONE Investment will rebalance all accounts as close as practicable back to target weights twice annually based on a fixed time schedule. ONE JIB has established rebalance dates of April 15 and October 15. Accounts that are within a 2% threshold of the intended targets would not need to be rebalanced as part of this periodic rebalancing process.

10. Accommodating Cashflow Needs

This Investment Plan is intended to be dynamic and responsive to changing needs of Innisfil. Once informed of changing needs at Innisfil by the Treasurer or designated staff, ONE JIB may need to revise allocations, deploy incoming monies or sell fund units accordingly. Additionally, income from investments will be automatically reinvested into the investment outcomes where appropriate and cashflow needs of Innisfil are expected to be financed with the sale of fund units or liquidation of transitioned investments. Any fee discounts that apply for Innisfil are intended to be reinvested into the Stability Outcome or as otherwise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

Typically municipalities may have certain investments that have a strategic purpose beyond solely generating investment returns. These investments often involve provision of services within the community or may have resulted from legacy assets of the municipality. Some of these investments could be counted as monies that are part of MNRI but control of these assets would remain with the municipality.

At the time of the preparation of this Investment Plan, Innisfil had two such investments:

Investment	Type	Value of Investment
Innpower Corporation	Local Distribution Company (LDC)	$ 22,510,137
Innterprises Inc.	LDC Affiliate	$ 179,740

11.2 Transitional Investments

The transition of monies into MNRI will involve the sale of some or all of ONE Investment portfolios or HISA. As these are highly liquid investment vehicles, monies can be made available to fund the transfer of MNRI to the JIB within a few days. A such limited planning is needed for the transition into the Prudent Investor offerings. More detail on the transition planning is detailed in Appendix E.

12. Comments by Investment Manager

Certain qualitative factors were considered in assigning the investment allocations. Overall Innisfil's investment horizon is long, and their asset management planning reflects significant infrastructure investment as the town grows. Significant capital spending will be involved though there is notable uncertainty of the timeline for spending for developer related projects. This means that the asset management plans don't help define the cashflow needs easily. This means the municipality's cashflow planning is less well defined. This latter point means that flexibility is required so that sufficient liquidity is available to address needs that cannot be defined with a precise timeline.

The municipality has overall balances of about $100 million of which $15 million represent MNRI. The municipality has considerable flexibility to fund projects and needs out of these resources. Although there are specific reserves and reserve accounts that underlie the amounts designated as MNRI, there is little in the way of large tangible spending needs that are anticipated that would require monies to be drawn down from MNRI in the foreseeable future. It is reasonable to expect the balance of MNRI to be at or above the $15 million level for at least the next 5 years. As such the investment horizon is relatively long, which should allow flexibility to invest the MNRI funds to assume a moderate amount of risk while investing for growth over a longer time frame.

The $15 million that Innisfil defines as MNRI, which will be transferred to the ONE JIB, will be financed by the Treasurer by selling existing ONE Investment Legal List products. With about $58 million in HISA and $5 million in the Bond portfolio there is more than enough in investments that can be readily liquidated to raise the funds to be transferred to the ONE JIB. As at December 31, 2019 the Town had no exposure to equities. Under the Prudent Investor regime one of the main goals is to improve the investment returns and allow balances of MNRI to grow over time. The Investment Manager recommends a meaningful exposure to equities to achieve this. Initial allocations to equities are expected to be about $3.75 million which represent 25% of overall MNRI. Overall the municipality has the flexibility to assume a moderate risk profile for the consolidated portfolio with investment allocations being influenced by the relatively long time horizon associated with the MNRI. This level of exposure to equities noted above is appropriate considering the long term nature of Innisfil's MNRI and investment risk profile of the community.

Based on these allocations, the long term return estimate for the investments is about 4.0% which is within context of the Town's objective to achieve growth within MNRI monies. Note that any forward looking return estimate are entirely hypothetical and will likely vary considerably from year to year. They are provided primarily for discussion purposes and to provide some context.

Signed by:

____________________________	____________________________
Keith Taylor, Investment Manager	[Name], Chair
ONE Investment	ONE Investment Joint Investment Board
____________________________	____________________________
Date	Date

Appendix A: Most Recent Municipal Client Questionnaire

Appendix B: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in Innisfil's investment needs be communicated to ONE JIB on a timely basis. These include changes in:

- Risk tolerance;
- The IPS;
- Timeframes and/or estimated amounts for financial obligations, including sooner-than-expected amounts and longer timeframes;
- Desired end use of funds, especially if that is likely to affect the investment approach
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the Municipal Client Questionnaire on the ONE Investment website to [name] at [email address]. They cannot be considered received without a formal return email acknowledgement from ONE Investment.

Appendix C: Description of ONE Investment Pools, Products and Solutions

Following is a list of the ONE Investment Pools and products used to achieve target asset allocations. For more information on how these ONE Investment Pools and solutions are managed, please see further detail on the ONE Investment website http://oneinvestmentprogram.ca/

ONE Investment Pool or Product	External Portfolio Manager	Mandate	Asset Allocation
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Savings account
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity that meet the Legal List requirements	100% short-term government bonds
ONE Canadian Corporate Bond Fund	MFS	Canadian Bond exposure inclusive of corporate credit	Canadian Fixed Income
ONE Global Unconstrained Bond Fund	[Not Disclosed]	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	[Not Disclosed]	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian	Canadian Equity with conservative investment approach	Canadian Equities

Solutions

The asset allocations for ONE Investment's solutions are the following. Rebalancing will be managed for these asset allocations as explained in the Plan.

Contingency Solution

	Default Lower Risk % Weight			Duration (Years)	Moderate Risk % Weight			Higher Risk % Weight		
	Min	Target	Max		Min	Target	Max	Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	40	50	60	25	35	45
ONE Canadian Government Bond Fund	0	10	15	1.6 – 3.6	0	10	15	0	5	10
ONE Canadian Corporate Bond Fund				3.0 – 6.9						
Total fixed income	**66**	**70**	**74**		**54.5**	**60**	**64.5**	**35**	**40**	**45**
ONE Canadian Equity Fund	0	5	10		0	5	10	5	10	15
ONE Global Equity Fund	15	25	35		25	35	45	40	50	60
Total equity	**26**	**30**	**34**		**35.5**	**40**	**45.5**	**55**	**60**	**65**

Stable Return Solution

	Default Lowest Risk % Weight			Duration (Years)	Low Risk % Weight		
	Min	Target	Max		Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	50	60	70
ONE Canadian Government Bond Fund	25	30	35	1.6 – 3.6	15	20	25
ONE Canadian Corporate Bond Fund				3.0 – 6.9			
Total fixed income	**88**	**90**	**92**		**76.5**	**80**	**83.5**
ONE Canadian Equity Fund	0	0	0		0	5	10
ONE Global Equity Fund	8	10	12		10	15	20
Total equity	**8**	**10**	**12**		**16.5**	**20**	**23.5**

Asset allocations for target date solutions are in Appendix D.

Appendix D: Target Date Solutions' Glide-path Asset Allocations

Investments with target dates will be managed to reduce risk as the end date approaches. This is known as following a glide-path. Below is the asset allocation glide-path that will be followed with a view to generating asset growth for long term holdings and shifting gradually to safety of principal for shorter term holdings.

Term to Target Date in Years

	2 to 3			**4 to 5**			**6 to 10**			**11 to 15**			**16 to 20**			**> 20**		
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE High Interest Savings Account	0	100	100															
ONE Global Unconstrained Bond Fund				35	40	45	35	45	55	35	45	55	35	45	55	30	40	50
ONE Canadian Government Bond Fund	0	0	100	15	20	25												
ONE Canadian Corporate Bond Fund				35	40	45	25	30	35	15	20	25	5	10	15	0	5	10
Total Fixed Income	**100**	**100**	**100**	**90**	**100**	**100**	**71.25**	**75**	**78.75**	**60.75**	**65**	**69.25**	**50.25**	**55**	**59.75**	**40**	**45**	**50**
ONE Canadian Equity Fund				0	0	0	0	5	10	0	5	10	0	5	10	0	5	10
ONE Global Equity Fund				0	0	0	15	20	25	25	30	35	35	40	45	40	50	60
Total Equity				0	0	10	21.25	25	28.75	30.75	35	39.25	40.25	45	49.75	50	55	60
Expected return		2.2%			2.7%			3.8%			4.2%			4.6%			4.9%	

Appendix E: Transition Plan

At the writing of this Plan (25/02/2020), Innisfil's holdings were the following.

Current Holdings – ONE	Amount
ONE Bond Portfolio	$ 5,156,391.86
ONE HISA	$58,537,475.10
	$ 63,693,866.96

The objective is to move to the intended investment allocations as quickly as practicable. The $15 million MNRI that Innisfil discloses in its Client Questionnaire can be transferred to the JIB in an orderly fashion by liquidating some of their ONE Investment the legal list products. Due to the short settlement cycle of ONE Investment products and their high liquidity, no special planning is required to facilitate the transition into the Prudent Investor program at ONE Investment.

Date

Treasurer

Keith Taylor, Investment Manager
ONE Investment

13641322.8

Appendix F: Transferring Funds

Document here how funds will be transferred in/out of ONE JIB and into what municipal short-term account they will come from/go to.

Appendix G: ONE JIB's Investment Approach

Investment Approach

Investment Approach

1. Our Investment solutions are designed to address 3 key investment outcomes. Each one of these outcomes will have a unique asset mix and investment objective. These are intended to be used instead of having an asset mix defined in the IPS.
   - <u>Contingency:</u> needs that function like insurance, entail unpredictable, infrequent bullet payments. Clients may have target sizes for these reserves, so that when the investments grow to that size, either funds can be diverted out or contributions can be reduced. For these reasons, a growth profile is preferred.
   - <u>Stable Return:</u> these are used to fund ongoing capital investments and are needed to generate a consistent reliable return stream. May be needed at different risk levels and tolerances for dipping into principal.
   - <u>Target Date Projects:</u> these are savings vehicles for projects with predictable (but perhaps not perfectly predictable) target dates where the risk of meeting the required payment is clearly defined. Includes sinking fund debentures and serial bonds.
   - As appropriate the JIB can create custom asset mixes to accommodate specific municipal needs, but it is anticipated that the Contingency, Stable Return and Target Date outcomes will be sufficient for most municipalities.

2. ONE Investment will use a series of building block asset class funds managed externally using off-the-shelf pooled funds as much as possible. This approach facilitates the following:
   a. Managers can be added and subtracted in an asset class easily at any point in time;
   b. New asset classes can be added as new building block funds;
   c. Risk profiles and solutions can be added/changed without creating new funds.
   d. The Joint Investment Board will be able to tell easily whether clients are invested in appropriate risk exposures.

Capital Markets Beliefs

Asset Allocation

1. Theoretical underpinnings:
   a. Modern Portfolio theory provides a useful conceptual construct that demonstrates the value of diversification for investment portfolios. Diversification is a key feature that helps reduce risk in investor portfolios.
   b. We believe in Prudent Investing as a process.
2. Our investment objectives will vary with each need we are trying to meet. The following issues are taken into account for each need and their weights will vary depending on the target outcome and risk tolerance:
   a. Safety of principal
   b. Adequate liquidity
   c. Diversification by geographic exposure, asset class, sector, issuer, credit quality and term to maturity.
   d. Capital appreciation.

e. Income generation

3. Long-term asset allocation is the most important portfolio component driving risk and return. Higher returns generally entail taking more risk. Over most long-term periods, equities have outperformed fixed income. Given their higher risk profile, equities should outperform fixed income over the longer term. In setting asset allocation, consideration is given to macro risks, such as inflation, economic growth and interest rates.

4. Tactical Asset Allocation (market timing) at the total portfolio level is unlikely to consistently add value. In some extreme cases, it may be useful.

5. For clients who present us with a substantial sum for investing, we do not believe that dollar cost averaging into stock markets will generate optimal returns. Because stock markets tend to go up over time dollar cost averaging represents a delay in entering markets and receiving returns. However, some clients may view dollar cost averaging as a way of managing timing risk and we will not oppose those who do.

Asset Classes and Asset Class Strategies

6. ONE Investment clients are non-taxable and are therefore indifferent as to the source of return (interest, dividends, capital gains) except where covenants require use of dividends only. However, as municipalities are required to balance their budgets annually and because they do not recognize unrealized investment gains, they may occasionally have to sell holdings that have risen in value to generate "income" for fiscal purposes. There may be less opportunity to plan the recognition of gains/losses when investing in our Prudent Investor offerings.

7. Our range of client offerings is expected to expand over time, starting with initial offerings in the public equity and public and private debt markets. Other asset classes, including possibility real and private assets, will be considered in due course.

8. Cash and cash equivalents can be used to manage risk and enhance liquidity. Staying in cash for long periods to avoid risk may not be a prudent strategy as it entails an opportunity cost.

9. The use of fixed income during periods of rising interest rates may be appropriate for the following reasons:
   a. To manage volatility;
   b. To match maturities to cash needs;
   c. To generate income; and,
   d. Provide diversification benefits.

10. For fixed income and target return investing, it is not prudent to set a target return or yield and then find an instrument or portfolio that will generate that yield. It is preferable to define a risk level and accept the return or yield associated with it.

11. We are comfortable holding low quality securities in mandates if their weights are constrained. Such allocations can offer correlation benefits that can improve overall portfolio risk metrics while potentially increasing overall portfolio returns.

12. Clients prefer portfolio stability and are quite sensitive to losses. Investment recommendations are not solely focused on return potential but also consider risk. Historical drawdowns experience is a highly relevant consideration when selecting external investment managers.

13. We expect our clients prefer absolute to relative returns. Outperforming a given benchmark is of little consolation if the client is losing money.

14. For benchmark-relative investing, active management makes sense if the manager can add net value (after fees) on a risk-adjusted basis.

15. Derivatives will not be used for speculative purposes. They may be used to manage risk or to replicate specific asset classes, but only where they are fully covered by a backing asset, e.g., as for currency hedging or covered call strategies.

16. Some exposure to foreign currencies may be desirable to improve diversification and potentially enhance returns. Therefore, it shall not be a violation if global mandates are unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB. While the ONE JIB does not intend to implement a currency hedging strategy directly, the external portfolio managers hired to manage the funds may use currency hedging as part of their investment strategy.

Investment Managers

17. Success with active mandates is more likely with strong conviction and less constrained mandates.

18. Considerations included in evaluating managers:
    - Performance
    - Corporate changes
    - Service levels
    - Adherence to portfolio parameters and stated philosophies
    - Appropriate benchmarks
    - Insights and research capabilities
    - Internal controls and operational processes
    - Comprehensive investment management process
    - Risk management
    - Depth of management team

- Cost is an important consideration when choosing a strategy or investment manager, but not in isolation: we will consider value for money in decision-making. We will aim for competitive costs, including tiered pricing. We may consider a performance-based fee structure where the base is equivalent to a passive fee and the bonus is paid in accordance with performance delivered net of fees above the benchmark.

Other

19. Securities lending is permitted by legislation for Legal List investors. For Prudent Investors, we require minimum collateral of 102% with guidelines to be specified later.

20. Borrowing, including shorting, is not allowed. This does not include mortgages on real estate, which we will address when we review the possibility of investing in that asset class.

21. The ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing investment managers. Investment managers are assessed for their ESG policies. ONE JIB does not necessarily endorse sole use of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by manager based on a number of factors, including the degree of control exercised by the ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations may not be possible either due to availability or to costs. We may be able to provide client reporting on this subject. Future offerings may include more specific responsible offerings.

Appendix 6 - Account Mapping and Investment Allocations
City of Kenora

1. Summary

- Kenora has $38.3 million available to invest.
- The City has established the Citizen's Prosperity Trust Fund, $26.6 million of the total available for investing, which is designed to protect the principle and provide an ongoing income
- The Kenora Council has established its investment objectives and risk tolerances through its IPS and its MCQ
- The revised outcomes and further analysis prompted shifting some MNRI to alternate outcomes.
- The changes to the outcomes result in a decrease in the allocation to equities from 36.7% to 34.7% and an increase of cash holdings from 0% to 8.7%.
- The decreased exposure to equites decreases expected returns by 0.3% while decreasing standard deviation by 0.4%.

2. Background

Kenora's IPS and MCQ establish the amount available for investing, their investment objectives, investment horizons and risk tolerance

Kenora initially has $38.3 million available for the ONE JIB to invest, $26.75 million of which is intended to act as a perpetual income fund (Citizen's Prosperity Trust Fund (CPTF)).

Kenora's MNRI can subdivided into two categories: (1) CPTF and (2) general municipal reserve and reserve funds.

In 2008 Kenora sold its municipal telephone system and established the CPTF worth approximately $40.8 million. The CPTF is established as a legacy fund where capital is to be preserved with income and gains on the investments used to replace the lost annual revenue the utility provided (approximately $1.1 million). Kenora has established a 3% return objective on the CPTF to meet its annual income targets. The City often uses the CPTF as a source of internal debt financing, borrowing money from the CPTF setting the interest rate at its return objective of

3%. After accounting for the self-financed portion of the CPTF and the amount categorized as money required immediately for near-term capital projects, there are approximately $26.75 million in CPTF available for investment by the JIB. As preservation of principle is a high priority, the risk tolerance on all CPTF money is low to moderate.

The remainder of the Kenora's funds, approximately $11.5 million, are either required within the next 5 years ($3.3 million) or have no definitive time horizon ($8.2 million). The City's return objectives on non-CPTF money is an annual return that at least meets inflation.

Kenora's overall risk tolerance is low ("a very small chance of capital loss") with an expected annual return between zero and 2.5%. Additionally, Kenora's IPS provides a risk tolerance level for each individual account purpose, approximately $1.2 million has been identified as low risk, with the remainder being assigned a moderate risk tolerance.

3. Analysis

Using the new mapping Kenora's allocations shift away from long-term target date outcomes to the Stable Return and Contingency outcomes.

In the draft plan the target date allocations were used to help achieve the annual income target as the stable return outcomes were not capable of achieving this investment goal. The new outcome mapping with revised investment allocations have higher allocation to equities in the stable return outcome, and now can be used to allow Kenora to achieve this income goal. This makes the new mapping of outcomes more succinct and appropriate. About $26.75 million was moved from the longer-range target date outcomes into the stable return, putting greater emphasis on the principle preservation and income goals of the CPFT and less emphasis on the time horizon.

Further analysis of Kenora's cash flows indicates that funds originally assigned to the Target Date 2030 outcome were better suited to the contingency outcome because there were no definitive timelines. Due to the short time horizon of the money initially allocated to the Stable Return and Low risk Contingency outcomes, they were reallocated to the new Cash Plus 3-to-5-year outcome. See table 1 for specific details.

Table 1
Comparison of MNRI allocation to Original and Revised Outcomes

Draft Plan Presented to Council		Revised Mapping	
Original Outcomes	Amount ($)	Revised Outcomes	Amount ($)
Target Date 2023	-	Cash < 3 yrs	-
Target Date 2025	-	Cash Plus 3-5 yrs	3,340,886
Stable Return	1,670,443	Stable Return	26,752,386
Contingency (Low to moderate risk)	1,670,443	Contingency	8,171,954
Contingency (High risk)	-	Asset mgt reserves	-
Target Date 2030	8,171,954	Target Date 5-10 yrs	-
Target Date 2035, 2040, 2045	26,752,386	Target Date > 10 yrs	-
Total	$38,265,226		$38,265,226

Compared to the Draft Plan the Revised Mappings would shift the overall equity allocation from 36.7% to 34.7%; cash holdings increase from 0.0% to 8.7%.

The revised outcomes mapping, along with the revised suggested fund allocation weights for each outcome, results in a shift among funds. The changes result in a modest overall decrease to equities but puts a heavier weighting on the Canadian Equity Fund. The Canadian Government Bond Fund sees a sizable increase while the Global Bond Fund sees a modest decrease, and the allocation to the Canadian Corporate Bond Fund is reduced to almost half of its previous allocation. See Table 2 for specific allocations.

Table 2
Allocation Between ONE Funds
Comparison between Original Draft and Revised Mapping

	Draft Plan Presented to Council		Revised Mapping	
Fund	Total Invested	Percentage	Total Invested	Percentage
HISA	-	0.0%	3,343,416	8.7%
CDN Equity Fund	1,913,261	5.0%	3,978,893	10.4%
Global Equity Fund	12,112,668	31.7%	9,284,084	24.3%
CDN GOV Bond Fund	501,133	1.3%	3,248,825	8.5%
CND Corp Bond Fund	6,017,679	15.7%	3,248,825	8.5%
Global Bond Fund	17,720,485	46.3%	15,161,183	39.6%
Total $	$38,265,226	100.0%*	$38,265,226	100.0%

*Allocation percentages referenced in draft plan will differ because the draft plan percentages included $5.0 million in in-kind securities, which have been omitted from table above.

The proposed changes to mapping and allocations will increase the average expected returns but will also increase the volatility of the portfolio

The revised outcome mappings will decrease expected returns to 4.0% from 4.3%. The changes would also mean that standard deviation would decrease from 4.9% to 4.5% compared to the plan presented to council. See table 3 for further details.

Table 3
Risk and Return Comparison
Draft plan to Revised Mappings

Plan version	Average Expected Returns	Standard Deviation
Draft Plan Presented to Council	4.3	4.9
Revised Plan Based on New Mappings	4.0	4.5
Difference	-0.3	-0.4

5. Conclusion

Staff is looking for feedback on whether the revised mappings lead to an allocation that is more in line with Kenora's risk tolerance and return objectives.

Prepared by: Colin Macdonald, Manager of Investments and Keith Taylor Chief Investment Officer
Approved for submission by: Judy Dezell and Donna Herridge, Co-President/CEO

INVESTMENT POLICY STATEMENT

FOR

THE CITY OF KENORA (the "Municipality")

FEBRUARY 18, 2020

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The City of Kenora

Investment Policy Statement

OVERVIEW

Municipalities that are subject to the *Municipal Act, 2001* (the "**Act**") have no general power to invest money. Such powers must be found either in express provisions of the Act or by necessary implication.

Historically, municipalities that are subject to the Act had very limited express investment powers under section 418 of the Act. Section 418 continues to apply to all municipalities that are subject to the Act unless they elect to pass a by-law pursuant to the new section 418.1. Section 418 of the Act provides that "money that is not required immediately" can only be invested in securities prescribed by the Province in O. Reg. 438/97 (the "**Regulation**"). These prescribed securities are generally referred to as the "Legal List Securities" and are included in Part I of the Regulation.

Effective January 1, 2019, the new section 418.1 of the Act came into force. Section 418.1 provides that "money that is not required immediately" can be invested under that section in any security, provided that in making the investment the municipality exercises the care, skill, diligence and judgment that a prudent investor would exercise in making the investment. If a municipality elects to pass a by-law under section 418.1, the effect will be that its "money that is not required immediately" must be invested in accordance with the prudent investor regime. The rules, conditions and procedures that apply to investments under section 418.1 are set out in Part II of the Regulation.

Investing "money that is not required immediately" (MNRI) in Legal List Securities or in accordance with the prudent investor regime are mutually exclusive alternatives. That is to say, section 418 does not apply to a municipality that has adopted the prudent investor regime under section 418.1.

Every municipality, regardless of whether section 418 or 418.1 applies to it, has MNRI and also money that is required immediately (MRI). Municipalities retain the management and control of their MRI. The Act does not include any express provisions that deal with the investment of MRI. However, it is consistent with prudent practice to invest such money until it is actually spent, in order to preserve the capital value of that money. Accordingly, it is necessarily implied that a municipality has the power to invest such money on a short term basis. Because the Act is silent as to how municipalities are to deal with MRI and because of the historical investment powers under the Act, a conservative approach is to invest MRI in appropriate Legal List Securities.

Municipalities that elect to pass a by-law pursuant to the new section 418.1 include in their investment policy (i) the basis upon which they distinguish between MNRI and MRI, and (ii) principles governing the investment of each category of money. This Investment Policy Statement (IPS) is intended to respond to the foregoing requirements.

1. GLOSSARY AND DEFINITIONS

The following capitalized terms are defined terms which have the meanings set out below:

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Agent: means any administrator, Custodian, payment servicer, portfolio manager, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment.

Asset Mix (or Asset Allocation): means the proportion of each asset class in a portfolio. Asset classes include bank deposits, money market securities, bonds and equities, among other things.

Authorizing By-law: means a by-law of a Founding Municipality which authorizes: (i) the entering into of the Initial Formation Agreement; (ii) the establishment of ONE JIB; (iii) the approval of the Client Questionnaire and the adoption of the IPS; and (iv) the entering into of the ONE JIB Agreement.

Benchmark: means an index that is representative of a specific securities market (e.g. the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms.

CFA Institute: refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

Custodian: means a specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks").

Environmental, Social and Governance (ESG) Investing: means investing that takes into account the three central factors in measuring the sustainability and ethical impact of an investment. These criteria contribute to determining the future financial performance of companies (return and risk).

External Portfolio Managers: means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

Internal Controls: means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.

Investment Plan: means the investment plan applicable to the Long-Term Funds investments and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

Investment Policy Statement (IPS): means the investment policy applicable to the Municipality's investments adopted and maintained by the Council of the Municipality for Long-Term Funds under the Regulation, and for Short-Term Funds, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Municipality for the benefit of persons other than the Municipality itself and may make reference to source(s) of money in which the Municipality may have an indirect interest but which the Municipality has no authority to invest.

JIB: is short for Joint Investment Board and means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.

Legal List Securities: means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.

Local Distribution Corporation or LDC: means a corporation incorporated under section 142 of the *Electricity Act, 1998.*

Long-Term Funds: means the Municipality's money that is to be used to meet financial obligations that become due more than 24 months following the date of receipt of such money and is characterized as money that is not required immediately by the Municipality as described in section 5.2. Monies that are Long Term Funds will be invested in accordance with the Prudent Investor Standard.

Modern Portfolio Theory: means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

Municipality: means the City of Kenora.

ONE JIB: means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Municipality, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.

ONE JIB Agreement: means the agreement effective as of June 1, 2020, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Municipality's Long-Term Funds.

Participating Municipality: means from time to time each of the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.

Pooled Fund: means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute funds that are invested and managed by an External Portfolio Manager. Funds are pooled or combined with funds of other investors.

Portfolio: means any collection of funds that are grouped together and required for specific purposes.

Proxy Voting: means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to participate. External Portfolio Managers usually vote proxies on behalf of their clients.

Prudent Effective Date: means June 1, 2020, the date on which the prudent investor regime applies to the Municipality.

Prudent Investor Standard: means the standard that applies when the Municipality invests money that it does not require immediately under section 418.1 of the Act. It requires the Municipality to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Municipality can invest. The Prudent Investor Standard makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio in respect of the Municipality's Long-Term Funds rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

Regulation: means Ontario Regulation 438/97.

Risk: means the uncertainty of future investment returns.

Risk Tolerance: means the financial ability to absorb a loss. Risk tolerance increases with the build-up of capital funding.

Securities Lending: means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.

Short-Term Funds: means money that is required immediately by the Municipality as described in section 5.1 and which remains under the control and management of the Municipality. The funds can be invested in appropriate Legal List Securities.

Sinking Fund: means a fund established to fulfil the requirements to make annual contributions in respect of various debenture issues wherein money is to be regularly set aside for the payment of the principal of the debentures at maturity.

Sinking Fund Required Contributions (Annual Sinking Fund Requirement): means the amount of money to be set aside each year for deposit into a sinking fund or a retirement fund, as applicable, for each sinking fund and term debenture issue in accordance with the Municipality's debenture by-laws when such debentures are issued.

Sinking Fund Required Earnings: means the investment earnings needed for the Sinking Fund Contributions to continue to grow to a value sufficient to repay the principal at maturity for each issue of sinking fund and term debentures.

Sinking Fund Excess Earnings: means the investment earnings in excess of the required earnings.

2. PURPOSE AND LEGISLATIVE FRAMEWORK

2.1 Purpose of Policy

This IPS governs the investment of the Municipality's MNRI and MRI. It is intended, among other things, to direct the Manager of Finance/Treasurer in the investment of MRI and to direct ONE Joint Investment Board (ONE JIB) in the investment of MNRI by implementing the Authorizing By-law pursuant to which the Municipality authorized the establishment of guidelines for the prudent management of the Municipality's MNRI pursuant to section 418.1 of the Act.

In addition to the Municipality's MRI and MNRI, the Municipality is from time to time entrusted with the management of money and investments for a third party beneficiary ("third party trust funds").

There are also source(s) of money in which the Municipality may have an indirect interest but which the Municipality currently has no authority to invest. Such source(s) of money, referred to in this IPS as "designated funds", are listed in Schedule A attached hereto. The designated funds are identified in this IPS for the sole purpose of enabling the Municipality to better see, on an aggregated basis, the various financial assets in which the Municipality has an interest. The Municipality is not responsible for the investment activities or performance of designated funds.

The goals of this IPS are to:

- Define and assign responsibilities for investment of MRI and MNRI;
- Describe the Municipality's responsibilities with respect to third party trust funds and designated funds
- Ensure compliance with the applicable legislation;
- Direct ONE JIB as to the Municipality's investment goals and risk tolerance;
- Provide guidance and limitations regarding the investments and their underlying risks;
- Establish a basis of evaluating investment performance and the underlying risks; and,
- Establish a reporting standard to Council.

This IPS applies to employees of the Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Manager of Finance/Treasurer, and any agent or advisor providing services to ONE JIB in connection with the investment of the portfolio shall accept and strictly adhere to this IPS.

2.2 Governing Legislation

Investments of MRI will, in accordance with this IPS, only be made in Legal List Securities.

Investments of MNRI are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Municipality to earn improved risk-adjusted rates of return.

Money and investments that the Municipality holds as third party trust funds or has an interest in as designated funds will be subject to applicable legislation and any related agreements or instruments.

The Act provides that the Municipality must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment plays within the Municipality's total portfolio of investments;
- The expected total return from income and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

2.3 Prudent Investor Standard

For MNRI, the standard to be used by the Municipality and ONE JIB shall be the "prudent investor" standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Municipality's MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances, that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.

As well, the Prudent Investor Standard makes use of Modern Portfolio Theory, which looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio.

Officers, employees and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking into account the prescribed risk and other parameters set out in this IPS and market factors. The Municipality's staff acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment's performance, provided underperformance relative to expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

3. MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY

3.1 Determination of MNRI and MRI

Determination of the Municipality's MNRI is the responsibility of Council. In making the determination, Council may consider:

- the time horizon within which the monies are needed to meet financial obligations
- the purpose for which the monies have been collected or set aside and are to be used
- the source of the money
- any combination of the foregoing

The Municipality's MNRI will be comprised of money that is to be used to meet financial obligations that become due more than 24 months from the date of receipt of such money by the Municipality.

For certainty, all money of the Municipality that has not been identified as MNRI (other than third party trust funds and any designated funds referenced in Section 2.1) shall be deemed for purposes of this IPS to be MRI.

Determination of the Municipality's MNRI and MRI may be modified at any time and from time to time by action of Council and with respect to specific funds by the Manager of Finance/Treasurer in accordance with the provisions of Section 6.2.

Any changes in this IPS regarding the Municipality's MNRI and MRI must be communicated immediately in writing to ONE JIB.

3.2 Overview of Portfolios

The Municipality's portfolios represent funds required for specific purposes. A high level description of each of these portfolios and their objectives is provided in Section 5 below. This IPS applies to the following money of the Municipality, its agencies, boards and commissions including:

- MRI which is invested in Legal List Securities; and/or
- MNRI which is invested under the prudent investor regime.

4. ROLES AND RESPONSIBILITIES

4.1 Role of ONE JIB

ONE JIB has been appointed by the Municipality in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement.

ONE JIB exercises control and management of the Municipality's MNRI and the investments made by it with such MNRI.

Among the responsibilities of ONE JIB are the following:

- Reviewing this IPS;
- Adopting and maintaining an Investment Plan that complies with this IPS;
- Engaging External Portfolio Managers, Custodians, administrators and other investment professionals (Agents);
- Allocating the money and investments under its control and management among External Portfolio Managers;
- Monitoring the performance of the Agents; and,
- Reporting to the Municipality.

The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

4.2 Role of Municipal Staff

This IPS is approved and adopted by Council with input from the Manager of Finance/Treasurer, and from ONE JIB with respect to MNRI. MRI of the Municipality, and any third party trust funds referenced in Section 2.1, remain under the control and management of the Manager of Finance/Treasurer.

Consistent with this IPS, the Manager of Finance/Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:

- Investment management of MRI and any third party trust funds referenced in Section 2.1 by, or under the direction of, the Manager of Finance/Treasurer;
- Explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and,
- A system of controls exercised by the Manager of Finance/Treasurer to regulate the activities of staff involved in the investment process.

Individuals involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

Investment officers acting in accordance with this IPS and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risks or market price changes.

No person including, without limitation, ONE JIB, may engage in an investment transaction except as provided under the terms of this IPS.

In the management of MRI of the Municipality, and any third party trust funds referenced in Section 2.1, the Manager of Finance/Treasurer may engage one or more agents and service providers. ONE Investment can assist with the investment of the Municipality's MRI, in Legal List Securities, and with the investment of third party trust funds, in accordance with the terms of the applicable trust, if permitted, at the request of the Municipality.

5. INVESTMENT

5.1 MRI: Short-Term Funds

The Municipality's MRI is described in this IPS as Short-Term Funds. Short-Term Funds consist of money needed to meet the financial obligations of the Municipality coming due within 24 months from the date of receipt of such money and are controlled and managed by the Manager of Finance/Treasurer.

5.1.1 Short-Term Funds: Investment Objectives

The main focus of the investment of Short Term Funds is cash management, and the interest income generated by the investment is a contributor to budgetary revenues. To the extent possible, the Municipality shall attempt to match its investments with anticipated obligations.

Capital preservation is paramount and this portfolio needs to be highly liquid. Consequently, only high quality, short-term investments that are also Legal List Securities will be held in this portfolio. The Municipality may invest in fully liquid money market securities and deposit accounts. The Municipality aims to maximize returns subject to the constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserving capital and to further manage risk through diversification by issuer and credit quality.

5.1.2 Short-Term Funds: Eligible Investments

Short Term Funds may be invested in high quality, short-term investments that are also Legal List Securities available from banks, dealers and other financial institutions. Eligible investments include the following offerings by ONE Investment:

- ONE Investment High Interest Savings Account;
- ONE Investment Money Market Portfolio; and,
- ONE Investment Bond Portfolio

Investment in the foregoing is subject to the Municipality entering into the prescribed Agency Agreement with LAS and CHUMS.

The Municipality monitors and determines the amount of its MRI. It will, from time to time, be comprised of:

Reserve / Account	Objective	Risk Tolerance, Liquidity	Investment Horizon
Per attached spreadsheet			

5.2 MNRI: Long-Term Funds

The Municipality's MNRI is described in this IPS as Long-Term Funds. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the Long-Term Funds and the investments made therewith.

From time to time, the Municipality may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to pay those obligations. ONE JIB will select the investment(s) to be liquidated. The timing of such liquidation will be determined by ONE JIB in consultation with the Manager of Finance/Treasurer.

5.2.1 Long-Term Funds: Investment Objectives

In setting the objectives noted below, the Municipality has taken into account the following considerations:

- Preservation of capital;
- Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;
- Diversification by asset class, market, sector, issuer, credit quality and term to maturity;
- Income and capital appreciation; and,
- Macro risks, such as inflation, economic growth and interest rates.

The Municipality has identified the following investment objectives for its Long-Term Funds.

Reserve / Reserve Fund/ Account	Objective	Risk Tolerance, Liquidity	Investment Horizon
Per attached spreadsheet			

Reserve / Reserve Fund/ Account	Objective	Risk Tolerance, Liquidity	Investment Horizon

Investment of Long-Term Funds is managed by ONE JIB, which balances expected investment risks and returns to generate asset mixes that create outcomes to meet the needs and risk tolerances defined below. Returns have an impact on municipal revenues, as well as a longer term impact on future years' budgets and should, at a minimum, keep pace with inflation. To the extent possible, the Long-Term Funds' investment horizons are aligned with the Municipality's obligations and may consist of liquid and illiquid securities.

5.2.2 Long-Term Funds: Eligible Investments

Eligible investments for Long-Term Funds include the following offerings by ONE Investment:

- ONE High Interest Savings Account;
- ONE Canadian Bond Fund;
- ONE Canadian Corporate Bond Fund;
- ONE Canadian Equity Fund;
- ONE Global Fixed Income Fund; and,
- ONE Global Equity Fund.

Additionally, nothing in this IPS prevents Long-Term Funds from being held in cash, short term money market instruments, or overnight deposits.

5.2.3 Long-Term Funds: Sinking Funds

N/A

5.2.4 Long-Term Funds: Local Distribution Corporation (LDC) Securities

1.1.1. The direct investment in LDC assets, prior to the Prudent Effective Date, shall be included as part of the Long-Term Funds. Specific details of this investment shall be approved by Council and ONE JIB shall adhere to all terms and conditions as directed. More specifically, ONE JIB will be prohibited from selling the LDC assets without the consent of the Municipality. They should be viewed as separate standalone investments. These investments should not be included in calculations regarding asset mix/allocations or other constraints that apply to the Long-Term Funds. Any proxy voting for LDC shares will be directed by the Municipality.

5.2.5 Long-Term Funds: City of Kenora debt

Debt required by the City for capital projects has been issued internally to the Citizens' Prosperity Trust Fund. These investments will be included as part of the Long-Term

Funds. ONE JIB will be prohibited from selling the debentures without the consent of the Municipality.

5.3 Third Party Trust Funds and Designated Funds

In addition to the Municipality's own money, the Municipality is from time to time entrusted with third party trust funds, and the Municipality's responsibilities and obligations with respect thereto may be subject to other legislation and governed by other agreements and instruments. To the extent that there is any conflict or inconsistency between the provisions of this IPS and the terms and conditions contained in such other legislation, agreements or instruments applicable to third party trust funds, the latter shall prevail.

The Municipality's third party trust funds and the designated funds are listed in Schedule A. As noted above, the Municipality currently has no authority or responsibility with respect to the investment of the designated funds.

For certainty, the third party trust funds and the designated funds are not MNRI of the Municipality, and such funds are not under the control or management of ONE JIB.

5.4 Investment Management

5.4.1 Investment Management of Short-Term Funds

The investment of Short-Term Funds shall be controlled and managed by the Manager of Finance/Treasurer.

5.4.2 Investment Management of Long-Term Funds

The investment of Long-Term Funds shall be controlled and managed by ONE JIB. An investment advisor shall be retained by ONE JIB to define and manage the asset allocation using External Portfolio Managers.

Competent External Portfolio Managers shall be appointed by ONE JIB and they shall enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any External Portfolio Manager changes deemed in the best interest of the Municipality. For each External Portfolio Manager, ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards, and performance expectations, which are documented in each External Portfolio Manager's guidelines.

5.5 Transition to Prudent Investor Regime

Until the Prudent Effective Date, the Municipality will continue to control and manage its MRI, MNRI and investments in Legal List Securities. Some of such investments were made with MRI and some with MNRI.

Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be not required immediately shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Municipality does not require immediately to be held, and to continue to be held by ONE JIB, in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a bank to be held to maturity and invested upon receipt of cash proceeds.

Management of third party trust funds and any designated funds is not directly affected by the Prudent Effective Date.

5.6 Investment Constraints

5.6.1 Environmental, Social and Governance (ESG) Investing

The Municipality supports ESG investing for Short-Term and Long-Term Funds.

For the investment of Short-Term Funds, the Manager of Finance/Treasurer is required to invest in instruments that support responsible ESG principles, where appropriate.

For the investment of Long-Term Funds, ONE JIB is required to explore how External Portfolio Managers are implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested. Accommodating specific ESG considerations may not be possible either due to availability or to costs.

5.6.2 Securities Lending

For the investment of Short-Term Funds, securities lending is permitted through ONE Investment Program investments only. For the investment of Long-Term Funds, the Municipality may invest in pooled funds, and other investment funds that are controlled by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager that apply to such pools permit such an action.

5.6.3 Derivatives

Derivatives may not be used for speculative purposes. They may be used for the investment of Long-Term Funds where they are fully covered by a backing asset, e.g., as for currency or other hedging, to change portfolio duration or in covered call strategies.

5.6.4 Use of Leverage

Leverage is inherent in the use of certain types of investment strategies and instruments. Where leverage is employed, ONE JIB (for MNRI) and the Manager of Finance/Treasurer (for MRI) shall have in place monitoring procedures to manage overall exposure to any counterparty and in the aggregate.

5.6.5 Pooled Funds

All investment strategies may be pursued directly through holdings of corporate and government issuers and indirectly via pooled funds and investment funds or any combination thereof.

5.6.6 Currency Hedging

The Municipality's funding requirements are in Canadian dollars, however some exposure to foreign currencies may be desirable to provide diversification and potentially enhance returns. Therefore, it shall not be a violation of this IPS for investments in global mandates to be unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB.

5.6.7 Prohibited Investments

Investments in no event may be made in foreign direct investment in countries subject to Canadian or UN economic sanctions.

5.7 Performance Monitoring, Rebalancing and Management

5.7.1 Short-Term Funds

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived. Authorized employees exercising due diligence shall be relieved of personal responsibility for an individual investment's credit risk or market price changes.

The Manager of Finance/Treasurer is responsible for establishing controls for performance monitoring, rebalancing and management of Short-Term Funds, in accordance with this IPS. If an investment is, in the Manager of Finance/Treasurer's opinion, not consistent with the investment objectives set out in this IPS, the Manager of Finance/Treasurer will report the inconsistency to Council within 30 days after becoming aware of the inconsistency, and corrective action will be taken.

5.7.2 Long-Term Funds

For the investment of Long-Term Funds, each account's asset mix will be monitored on a frequent basis by ONE JIB. Should the asset mixes deviate outside the ranges set out in the Investment Plan, the account will be rebalanced as soon as practicable taking into consideration variations in market liquidity and the investment objectives. Cash inflows /outflows will be used to rebalance as much as possible. If they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. ONE JIB shall provide at least annual reporting described in Section 6.7 that demonstrates the Municipality's holdings, declares compliance with this IPS and shows External Portfolio Manager performance.

6. ADMINISTRATIVE POLICIES

6.1 Flow of Funds and Annual Municipal Budget

6.1.1 Transfer to Municipality as Part of Budget Process

On an annual basis, as part of the Municipality's budget process, ONE JIB shall be notified by the Manager of Finance/Treasurer as to the amount, if any, required by the Municipality from the Long-Term Funds then under the control and management of ONE JIB for the Municipality's operational purposes. Such amount, subject to Section 6.2, shall be deemed to be Short-Term Funds and shall be returned to the Municipality in a lump sum or by way of periodic payments, as directed by the Manager of Finance/Treasurer.

6.1.2 Surplus Funds to ONE JIB

The Short-Term Funds capture revenues received by the Municipality during each year after the approval of the Municipality's budget for the year. Any amounts deemed to be surplus by the Manager of Finance/Treasurer at any such time during the year shall be transferred to ONE JIB to be under its management and control as Long-Term Funds. Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

6.2 Exercising the Manger of Finance/Treasurer's Discretion

6.2.1 Transfer of Funds from MNRI to MRI

The Manager of Finance/Treasurer shall be authorized to specify funds under the control of management of ONE JIB as MRI due to, but not limited to, the passage of time or changes in circumstances and to request the return of such funds on a periodic basis or as a lump sum. The determination of MNRI and MRI will be made on a basis consistent with this IPS and is subject to Council authorization.

6.2.2 Contingencies

The Manager of Finance/Treasurer is authorized, from time to time after the approval of the Municipality's budget, to direct ONE JIB to return any amounts determined by the Manager of Finance/Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Municipality's budget in force for that year. Unexpected contingencies may include, but are not limited to, a severe weather event, an unanticipated opportunity to make an acquisition or to engage in a project to take advantage of a government funding opportunity. If an unexpected contingency was to occur the Manager of Finance/Treasurer shall be authorized to reclassify to MRI funds previously determined to be MNRI and to request the return of such funds in order to satisfy the contingency. Provided however that the aggregate of the amounts to be returned to the Municipality under this Section 6.2.2 during the year shall not exceed [25%] of the Long-Term Funds under the control and management of ONE JIB at that time.

6.3 Valuation of Investments

Investments shall be valued according to the values provided by the Custodian(s). For the investment of Long-Term Funds, values of unitized vehicles shall be valued according to the unit values published daily by the Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the External Portfolio Manager to the Custodian no less frequently than quarterly.

6.4 Voting Rights

Subject to the provisions of Section 5.2.4 with respect to LDC securities, where External Portfolio Managers have been appointed, such External Portfolio Managers shall assume the responsibility of exercising voting rights and will report their voting policies to ONE JIB annually. The Municipality may access these policies at any time.

6.5 Internal Controls

The Manager of Finance/Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring compliance with governing legislation and with policies and procedures established by the Manager of Finance/Treasurer. To the extent ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

6.6 Custodians

All investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For Long-Term Funds, the Custodian shall be acceptable to ONE Investment. For Short-Term Funds the Custodian shall be acceptable to ONE Investment if ONE Investment is administering the investment of the Municipality's Short-Term Funds, otherwise the Custodian shall be acceptable to the Manager of Finance/Treasurer.

6.7 Reporting

6.7.1 Short-Term Funds

For the investment of Short-Term Funds, the Manager of Finance/Treasurer shall report annually to Council, such report to be in such form and contain such content as Council may request. The report to Council shall include investment performance during the period covered and such other information as the Manager of Finance/Treasurer may consider to be pertinent.

*6.7.2 **Long-Term Funds***

The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of Long-Term Funds at least annually. Such report shall include the following.

- Investment performance during the period covered by the report;
- Asset mix of the total portfolio;
- A listing of individual investments held at the end of the reporting period showing, where appropriate, their average term to maturity and yield relative to the benchmark, book value, market value, realized/unrealized gains/losses and actual income received;
- Dates of all transactions including the purchase and sale prices;
- A statement by the Manager of Finance/Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and
- Any other pertinent information in the opinion of the Manager of Finance/Treasurer.

All securities invested on behalf of the Municipality by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Municipality by a Custodian, which shall provide monthly reporting showing all securities held, their book values, market values and all income received.

7. APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE

7.1 Revocation / Amendment of Previous Investment Policy

As of the effective date of this IPS the previously approved Investment Policy #14-2014 of the City of Kenora is superseded and repealed.

7.2 Modifications to the IPS

At least annually Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Manager of Finance/Treasurer with respect to the investment of Short-Term Funds and from ONE JIB with respect to the investment of Long-Term Funds.

Following the Council's review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

At a minimum, the annual review will take into account:

- the adequacy of funding for capital works;
- the Municipality's ability to reduce other spending;
- flexibility of the timeframe to payout; and
- sensitivity to loss.

7.3 Effective Date

This IPS is adopted by Council of the Municipality effective June 1, 2020. The Manager of Finance/Treasurer is directed to sign a copy of this IPS to evidence approval and to deliver a copy of this IPS to ONE JIB.

Signed by:

Manager of Finance/Treasurer

Date

Schedule A

Third Party Trust Funds and Designated Funds

Third Party Trust Funds

Cemetery land fund	$7,169
Cemetery perpetual care fund	638,679
Inscription fee fund	143,960
Library	22,069
Museum	379,881

Designated Funds

[Listed here for information and tracking purposes only. The Municipality has no authority or responsibility with respect to investment of designated funds. For example, social housing capital reserves of a local housing corporation which are to be invested in the Housing Services Corporation's pooled capital reserve funds managed by Encasa.]

Money Required Immediately

Reserve Category	Objective	Risk tolerance, Liquidity	Investment Horizon
Contingency Reserve	To allow access to funds for unanticipated or emergency expenditures	Low risk, next day liquidity	Less than 24 months
Working Capital Reserve	To assist with cash management for capital projects prior to the receipt of funding.	Low risk, next day liquidity	Less than 24 months
Roads reserve	Required on a specific date to pay for specific capital projects	Low risk, next day liquidity	Less than 24 months
GIC Airport Guarantee	Required on an unknown date which may be within 24 months	Low risk, next day liquidity	Less than 24 months
Federal Gas Tax	Required on a specific date to pay for specific capital projects	Low risk, next day liquidity	Less than 24 months
Museum Annex Reserve	Required on a specific date to pay for specific capital projects for amounts over $200,000	Low risk, next day liquidity	Less than 24 months
Debt issued within 24 months	Required on a specific date to pay for specific capital projects	Low risk, next day liquidity	Less than 24 months

Money Not Required Immediately

Account/Reserve/Reserve Fund	Objective	Risk Tolerance, Liquidity	Investment Horizon	MNRI
Citizens Prosperity Trust Fund - RBC Dexia/MFC Global	To safeguard the principal while using the related investment income to eliminate the negative impacts resulting from the loss of the annual dividends from the telephone operations. The City requires $1.1M in investment income from the CPTF assets.	The investment is long term however it is important that the principal amount is not eroded. A rate of return of at least 3% will satisfy our $1.1M cash transfer to the City annually. The risk tolerance would be low to moderate to accomplish the objectives.	The investment horizon is long term into perpetuity. The intent is to leave the principal intact while subsidizing the City's operations by $1.1M each year. The only exception would be the use of these investments to fund City capital projects.	9,921,222
Citizens Prosperity Trust Fund - ONE Bond Fund	To safeguard the principal while using the related investment income to eliminate the negative impacts resulting from the loss of the annual dividends from the telephone operations. The City requires $1.1M in investment income from the CPTF assets.	The investment is long term however it is important that the principal amount is not eroded. A rate of return of at least 3% will satisfy our $1.1M cash transfer to the City annually. The risk tolerance would be low to moderate to accomplish the objectives.	The investment horizon is long term into perpetuity. The intent is to leave the principal intact while subsidizing the City's operations by $1.1M each year. The only exception would be the use of these investments to fund City capital projects.	16,503,358
Citizens Prosperity Trust Fund - ONE Universe Corporate Bond	To safeguard the principal while using the related investment income to eliminate the negative impacts resulting from the loss of the annual dividends from the telephone operations. The City requires $1.1M in investment income from the CPTF assets.	The investment is long term however it is important that the principal amount is not eroded. A rate of return of at least 3% will satisfy our $1.1M cash transfer to the City annually. The risk tolerance would be low to moderate to accomplish the objectives.	The investment horizon is long term into perpetuity. The intent is to leave the principal intact while subsidizing the City's operations by $1.1M each year. The only exception would be the use of these investments to fund City capital projects.	as above
Citizens Prosperity Trust Fund - ONE Equity Fund	To safeguard the principal while using the related investment income to eliminate the negative impacts resulting from the loss of the annual dividends from the telephone operations. The City requires $1.1M in investment income from the CPTF assets.	The investment is long term however it is important that the principal amount is not eroded. A rate of return of at least 3% will satisfy our $1.1M cash transfer to the City annually. The risk tolerance would be low to moderate to accomplish the objectives.	The investment horizon is long term into perpetuity. The intent is to leave the principal intact while subsidizing the City's operations by $1.1M each year. The only exception would be the use of these investments to fund City capital projects.	as above
Citizens Prosperity Trust Fund - HISA				914,682
Unrestricted ONE HISA				4,972,070

Money Not Required Immediately

Account/Reserve/Reserve Fund	Objective	Risk Tolerance, Liquidity	Investment Horizon	
Parking Area Reserve Fund	To pay for specific parking projects.	Liquid, moderate risk tolerance.	For now 5 - 10 years, don't anticipate accessing in the short term.	36,711
Roads Reserve Funds	To pay for specific roads projects.	Liquid, low risk tolerance, emphasis on stable returns	Time horizon may be 2 - 5 years as we may consider using these funds for funding shortfalls. This was considered in 2019.	262,006
Destination Tourist Attraction Reserve Fund	To build a special purpose reserve fund for tourist related projects	Liquid, moderate risk tolerance.	For now 5 - 10 years, don't anticipate accessing in the short term.	4,390
Parklands Reserve Fund	Legislative requirement for municipalities to request an amount not exceeding 5% for residential and 2% for commercial/industrial developments to be used for park or other recreational purposes.	Liquid, moderate risk tolerance.	For now 5 - 10 years, don't anticipate accessing in the short term.	102,412
Future Land Development Reserve Fund	Help fund development projects when the opportunity arises	Liquid, moderate risk tolerance.	Time horizon may be 2 - 5 years as we may consider using these funds for funding shortfalls or opportunities that aren't easily predicted.	642,386
Transit Capital Reserve Fund	To pay for specific transit projects.	Liquid, moderate risk tolerance.	For now 5 - 10 years, don't anticipate accessing in the short term.	48,207
Museum Annex Reserve Fund	To pay for specifice Museum projects. The balance is not to go below $200K.	Liquid, moderate risk tolerance.	More than 20 years for $200K as this minimum balance must be retained. The remainder would be 2-5 years.	200,000
Dedicated Gas Tax	To fund transit purchases.	Liquid, low risk tolerance, emphasis on stable returns.	May need to access just beyond the 24 month threshold depending on bus requirements.	301,742
Federal Gas Tax	To fund various capital projects.	Liquid, low risk tolerance, emphasis on stable returns.	May need to access just beyond the 24 month threshold depending on bus requirements.	-
ONE Bond fund unrestricted investments	Investment of excess funds for future uses not yet designated	Liquid, moderate risk tolerance.	Time horizon may be 2 - 5 years as we may consider using these funds for funding shortfalls.	15,351,612

ONE Bond fund water treatment plant	To build funds for major work/replacement of the water treatment plant.		Moderate risk tolerance, not necessarily liquid		For now 5 - 10 years, don't anticipate accessing in the short term.	1,300,157
Rec Centre expansion fund						4,271
Net cash inflows from operations less MRI						
Contingency and working capital reserves retained						(7,300,000)
					Money not required immediately for the next 24 months.	43,265,227

ONE INVESTMENT

Municipal Client Questionnaire

Recommended Review: Annually. However, if

a. there is a significant change in the Municipality's circumstances (or)
b. there is a significant change in reserves/expenses

then a review is recommended within three months of the occurrence of such change.

1. CLIENT INFORMATION

1.1 NAME OF MUNICIPALITY: City of Kenora
(Municipality)

1.2 NAME OF THE TREASURER: Charlotte Edie

1.3 NAME OF PRIMARY DAY-TO-DAY CONTACT**: Charlotte Edie

1.4 TITLE OF PRIMARY DAY-TO-DAY CONTACT: Manager of Finance/Treasurer

1.5 ADDRESS: 1 Main Street South, Kenora, ON P9N 3X2

1.6 PHONE NUMBER OF TREASURER: 807-467-2013

1.7 PHONE NUMBER OF PRIMARY DAY-TO-DAY CONTACT: 807-467-2013

1.8 FAX NUMBER: 807-467-2141

1.9 EMAIL OF TREASURER: cedie@kenora.ca

1.10 E-MAIL OF PRIMARY DAY-TO-DAY CONTACT: cedie@kenora.ca

1.11 DATE OF PREVIOUS MUNICIPAL CLIENT QUESTIONNAIRE: N/A

1.12 If there have been no material changes to the information contained in the last Municipal Client Questionnaire provided to ONE Investment, indicate here:

N/A

1.13 Is the Municipality invested under Legal List with ONE Investment? ☑ Yes ☐ No
1.14 Is the Municipality invested under Prudent Investor Regime? ☐ Yes ☐ No

**Primary day-to-day contact should have a comprehensive understanding of the Municipality's financial position and investment needs.

Municipal Client Questionnaire

1.15 Please provide the following information for all individuals authorized to provide instructions to ONE Investment:

NAME	TITLE	EMAIL
Charlotte Edie	Manager of Finance/Treasurer	cedie@kenora.ca
Jon Ranger	Deputy Treasurer	jranger@kenora.ca

2. INVESTMENT KNOWLEDGE AND EXPERIENCE

2.1. Which statement best describes the Municipality's level of investment knowledge and experience with financial markets and products?

- ☐ Very limited knowledge
- ☐ Basic knowledge and minimal experience
- ☒ Good knowledge and some investment experience
- ☐ Strong knowledge and experience
- ☐ Advanced knowledge and extensive experience

2.2 Please confirm that the Municipality is prepared to have exposure to the equity markets in accordance with its IPS and the corresponding Investment Plan. If no such exposure is contemplated, so state.

Exposure in accordance with the IPS is confirmed.

2.3 Check the following statements that apply to the Municipality's current investment portfolio? [*Check all that apply*]

- ☒ Canadian money market securities (e.g. Cash, bank accounts, HISA etc.)
- ☒ Locked In Investments (GIC's PPN's etc.)
- ☒ Local Distribution Corporation Securities (cemetery, trusts, hydro funds etc.)
- ☒ Fixed income (government and/or corporate bonds)
- ☒ Equities

3. INVESTMENT OBJECTIVES AND RISK TOLERANCE

This section of the Questionnaire asks about the Municipality's Money Not Required Immediately (MNRI). In general, investors can expect a higher annualized rate of return if the investor is also willing to accept volatility or fluctuation in the market value of their investments. For example, investors can expect that the average annual rate of return for a five year period will be higher where the portfolio's returns are varied when measured on a year by year basis, with some years having negative returns. A portfolio which has a steady return year over year, with little possibility of negative returns in any year, will most likely have a lower annualized return when measured on a rolling five year average.

3.1 Which of the following best reflects the Municipality's investment objectives for its MNRI?

- ■ Capital preservation is the main objective. Willingness to accept low returns in order to avoid any years with losses.
- ☐ Achieve moderate growth without excessive risk to capital.
- ☐ Willingness to accept higher risk, including risk of loss of capital, for potentially higher returns over the longer term

3.2 What is the Municipality's risk tolerance for its MNRI?

- ■ Low (Conservative Approach: A very small chance of loss of capital over a 5 year period)
- ☐ Moderate (Moderate chance of loss of capital over a 5 year period)
- ☐ High (Greater uncertainty with potential of higher returns over a 5 year period)

3.3 Annual Return Expectations: Which range best reflects the Municipality's expected annual return for its MNRI?

- ■ 0% to 2% gain
- ☐ 5% loss to 5% gain
- ☐ 10% loss to 10% gain

3.4 Other information: Is there any other information about the Municipality's investment objectives and risk tolerance for its MNRI that is relevant to the IPS or Investment Plan?

Kenora has considerable funds to invest for a Municipality of our size. A good portion of the funds cannot be eroded

therefore our risk tolerance may be lower for certain funds. We are still willing to diversify and hold investments in all categories.

Sections 4 and 5 of this Questionnaire asks about the Municipality's assets, liabilities and cash flow and is not limited to MNRI. It is intended to assist ONE Investment in obtaining an understanding of the Municipality's financial circumstances, including its cash flow needs.

4. FINANCIAL INFORMATION

4.1 Size of Assets and Liabilities

Description	Amount
Total Assets	246,816,561
Short Term Assets	84,649,206
Long Term Assets	162,167,355
Long Term Debt	7,917,494
Total Revenues	54,537,938
Reserves	25,281,220
Reserve Funds	3,785,681
Trust Funds	703,124
Sinking Funds	-
Pension Funds	-
Operating Funds	-

4.2 Cash Flow Projections by Year (e.g. Revenue Fund, Reserve Fund, Trust Fund etc.)

Type	2019	2020	2021	2022	2022-2030
Revenue Fund	1,783,108				
Reserve Fund	55,000				
Capital Fund	-				
Trust Funds	included in re				

Funding/Expenditure Analysis

4.3 Has the Municipality completed a cash flow analysis?

■ Yes ☐ No

Please answer 4.4 through 4.8 if cash flow analysis has been completed by the Municipality.

4.4 How often is a cash flow analysis of reserves, reserve funds and expected expenditures completed by the Municipality?

This analysis is done annually for a 1 year time frame. Starting with the 2020 budget we will have a 3 year analysis. This will be available in about a month.

INVESTMENT

Municipal Client Questionnaire

4.5 Please specify month and year of the last update to the cash flow analysis.

4.6 How confident is your municipality with your current cash flow forecast?

☐ Very Confident ■ Moderately Confident ☐ Considerable Uncertainty

4.7 How many years did the cash flow analysis forecast extend?

■ One year ☐ Two years ☐ Three years ☐ Five years ☐ Seven years ☐ 10 years or more

4.8 How sensitive are the expenditures of the municipality to inflation? Does the investment plan need to emphasize sensitivity to inflation?

All expenditures are subject to inflation. This is especially true of capital projects in the five year capital plan.

4.9 How much and how often does the Municipality require funds from the operating reserves?

Type of Operating Reserve	Amount Needed	Frequency
For 2018 please see the	attached for the reserve	activity. Specifically please
look at the column	highlighted - Applied to	Revenue Fund - Actual.
In 2018 we appropriated	$1,522,544 from our reserves	to our operating fund. We
also transferred $221,703	from operations to reserves.	
For 2019 please see the	attached Schedule of	Budgeted Sources and
Applications. Most of our	reserves have been set up	by purpose instead of
operating vs capital. For eg	roads reserve may be used	for both types of expenses.
Most reserves are used for	capital most of the time.	

4.10 How does the Municipality manage unanticipated requests for funding? When was the last occurrence and how was it handled?

Usually unanticipated requests come out of our reserves. A report to Council is prepared & a by-law is passed (2 examples are attached).

In an emergency the CAO has the authority to approve the request immediately with a Council report to follow. A schedule is attached.

4.11 If the Municipality has completed a capital budget and asset management plan, how many years out does this forecast extend?

☐ Less than 3 years ■ 3-5 Years ☐ 5-10 Years ☐ 10 years or more

4.12 Are the capital reserves growing annually for the Municipality?

☐ Yes ■ No

4.13 If yes, what approximate annual rate are the capital reserves growing by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.14 If no, at what approximate annual rate is the Municipality's capital reserves declining by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.15 What annual rate is the Municipality's capital expenditures rising by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.16 Is there a particular year when the Municipality has unusual, large expected capital expenditure(s)?

■ Yes ☐ No

4.17 If so, please explain the timing and nature of the expenditure(s)

Our capital expenditures for any particular year depend on government funding available. Kenora has completed 4 downtown revitalization projects in the last 10 years. We also have numerous bridges that require capital work

4.18 What are the total capital reserves available for investment as the Municipality's MNRI?

☐ less than $5 million ■ between $5 and $10 million ☐ between $10 and $20 million
☐ between $20 and $49 million ☐ between $50 million and $99 million ☐ over $100 million

5. PORTFOLIO INFORMATION

No.	Description	Amount ($)
5.1	Total Amount of MNRI	53,264,628
5.2	Total Amount of "Money Required Immediately" - MRI	8,995,028
5.3	MNRI currently invested with ONE Investment	36,131,912
5.4	MRI currently invested with ONE Investment	59,256
5.5	Total Amount currently invested with ONE Investment	36,191,168
5.6	Total Locked In portion of MNRI that is not available for investment moving to ONE JIB (e.g. local Hydro company shares)	9,999,402
5.7	Total Locked In portion of funds not moving to ONE JIB due to legislation or other requirements (e.g. cemetery trust)	1,249,034

5.8 Please list the name of securities with amounts invested and maturity dates that are not fully liquid (e.g. GIC's, PPN's etc.) which will be pledged as part of the Municipality's Prudent Investor investments (it is contemplated that proceeds from these investments will be transitioned into ONE Investments Prudent Investor pools at maturity or earlier if instructions given to liquidate prior to maturity.)

Type/Description	Amount	Maturity Date
See attached September	statement from Manulife.	

5.9 What percentage of the MNRI portion of the portfolio is required by the Municipality in the following time periods? (Timeframes can be changed based on the Municipality's requirement)

[2] to [5] year: 7,340,886

[5] to [10] years: 9,171,954

[__] to [__] years: ____________

More than 10 years: 26,752,386

6. PORTFOLIO MANAGEMENT AND ASSET ALLOCATION

Section 6 of this Questionnaire asks about the Municipality's existing investment policies, if any. Such policies may apply to MNRI and to MRI.

6.1 Are the Municipality's investments subject to any prohibited investment or other similar restrictions (Y/N)? If yes, please list:

No

6.2 Are the Municipality's investments subject to any investment concentration limits?

No

6.3 Are the Municipality's investments subject to any specific diversification requirements?

No

6.4 Please provide here any other restrictions and constraints (i.e. other than as contained in Municipal legislation) relating to the Municipality's investments:

No

7. ACKNOWLEDGEMENT

I confirm that information provided to ONE Investment in this form is complete and accurate as at the date hereof.

Dated this 30th day of April, 20 20

Charlotte Edie

Charlotte Edie

Name and Signature of Treasurer

Second Signature (if Required)

ONE INVESTMENT

City of Kenora

Investment Plan

-DRAFT-

Date: [June 1, 2020]

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

ONE
INVESTMENT

Contents

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

1. Definitions

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Asset Allocation (Asset Mix): Proportion of each asset class in a portfolio.

Asset Class: a group of securities with similar characteristics and expected behaviours. Examples include Canadian stocks and global bonds.

Benchmark means an independently verifiable index that is representative of a specific securities market (e.g., the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms. A Benchmark can be a single Index or a combination of one or more indices.

Custodian: A specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks"). ONE Investment's custodian is CIBC Mellon.

Environmental, Social and Governance (ESG) Investing means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a ONE Investment Pool. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation;

Investment Policy Statement (IPS): The investment policy adopted by Council and updated annually determines Kenora's money that it requires immediately (Short-Term Funds) and money that it does not require immediately (Long-Term Funds), and sets out, among other things, Kenora's objectives and risk tolerances.

Long-Term Funds: Money not required immediately by Kenora.

Municipal Client Questionnaire: A document which shall be completed by the treasurer of each participating municipality and which includes information on municipal investments and risk preferences that must be reviewed annually.

ONE Investment: A not for profit organization that will serve as an agent of the ONE JIB to operationalize the investment activities of the ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): Established by certain founding municipalities as a municipal services board under section 202 of the Municipal Act as required under Part II of the Regulation, and is the duly appointed Joint Investment Board for Kenora, as constituted from time to time and acting pursuant to the Terms of Reference set out in the ONE JIB Agreement.

ONE JIB Agreement: means the agreement effective as of [June 1, 2020], entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of Kenora's Long-Term Funds.

Prudent Investor Standard: Requires ONE JIB, when investing money under section 418.1 of the Act, to exercise the care, skill, diligence and judgement that a prudent investor would exercise in making such an investment, but does not restrict the securities in which a municipality can invest. The Prudent Investor standard applies to the entire portfolio of Kenora's Long-Term Funds under control of the ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

2. Purpose of Investment Plan

As required under the Act's Prudent Investor regime, this Investment Plan (Plan) establishes how ONE Joint Investment Board (ONE JIB) will invest Kenora's money that it does not require immediately (Long-Term Funds or MNRI). These Long-Term Funds have been determined by Kenora to be not immediately required by Kenora (MNRI). This Plan complies with Kenora's Investment Policy Statement (IPS) adopted by Council on February 18, 2020 and is based on the information in the Municipal Client Questionnaire dated February 18, 2020 attached as Appendix A. This Plan applies to all investments that are controlled and managed by ONE JIB on behalf of Kenora.

At least annually, following Council's review of its IPS, ONE JIB shall review this Plan and update it as needed. This current Plan should be reviewed by February 18, 2021.

3. Responsibility for Plan

This Plan is the responsibility of ONE JIB, which has authorized its agent ONE Investment to exercise its administrative investment functions in accordance with the Regulation. ONE JIB oversees ONE Investment staff using procedures, reports and regular audits to ensure compliance with the Act and the Regulation in addition to Kenora's IPS and ONE JIB's own investment policies and standards.

This Plan is dependent on clear communication between Kenora, ONE JIB and ONE Investment regarding Kenora's needs, which is especially important when investment needs change. To ensure clear communication, ONE Investment employs a Municipal Client Questionnaire as part of its annual review. It is the responsibility of Kenora to ensure that ONE Investment is aware of any needs that are not addressed in the Municipal Client Questionnaire and, as soon as practicable, of any material changes that occur during the year. It is the responsibility of ONE JIB and ONE Investment to provide liquidity to the extent possible, to adjust to changing needs in a timely fashion and to communicate any difficulties in so doing as soon as possible to Kenora. The process for communicating changes in the Municipal Client Questionnaire, IPS and other issues is set out in Appendix B [**NTD: Appendix B**]. The process for moving funds in/out of ONE Investment is outlined in Appendix E.

4. Custodian

All investments under the control and management of ONE JIB shall be held for safekeeping in the name of Kenora by CIBC Mellon.

5. Investment Goals and Objectives

Kenora's total portfolio includes all of its MNRI. Returns have an impact on municipal revenues, as well as a longer-term impact on future years' budgets and should, at a minimum, keep pace with inflation over the long run.

Investments may consist of liquid and non-liquid assets depending on future obligations. Expected investment risks and returns are balanced to create outcomes that provide a high probability that Kenora's investment objectives can be achieved.

MNRI will be invested to generate any or all of the following outcomes:

a. Funding contingencies, where returns are reinvested with a view to growing principal over the long term for large withdrawals in unpredictable situations; and'
b. Creating stable returns, where principal is maintained and a reliable stream of returns may be available for to spend as/if needed; and,
c. Funding target date projects, where Kenora has some definition of an obligation for a specific project at a specific time

Kenora's investment objectives for MNRI can be broadly categorized as follows:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Contributions for unexpected events	Higher risk with emphasis on growth, liquid	very long (but readily available as needed)
Stable Return	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	long (5+ years)
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements. May also include contributions to asset management reserves	Lower risk, liquid	< 5 years
		Moderate risk with emphasis on stable returns, liquid	5 to 10 years
		Higher risk with emphasis on growth, liquid	Greater than 10 years

The above table summarizes Kenora's investment needs as detailed in the IPS that provides guidance relevant to how the ONE JIB will determine the investment allocations. Additional context from the Client Questionnaire and dialogue from the treasurer was used to interpret the details in the table above to construct allocations that are reflective of the municipality's current goals, objectives, circumstances and risk tolerance.

While Kenora's accounts/reserves are specified to require liquidity (individually), collectively the municipality has considerable flexibility that should allow some exposure to less liquid investments as/if needed. This is more relevant for accounts/reserves with longer investment horizons. This currently has no impact on the how investments will be selected as all ONE Investment funds are fully liquid investment vehicles. Less liquid investment vehicles may become available through ONE Investment at a later date.

Additionally the City has significant funding flexibility as most of the MNRI has been identified as having a very long time horizon. Funding needs within the next 5 years out of MNRI are estimated at $7.3 million, which represents 17% of MNRI monies. It is possible that annual municipal cashflows may fund a portion of this estimated spending. This means that the vast majority of the MNRI can be invested for long term capital gain potential.

A significant portion of Kenora's MNRI reflects balances of the Citizens Prosperity Trust Fund (CPTF) which was established in 2008 from proceeds of the sale of the municipality's holdings in a telephone company. This Trust Fund's investments are intended to be invested in perpetuity with the initial capital to remain intact and income/gains from the Fund to be available to be utilised within the municipal budget. Specifically the City intends $1.1 million annually from investment income/returns to be available to be spent within the municipal budget. The breakdown of the CPTF as at October 31, 2019 are as follows (note that this allocation identifies where the CPTF investments are currently held which is a consideration for transition planning purposes):

Citizen's Prosp Trust Investments	Amounts	Breakdowns
of which ONE		15,432,736
of which ONE HISA		914,682
of which RBC Dexia		21,376,006
Total CPTF Investments	37,723,424	
of which are MNRI	27,339,262	
ONE		17,418,040
RBC Dexia		9,921,222
of which are MRI	10,384,162	
ONE		(1,070,622)
RBC Dexia		11,454,784

6. Investment Allocations

6.1 Asset Allocations

Asset allocations for each solution are expected to be relatively stable until the next annual review. Any changes to the amounts in each account must be communicated formally as outlined in Appendix B.

The goals, objectives, constraints and circumstances of the municipality are taken into consideration when assigning asset allocations for the municipality via ONE Investment's outcome based approach. These decisions are informed by the requirement to use the Prudent Investor Standard as defined in the Municipal Act. This Standard identifies several key considerations that need to be incorporated in the decision making process, including:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment or course of action plays within Kenora's portfolio of investments;
- The expected total return on investment and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

The following comments explain how ONE JIB is taking these considerations into account:

- Current economic conditions can be characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. It would seem that the global economy is in the later stages of an economic expansion, and there is some potential for deceleration of economic growth going forward and potential for global trade tensions or other macro economic risks to adversely affect growth.
- Inflationary pressures in Canada remain relatively benign and it is reasonable to expect that inflation as measured by the Consumer Price Index (CPI) will remain broadly in the range of 2% per annum. However, to protect the purchasing power of existing monies invested with the ONE JIB returns will also need to consider the change in Non-Residential Construction Price Index (a version of the inflation index that is most relevant for the municipality). Allocations to equity investments in Kenora's plan should help to achieve this goal. Achieving such results will require Kenora to achieve higher returns than seem currently available within fixed income investment opportunities. As such, a meaningful allocation to equities will be appropriate to achieve this goal.
- Investment allocations will be diversified to help reduce the volatility of the investment portfolio and offer suitable risk return characteristics for Kenora.
- Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Investment Manager believes to be appropriate for Kenora. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining a risk profile that is appropriate for the municipality.

6.2 Account Structure

The amounts of Money Not Required Immediately, as disclosed in Kenora's Municipal Client Questionnaire dated February 18, 2020 have been allocated into investment outcome categories to provide guidance to the ONE JIB when investing these monies.

In summary, the total allocation to each outcome is:

Outcome	Allocation
Contingency Solution	1,670,443
Stable Return Solution	1,670,443
Target Date 2025 Solution	8,171,954
Target Date 2030 Solution	8,908,545
Target Date 2035 Solution	17,843,841
In Kind Securities received	5,000,000
Total (investable) MNRI	43,265,226

These outcomes will be generated using ONE Investment Pools and products to create solutions via specific asset allocations. Descriptions of the ONE Investment Pools and the asset allocations for each solution are in Appendix C and D. Note that the balances in the Target Date 2030 and Target Date 2035 (which collectively total $ 26,752,386) are intended to be primarily reflective of the portion of the CPTF balances that are MNRI (i.e. $27,339,262 noted in section 5 above).

The process of moving from the current investments to the target weights, both noted below, is outlined in the Transition Plan in Appendix E, which also details the securities that are expected to be received In-Kind.

6.3 Contingency Solution

Kenora has a need to generate long-term growth for funds within the Contingency Solution that may be drawn upon during times of unexpected need. Emphasis on the preservation of purchasing power / inflation considerations is a key consideration and therefore growth in value of their investments is emphasized. Kenora's circumstances should allow them to take and modest amount of risk for funds allocated to the contingency solution, making the 'lower risk' Contingency outcome appropriate (further detail about the contingency outcome allocations is described in Appendix C). These funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	0	10	15	Index B
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	15	25	35	Index D
Total		100		

Benchmark: 60% x Index A + 10% x Index B + 5% x Index C + 25% Index D

Contingency Solution returns and risk are discussed in section 6.6.

6.4 Stable Return Solution

Kenora has identified a need to generate a stable return on certain funds while also growing principal sufficiently to offset inflation. The Stable Return Solution is designed to generate income that could be used to fund regular municipal spending needs, and Kenora has identified the need for income/returns from investments to be incorporated within the annual budget. This need for income is intended to be primarily supported via a smaller allocation to the Stable Return Solution and a larger allocation to the 2030 and 2035 target date outcomes. The perpetual nature of monies in the CPTF and the specific guidance that $1.1 million in income be available annually predicates that long term growth needs to be an important consideration in addressing this goal. The investment allocations of the Stable Return Solution are in isolation not sufficient to meet the stated goal for $1.1 million in annual income. Hence these longer dated target date allocations are intend to provide the potential of long term capita growth that is necessary to achieve this goal.

All income generated from the Stable Return Solutions is intended to be reinvested into the stable return solution and to be available to be drawn down as needed by the municipality. Based on the expressed risk tolerances and current circumstances of the municipality, the Investment Manager has assigned the 'lowest risk' Stable Return Solution (which has a relatively low allocation to equities). Details of all asset mix ranges are available in Appendix C. Stable return funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	25	30	35	Index B
ONE Canadian Equity Fund	0	0	0	Index C
ONE Global Equity Fund	8	10	12	Index D
Total		100		

Benchmark: 60% x Index A + 30% x Index B + 0% Index C + 10% x Index D
Stable Return Solution returns and risk are discussed in section 6.6.

6.5 Target Date Solution

Target date outcomes will be managed with the objective of providing for the return of principal and income and capital gains at a target date in the future. All income will be reinvested to ensure growth of the investments to meet the target date outcome. For the longer target date solutions funds will be invested in building block funds that follow a glide-path of progressively lower risk over time. The glide path is explained in Appendix D.

Investments in the 2025 Target Date Solution reflect the amount that Kenora specifically identified as having a time horizon of 5-10 years which is reflective of the intended time horizon of the 2025 Target Date Outcome. An allocation of approximately [$8.17] million or [3.9%] of MNRI will be allocated to the Target Date June 30 2025 Solution.

Target Date June 30 2025 Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	35	45	55	Index A
ONE Canadian Corporate Bond Fund	25	30	35	Index F
ONE Canadian Equity Fund	0	5	10	Index C

ONE Global Equity Fund	15	20	25	Index D
Total		100		

Benchmark: 45% x Index A + 30% x Index F + 5% x Index C + 20% x Index D
Target Date June 30 2025 Solution returns and risk are discussed in section 6.6.

To provide growth for the CPTF monies large allocations to the 2030 and 2035 target date solutions are appropriate. According to the Municipal Client Questionnaire, in aggregate 69.9% of MNRI was identified as having a time horizon greater than 10 years. These amounts will be split into the 2030 and 2035 target date solutions accordingly (with 2/3rds allocated to the 2035 target date solution). The meaningful equity allocation in these Target Date Solutions should help to fund the annual municipal income needs and potentially also allow some capital appreciation over time. Some capital appreciation is desirable as it helps to offset the impact of price inflation on the purchasing power of monies invested.

The allocations for the 2030 Target Date Solution are as follows:

Target Date June 30 2030 Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	35	45	55	Index A
ONE Canadian Corporate Bond Fund	15	20	25	Index F
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	25	30	35	Index D
Total		100		

Benchmark: 45% x Index A + 20% x Index F + 5% x Index C + 30% x Index D
Target Date June 30 2030 Solution returns and risk are discussed in section 6.6.

Based on discussions with the treasurer and input from the Municipal Client Questionnaire, the 2035 target date outcome was identified as most appropriate target date outcome to represent the very long term time horizon associated with the CPTF monies.:

Target Date June 30 2035 Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	35	45	55	Index A
ONE Canadian Corporate Bond Fund	5	10	15	Index F
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	35	40	45	Index D
Total		100		

Benchmark: 45% x Index A + 20% x Index F + 5% x Index C + 40% x Index D
Target Date June 30 2035 Solution returns and risk are discussed in section 6.6.

6.6 Projected Investment Returns

The prospects for improved returns with acceptable levels of investment risks are a key consideration for any municipality investing in the Prudent Investor regime. The table below provides a projection of the annual returns of the investment outcomes (and consolidated outcomes). These estimates were derived from an analysis of long-term returns based on conservative capital market assumptions and economic forecasts. These return details are presented for information purposes only and actual investment outcomes may differ materially from those shown below. Also note that the returns will vary from year to year and the actual investment returns available to be utilized within the municipal budget will fluctuate from year to year. It is anticipated that income in excess of the Municipal income target would effectively create a buffer so spending in any one budget year would not need to be directly tied to the performance of financial markets in any given year. Note the allocations weights in the table below reflect only MNRI that will be invested in ONE Investment Prudent Investor pools, which excludes securities received In-Kind. Income generated from securities received In-Kind has not been estimated in the details below:

Outcome	Weight	Expected Return	Annual Return or Income Exp.
Contingency	3.9%	4.2%	$ 70,075
Stable Return	3.9%	3.8%	63,393
Target Date 2025	18.9%	3.8%	310,534
Target Date 2030	20.6%	4.2%	373,268
Target Date 2035	41.2%	4.6%	817,248
In Kind Securities received	11.6%	na	na
Est. Portfolio Returns	100.0%	4.3%	$ 1,634,519

Municipal Income Target	$ 1,100,000
Expected Income in excess of target	$ 534,519
Additional Expected Income from In-Kind Securities	Unknown

Returns should be more than sufficient to satisfy the annual income requirements of CPTF and allow for further growth in balances over time.

6.7 Other Accounts

[this section does not apply]

7. Constraints

Besides those listed here, there are also constraints specific to each externally managed portfolio that are available on the ONE Investment website.

7.1 Environmental, Social and Governance (ESG) Investing

ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing External Portfolio Managers. External Portfolio Managers are assessed for their ESG policies. ONE JIB recognizes the practical difficulties of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by External Portfolio Manager based on a number of factors, including the degree of control exercised by ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations will not be possible due to availability, costs or other factors.

7.2 Securities Lending

Unitized vehicles that are controlled by an External Portfolio Manager may engage in securities lending if their policies permit such an action. ONE JIB intends to consider securities lending and may introduce a formalized policy to allow securities lending.

7.3 Derivatives

Derivatives may be used for the investment of Long-Term Funds where they are fully covered by a backing asset. Examples of such uses of derivatives include, but are not necessarily limited to: the ability to replicate investments otherwise permitted in the Plan and in the IPS, to equitize cash, to hedge currency exposures, to manage risk exposures, to change portfolio duration or to engage in covered call strategies. Derivatives may not be used for speculative purposes or to increase the risk of the portfolio.

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and Funds (the ONE Investment Pools) used as building blocks in the asset allocation for each outcome. These External Portfolio Managers are chosen and monitored based on a due diligence process with oversight by ONE JIB and One Investment and input from an external consultant knowledgeable in the asset classes and in the range of investment options and portfolio managers suitable for institutional investors.

9. Rebalancing

Each account's asset mix will be monitored on a periodic basis by ONE Investment's management and staff. Should the asset mixes deviate outside the minimum or maximum weights noted in appendix C, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions are to be completed as soon as reasonably viable, taking into account the investment objectives. Cash inflows / outflows are used to rebalance as much as possible; if they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

ONE Investment will rebalance all accounts as close as practicable back to target weights twice annually based on a fixed time schedule. ONE JIB has established rebalance dates of April 15 and

October 15. Accounts that are within a 2% threshold of the intended targets would not need to be rebalanced as part of this periodic rebalancing process.

10. Accommodating Cashflow Needs

This Investment Plan is intended to be dynamic and responsive to changing needs of Kenora. Once informed of changing needs at Kenora by the Treasurer or designated staff, ONE JIB may need to revise allocations, deploy incoming monies or sell fund units accordingly. Additionally, income from investments will be automatically reinvested into the investment outcomes where appropriate and cashflow needs of Kenora are expected to be financed with the sale of fund units. Any fee discounts that apply for Kenora are intended to be reinvested into the [Stability Outcome] or as otherwise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

There are certain investments made by Kenora that have a strategic purpose beyond solely generating investment returns. These investments often involve provision of services within the community or may have resulted from legacy assets of the municipality. While technically these assets are part of the responsibility of ONE JIB, ONE JIB will not be exercising discretion in the management of these investments. While the value of these assets may count towards the AUM thresholds as stipulated in appropriate legislation governing the Prudent Investor regime, the JIB does not intend to exercise control of such investments. The Treasurer has expressed a desire to be actively involved with the Kenora Hydro investments (described below) for which the JIB is supportive. These investments will remain under the control and custody of the municipality.

[insert table that shows the details of the Kenora Hydro investments ie number of shares and estimated value of investments]

11.2 Transitional Investments

MNRI that Kenora will transfer to the JIB will be primarily funded via the liquidation of legal list investments. The transition of monies into MNRI will involve the sale of some or all of ONE Investment portfolios. As these are highly liquid investment vehicles monies can be made available to fund the transfer of MNRI to the JIB within a few days.

A portion of the legal list investments invested in ONE Investment portfolios will be liquidated and additionally some securities held at RBC Dexia that will either be liquidated or transferred In-Kind to the JIB. It is expected that investments that will be transferred In-Kind will not be liquidated as these securities may have limited market liquidity or there may be sensitivity for the municipality to recognize losses by selling them before maturity. It is anticipated that these securities transferred In-Kind will be used for liquidity purposes within the Investment Plan. The City anticipates a need to fund approximately $5 million of spending for capital projects at the end of 2022 or early in 2023. Because of the timeframe, monies have been allocated to MNRI accordingly and the treasurer has earmarked the In-Kind securities to provide liquidity for this. As such the $5 million of In-Kind securities are anticipated to be transferred back to the municipality over the next few years to provide liquidity for the expected capital spending. This amount will likely be re-designated as MRI in subsequent annual reviews by the municipality. More detail on the transition planning is detailed in Appendix E.

12. Comments by Investment Manager

Certain qualitative factors were considered in assigning the investment allocations. Overall Kenora's investment horizon is very long, with the CPTF monies representing a vast majority of the City's MNRI. The CPFT is intended to represent a perpetual fund which provides a source of recurring income to be utilized within the Municipal budget. The long term nature suggests that a significant allocation to equities will be required to provide the required growth and income that the municipality requires. The need to achieve growth for the monies invested with above-inflation returns also suggests a meaningful equity allocation is appropriate.

As at October 31, 2019 the City had approximately $15 million in exposure to equities, which represents about 1/3 of MNRI. This amount of exposure to equities is appropriate at an aggregate level considering the City's objectives, goals and circumstances. Under Prudent Investor broadly similar exposure to equities will remain appropriate. As the City's investments are transitioned into the Prudent Investor regime, the enhanced diversification potential vs the Legal List implies that overall risk levels would be somewhat lower under the Prudent Investor regime.

The municipality has retained 8.9 million MRI as working capital and short term contingency reserves. As needed additional amounts may be drawn down by the municipality from MNRI for planed spending or unexpected events. Approximately $7.3 million of MNRI was identified as having a investment horizon of 2-5 years. The investment plan includes a transition plan where approximately $5 Million of securities received In-Kind will be held to address liquidity needs in this 2-5 year time frame as needed. If additional liquidity is required in the 2-5 year time period balances from the Contingency and Stable Return Solutions can also be utilized.

Overall the municipality has the flexibility to assume a moderate risk profile for the consolidated portfolio with investment allocations being influenced by the relatively long time horizon associated with the MNRI. At the time of writing, the recommended overall exposure to equity within the portfolios was targeted at 32.4%, which is an appropriate level for the municipality.

Signed by:

Keith Taylor, Investment Manager ONE Investment	[Name], Chair ONE Investment Joint Investment Board
Date	Date

DRAFT

ONE INVESTMENT

Appendix A: Most Recent Municipal Client Questionnaire

ONE INVESTMENT

Appendix B: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in Kenora's investment needs be communicated to ONE JIB on a timely basis. These include changes in:

- Risk tolerance;
- The IPS;
- Timeframes and/or estimated amounts for financial obligations, including sooner-than-expected amounts and longer timeframes;
- Desired end use of funds, especially if that is likely to affect the investment approach
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the Municipal Client Questionnaire on the ONE Investment website to [name] at [email address]. They cannot be considered received without a formal return email acknowledgement from ONE Investment.

Appendix C: Description of ONE Investment Pools, Products and Solutions

Following is a list of the ONE Investment Pools and products used to achieve target asset allocations. For more information on how these ONE Investment Pools and solutions are managed, please see further detail on the ONE Investment website [insert_link_details_here.HTML]

ONE Investment Pool or Product	External Portfolio Manager	Mandate	Asset Allocation
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Savings account
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity that meet the Legal List requirements	100% short-term government bonds
ONE Canadian Corporate Bond Fund	MFS	Canadian Bond exposure inclusive of corporate credit	Canadian Fixed Income
ONE Global Unconstrained Bond Fund	[Not Disclosed]	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	[Not Disclosed]	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian	Canadian Equity with conservative investment approach	Canadian Equities

ONE INVESTMENT

Solutions

The asset allocations for ONE Investment's solutions are the following. Rebalancing will be managed for these asset allocations as explained in the Plan.

Contingency Solution

	Default									
	Lower Risk % Weight			Duration (Years)	Moderate Risk % Weight			Higher Risk % Weight		
	Min	Target	Max		Min	Target	Max	Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	40	50	60	25	35	45
ONE Canadian Government Bond Fund	0	10	15	1.6 – 3.6	0	10	15	0	5	10
ONE Canadian Corporate Bond Fund				3.0 – 6.9						
Total fixed income	**66**	**70**	**74**		**54.5**	**60**	**64.5**	**35**	**40**	**45**
ONE Canadian Equity Fund	0	5	10		0	5	10	5	10	15
ONE Global Equity Fund	15	25	35		25	35	45	40	50	60
Total equity	**26**	**30**	**34**		**35.5**	**40**	**45.5**	**55**	**60**	**65**

Stable Return Solution

	Default						
	Lowest Risk % Weight			Duration (Years)	Low Risk % Weight		
	Min	Target	Max		Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	50	60	70
ONE Canadian Government Bond Fund	25	30	35	1.6 – 3.6	15	20	25
ONE Canadian Corporate Bond Fund				3.0 – 6.9			
Total fixed income	**88**	**90**	**92**		**76.5**	**80**	**83.5**
ONE Canadian Equity Fund	0	0	0		0	5	10
ONE Global Equity Fund	8	10	12		10	15	20
Total equity	**8**	**10**	**12**		**16.5**	**20**	**23.5**

Asset allocations for target date solutions are in Appendix D.

ONE INVESTMENT

Appendix D: Target Date Solutions' Glide-path Asset Allocations

Investments with target dates will be managed to reduce risk as the end date approaches. This is known as following a glide-path. Below is the asset allocation glide-path that will be followed with a view to generating asset growth for long term holdings and shifting gradually to safety of principal for shorter term holdings.

Term to Target Date in Years																		
	2 to 3			4 to 5			6 to 10			11 to 15			16 to 20			> 20		
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE High Interest Savings Account	0	100	100															
ONE Global Unconstrained Bond Fund				35	40	45	35	45	55	35	45	55	35	45	55	30	40	50
ONE Canadian Government Bond Fund	0	0	100	15	20	25												
ONE Canadian Corporate Bond Fund				35	40	45	25	30	35	15	20	25	5	10	15	0	5	10
Total Fixed Income	**100**	**100**	**100**	**90**	**100**	**100**	**71.25**	**75**	**78.75**	**60.75**	**65**	**69.25**	**50.25**	**55**	**59.75**	**40**	**45**	**50**
ONE Canadian Equity Fund				0	0	0	0	5	10	0	5	10	0	5	10	0	5	10
ONE Global Equity Fund				0	0	0	15	20	25	25	30	35	35	40	45	40	50	60
Total Equity				0	0	10	21.25	25	28.75	30.75	35	39.25	40.25	45	49.75	50	55	60
Expected return		2.2%			2.7%			3.8%			4.2%			4.6%			4.9%	

Appendix E: Transition Plan [To Be Completed]

At the writing of this Plan (DDMMYY), Kenora's holdings were the following.

Current Holdings – ONE	**Amount**
ONE Universe Corporate Bond Portfolio	11,804,793.19
ONE Investment HISA	5,934,402.74
ONE Equity Portfolio	15,061,568.38
ONE Bond Portfolio	6,252,114.57
	39,052,878.88

Current Holdings – RBC Dexia	**Amount**
Securities to be liquidated (& Proceeds transferred to JIB)	5,000,000
Securities to be transferred In-Kind to JIB	5,146,750
Securities held at RBC Dexia (MRI)	11,229,256
	21,376,006

The objective is to move to the intended investment allocations as quickly as practicable. The settlement cycle on ONE Investment portfolios & HISA is very short so no special considerations will need to be planned to accommodate the transition of assets to the JIB. The client also has approximately [$10.2 million] held in Securities held at RBC Dexia that will form a portion of MNRI. Approximately [$5] million will be liquidated and the proceeds would could be transitioned into ONE Investment Prudent Investor pools with the remainder to be transferred In-Kind to the JIB. The securities transferred In-Kind also represent as part of the municipality's contribution to the JIB. It is anticipated that these In-Kind securities will be transferred back to the municipality in subsequent annual reviews as MNRI is expected to be reduced to accommodate for about $5 million in capital spending in 2022/2023. This means that no transition plan is needed to accommodate for the maturity or disposal of In-Kind securities.

Date

Treasurer

Keith Taylor, Investment Manager
ONE Investment

C-2

Appendix F: Transferring Funds

Document here how funds will be transferred in/out of ONE JIB and into what municipal short-term account they will come from/go to.

Appendix G: ONE JIB's Investment Approach

Investment Approach

Investment Approach

1. Our Investment solutions are designed to address 3 key investment outcomes. Each one of these outcomes will have a unique asset mix and investment objective. These are intended to be used instead of having an asset mix defined in the IPS.
    - Contingency: needs that function like insurance, entail unpredictable, infrequent bullet payments. Clients may have target sizes for these reserves, so that when the investments grow to that size, either funds can be diverted out or contributions can be reduced. For these reasons, a growth profile is preferred.
    - Stable Return: these are used to fund ongoing capital investments and are needed to generate a consistent reliable return stream. May be needed at different risk levels and tolerances for dipping into principal.
    - Target Date Projects: these are savings vehicles for projects with predictable (but perhaps not perfectly predictable) target dates where the risk of meeting the required payment is clearly defined. Includes sinking fund debentures and serial bonds.
    - As appropriate the JIB can create custom asset mixes to accommodate specific municipal needs, but it is anticipated that the Contingency, Stable Return and Target Date outcomes will be sufficient for most municipalities.

2. ONE Investment will use a series of building block asset class funds managed externally using off-the-shelf pooled funds as much as possible. This approach facilitates the following:
    a. Managers can be added and subtracted in an asset class easily at any point in time;
    b. New asset classes can be added as new building block funds;
    c. Risk profiles and solutions can be added/changed without creating new funds.
    d. The Joint Investment Board will be able to tell easily whether clients are invested in appropriate risk exposures.

Capital Markets Beliefs

Asset Allocation

1. Theoretical underpinnings:
    a. Modern Portfolio theory provides a useful conceptual construct that demonstrates the value of diversification for investment portfolios. Diversification is a key feature that helps reduce risk in investor portfolios.
    b. We believe in Prudent Investing as a process.
2. Our investment objectives will vary with each need we are trying to meet. The following issues are taken into account for each need and their weights will vary depending on the target outcome and risk tolerance:
    a. Safety of principal
    b. Adequate liquidity
    c. Diversification by geographic exposure, asset class, sector, issuer, credit quality and term to maturity.
    d. Capital appreciation.

   e. Income generation

3. Long-term asset allocation is the most important portfolio component driving risk and return. Higher returns generally entail taking more risk. Over most long-term periods, equities have outperformed fixed income. Given their higher risk profile, equities should outperform fixed income over the longer term. In setting asset allocation, consideration is given to macro risks, such as inflation, economic growth and interest rates.

4. Tactical Asset Allocation (market timing) at the total portfolio level is unlikely to consistently add value. In some extreme cases, it may be useful.

5. For clients who present us with a substantial sum for investing, we do not believe that dollar cost averaging into stock markets will generate optimal returns. Because stock markets tend to go up over time dollar cost averaging represents a delay in entering markets and receiving returns. However, some clients may view dollar cost averaging as a way of managing timing risk and we will not oppose those who do.

Asset Classes and Asset Class Strategies

6. ONE Investment clients are non-taxable and are therefore indifferent as to the source of return (interest, dividends, capital gains) except where covenants require use of dividends only. However, as municipalities are required to balance their budgets annually and because they do not recognize unrealized investment gains, they may occasionally have to sell holdings that have risen in value to generate "income" for fiscal purposes. There may be less opportunity to plan the recognition of gains/losses when investing in our Prudent Investor offerings.

7. Our range of client offerings is expected to expand over time, starting with initial offerings in the public equity and public and private debt markets. Other asset classes, including possibility real and private assets, will be considered in due course.

8. Cash and cash equivalents can be used to manage risk and enhance liquidity. Staying in cash for long periods to avoid risk may not be a prudent strategy as it entails an opportunity cost.

9. The use of fixed income during periods of rising interest rates may be appropriate for the following reasons:
   a. To manage volatility;
   b. To match maturities to cash needs;
   c. To generate income; and,
   d. Provide diversification benefits.

10. For fixed income and target return investing, it is not prudent to set a target return or yield and then find an instrument or portfolio that will generate that yield. It is preferable to define a risk level and accept the return or yield associated with it.

11. We are comfortable holding low quality securities in mandates if their weights are constrained. Such allocations can offer correlation benefits that can improve overall portfolio risk metrics while potentially increasing overall portfolio returns.

12. Clients prefer portfolio stability and are quite sensitive to losses. Investment recommendations are not solely focused on return potential but also consider risk. Historical drawdowns experience is a highly relevant consideration when selecting external investment managers.

13. We expect our clients prefer absolute to relative returns. Outperforming a given benchmark is of little consolation if the client is losing money.

14. For benchmark-relative investing, active management makes sense if the manager can add net value (after fees) on a risk-adjusted basis.

15. Derivatives will not be used for speculative purposes. They may be used to manage risk or to replicate specific asset classes, but only where they are fully covered by a backing asset, e.g., as for currency hedging or covered call strategies.

16. Some exposure to foreign currencies may be desirable to improve diversification and potentially enhance returns. Therefore, it shall not be a violation if global mandates are unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB. While the ONE JIB does not intend to implement a currency hedging strategy directly, the external portfolio managers hired to manage the funds may use currency hedging as part of their investment strategy.

Investment Managers

17. Success with active mandates is more likely with strong conviction and less constrained mandates.

18. Considerations included in evaluating managers:
    - Performance
    - Corporate changes
    - Service levels
    - Adherence to portfolio parameters and stated philosophies
    - Appropriate benchmarks
    - Insights and research capabilities
    - Internal controls and operational processes
    - Comprehensive investment management process
    - Risk management
    - Depth of management team

- Cost is an important consideration when choosing a strategy or investment manager, but not in isolation: we will consider value for money in decision-making. We will aim for competitive costs, including tiered pricing. We may consider a performance-based fee structure where the base is equivalent to a passive fee and the bonus is paid in accordance with performance delivered net of fees above the benchmark.

Other

19. Securities lending is permitted by legislation for Legal List investors. For Prudent Investors, we require minimum collateral of 102% with guidelines to be specified later.

20. Borrowing, including shorting, is not allowed. This does not include mortgages on real estate, which we will address when we review the possibility of investing in that asset class.

21. The ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing investment managers. Investment managers are assessed for their ESG policies. ONE JIB does not necessarily endorse sole use of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by manager based on a number of factors, including the degree of control exercised by the ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations may not be possible either due to availability or to costs. We may be able to provide client reporting on this subject. Future offerings may include more specific responsible offerings.

Appendix 7 - Account Mapping and Investment Allocations
District of Muskoka

1. Summary

- Muskoka has $125.5 million available to invest, with varying time horizons, most of which is expected to be needed within the next 10 years.
- Part of the $125.5 million available to invest is currently held in a bond portfolio. These bonds will either be liquidated or transferred in kind. Transition planning to be done in early June will confirm the in-kind portion.
- The District Council has established its investment objectives and risk tolerance levels through its IPS with further information being provided in its MCQ.
- The revised outcomes and further analysis prompted shifting some MNRI to alternate outcomes.
- The changes to the outcomes result in an increase in the allocation to equities from 29.3% in total to 34.9% and cash holdings increase 1.8% to 8.9%.
- The increased exposure to equites increases expected returns by 0.1% while increasing standard deviation by 0.2%.

2. Background

Muskoka's IPS and MCQ establish the amount available for investing, their investment objectives, investment horizons and risk tolerance

Muskoka initially has $125.5 million available for the ONE JIB to invest, all of which is expected to be drawn down within the next ten years.

At the end of 2019, the Municipality had reserves and reserve funds totalling approximately $162.8 million, with approximately $127.8 classified as money not required immediately. $2.3 million of Muskoka's MNRI consists of repurchased debentures, which the municipality identifies in its IPS as restricted for the purposes of ONE JIB investment.

In terms of upcoming significant capital expenditures, the District is building a wastewater treatment plant beginning in 2020-21 that it expects to complete in 2023 at a total project cost of $33M. Muskoka clearly demarks timeframes for all of its MNRI; 1.8% will be required in the 2-to-3-year range, 36.5% in the 3-to-5-year range, and most (61.7%) falling within the 5-to-10-year range.

The District's return objective is an annual return that at least meets inflation. In their MCQ they note a particular sensitivity to the Non-residential Building Construction Price Index (NRBCPI). Their primary objectives, based on the time horizon and needs, should be oriented around growth in investments.

Muskoka's overall risk tolerance is moderate with an annual downside comfort of -5% in a single year. Their IPS states their risk tolerance on contingency funds and target date funds with a time horizon of greater than 5 years is high. Moderate risk is acceptable on all funds with a 3-to-5-year time horizon regardless of purpose. Funds required within the next 3 years have been assigned a low risk tolerance.

3. Analysis

Mapping Muskoka's MNRI to the revised outcomes shifts $11 million from the Stable Return to the Cash Plus outcome and realigns target date money to more appropriate time horizons.

Muskoka's Total MNRI decreased by $2.25 million from the draft plan allocations vs. the revised mapping because a recent update in the MCQ that clarified that the original MNRI number included value of repurchased Muskoka debentures (which count as MNRI, but which are not available for JIB investing as per Muskoka's IPS). Further analysis of Muskoka's cash flow forecasts indicated that the investment horizon of the money previously allocated to Stable Return would be more appropriately shifted to the Cash Plus outcome as it was anticipated to be required in the 3-to-5-year range. Originally allocated to longer-term target dates, analysis of Muskoka's MCQ prompted the shift of most of those funds to the Target Date 5-to-10-year outcome.

Table 1
Comparison of MNRI allocation to Original and Revised Outcomes

Draft Plan Presented to Council		Revised Mapping	
Original Outcomes	Amount ($)	Revised Outcomes	Amount ($)
Target Date 2023	2,343,952	Cash < 3 yrs	1,929,952
Target Date 2025	35,264,446	Cash Plus 3-5 yrs	46,248,480
Stable Return	11,346,034	Stable Return	-
Contingency (Low to moderate risk)	5,259,979	Contingency	5,259,979
Contingency (High risk)	-	Asset mgt reserves	-
Target Date 2030	-	Target Date 5-10 yrs	72,080,913
Target Date 2035, 2040, 2045	73,572,913	Target Date > 10 yrs	-
Total	127,787,324		$125,519,324

Compared to the Draft Plan the Revised Mappings would shift the overall allocations from 29.3% equities to 34.9% equities, and cash holdings increase from 1.8% to 8.9%.

The revised outcomes mapping, along with the revised suggested fund allocation weights for each outcome, results in a shift among funds. The changes result in a greater allocation to equities overall, with a 7% increase in the Canadian Equity Fund and a 1.4% decrease to the Global Equity Fund. This combined with increased cash holdings lead to a lower allocation to fixed income affecting the Canadian Corporate Bond allocation primarily with some downward adjustments on the other bond funds as well. See Table 2 for specific allocations.

Table 2
Allocation Between ONE Funds
Comparison between Original Draft and Revised Mapping

	Draft Plan Presented to Council		Revised Mapping	
Fund	Total Invested	Percentage	Total Invested	Percentage
HISA	2,343,952	1.8%	11,179,648	8.9%
CDN Equity Fund	4,508,946	3.5%	13,146,388	10.5%
Global Equity Fund	32,972,063	25.8%	30,674,904	24.4%
CDN GOV Bond Fund	9,848,094	7.7%	10,577,758	8.4%
CND Corp Bond Fund	21,463,070	16.8%	10,577,758	8.4%
Global Bond Fund	56,651,199	44.3%	49,362,869	39.3%
Total $	$127,787,324	100.0%	$125,519,324	100.0%

The proposed changes to mapping and allocations will increase the average expected returns but will also increase the volatility of the portfolio

The revised outcome mappings had a marginal affect the risk and return vs details presented to council in the draft plan. Returns were marginally higher at 4.0% standard deviation and increase from 4.3% to 4.5% compared to the plan presented to council. Note that the equity allocations increased slightly, but lower expected returns from HISA offset what would have otherwise resulted in slightly better returns. See table 3 for further details.

Table 3
Risk and Return Comparison
Draft plan to Revised Mappings

Plan version	Average Expected Returns	Standard Deviation
Draft Plan Presented to Council	3.9	4.3
Revised Plan Based on New Mappings	4.0	4.5
Difference	+0.1	+0.2

Since the draft plan was presented to council, interest rates have dropped. The projected return for HISA, a significant holding, have been revised from 2.2% to 0.915%. For comparability purposes, the draft plan returns have been revised from 4.0 % to 3.9% reflect the revised assumptions.

5. Conclusion

Staff is looking for feedback on whether the revised mappings lead to an allocation that is more in line with Muskoka's risk tolerance and return objectives.

Prepared by: Colin Macdonald, Manager of Investments and Keith Taylor Chief Investment Officer
Approved for submission by: Judy Dezell and Donna Herridge, Co-President/CEO

Appendix 2

THE DISTRICT MUNICIPALITY OF MUSKOKA

POLICY

Name: Investment Policy		**Policy Number:** FI-009-2019
Administrative Approval Date:	**Council Approval Date:**	**By-Law Reference**:
Supersedes: AD:35; FI-009-2012	**Most Recent Amendment Date:** December 11, 2019 - **DRAFT**	**Effective Date:** June 1, 2020

POLICY STATEMENT

1. The District Municipality of Muskoka strives to optimize utilization of its cash resources within statutory limitations while recognizing the importance of protecting and preserving capital together with the need to maintain solvency and liquidity to meet ongoing financial requirements. Funds that are defined as money not required immediately are to be invested within the scope of the Prudent Investor Standard where diversification and potential for the growth of investments play a prominent role.

DEFINITIONS

2. The following capitalized terms have the meanings set out below:

Act means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Agent means any administrator, Custodian, payment servicer, portfolio manager, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment.

Asset Mix (or Asset Allocation) means the proportion of each asset class in a portfolio. Asset classes include bank deposits, money market securities, bonds and equities, among other things.

Authorizing By-law means a by-law of a Founding Municipality which authorizes: (i) the entering into of the Initial Formation Agreement; (ii) the establishment of ONE JIB; (iii) the approval of the Client Questionnaire and the adoption of the IPS; and (iv) the entering into of the ONE JIB Agreement.

Benchmark means an index that is representative of a specific securities market (e.g. the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms.

CFA Institute refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

Custodian means a specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks").

Environmental, Social and Governance (ESG) Investing means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone, with the goal of enhancing long-term outcomes.

External Portfolio Managers means third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a Pooled Fund. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation.

Internal Controls means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.

Investment Plan means the investment plan applicable to the Long-Term Funds investments and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

Investment Policy Statement (IPS) means the investment policy applicable to the Municipality's investments adopted and maintained by the Council of the Municipality for Long-Term Funds under the Regulation, and for Short-Term Funds, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Municipality for the benefit of persons other than the Municipality itself and may make reference to source(s) of money in which the Municipality may have an indirect interest but which the Municipality has no authority to invest.

JIB is short for Joint Investment Board and means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.

Legal List Securities means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.

Local Distribution Corporation (LDC) means a corporation incorporated under section 142 of the *Electricity Act, 1998*.

Long-Term Funds means the Municipality's money that is to be used to meet financial obligations that become due more than eighteen (18) months following the date of receipt of such money and is characterized as money that is not required immediately by the Municipality as described in section 24. Monies that are Long-Term Funds will be invested in accordance with the Prudent Investor Standard.

Modern Portfolio Theory means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

Municipality means The District Municipality of Muskoka.

ONE JIB means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Municipality, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.

ONE JIB Agreement means the agreement effective as of [June 1, 2020], entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Municipality's Long-Term Funds.

Participating Municipality means each of the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.

Pooled Fund means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute funds that are invested and managed by an External Portfolio Manager. Funds are pooled or combined with funds of other investors.

Portfolio means any collection of funds that are grouped together and required for specific purposes.

Proxy Voting means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to participate. External Portfolio Managers usually vote by proxy on behalf of their clients.

Prudent Effective Date means [June 1, 2020], the date on which the prudent investor regime applies to the Municipality.

Prudent Investor Standard means the standard that applies when the Municipality invests money that it does not require immediately under section 418.1 of the Act. It requires the Municipality to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Municipality can invest. The Prudent Investor Standard makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio in respect of the Municipality's Long-Term Funds, rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

Regulation means Ontario Regulation 438/97.

Risk means the uncertainty of future investment returns.

Risk Tolerance means the financial ability to absorb a loss. Risk tolerance increases with the build-up of capital funding.

Securities Lending means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.

Short-Term Funds means money that is required immediately by the Municipality, as described in section 23, and which remains under the control and management of the Municipality. The funds can be invested in appropriate Legal List Securities.

Treasurer means the Treasurer as appointed by by-law of The District Municipality of Muskoka or their designate.

PURPOSE

3. This Investment Policy Statement (IPS) governs the investment of the Municipality's money not required immediately (MNRI) and money required immediately (MRI). The IPS is intended, among other things, to direct the Treasurer in the investment of MRI and to direct ONE Joint Investment Board (ONE JIB) in the investment of MNRI, by implementing the Founding Municipality Authorizing By-law, pursuant to which the Municipality authorized the establishment of guidelines for the prudent management of the Municipality's MNRI pursuant to section 418.1 of the Act.

4. In addition to the Municipality's MRI and MNRI, the Municipality may, from time to time, be entrusted with the management of money and investments for a third party beneficiary ("third party trust funds"), as listed in Schedule A attached hereto. There are also source(s) of money in which the Municipality may have an indirect interest but which the Municipality currently has no authority to invest. Such source(s) of money, referred to in this IPS as "designated funds", are listed in Schedule A attached hereto. The designated funds are identified in this IPS for the sole purpose of enabling the Municipality to better see, on an aggregated basis, the various financial assets in which the Municipality has an interest.

5. The goals of this IPS are to:

   5.1. Define and assign responsibilities for investment of MRI and MNRI;

   5.2. Describe the Municipality's responsibilities with respect to third party trust funds and designated funds;

   5.3. Ensure compliance with the applicable legislation;

   5.4. Direct ONE JIB as to the Municipality's investment goals and risk tolerance;

   5.5. Provide guidance and limitations regarding the investments and their underlying risks;

   5.6. Establish a basis of evaluating investment performance and the underlying risks; and

   5.7. Establish a reporting standard to Council.

SCOPE

6. This IPS applies to employees of the Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Treasurer and any agent or advisor providing services to ONE JIB in connection with the investment of the portfolio of the Municipality shall accept and strictly adhere to this IPS.

LEGISLATIVE AUTHORITY

7. Investments of MRI will, in accordance with this IPS, only be made in Legal List Securities.

8. Investments of MNRI are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Municipality to earn improved risk-adjusted rates of return.

9. Money and investments that the Municipality holds as third party trust funds or has an interest in as designated funds will be subject to applicable legislation and any related agreements or instruments.

10. The Act provides that the Municipality must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:

    10.1. General economic conditions;

    10.2. The possible effect of inflation or deflation;

    10.3. The role that each investment plays within the Municipality’s total portfolio of investments;

    10.4. The expected total return from income and the appreciation of capital; and

    10.5. Needs for liquidity, regularity of income and preservation or appreciation of capital.

STANDARDS OF CARE

11. For MNRI, the standard to be used by the Municipality and ONE JIB shall be the “prudent investor” standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Municipality’s MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances, that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.

12. As well, the Prudent Investor Standard makes use of Modern Portfolio Theory, which looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio.

13. Officers, employees and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking into account the prescribed risk and other parameters set out in this IPS and market factors. The Municipality’s staff, acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment’s performance, provided underperformance relative to

expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY

14. Determination of the Municipality's MNRI is the responsibility of Council. In making the determination, Council may consider:

    14.1. the time horizon within which the monies are needed to meet financial obligations;

    14.2. the purpose for which the monies have been collected or set aside and are to be used;

    14.3. the source of the money; or

    14.4. any combination of the foregoing.

15. The Municipality's MNRI will be comprised of money that is to be used to meet financial obligations that become due more than eighteen (18) months from the date of receipt of such money by the Municipality.

16. For certainty, all money of the Municipality that has not been identified as MNRI (other than third party trust funds and any designated funds referenced in section 4) shall be deemed for purposes of this IPS to be MRI.

17. Determination of the Municipality's MNRI and MRI may be modified at any time and from time to time, by action of Council, and with respect to specific funds by the Treasurer, in accordance with the provisions set out in section 30.3.

18. Any changes in this IPS regarding the Municipality's MNRI and MRI must be communicated immediately in writing to ONE JIB.

19. The Municipality's portfolios represent funds required for specific purposes. A high level description of each of these portfolios and their objectives is provided in section 23.3.3. and section 24.3.2. This IPS applies to the following money of the Municipality, its agencies, boards and commissions including:

    19.1. MRI which is invested in Legal List Securities; and

    19.2. MNRI which is invested under the prudent investor regime.

ROLES AND RESPONSIBILITIES

20. No person including, without limitation, ONE JIB members, may engage in an investment transaction except as provided under the terms of this IPS.

21. **Role of ONE JIB**

    21.1. ONE JIB has been appointed by the Municipality in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement (Appendix "A").

21.2. ONE JIB exercises control and management of the Municipality's MNRI and the investments made by it with such MNRI.

21.3. Additional responsibilities of ONE JIB include:

21.3.1. Reviewing this IPS;

21.3.2. Adopting and maintaining an Investment Plan that complies with this IPS;

21.3.3. Engaging External Portfolio Managers, Custodians, administrators and other investment professionals (Agents);

21.3.4. Allocating the money and investments under its control and management among External Portfolio Managers;

21.3.5. Monitoring the performance of the Agents; and

21.3.6. Reporting to the Municipality.

21.4. The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

22. Role of Municipal Staff

22.1. This IPS is approved and adopted by Council with input from the Treasurer, and from ONE JIB with respect to MNRI. MRI of the Municipality, and any third party trust funds referenced in section 4, remain under the control and management of the Treasurer.

22.2. The Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:

22.2.1. Investment management of MRI, and any third party trust funds referenced in section 4 by, or under the direction of, the Treasurer;

22.2.2. In the management of MRI of the Municipality, and any third party trust funds referenced in section 4, the Treasurer may engage one or more agent(s) and service provider(s). ONE Investment can assist with the investment of the Municipality's MRI, in Legal List Securities and with the investment of third party trust funds, in accordance with the terms of the applicable trust, if permitted, at the request of the Municipality.

22.2.3. Explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and

22.2.4. A system of controls exercised by the Treasurer to regulate the activities of staff in the Finance Department.

22.3. Individuals involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

22.4. Authorized individuals acting in accordance with this policy and exercising due diligence shall be relieved of personal liability and responsibility for an individual security's credit risk or market price change.

INVESTMENT

23. **MRI: Short-Term Funds**

23.1. The Municipality's MRI is described in this IPS as Short-Term Funds. Short-Term Funds consist of money needed to meet the financial obligations of the Municipality coming due within eighteen (18) months from the date of receipt of such money and are controlled and managed by the Treasurer.

23.2. **Short-Term Funds: Investment Objectives**

23.2.1. The main focus of the investment of Short Term Funds is cash management, and the interest income generated by the investment is a contributor to budgetary revenues. To the extent possible, the Municipality shall attempt to match its investments with anticipated obligations.

23.2.2. Capital preservation is paramount and this portfolio needs to be highly liquid. Consequently, only high quality, short-term investments that are also Legal List Securities will be held in this portfolio. The Municipality may invest in fully liquid money market securities and deposit accounts. The Municipality aims to maximize returns subject to the constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserving capital and to further manage risk through diversification by issuer and credit quality.

23.3. **Short-Term Funds: Eligible Investments**

23.3.1. Short Term Funds may be invested in high quality, short-term investments that are also Legal List Securities available from banks, dealers and other financial institutions. Eligible investments include the following offerings by ONE Investment:

23.3.1.1. ONE Investment High Interest Savings Account;

23.3.1.2. ONE Investment Money Market Portfolio; and

23.3.1.3. ONE Investment Bond Portfolio

23.3.2. Investment in the foregoing is subject to the Municipality entering into the prescribed Agency Agreement with LAS and CHUMS.

23.3.3. The Municipality monitors and determines the amount of its MRI. It will, from time to time, be comprised of:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Stabilization	Preserve capital and generate consistent returns	Extremely low risk, next day liquidity	Less than 18 months
Target Date	Return of principal on a specific date to pay for specific capital projects	Extremely low risk, next day liquidity	Less than 18 months

24. **MNRI: Long-Term Funds**

24.1. The Municipality's MNRI is described in this IPS as Long-Term Funds. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the Long-Term Funds and the investments made therewith.

24.2. From time to time, the Municipality may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to pay those obligations. ONE JIB will select the investment(s) to be liquidated. The timing of such liquidation will be determined by ONE JIB in consultation with the Treasurer.

24.3. **Long-Term Funds: Investment Objectives**

24.3.1. In setting the objectives noted below, the Municipality has taken into account the following considerations:

24.3.1.1. Preservation of capital;

24.3.1.2. Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;

24.3.1.3. Diversification by asset class, market, sector, issuer, credit quality and term to maturity;

24.3.1.4. Income and capital appreciation; and

24.3.1.5. Macro risks, such as inflation, economic growth and interest rates.

24.3.2. The Municipality has identified the following investment objectives for its Long-Term Funds:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Build special purpose reserves such as corporate working fund reserves and stabilization reserves	Liquid, high risk tolerance, high growth	Greater than 5 years
Stability	Preserve capital and generate consistent returns	Liquid, moderate risk tolerance, low to moderate growth	3 years to 5 years
Target Date	Return of principal on a specific date to pay for specific capital projects	Liquid, low risk tolerance, emphasis on capital preservation	18 months to 3 years
	Return of principal on a specific date to pay for specific capital projects	Liquid, moderate risk tolerance, low to moderate growth	3 years to 5 years
	Return of principal on a specific date to pay for specific capital projects	Liquidity not essential, high risk tolerance, high growth	Greater than 5 years

24.3.3. Investment of Long-Term Funds is managed by ONE JIB, which balances expected investment risks and returns to generate asset mixes that create outcomes to meet the needs and risk tolerances defined below. Returns have an impact on municipal revenues, as well as a longer term impact on future years' budgets and should, at a minimum, keep pace with inflation. To the extent possible, the Long-Term Funds' investment horizons are aligned with the Municipality's obligations and may consist of liquid and illiquid securities.

24.4. **Long-Term Funds: Eligible Investments**

24.4.1. Eligible investments for Long-Term Funds include the following offerings by ONE Investment:

24.4.1.1. ONE Investment High Interest Savings Account;

24.4.1.2. ONE Canadian Government Bond Fund;

24.4.1.3. ONE Canadian Corporate Bond Fund;

24.4.1.4. ONE Investment Canadian Equity Fund;

24.4.1.5. ONE Global Unconstrained Bond Fund; and

24.4.1.6. ONE Investment Global Equity Fund.

24.4.2. Additionally, nothing in this IPS prevents Long-Term Funds from being held in cash, short term money market instruments, or overnight deposits.

24.5. **Long-Term Funds: Local Distribution Corporation (LDC) Securities**

24.5.1. Not applicable

24.6. **Long-Term Funds: Muskoka Debentures**

24.6.1. Debentures previously issued by the Municipality which are available to be publicly traded may from time to time become attractive for the Municipality to repurchase prior to maturity. These investments shall be included as part of the Long-Term Funds. ONE JIB will be prohibited from selling the debentures without the consent of the Municipality. The Municipality will inform ONE JIB accordingly when such debenture repurchases take place.

25. **Third Party Trust Funds and Designated Funds**

25.1. In addition to the Municipality's own money, the Municipality is from time to time entrusted with third party trust funds, and the Municipality's responsibilities and obligations with respect thereto may be subject to other legislation and governed by other agreements and instruments. To the extent that there is any conflict or inconsistency between the provisions of this IPS and the terms and conditions contained in such other legislation, agreements or instruments applicable to third party trust funds, the latter shall prevail.

25.2. The Municipality's third party trust funds and the designated funds are listed in Schedule “A”.

25.3. For certainty, the third party trust funds and the designated funds are not MNRI of the Municipality, and such funds are not under the control or management of ONE JIB.

26. **Investment Management**

26.1. **Investment Management of Short-Term Funds**

26.1.1. The investment of Short-Term Funds shall be controlled and managed by the Treasurer.

26.2. **Investment Management of Long-Term Funds**

26.2.1. The investment of Long-Term Funds shall be controlled and managed by ONE JIB. An investment advisor shall be retained by ONE JIB to define and manage the asset allocation using External Portfolio Managers.

26.2.2. Competent External Portfolio Managers shall be appointed by ONE JIB and they shall enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any External Portfolio Manager changes deemed in the best interest of the Municipality. For each External Portfolio Manager, ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards and performance expectations, which are documented in each External Portfolio Manager's guidelines.

27. Transition to Prudent Investor Regime

27.1. Until the Prudent Effective Date, the Municipality will continue to control and manage its MRI, MNRI and investments in Legal List Securities. Some of such investments were made with MRI and some with MNRI.

27.2. Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be MNRI shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Municipality does not require immediately to be held, and to continue to be held by ONE JIB, in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a bank to be held to maturity and invested upon receipt of cash proceeds.

27.3. Management of third party trust funds and any designated funds is not directly affected by the Prudent Effective Date.

28. Investment Constraints

28.1. Environmental, Social and Governance (ESG) Investing

28.1.1. The Municipality supports ESG investing for Short-Term and Long-Term Funds.

28.1.2. For the investment of Short-Term Funds, the Treasurer is required to invest in instruments that support responsible ESG principles.

28.1.3. For the investment of Long-Term Funds, ONE JIB is required to explore how External Portfolio Managers are implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested. Accommodating specific ESG considerations may not be possible either due to availability or to costs.

28.2. Securities Lending

28.2.1. The Municipality may invest in pooled funds, and other investment funds that are controlled by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager that apply to such pools permit such an action.

28.3. **Derivatives**

28.3.1. Derivatives may be used for the investment of Long-Term Funds where they are fully covered by a backing asset, e.g. as for currency or other hedging, to change portfolio duration or in covered call strategies. Derivatives may not be used for speculative purposes.

28.4. **Use of Leverage**

28.4.1. Nothing in this IPS prevents the use of leverage, provided it is prudent to do so. Leverage is inherent in the use of certain types of investment strategies and instruments. Where leverage is employed, ONE JIB (for MNRI) and the Treasurer (for MRI) shall have in place monitoring procedures to manage overall exposure to any counterparty and in the aggregate.

28.5. **Pooled Funds**

28.5.1. All investment strategies may be pursued directly through holdings of corporate and government issuers and indirectly via pooled funds and investment funds or any combination thereof.

28.6. **Currency Hedging**

28.6.1. The Municipality's funding requirements are in Canadian dollars. Accordingly, foreign currency exposure is generally hedged back to Canadian currency. However, it shall not be a violation of this IPS for investments in global mandates to be unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB.

29. **Performance Monitoring, Rebalancing and Management**

29.1. **Short-Term Funds**

29.1.1. The Treasurer shall monitor the performance, rebalance asset mix and manage short-term funds in a manner that achieves the investment objectives set out in this IPS.

29.2. **Long-Term Funds**

29.2.1. For the investment of Long-Term Funds, each account's asset mix will be monitored on a frequent basis by ONE JIB. Should the asset mixes deviate outside the ranges set out in the Investment Plan, the account will be rebalanced as soon as practicable taking into consideration variations in market liquidity and the investment objectives. Cash inflows and outflows will be used to rebalance as much as possible. If they are insufficient, investments will be sold in a commercially reasonable manner and reallocated, as required.

29.2.2. Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. ONE JIB shall provide at least annual reporting described in section 35.2 that demonstrates the Municipality's holdings, declares compliance with this IPS and shows External Portfolio Manager performance.

ADMINISTRATIVE POLICIES

30. **Flow of Funds and Annual Municipal Budget**

30.1. **Transfer to ONE JIB as Part of Budget Process**

30.1.1. On an annual basis, as part of the Municipality's budget process, the Municipality shall identify the amount, if any, of Long-Term Funds that it holds. Any Long-Term Funds not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

30.2. **Transfer to Municipality as Part of Budget Process**

30.2.1. On an annual basis, as part of the Municipality's budget process, ONE JIB shall be notified by the Treasurer as to the amount, if any, required by the Municipality from the Long-Term Funds then under the control and management of ONE JIB for the Municipality's short-term purposes. Such amount shall be deemed to be Short-Term Funds and shall be returned to the Municipality in a lump sum or by way of periodic payments, as directed by the Treasurer.

30.3. **Flow of Funds Otherwise than through the Budget Process**

30.3.1. **Surplus Funds**

30.3.1.1. The Short-Term Funds capture revenues received by the Municipality during each year after the approval of the Municipality's budget for the year. Any amounts deemed to be surplus by the Treasurer at any such time during the year shall be transferred to ONE JIB to be under its management and control as Long-Term Funds. Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

30.3.2. **Contingencies**

30.3.2.1. The Treasurer is authorized, from time to time after the approval of the Municipality's budget, to direct ONE JIB to return any amounts determined by the Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Municipality's budget in force for that year. Provided, however, that the aggregate of the amounts to be returned to the Municipality under this section during the year shall not exceed 25% of the Long-Term Funds under the control and management of ONE JIB as at the date that the Municipality approved its budget for the year (the Budgeted Long-Term Funds). In determining the Budgeted Long-Term Funds for purposes of calculating the 25% limit, any Long-Term Funds to be transferred to the control and management of ONE JIB in accordance with that year's budget pursuant to section 30.1 shall be included and any amount to be returned by ONE JIB to the Municipality pursuant to section 30.2 shall be excluded.

30.3.2.2. In the event that expenditures for unexpected contingencies exceed 25% of the Budgeted Long-Term Funds, ONE JIB may be directed to return any amounts under its control and management by motion of the Council of the Municipality.

31. Valuation of Investments

31.1. Investments shall be valued at cost and at fair market value according to the values provided by the Custodian. For the investment of Long-Term Funds, fair market values of unitized vehicles shall be valued according to the unit values published daily by the Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the External Portfolio Manager to the Custodian no less frequently than quarterly.

32. Voting Rights

32.1. Where External Portfolio Managers have been appointed, such External Portfolio Managers may assume the responsibility of exercising voting rights and will report their voting policies to ONE JIB annually. The Municipality may access these policies at any time.

33. Internal Controls

33.1. The Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring compliance with governing legislation and with policies and procedures established by the Treasurer. To the extent ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

34. Custodians

34.1. All investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For Long-Term Funds, the Custodian shall be acceptable to ONE Investment. For Short-Term Funds the Custodian shall be acceptable to ONE Investment, if ONE Investment is administering the investment of the Municipality's Short-Term Funds, and to the Treasurer.

35. **Reporting**

35.1. **Short-Term Funds**

35.1.1. For the investment of Short-Term Funds, the Treasurer shall report at least annually to Council and shall include the following information:

35.1.1.1. A listing of investments, with market value, held at the end of the reporting period;

35.1.1.2. A statement about the performance of the investment portfolio during the reporting period;

35.1.1.3. A statement as to whether or not, in their opinion, all investments were made in accordance with this IPS;

35.1.1.4. A record of the date of each transaction; and

35.1.1.5. Such other information that Council may request or that the Treasurer may consider to be pertinent.

35.2. **Long-Term Funds**

35.2.1. The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of Long-Term Funds at least annually. Such report shall include the following:

35.2.1.1. Investment performance during the period covered by the report;

35.2.1.2. Asset mix of the total portfolio;

35.2.1.3. A listing of individual investments held at the end of the reporting period showing, where appropriate, their average term to maturity and yield relative to the benchmark, book value, market value, realized/unrealized gains/losses and actual income received;

35.2.1.4. Dates of all transactions including the purchase and sale prices;

35.2.1.5. A statement by the Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and

35.2.1.6. Any other pertinent information in the opinion of the Treasurer.

35.3. All securities invested on behalf of the Municipality by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Municipality by a Custodian, which shall provide monthly reporting showing all securities held, their book values, market values and all income received.

APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE

36. Revocation/Amendment of Previous Investment Policy

36.1. Upon coming into effect, this IPS supersedes previously approved investment policies of the Municipality. Specifically, Investment Policy FI-009-2012 is repealed as of the date this IPS comes into effect.

37. Modifications to the IPS

37.1. At least annually Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Treasurer with respect to the investment of Short-Term Funds and from ONE JIB with respect to the investment of Long-Term Funds.

37.2. Following the Council's review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

37.3. At a minimum, the annual review will take into account:

37.3.1. the adequacy of funding for capital works;

37.3.2. the Municipality's ability to reduce other spending;

37.3.3. flexibility of the timeframe to payout; and

37.3.4. sensitivity to loss.

38. Effective Date

38.1. This IPS is adopted by the Council of the Municipality and is effective [June 1, 2020]. The Treasurer is directed to sign a copy of this IPS to evidence approval and to deliver a copy of this IPS to ONE JIB.

____

Signed by:

____

Treasurer

____

Date

SCHEDULE “A”

Third Party Trust Funds

1. The Pines Residents Trust Funds.

Designated Funds

2. Social housing capital reserves of a non-profit housing corporation which are to be invested in the Housing Services Corporation’s pooled capital reserve funds managed by Encasa.

Municipal Client Questionnaire

Recommended Review: Annually. However, if

a. there is a significant change in the Municipality's circumstances (or)
b. there is a significant change in reserves/expenses

then a review is recommended within three months of the occurrence of such change.

1. CLIENT INFORMATION

1.1 NAME OF MUNICIPALITY: ______________________________
(Municipality)

1.2 NAME OF THE TREASURER: ______________________________

1.3 NAME OF PRIMARY DAY-TO-DAY CONTACT**: ______________________________

1.4 TITLE OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.5 ADDRESS: ______________________________

1.6 PHONE NUMBER OF TREASURER: ______________________________

1.7 PHONE NUMBER OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.8 FAX NUMBER: ______________________________

1.9 EMAIL OF TREASURER: ______________________________

1.10 E-MAIL OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.11 DATE OF PREVIOUS MUNICIPAL CLIENT QUESTIONNAIRE: ______________________________

1.12 If there have been no material changes to the information contained in the last Municipal Client Questionnaire provided to ONE Investment, indicate here:

____

1.13 Is the Municipality invested under Legal List with ONE Investment? ☐ Yes ☐ No
1.14 Is the Municipality invested under Prudent Investor Regime? ☐ Yes ☐ No

**Primary day-to-day contact should have a comprehensive understanding of the Municipality's financial position and investment needs.

Municipal Client Questionnaire

1.15 Please provide the following information for all individuals authorized to provide instructions to ONE Investment:

NAME	TITLE	EMAIL

2. INVESTMENT KNOWLEDGE AND EXPERIENCE

2.1. Which statement best describes the Municipality's level of investment knowledge and experience with financial markets and products?

- ☐ Very limited knowledge
- ☐ Basic knowledge and minimal experience
- ☐ Good knowledge and some investment experience
- ☐ Strong knowledge and experience
- ☐ Advanced knowledge and extensive experience

2.2 Please confirm that the Municipality is prepared to have exposure to the equity markets in accordance with its IPS and the corresponding Investment Plan. If no such exposure is contemplated, so state.

____

2.3 Check the following statements that apply to the Municipality's current investment portfolio? [*Check all that apply*]

- ☐ Canadian money market securities (e.g. Cash, bank accounts, HISA etc.)
- ☐ Locked In Investments (GIC's PPN's etc.)
- ☐ Local Distribution Corporation Securities (cemetery, trusts, hydro funds etc.)
- ☐ Fixed income (government and/or corporate bonds)
- ☐ Equities

3. INVESTMENT OBJECTIVES AND RISK TOLERANCE

This section of the Questionnaire asks about the Municipality's Money Not Required Immediately (MNRI). In general, investors can expect a higher annualized rate of return if the investor is also willing to accept volatility or fluctuation in the market value of their investments. For example, investors can expect that the average annual rate of return for a five year period will be higher where the portfolio's returns are varied when measured on a year by year basis, with some years having negative returns. A portfolio which has a steady return year over year, with little possibility of negative returns in any year, will most likely have a lower annualized return when measured on a rolling five year average.

3.1 Which of the following best reflects the Municipality's investment objectives for its MNRI?

- ☐ Capital preservation is the main objective. Willingness to accept low returns in order to avoid any years with losses.
- ☐ Achieve moderate growth without excessive risk to capital.
- ☐ Willingness to accept higher risk, including risk of loss of capital, for potentially higher returns over the longer term

3.2 What is the Municipality's risk tolerance for its MNRI?

- ☐ Low (Conservative Approach: A very small chance of loss of capital over a 5 year period)
- ☐ Moderate (Moderate chance of loss of capital over a 5 year period)
- ☐ High (Greater uncertainty with potential of higher returns over a 5 year period)

3.3 Annual Return Expectations: Which range best reflects the Municipality's expected annual return for its MNRI?

- ☐ 0% to 2% gain
- ☐ 5% loss to 5% gain
- ☐ 10% loss to 10% gain

3.4 Other information: Is there any other information about the Municipality's investment objectives and risk tolerance for its MNRI that is relevant to the IPS or Investment Plan?

____

____

Sections 4 and 5 of this Questionnaire asks about the Municipality's assets, liabilities and cash flow and is not limited to MNRI. It is intended to assist ONE Investment in obtaining an understanding of the Municipality's financial circumstances, including its cash flow needs.

4. FINANCIAL INFORMATION

4.1 Size of Assets and Liabilities

Description	Amount
Total Assets	
Short Term Assets	
Long Term Assets	
Long Term Debt	
Total Revenues	
Reserves	
Reserve Funds	
Trust Funds	
Sinking Funds	
Pension Funds	
Operating Funds	

4.2 Cash Flow Projections by Year (e.g. Revenue Fund, Reserve Fund, Trust Fund etc.)

Type	2019	2020	2021	2022	2023-2028
				-2030	

Funding/Expenditure Analysis

4.3 Has the Municipality completed a cash flow analysis?

☐ Yes ☐ No

Please answer 4.4 through 4.8 if cash flow analysis has been completed by the Municipality.

4.4 How often is a cash flow analysis of reserves, reserve funds and expected expenditures completed by the Municipality?

___

4.5 Please specify month and year of the last update to the cash flow analysis.

4.6 How confident is your municipality with your current cash flow forecast?
☐ Very Confident ☐ Moderately Confident ☐ Considerable Uncertainty

4.7 How many years did the cash flow analysis forecast extend?
☐ One year ☐ Two years ☐ Three years ☐ Five years ☐ Seven years ☐ 10 years or more

4.8 How sensitive are the expenditures of the municipality to inflation? Does the investment plan need to emphasize sensitivity to inflation?

4.9 How much and how often does the Municipality require funds from the operating reserves?

Type of Operating Reserve	Amount Needed	Frequency

4.10 How does the Municipality manage unanticipated requests for funding? When was the last occurrence and how was it handled?

4.11 If the Municipality has completed a capital budget and asset management plan, how many years out does this forecast extend?

☐ Less than 3 years ☐ 3-5 Years ☐ 5-10 Years ☐ 10 years or more

4.12 Are the capital reserves growing annually for the Municipality?
☐ Yes ☐ No

4.13 If yes, what approximate annual rate are the capital reserves growing by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.14 If no, at what approximate annual rate is the Municipality's capital reserves declining by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.15 What annual rate is the Municipality's capital expenditures rising by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.16 Is there a particular year when the Municipality has unusual, large expected capital expenditure(s)?
☐ Yes ☐ No

4.17 If so, please explain the timing and nature of the expenditure(s)

4.18 What are the total capital reserves available for investment as the Municipality's MNRI?

- ☐ less than $5 million ☐ between $5 and $10 million ☐ between $10 and $20 million
- ☐ between $20 and $49 million ☐ between $50 million and $99 million ☐ over $100 million

5. PORTFOLIO INFORMATION

No.	Description	Amount ($)
5.1	Total Amount of MNRI	
5.2	Total Amount of "Money Required Immediately" - MRI	
5.3	MNRI currently invested with ONE Investment	
5.4	MRI currently invested with ONE Investment	
5.5	Total Amount currently invested with ONE Investment	
5.6	Total Locked In portion of MNRI that is not available for investment moving to ONE JIB (**Repurchased Muskoka Debentures**)	
5.7	Total Locked In portion of funds not moving to ONE JIB due to legislation or other requirements (e.g. cemetery trust)	

5.8 Please list the name of securities with amounts invested and maturity dates that are not fully liquid (e.g. GIC's, PPN's etc.) which will be pledged as part of the Municipality's Prudent Investor investments (it is contemplated that proceeds from these investments will be transitioned into ONE Investments Prudent Investor pools at maturity or earlier if instructions given to liquidate prior to maturity.)

Type/Description	Amount	Maturity Date

5.9 What percentage of the MNRI portion of the portfolio is required by the Municipality in the following time periods? (Timeframes can be changed based on the Municipality's requirement)

[___] to [___] year: ____________________

[___] to [___] years: ____________________

[___] to [___] years: ____________________

More than 10 years: ____________________

6. PORTFOLIO MANAGEMENT AND ASSET ALLOCATION

Section 6 of this Questionnaire asks about the Municipality's existing investment policies, if any. Such policies may apply to MNRI and to MRI.

6.1 Are the Municipality's investments subject to any prohibited investment or other similar restrictions (Y/N)? If yes, please list:

____

6.2 Are the Municipality's investments subject to any investment concentration limits?

____

6.3 Are the Municipality's investments subject to any specific diversification requirements?

____

6.4 Please provide here any other restrictions and constraints (i.e. other than as contained in Municipal legislation) relating to the Municipality's investments:

____

7. ACKNOWLEDGEMENT

I confirm that information provided to ONE Investment in this form is complete and accurate as at the date hereof.

Dated this _________ day of _______________, 20___

______________________________ ______________________________

______________________________ ______________________________

Name and Signature of Treasurer Second Signature (if Required)

District of Muskoka

Investment Plan

Date: [June 1, 2020]

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

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200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

1. Definitions

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Asset Allocation (Asset Mix): Proportion of each asset class in a portfolio.

Asset Class: a group of securities with similar characteristics and expected behaviours. Examples include Canadian stocks and global bonds.

Benchmark means an independently verifiable index that is representative of a specific securities market (e.g., the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms. A Benchmark can be a single Index or a combination of one or more indices.

Custodian: A specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks"). ONE Investment's custodian is CIBC Mellon.

Environmental, Social and Governance (ESG) Investing means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a ONE Investment Pool. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation;

Investment Policy Statement (IPS): The investment policy adopted by Council and updated annually determines Muskoka's money that it requires immediately (Short-Term Funds) and money that it does not require immediately (Long-Term Funds), and sets out, among other things, Muskoka's objectives and risk tolerances.

Long-Term Funds: Money not required immediately by Muskoka.

Municipal Client Questionnaire: A document which shall be completed by the treasurer of each participating municipality and which includes information on municipal investments and risk preferences that must be reviewed annually.

ONE Investment: A not for profit organization that will serve as an agent of the ONE JIB to operationalize the investment activities of the ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): Established by certain founding municipalities as a municipal services board under section 202 of the Municipal Act as required under Part II of the Regulation, and is the duly appointed Joint Investment Board for Muskoka, as constituted from time to time and acting pursuant to the Terms of Reference set out in the ONE JIB Agreement.

ONE JIB Agreement: means the agreement effective as of [June 1, 2020], entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of Muskoka's Long-Term Funds.

Prudent Investor Standard: Requires ONE JIB, when investing money under section 418.1 of the Act, to exercise the care, skill, diligence and judgement that a prudent investor would exercise in making such an investment, but does not restrict the securities in which a municipality can invest. The Prudent Investor standard applies to the entire portfolio of Muskoka's Long-Term Funds under control of the ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

2. Purpose of Investment Plan

As required under the Act's Prudent Investor regime, this Investment Plan (Plan) establishes how ONE Joint Investment Board (ONE JIB) will invest Muskoka's money that it does not require immediately (Long-Term Funds or MNRI). These Long-Term Funds have been determined by Muskoka to be not immediately required by Muskoka (MNRI). This Plan complies with Muskoka's Investment Policy Statement (IPS) adopted by Council on [date] and is based on the information in the Municipal Client Questionnaire dated [date] attached as Appendix A. This Plan applies to all investments that are controlled and managed by ONE JIB on behalf of Muskoka.

At least annually, following Council's review of its IPS, ONE JIB shall review this Plan and update it as needed. This current Plan should be reviewed by [date].

3. Responsibility for Plan

This Plan is the responsibility of ONE JIB, which has authorized its agent ONE Investment to exercise its administrative investment functions in accordance with the Regulation. ONE JIB oversees ONE Investment staff using procedures, reports and regular audits to ensure compliance with the Act and the Regulation in addition to Muskoka's IPS and ONE JIB's own investment policies and standards.

This Plan is dependent on clear communication between Muskoka, ONE JIB and ONE Investment regarding Muskoka's needs, which is especially important when investment needs change. To ensure clear communication, ONE Investment employs a Municipal Client Questionnaire as part of its annual review. It is the responsibility of Muskoka to ensure that ONE Investment is aware of any needs that are not addressed in the Municipal Client Questionnaire and, as soon as practicable, of any material changes that occur during the year. It is the responsibility of ONE JIB and ONE Investment to provide liquidity to the extent possible, to adjust to changing needs in a timely fashion and to communicate any difficulties in so doing as soon as possible to Muskoka. The process for communicating changes in the Municipal Client Questionnaire, IPS and other issues is set out in Appendix B [**NTD: Appendix B**]. The process for moving funds in/out of ONE Investment is outlined in Appendix E.

4. Custodian

All investments under the control and management of ONE JIB shall be held for safekeeping in the name of Muskoka by CIBC Mellon.

5. Investment Goals and Objectives

Muskoka's total portfolio includes all of its MNRI. Returns have an impact on municipal revenues, as well as a longer-term impact on future years' budgets and should, at a minimum, keep pace with inflation over the long run.

Investments may consist of liquid and non-liquid assets depending on future obligations. Expected investment risks and returns are balanced to create outcomes that provide a high probability that Muskoka's investment objectives can be achieved.

MNRI will be invested to generate any or all of the following outcomes:

a. Funding contingencies, where returns are reinvested with a view to growing principal over the long term for large withdrawals in unpredictable situations; and'
b. Creating stable returns, where principal is maintained and a reliable stream of returns may be available for to spend as/if needed; and,
c. Funding target date projects, where Muskoka has some definition of an obligation for a specific project at a specific time

Muskoka has identified the following details of their investment objectives for its MNRI.

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Contributions for unexpected events	Higher risk with emphasis on growth, liquid	Greater than 5 years
Stable Return	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements	Lower risk, liquid	18 months to 3 years
		Moderate risk with emphasis on stable returns, liquid	3 years to 5 years
	Contributions to asset management reserves	Higher risk with emphasis on growth, liquid	Greater than 5 years

The above table represents details from Muskoka's IPS that provides guidance relevant to how the ONE JIB will determine the investment allocations. Additional context from the Client Questionnaire and dialogue from the treasurer was used to interpret the details in the table above to construct allocations that are reflective of the municipality's current goals, objectives, circumstances and risk tolerance.

While Muskoka's accounts/reserves are specified to require liquidity (individually), collectively the municipality has considerable flexibility that should allow some exposure to less liquid investments as/if needed. This is more relevant for accounts/reserves with longer investment horizons. This currently has no impact on the how investments will be selected as all ONE Investment funds are fully liquid investment vehicles. Less liquid investment vehicles may become available through ONE Investment at a later date.

Additionally the district has significant spending needs through 2022, and it appears that this large spending can be funded without significantly drawing down MNRI, as the balances that are being retained in MRI are to fund these spending needs. This should allow the bulk of the MNRI to be invested for longer term time horizons. These nearer term spending are related to the replacement of a wastewater treatment plant, which is an ongoing project. This project, which is expected to be completed by 2023, will require spending of about 33 million staggered over the next few years.

6. Investment Allocations

6.1 Asset Allocations

Asset allocations for each solution are expected to be relatively stable until the next annual review. Any changes to the amounts in each account must be communicated formally as outlined in Appendix B.

The goals, objectives, constraints and circumstances of the municipality are taken into consideration when assigning asset allocations for the municipality via ONE Investment's outcome based approach. These decisions are informed by the requirement to use the Prudent Investor Standard as defined in the Municipal Act. This Standard identifies several key considerations that need to be incorporated in the decision making process, including:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment or course of action plays within Muskoka's portfolio of investments;
- The expected total return on investment and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

The following comments explain how ONE JIB is taking these considerations into account:

- Current economic conditions can be characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. It would seem that the global economy is in the later stages of an economic expansion, and there is some potential for deceleration of economic growth going forward and potential for global trade tensions or other macro economic risks to adversely affect growth.
- Inflationary pressures in Canada remain relatively benign and it is reasonable to expect that inflation as measured by the Consumer Price Index (CPI) will remain broadly in the range of 2% per annum. However, to protect the purchasing power of existing

monies invested with the ONE JIB returns will also need to consider the change in Non-Residential Construction Price Index (a version of the inflation index that is most relevant for the municipality). Allocations to equity investments in Muskoka's plan should help to achieve this goal. Achieving such results will require Muskoka to achieve higher returns than seem currently available within fixed income investment opportunities. As such, a meaningful allocation to equities will be appropriate to achieve this goal.

- Investment allocations will be diversified to help reduce the volatility of the investment portfolio and offer suitable risk return characteristics for Muskoka.
- Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Investment Manager believes to be appropriate for Muskoka. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining a risk profile that is appropriate for the municipality.

6.2 Account Structure

The amounts of Money Not Required Immediately, as disclosed in Muskoka's Municipal Client Questionnaire dated (DD,MM,YYYY) have been allocated into investment outcome categories to provide guidance to the ONE JIB when investing these monies.

In summary, the total allocation to each outcome is:

Outcome	Allocation
Contingencies	$5,259,979
Stable returns	11,346,034
2-3 Year Target Date	2,343,952
4-5 Year Target Date	35,264,446
Target Date June 30, 2035	73,572,913
Total MNRI	$ 127,787,324

These outcomes will be generated using ONE Investment Pools and products to create solutions via specific asset allocations. Descriptions of the ONE Investment Pools and the asset allocations for each solution are in Appendix C and D.

The process of moving from the current investments to the target weights, both noted below, is outlined in the Transition Plan in Appendix E.

6.3 Contingency Solution

Muskoka has identified a need to generate long-term growth for funds within the Contingency Solution that may be drawn upon during times of unexpected need. Emphasis on the preservation of purchasing power / inflation considerations is a key consideration and therefore growth in value of their investments is emphasized. These contingency reserves have not needed to be drawn down in recent past, and there seems a low probability of them being used over the next few years. This implies a relatively long time horizon for funds to be invested in the Contingency Solution. Muskoka's circumstances should allow them to take and modest amount of risk for funds allocated to the contingency solution, making the 'moderate risk' Contingency outcome appropriate (further detail about the contingency outcome allocations is described in Appendix C). These funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	40	50	60	Index A
ONE Canadian Gov't Bond Fund	0	10	15	Index B
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	25	35	45	Index D
Total		100		

Benchmark: 50% x Index A + 10% x Index B + 5% x Index C + 35% Index D
Contingency Solution returns and risk are discussed in section 6.6.

6.4 Stable Return Solution

Muskoka has identified a need to generate a stable return on certain funds while also growing principal sufficiently to offset inflation. While the Stable Return Solution is designed to generate income that could be used to fund regular municipal spending needs, the recurring income is not a high priority for Muskoka in the near term. All income generated from the Stable Return Solutions is intended to be reinvested. Based on the expressed risk tolerances and current circumstances of the municipality, the investment manager has assigned the 'low risk' Stable Return Solution (which has a relatively modest allocation to equities). Details of all asset mix ranges are available in Appendix C. Stable return funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	15	20	25	Index B
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	10	15	20	Index D
Total		100		

Benchmark: 60% x Index A + 20% x Index B + 5% Index C + 15% x Index D
Stable Return Solution returns and risk are discussed in section 6.6.

6.5 Target Date Solution

Target date outcomes will be managed with the objective of providing for the return of principal and income and capital gains at a target date in the future. All income will be reinvested to ensure growth of the investments to meet the target date outcome.

Most of Muskoka's MNRI is intended to be invested into target date solutions. The most prominent use of funds in coming years will be to finance the ongoing project to replace the wastewater treatment plant. This is a multi year project to be completed by 2023 and will involve drawing down several reserve funds including the Environmental General Reserve fund, the Wastewater Capital Reserve fund, the Debt Reduction Reserve Fund and the Wastewater Development Charge Reserve Funds. In addition, this project is using available grant funding from the Federal Gas Tax and the Ontario Community Infrastructure fund. Spending on the project in 2020 – 2022 is estimated at about 33 million. The other large near term spending item relates to changes in the Debt Reduction Reserve fund which is used for internal funding purposes. This reserve will be drawn down by almost 15 million in the next 2 years. As these large funding needs are short term in nature, the treasurer has retained balances in MRI to fund the near term spend. This means that MNRI will not be impacted by large spending needs and hence the MNRI will tend to be stable near term then is anticipated to start increasing significantly from 2023 onwards. A relatively small portion of MNRI will be invested in the 2-3 year target which will be available to fund some of the short term spending needs as/if needed, these balances will be invested as follows:

2- 3 Year Target Date Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
High Interest Savings Account	0	100	100	Index E
Total		100		

Benchmark: 100% x Index E

2-3 Year Target Date Solution returns and risk are discussed in section 6.6.

For the longer target date solutions funds will be invested in building block funds that follow a glide-path of progressively lower risk over time. The glide path is explained in Appendix D. Amounts will be allocated to two target date outcomes that reflect the intended time horizon and risk profile that for the other reserve accounts where near term liquidity is less relevant. Approximately $35 million will be invested in the 4-5 Year Target Date Solution:

4-5 Year Target Date Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	35	40	45	Index A
ONE Canadian Corporate Bond Fund	35	40	45	Index F
ONE Canadian Government Bond Fund	15	20	25	Index D
Total		100		

Benchmark: 40% x Index A + 40% x Index F + 20% x Index D
Target Date June 30 2030 Solution returns and risk are discussed in section 6.6.

A larger allocation of about $ 73.5 million will be assigned to the 2035 Target Date Solution to represent some of the reserves with longer time horizons. Based on discussions with the treasurer and input from the Municipal Client Questionnaire, the 2035 target date outcome was identified as most appropriate target date outcome to represent the accounts/reserves with very long time horizons:

Target Date June 30 2035 Solution

Asset class	Minimum	% Weight Target	Maximum	Benchmark
ONE Global Unconstrained Bond Fund	35	45	55	Index A
ONE Canadian Corporate Bond Fund	15	20	25	Index F
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	25	30	35	Index D
Total		100		

Benchmark: 45% x Index A + 20% x Index F + 5% x Index C + 30% x Index D
Target Date June 30 2035 Solution returns and risk are discussed in section 6.6.

6.6 Projected Investment Returns

The prospects for improved returns with acceptable levels of investment risks are a key consideration for any municipality investing in the Prudent Investor regime. The table below provides a projection of the annual returns of the investment outcomes (and consolidated outcomes). These estimates were derived from an analysis of long term returns based on conservative capital market assumptions and economic forecasts. These return details are presented for information purposes only and actual investment outcomes may differ materially from those shown below:

Outcome	Weight	Expected Return
Contingency	4.1%	4.4%
Stable Return	8.9%	3.8%
Target Date 2-3	1.8%	2.2%
Target Date 4-5	27.6%	2.7%
Target Date 2035	57.6%	4.6%
Est. Portfolio Returns	100.0%	4.0%

6.7 Other Accounts

[this section does not apply]

7. Constraints

Besides those listed here, there are also constraints specific to each externally managed portfolio that are available on the ONE Investment website.

7.1 Environmental, Social and Governance (ESG) Investing

ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing External Portfolio Managers. External Portfolio Managers are assessed for their ESG policies. ONE JIB recognizes the practical difficulties of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by External Portfolio Manager based on a number of factors, including the degree of control exercised by ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations will not be possible due to availability, costs or other factors.

7.2 Securities Lending

Unitized vehicles that are controlled by an External Portfolio Manager may engage in securities lending if their policies permit such an action. ONE JIB intends to consider securities lending and may introduce a formalized policy to allow securities lending.

7.3 Derivatives

Derivatives may be used for the investment of Long-Term Funds where they are fully covered by a backing asset. Examples of such uses of derivatives include, but are not necessarily limited to: the ability to replicate investments otherwise permitted in the Plan and in the IPS, to equitize cash, to hedge currency exposures, to manage risk exposures, to change portfolio duration or to engage in covered call strategies. Derivatives may not be used for speculative purposes or to increase the risk of the portfolio.

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and Funds (the ONE Investment Pools) used as building blocks in the asset allocation for each outcome. These External Portfolio Managers are chosen and monitored based on a due diligence process with oversight by ONE JIB and One Investment and input from an external consultant knowledgeable in the asset classes and in the range of investment options and portfolio managers suitable for institutional investors.

9. Rebalancing

Each account's asset mix will be monitored on a periodic basis by ONE Investment's management and staff. Should the asset mixes deviate outside the minimum or maximum weights noted in appendix C, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions are to be completed as soon as reasonably viable, taking into account the investment objectives. Cash inflows / outflows are used to rebalance as much as possible; if they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

ONE Investment will rebalance all accounts as close as practicable back to target weights twice annually based on a fixed time schedule. ONE JIB has established rebalance dates of April 15 and

October 15. Accounts that are within a 2% threshold of the intended targets would not need to be rebalanced as part of this periodic rebalancing process.

10. Accommodating Cashflow Needs

This Investment Plan is intended to be dynamic and responsive to changing needs of Muskoka. Once informed of changing needs at Muskoka by the Treasurer or designated staff, ONE JIB may need to revise allocations, deploy incoming monies or sell fund units accordingly. Additionally, income from investments will be automatically reinvested into the investment outcomes where appropriate and cashflow needs of Muskoka are expected to be financed with the sale of fund units. Any fee discounts that apply for Muskoka are intended to be reinvested into the Stability Outcome or as otherwise directed by the Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

[this section does not apply]

11.2 Transitional Investments

MNRI that Muskoka will transfer to the JIB will be funded out of available cash and through liquidation of the ONE Investment legal list portfolios. No illiquid investments will be included as part of their contribution to the ONE JIB. As such the investment plan does not need to include a transition plan for such illiquid assets. The transition planning for Muskoka may change at a later date if the bonds are instead pledged as part of the municipality's commitment to MNRI with the ONE JIB.

The transition of monies into MNRI will involve the sale of some or all of ONE Investment portfolios. As these are highly liquid investment vehicles monies can be made available to fund the transfer of MNRI to the JIB within a few days.

The client also has approximately $29 million held in bonds of various maturities. These bonds may be identified as part of the municipality's contribution to the ONE JIB. The decision to liquidate or contribute these securities in kind (to be held to maturity) has not yet been made. Planning for transition may be influenced by such decisions.

12. Comments by Investment Manager

Certain qualitative factors were considered in assigning the investment allocations. Muskoka's reserve fund balances over the next few years will be impacted by the ongoing expenditure related to replacement of the waste water treatment plant and related activities. Balances are held as MRI to fund this so the large near term spending will not impact the balances in MNRI. It would appear that the balances of Muskoka's MNRI will be relatively flat for 2-3 years then start rising meaningfully thereafter. This offers the municipality flexibility to invest monies for the long term. If unforeseen circumstances require MNRI to be accessed all investments are highly liquid, giving the District full flexibility to access funds as and if needed.

One of the investment consideration for Muskoka is to achieve growth for the monies invested, with above-inflation returns. Due to the longer term time horizon involved for most of the municipality's accounts and this need for returns to exceed inflation, a meaningful allocation to equities is appropriate. In the short to medium term there is limited need for recurring income from the investment portfolios.

The municipality has cashflow flexibility in coming years and there is a significant portion of MNRI that will not need to be utilize in the next 5 years. Additionally, the consideration for Muskoka is to achieve growth for the monies invested, with above-inflation returns was recognized as an important goal for the municipality. This helped influence the level or risk assigned in the allocations. Aside for the funding for the specified near term needs, the municipality has the flexibility to assume a moderate risk profile for the consolidated portfolio, and investment allocations are also influence by the relatively long time horizon associated with the MNRI. At the time of writing, the recommended overall exposure to equity within the portfolios was targeted at 29.3%, which is an appropriate level for the municipality.

Signed by:

______________________________	______________________________
Keith Taylor, Investment Manager ONE Investment	[Name], Chair ONE Investment Joint Investment Board
______________________________	______________________________
Date	Date

Appendix A: Most Recent Municipal Client Questionnaire

Appendix B: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in Muskoka's investment needs be communicated to ONE JIB on a timely basis. These include changes in:

- Risk tolerance;
- The IPS;
- Timeframes and/or estimated amounts for financial obligations, including sooner-than-expected amounts and longer timeframes;
- Desired end use of funds, especially if that is likely to affect the investment approach
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the Municipal Client Questionnaire on the ONE Investment website to [name] at [email address]. They cannot be considered received without a formal return email acknowledgement from ONE Investment.

Appendix C: Description of ONE Investment Pools, Products and Solutions

Following is a list of the ONE Investment Pools and products used to achieve target asset allocations. For more information on how these ONE Investment Pools and solutions are managed, please see further detail on the ONE Investment website [insert_link_details_here.HTML]

ONE Investment Pool or Product	External Portfolio Manager	Mandate	Asset Allocation
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Savings account
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity that meet the Legal List requirements	100% short-term government bonds
ONE Canadian Corporate Bond Fund	MFS	Canadian Bond exposure inclusive of corporate credit	Canadian Fixed Income
ONE Global Unconstrained Bond Fund	[Not Disclosed]	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	[Not Disclosed]	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian	Canadian Equity with conservative investment approach	Canadian Equities

Solutions

The asset allocations for ONE Investment's solutions are the following. Rebalancing will be managed for these asset allocations as explained in the Plan.

Contingency Solution

	Default Lower Risk % Weight			Duration (Years)	Moderate Risk % Weight			Higher Risk % Weight		
	Min	Target	Max		Min	Target	Max	Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	40	50	60	25	35	45
ONE Canadian Government Bond Fund	0	10	15	1.6 – 3.6	0	10	15	0	5	10
ONE Canadian Corporate Bond Fund				3.0 – 6.9						
Total fixed income	**66**	**70**	**74**		**54.5**	**60**	**64.5**	**35**	**40**	**45**
ONE Canadian Equity Fund	0	5	10		0	5	10	5	10	15
ONE Global Equity Fund	15	25	35		25	35	45	40	50	60
Total equity	**26**	**30**	**34**		**35.5**	**40**	**45.5**	**55**	**60**	**65**

Stable Return Solution

	Default Lowest Risk % Weight			Duration (Years)	Low Risk % Weight		
	Min	Target	Max		Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	50	60	70
ONE Canadian Government Bond Fund	25	30	35	1.6 – 3.6	15	20	25
ONE Canadian Corporate Bond Fund				3.0 – 6.9			
Total fixed income	**88**	**90**	**92**		**76.5**	**80**	**83.5**
ONE Canadian Equity Fund	0	0	0		0	5	10
ONE Global Equity Fund	8	10	12		10	15	20
Total equity	**8**	**10**	**12**		**16.5**	**20**	**23.5**

Asset allocations for target date solutions are in Appendix D.

Appendix D: Target Date Solutions' Glide-path Asset Allocations

Investments with target dates will be managed to reduce risk as the end date approaches. This is known as following a glide-path. Below is the asset allocation glide-path that will be followed with a view to generating asset growth for long term holdings and shifting gradually to safety of principal for shorter term holdings.

Term to Target Date in Years																		
	2 to 3			**4 to 5**			**6 to 10**			**11 to 15**			**16 to 20**			**> 20**		
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE High Interest Savings Account	0	100	100															
ONE Global Unconstrained Bond Fund				35	40	45	35	45	55	35	45	55	35	45	55	30	40	50
ONE Canadian Government Bond Fund	0	0	100	15	20	25												
ONE Canadian Corporate Bond Fund				35	40	45	25	30	35	15	20	25	5	10	15	0	5	10
Total Fixed Income	**100**	**100**	**100**	**90**	**100**	**100**	**71.25**	**75**	**78.75**	**60.75**	**65**	**69.25**	**50.25**	**55**	**59.75**	**40**	**45**	**50**
ONE Canadian Equity Fund				0	0	0	0	5	10	0	5	10	0	5	10	0	5	10
ONE Global Equity Fund				0	0	0	15	20	25	25	30	35	35	40	45	40	50	60
Total Equity				0	0	10	21.25	25	28.75	30.75	35	39.25	40.25	45	49.75	50	55	60
Expected return		2.2%			2.7%			3.8%			4.2%			4.6%			4.9%	

Appendix E: Transition Plan [To Be Completed]

At the writing of this Plan (DDMMYY), Muskoka's holdings were the following.

Account	Current Holdings	Amount
Account 1	ONE Universe Corporate Bond Portfolio	$ 15,835,083
Account 2	ONE Investment HISA	41,262,530
Account 3	ONE Equity Portfolio	37,027,163
Account 4	ONE Bond Portfolio	41,096,840
		$ 135,221,618

The objective is to move to the below allocations as quickly as practicable. The settlement cycle on ONE Investment portfolios & HISA is very short so no special considerations will need to be planned to accommodate the transition of assets to the JIB. The client also has approximately $29 million held in bonds of various maturities. These bonds may be identified as part of the municipality's contribution to the JIB. The decision to liquidate or contribute these securities in kind (to be held to maturity) has not yet been made. Planning for transition may be influenced by such decisions.

Account	Target Holdings	Amount
Account A: Contingency	ONE Investment Contingency Solution	$ 5,259,979
Account B: Stable Return	ONE Investment Stable Return Solution	11,346,034
Account C: Target Date 1	ONE Investment 2-3 Year Target Date	2,343,952
Account D: Target Date 2	ONE Investment 4-5 Year Target Date	35,264,446
Account E: Target Date 3	ONE Investment 2030 Target Date Solution	73,572,913
		$ 127,787,324

Target holding weights will be maintained within the asset allocation bands identified in section 6 of this document until instructed otherwise.

Date

Treasurer

Keith Taylor, Investment Manager
ONE Investment

13641322.8

Appendix F: Transferring Funds

Document here how funds will be transferred in/out of ONE JIB and into what municipal short-term account they will come from/go to.

Appendix G: ONE JIB's Investment Approach

Investment Approach

Investment Approach

1. Our Investment solutions are designed to address 3 key investment outcomes. Each one of these outcomes will have a unique asset mix and investment objective. These are intended to be used instead of having an asset mix defined in the IPS.
   - <u>Contingency:</u> needs that function like insurance, entail unpredictable, infrequent bullet payments. Clients may have target sizes for these reserves, so that when the investments grow to that size, either funds can be diverted out or contributions can be reduced. For these reasons, a growth profile is preferred.
   - <u>Stable Return:</u> these are used to fund ongoing capital investments and are needed to generate a consistent reliable return stream. May be needed at different risk levels and tolerances for dipping into principal.
   - <u>Target Date Projects:</u> these are savings vehicles for projects with predictable (but perhaps not perfectly predictable) target dates where the risk of meeting the required payment is clearly defined. Includes sinking fund debentures and serial bonds.
   - As appropriate the JIB can create custom asset mixes to accommodate specific municipal needs, but it is anticipated that the Contingency, Stable Return and Target Date outcomes will be sufficient for most municipalities.

2. ONE Investment will use a series of building block asset class funds managed externally using off-the-shelf pooled funds as much as possible. This approach facilitates the following:
   a. Managers can be added and subtracted in an asset class easily at any point in time;
   b. New asset classes can be added as new building block funds;
   c. Risk profiles and solutions can be added/changed without creating new funds.
   d. The Joint Investment Board will be able to tell easily whether clients are invested in appropriate risk exposures.

Capital Markets Beliefs

Asset Allocation

1. Theoretical underpinnings:
   a. Modern Portfolio theory provides a useful conceptual construct that demonstrates the value of diversification for investment portfolios. Diversification is a key feature that helps reduce risk in investor portfolios.
   b. We believe in Prudent Investing as a process.
2. Our investment objectives will vary with each need we are trying to meet. The following issues are taken into account for each need and their weights will vary depending on the target outcome and risk tolerance:
   a. Safety of principal
   b. Adequate liquidity
   c. Diversification by geographic exposure, asset class, sector, issuer, credit quality and term to maturity.
   d. Capital appreciation.

e. Income generation

3. Long-term asset allocation is the most important portfolio component driving risk and return. Higher returns generally entail taking more risk. Over most long-term periods, equities have outperformed fixed income. Given their higher risk profile, equities should outperform fixed income over the longer term. In setting asset allocation, consideration is given to macro risks, such as inflation, economic growth and interest rates.

4. Tactical Asset Allocation (market timing) at the total portfolio level is unlikely to consistently add value. In some extreme cases, it may be useful.

5. For clients who present us with a substantial sum for investing, we do not believe that dollar cost averaging into stock markets will generate optimal returns. Because stock markets tend to go up over time dollar cost averaging represents a delay in entering markets and receiving returns. However, some clients may view dollar cost averaging as a way of managing timing risk and we will not oppose those who do.

Asset Classes and Asset Class Strategies

6. ONE Investment clients are non-taxable and are therefore indifferent as to the source of return (interest, dividends, capital gains) except where covenants require use of dividends only. However, as municipalities are required to balance their budgets annually and because they do not recognize unrealized investment gains, they may occasionally have to sell holdings that have risen in value to generate "income" for fiscal purposes. There may be less opportunity to plan the recognition of gains/losses when investing in our Prudent Investor offerings.

7. Our range of client offerings is expected to expand over time, starting with initial offerings in the public equity and public and private debt markets. Other asset classes, including possibility real and private assets, will be considered in due course.

8. Cash and cash equivalents can be used to manage risk and enhance liquidity. Staying in cash for long periods to avoid risk may not be a prudent strategy as it entails an opportunity cost.

9. The use of fixed income during periods of rising interest rates may be appropriate for the following reasons:
   a. To manage volatility;
   b. To match maturities to cash needs;
   c. To generate income; and,
   d. Provide diversification benefits.

10. For fixed income and target return investing, it is not prudent to set a target return or yield and then find an instrument or portfolio that will generate that yield. It is preferable to define a risk level and accept the return or yield associated with it.

11. We are comfortable holding low quality securities in mandates if their weights are constrained. Such allocations can offer correlation benefits that can improve overall portfolio risk metrics while potentially increasing overall portfolio returns.

12. Clients prefer portfolio stability and are quite sensitive to losses. Investment recommendations are not solely focused on return potential but also consider risk. Historical drawdowns experience is a highly relevant consideration when selecting external investment managers.

13. We expect our clients prefer absolute to relative returns. Outperforming a given benchmark is of little consolation if the client is losing money.

14. For benchmark-relative investing, active management makes sense if the manager can add net value (after fees) on a risk-adjusted basis.

15. Derivatives will not be used for speculative purposes. They may be used to manage risk or to replicate specific asset classes, but only where they are fully covered by a backing asset, e.g., as for currency hedging or covered call strategies.

16. Some exposure to foreign currencies may be desirable to improve diversification and potentially enhance returns. Therefore, it shall not be a violation if global mandates are unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB. While the ONE JIB does not intend to implement a currency hedging strategy directly, the external portfolio managers hired to manage the funds may use currency hedging as part of their investment strategy.

Investment Managers

17. Success with active mandates is more likely with strong conviction and less constrained mandates.

18. Considerations included in evaluating managers:
    - Performance
    - Corporate changes
    - Service levels
    - Adherence to portfolio parameters and stated philosophies
    - Appropriate benchmarks
    - Insights and research capabilities
    - Internal controls and operational processes
    - Comprehensive investment management process
    - Risk management
    - Depth of management team

- Cost is an important consideration when choosing a strategy or investment manager, but not in isolation: we will consider value for money in decision-making. We will aim for competitive costs, including tiered pricing. We may consider a performance-based fee structure where the base is equivalent to a passive fee and the bonus is paid in accordance with performance delivered net of fees above the benchmark.

Other

19. Securities lending is permitted by legislation for Legal List investors. For Prudent Investors, we require minimum collateral of 102% with guidelines to be specified later.

20. Borrowing, including shorting, is not allowed. This does not include mortgages on real estate, which we will address when we review the possibility of investing in that asset class.

21. The ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing investment managers. Investment managers are assessed for their ESG policies. ONE JIB does not necessarily endorse sole use of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by manager based on a number of factors, including the degree of control exercised by the ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations may not be possible either due to availability or to costs. We may be able to provide client reporting on this subject. Future offerings may include more specific responsible offerings.

Appendix 8 - Account Mapping and Investment Allocations
Town of Whitby

1. Summary

Key Points:

- Whitby will allocate $108.0 million that is available to be investment by the ONE JIB. Additionally, $6 million in principal protected notes will be contributed in kind to the ONE JIB.
- Whitby anticipates significant capital expenditures in the next 10 years with about 43% of total MNRI needed over the next 5 years and an additional 42% in the following 5 years.
- The Whitby Council is willing to accept higher returns on its longer-term funds.
- The changes to account mapping and outcome allocations will increase their equity allocation from 17.3% to 35.3% and increase cash holdings from 0.2% to 9.3%.
- The shifts increase annual return expectations by 0.5% while increasing standard deviation by 1.0.

2. Background

Whitby's IPS and MCQ establish the amount available for investing, their investment objectives, investment horizons and risk tolerance

Whitby initially has $108.0 million available for the ONE JIB to invest. At the end of 2019, the Town had reserves and reserve funds totalling approximately $213.0 million, with approximately $114.0 million classified as money not required immediately, though $6 million of which is locked into principle protected notes.

The Town is growing rapidly (projected 40% increase in population by 2032) and has significant growth-related & maintenance projects planned over the next 10 years. A lot of its MNRI will be required during that timeframe: 43% in the first five years, and 42% in the 5-to-10-year range. The Town's return objective is an annual return that at least meets inflation. Their objectives, based on the time horizon and needs should be oriented around growth in investments, while maintaining sufficient liquidity for large anticipated spending in the next 5 years.

Whitby's overall risk tolerance is moderate with an annual downside comfort of -5% in a single year. Whitby is willing to accept higher risk, including potential loss of capital for potentially higher returns over the long term. Their IPS states their risk tolerance on contingency and target date funds with a term of greater than 10 years is high. They have a moderate risk tolerance on target date funds in the 5-to-10-year range and any stable return allocations. On amounts required in less than 5 years, they have a low risk tolerance.

3. Analysis

Mapping Whitby's MNRI to the revised outcomes shifts $4.4 million from Stable Return and $12.5 million Contingency into the Target Date 5-to-10-year outcome.

Further analysis of Whitby's cash flow needs indicated that the investment horizon and investment objectives of the money previously allocated to Stable Return would be more appropriately shifted to the Target Date 5-to-10-year outcome. Additionally, a specific time requirement on funds previously allocated to the Contingency outcome prompted a shift of $12.5 million to the Target Date 5-to-10-year outcome. Some additional minor adjustments were made between outcomes to best align funds with investment objectives and investment horizon. See table 1 for details.

Table 1
Comparison of MNRI allocation to Original and Revised Outcomes

Draft Plan Presented to Council		Revised Mapping	
Original Outcomes	Amount ($)	Revised Outcomes	Amount ($)
Target Date 2023	247,472	Cash < 3 yrs	438,287
Target Date 2025	47,749,872	Cash Plus 3-5 yrs	47,749,872
Stable Return	4,440,760	Stable Return	
Contingency (Low to moderate risk)	16,849,175	Contingency	4,359,392
Contingency (High risk)		Asset mgt reserves	238,729
Target Date 2030	26,692,047	Target Date 5-10 yrs	43,350,407
Target Date 2035, 2040, 2045	11,975,607	Target Date > 10 yrs	11,818,247
Total	$107,954,934		$107,954,934

Compared to the Draft Plan the Revised Mappings would shift the overall allocations from 17.3% equities to 35.3% equities; cash holdings would increase from 0.2% to 9.3%.

The revised outcomes mapping, along with the revised suggested fund allocation weights for each outcome, results in a shift among funds. The changes result in a greater allocation to both the Canadian Equity Fund and the Global Equity Fund, while allocations decreased to the CDN Government, Canadian Corporate Bond Funds, and a slight decrease in the allocation to the Global Bond Fund. Cash holdings increase significantly under the new mapping. See table 2 for specific allocations.

Table 2
Allocation Between ONE Funds
Comparison between Original Draft and Revised Mapping

	Draft Plan Presented to Council		Revised Mapping	
Fund	Total Invested	Percentage	Total Invested	Percentage
HISA	247,472	0.2%	9,988,261	9.3%

CDN Equity Fund	2,997,879	2.8%	11,443,310	10.6%
Global Equity Fund	15,629,461	14.5%	26,701,057	24.7%
CDN GOV Bond Fund	12,123,044	11.2%	8,973,346	8.3%
CND Corp Bond Fund	29,367,640	27.2%	8,973,346	8.3%
Global Bond Fund	47,589,437	44.1%	41,875,614	38.8%
Total $	$107,954,934	100.0%	$107,954,934	100.0%

The proposed changes to mapping and allocations will increase the average expected returns but will also increase the volatility of the portfolio

The revised outcome mappings and increased equity allocation will increase expected returns to 4.0% from 3.5%. The changes would also mean that standard deviation would increase from 3.5% to 4.5% compared to the plan presented to council. See table 3 for further details.

Table 3
Risk and Return Comparison
Draft plan to Revised Mappings

Plan version	Average Expected Returns	Standard Deviation
Draft Plan Presented to Council	3.5	3.5
Revised Plan Based on New Mappings	4.0	4.5
Difference	+0.5	+1.0

5. Conclusion

Staff is looking for feedback on whether the revised mappings lead to an allocation that is more in line with Whitby's risk tolerance and return objectives.

Prepared by: Colin Macdonald, Manager of Investments and Keith Taylor Chief Investment Officer
Approved for submission by: Judy Dezell and Donna Herridge, Co-President/CEO

Town of Whitby Policy

Policy Title:	Investment Policy
Policy Number:	F 100
Reference:	Municipal Act, 2001 Eligible Investments, Regulation 438/97 and Council Resolution #193-18
Date Approved:	Click here to enter a date.
Date Revised:	Click here to enter a date.
Approval:	Council
Point of Contact:	Corporate Services – Treasury Services

Policy Statement

It is the policy of the Town of Whitby (Town) to invest municipal funds in a manner which will provide the highest return within risk tolerances that are appropriate for the Town. Investments must comply with the Municipal Act, 2001, Sections 418-420 and Eligible Investments, Regulation 438/97 (Appendix B).

Purpose

To provide investment guidelines which govern the investment of the Municipality's Long-Term funds or “Money that is Not Required Immediately” (MNRI) and also Short-Term Funds or “Money that is Required Immediately” (MRI). It is intended, among other things, to direct the Treasurer in the investment of MRI and to direct ONE Joint Investment Board (ONE JIB) in the investment of MNRI.

Scope

The Investment Policy Statement (IPS), as outlined, applies to all investment of Working Capital, Reserves, Reserve Funds, sinking funds, trust funds and any new funds created by the Town unless specifically exempted.

The goals of this IPS are to:

- Define and assign responsibilities for investment of MRI and MNRI;
- Describe the Municipality’s responsibilities with respect to third party trust funds;
- Ensure compliance with the applicable legislation;
- Direct ONE JIB as to the Municipality’s investment goals and risk tolerance;

- Provide guidance and limitations regarding the investments and their underlying risks;
- Establish a basis of evaluating investment performance and the underlying risks; and,
- Establish a reporting standard to Council.

This IPS applies to employees of the Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Treasurer, and any agent or advisor providing services to ONE JIB in connection with the investment of the portfolio shall accept and strictly adhere to this IPS.

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1. Definitions

The following capitalized terms are defined terms which have the meanings set out below:

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Agent: means any administrator, Custodian, payment servicer, portfolio manager, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment.

Asset Mix (or Asset Allocation): means the proportion of each asset class in a portfolio. Asset classes include bank deposits, money market securities, bonds and equities, among other things.

Authorizing By-law: means a by-law of a Founding Municipality which authorizes: (i) the entering into of the Initial Formation Agreement; (ii) the establishment of ONE JIB; (iii) the approval of the Client Questionnaire and the adoption of the IPS; and (iv) the entering into of the ONE JIB Agreement.

Benchmark: means an index that is representative of a specific securities market (e.g. the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms.

CFA Institute: refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

Credit Risk: means the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. That is, the risk that a lender may not receive the owed principal and interest.

Custodian: means a specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks").

Derivative: A derivative is a contract between two or more parties whose value is based on an agreed-upon underlying financial asset (like a security) or set of assets (like an index). Common underlying instruments include bonds, commodities, currencies, interest rates, market indexes, and stocks.

Environmental, Social and Governance (ESG) Investing: means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a Pooled Fund. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation.

Interest Rate Risk: refers to the possibility that the value of a bond or other fixed-income investment will suffer as the result of a change in interest rates. Interest rate risk can be managed to help improve investment outcomes.

Internal Controls: means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.

Investment Plan: means the investment plan applicable to the Long-Term Funds investments and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

Investment Policy Statement (IPS): means the investment policy applicable to the Municipality's investments adopted and maintained by the Council of the Municipality for Long-Term Funds under the Regulation, and for Short-Term Funds, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Municipality for the benefit of persons other than the Municipality itself and may make reference to source(s) of money in which the Municipality may have an indirect interest but which the Municipality has no authority to invest.

JIB: is short for Joint Investment Board and means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.

Legal List Securities: means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.

Leverage: means an investment strategy of using borrowed money—specifically, the use of various financial instruments or borrowed capital—to increase the potential return of an investment. Typically leverage also tends to increase investment risks.

Local Distribution Corporation or LDC: means a corporation incorporated under section 142 of the *Electricity Act, 1998*, S.O. 1998, c. 15, Sched. A, as amended, and shall include any controlling non-municipal corporation of the LDC, or any "affiliated" or "subsidiary" corporation of the LDC (as those terms are defined in the *Securities Act*, R.S.O. 1990, c. S.5, as amended) which may have been created under the *Electricity Act, 1998* or under the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended.

Long-Term Funds: means the Municipality's money that is to be used to meet financial obligations that become due more than 18 months following the date of receipt of such money and is characterized as money that is not required immediately by the Municipality as described in section 5.2. Monies that are Long Term Funds will be invested in accordance with the Prudent Investor Standard.

Modern Portfolio Theory: means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

Municipality: means the Town of Whitby

ONE JIB: means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Municipality, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.

ONE JIB Agreement: means the agreement effective as of June 1, 2020, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Municipality's Long-Term Funds.

Participating Municipality: refers to the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.

Pooled Fund: means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute funds that are invested and managed by an External Portfolio Manager. Funds are pooled or combined with funds of other investors.

Portfolio: means any collection of funds that are grouped together and required for specific purposes.

Proxy Voting: means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to participate. External Portfolio Managers usually vote proxies on behalf of their clients.

Prudent Effective Date: means June 1, 2020, the date on which the prudent investor regime applies to the Municipality.

Prudent Investor Standard: means the standard that applies when the Municipality invests money that it does not require immediately under section 418.1 of the Act. It requires the Municipality to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Municipality can invest. The Prudent Investor Standard makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio in respect of the Municipality's Long-Term Funds rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

Regulation: means Ontario Regulation 438/97.

Risk: means the uncertainty of future investment returns.

Risk Tolerance: means the financial ability to absorb a loss.

Securities Lending: means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.

Short-Term Funds: means money that is required immediately by the Municipality as described in section 5.1 and which remains under the control and management of the Municipality. The funds can be invested in appropriate Legal List Securities.

Sinking Fund: refers to a fund formed by periodically setting aside money for the gradual repayment of a debt or replacement of a wasting asset..

Sinking Fund Required Contributions (Annual Sinking Fund Requirement): means the amount of money to be set aside each year for deposit into a sinking fund or a retirement fund, as applicable, for each sinking fund and term debenture issue in accordance with the Municipality’s debenture by-laws when such debentures are issued.

Sinking Fund Required Earnings: means the investment earnings needed for the Sinking Fund Contributions to continue to grow to a value sufficient to repay the principal at maturity for each issue of sinking fund and term debentures.

Sinking Fund Excess Earnings: means the investment earnings in excess of the required earnings.

2. LEGISLATIVE FRAMEWORK

2.1. Governing Legislation

Investments of Short-Term Funds, or MRI will, in accordance with this IPS, only be made in Legal List Securities. The primary objectives of the Short-Term investment program, in priority order, shall be: Preservation of Capital, Maintenance of Liquidity, earning a Competitive Rate of Return and Legality of Investments. This will be achieved by investing in eligible legal list securities, high credit quality rated bonds to mitigate credit risk, highly liquid assets to respond to cash flow requirements and seeking the best ongoing return possible subject to the constraints of this Policy, respectively.

Investments of Long-Term Funds or, MNRI are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Municipality to earn improved risk-adjusted rates of return.

The Act provides that the Municipality must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment plays within the Municipality's total portfolio of investments;
- The expected total return from income and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

2.2. Prudent Investor Standard

The standard to be used by the Municipality and ONE JIB shall be the "Prudent Investor" standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Municipality's MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances, that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.

As well, the Prudent Investor Standard makes use of Modern Portfolio Theory, which looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio.

Officers, employees and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking into account the prescribed risk and other parameters set out in this IPS and market factors. The Municipality's staff acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment's performance, provided underperformance relative to expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

3. MONEY REQUIRED IMMEDIATELY & MONEY NOT REQUIRED IMMEDIATELY

3.1. Determination of MNRI and MRI

Determination of MNRI is the responsibility of Council. In making the determination, Council may consider:

- the time horizon within which the monies are needed to meet financial obligations;
- the purpose for which the monies have been collected or set aside and are to be used;
- the source of the money; or
- any combination of the foregoing

MNRI will be comprised of money that is to be used to meet financial obligations that become due more than 18 months from the date of receipt of such money by the Municipality.

For certainty, all money and investments that have not been identified as MNRI (other than third party trust funds) shall be deemed for purposes of this IPS to be MRI.

Determination of MNRI and MRI may be modified at any time and from time to time by action of Council and with respect to specific funds by the Treasurer in accordance with the provisions of Section 6.2.

Any changes in this IPS regarding MNRI and MRI must be communicated immediately in writing to ONE JIB.

3.2. Overview of Portfolios

The Municipality's portfolios represent funds required for specific purposes. A high level description of each of these portfolios and their objectives is provided in Section 5 below.

- Short-Term Portfolio, or MRI which is invested in Legal List Securities; and/or

- Long-Term Portfolio, or MNRI which is invested under the Prudent Investor regime.

4. ROLES AND RESPONSIBILITIES

4.1. Role of ONE JIB

ONE JIB has been appointed by the Municipality in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement.

ONE JIB exercises control and management of the Municipality's MNRI and the investments made by it with such MNRI. No person including, without limitation, ONE JIB, may engage in an investment transaction except as provided under the terms of this IPS.

Among the responsibilities of ONE JIB are the following:

- Reviewing this IPS;
- Adopting and maintaining an Investment Plan that complies with this IPS;
- Engaging External Portfolio Managers, Custodians, administrators and other investment professionals (Agents);
- Allocating the money and investments under its control and management among External Portfolio Managers;
- Monitoring the performance of the Agents; and,
- Reporting to the Municipality.

The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

4.2. Role of Municipal Staff

Council adopts a statement of its investments policies and goals for investments in a security prescribed under The Municipal Act and Eligible Investments, Regulation 438/97. This IPS is approved and adopted by Council with input from the Treasurer, and from ONE JIB with respect to MNRI.

Consistent with this IPS, the Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:

- Investment management of MRI and any third party trust funds by, or under the direction of, the Treasurer;

- Explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and,
- A system of controls exercised by the Treasurer to regulate the investment activities of Town of Whitby staff when investing MRI.

In the management of MRI of the Municipality, and any third party trust funds, the Treasurer may engage one or more agents and service providers. ONE Investment can assist with the investment of the Municipality's MRI, in Legal List Securities, and with the investment of third party trust funds, in accordance with the terms of the applicable trust, if permitted, at the request of the Municipality.

4.3. Ethics and Conflicts of Interest

Individuals who are responsible for the Town's Short-Term Portfolio shall comply with the Town of Whitby's Conflict of Interest guidelines and the relevant sections of the CPA Code of Professional Conduct.

ONE JIB, in its capacity as a joint municipal service board, in addition to being a local board of each member Municipality is subject to a Code of Conduct as required by the Municipal Act, 2001 (the "Act"). This Code of Conduct, applies to the Chair and the other Members of ONE JIB acting in their capacity as Members of ONE JIB.

5. INVESTMENTS

5.1. MRI: Short-Term Funds

The Municipality's MRI is described in this IPS as Short-Term Funds. Short-Term Funds consist of money needed to meet financial obligations coming due within 18 months from the date of receipt of such money and are controlled and managed by the Treasurer.

For clarification, any debenture or promissory note issued by a LDC to the Town, together with any payments or interest earned thereon, shall be considered Short-Term Funds.

5.1.1. Short-Term Funds: Investment Objectives

The main focus of the investment of Short Term Funds is cash management, and interest income generated by investments is a contributor to budgetary revenues. To the extent possible, the Municipality shall attempt to match its investments with anticipated obligations. Consequently, Capital preservation is paramount and this portfolio needs to be highly liquid.

The Municipality aims to maximize returns throughout budgetary cycles, subject to the constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserving capital, liquidity and to further manage risk through diversification by issuer and credit quality.

5.1.2. Short-Term Funds: Eligible Investments

Short Term Funds may be invested in high quality, short-term investments that are also Legal List Securities available from banks, dealers and other financial institutions. Investments issued or guaranteed by approved institutions will be permitted by this Policy, as deemed eligible by Ontario Regulation 438/97 or as authorized by subsequent provincial regulations. Investments will be limited to securities issues maintaining a minimum credit rating by an appropriate credit rating agency, an example of which is shown in Appendix D.

Eligible investments include the following offerings by ONE Investment:

- ONE Investment High Interest Savings Account;
- ONE Investment Money Market Portfolio; and,
- ONE Investment Bond Portfolio

For a complete listing of Eligible Short-Term Investments under this Policy, refer to the Authorized Investments & Sector Limitations found in Appendix C. The Investment Analyst, under the direction of the Treasurer is permitted to deviate +/- 5% from maximum exposures to take advantage of changing market conditions.

5.2. MNRI: Long-Term Funds

MNRI is described in this IPS as Long-Term Funds. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the Long-Term Funds, excluding LDC shares and any other LDC financial instruments as set-out in this Investment Policy, and the investments made therewith.

From time to time, the Town may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to pay those obligations. ONE JIB will select the investment(s) to be liquidated subject to the constraints of this Policy. The timing of such liquidation will be determined by ONE JIB in consultation with the Treasurer.

5.2.1. Long-Term Funds: Investment Objectives

In setting the objectives, the Municipality has taken into account the following considerations:

- Preservation of capital;

- Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;
- Income and capital appreciation; and,
- Diversification by asset class, market, sector, issuer, credit quality and term to maturity; and,
- Macro risks, such as inflation, economic growth and interest rates.

Investment of Long-Term Funds is managed by ONE JIB, which balances expected investment risks and returns to generate asset mixes that create outcomes to meet the Municipality's needs and risk tolerances. Risk mitigation is achieved primarily through the diversification of investment types. For example, assets will be invested in a mix of fixed income, equity, and other investments in order to help balance volatility and returns. Returns have an impact on revenues, as well as a longer term impact on future years' budgets and should, at a minimum, keep pace with inflation. To the extent possible, the Long-Term Funds' investment horizons are aligned with the Municipality's obligations and cash flow requirements and may consist of liquid and non-liquid securities based on future cash flow requirements.

The Municipality has identified the following investment objectives for its Long-Term Funds.

Reserve Classification	**Objective**	**Risk Tolerance, Liquidity**	**Investment Horizon**
Contingency	Contributions for unexpected events	Higher risk with emphasis on growth, liquid	very long (but readily available as needed)
Stable Return	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	long (5+ years)
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements. May also include contributions to asset management reserves	Lower risk, liquid	< 5 years
		Moderate risk with emphasis on stable returns, liquid	5 to 10 years
		Higher risk with emphasis on growth, liquid	Greater than 10 years

The Long Term Fund managed by ONE JIB will be used to meet the longer-term liabilities of Reserves and Reserve Funds not immediately required. This includes utilizing returns to fund growth related capital projects, preserving and replacing asset infrastructure and to cover greater than expected or unbudgeted operating expenses. The risk tolerance to capital losses is to be minimized while weighing the benefits of higher expected returns over a longer investment horizon. Risk tolerance tends to decrease as funding is required and investment allocations may change over time to reflect this.

5.2.2. Long-Term Funds: Eligible Investments

Eligible investments for Long-Term Funds include the following offerings by ONE Investment:

- ONE High Interest Savings Account;
- ONE Canadian Government Bond Fund;
- ONE Canadian Corporate Bond Fund;
- ONE Canadian Equity Fund;
- ONE Global Unconstrained Bond Fund; and,
- ONE Global Equity Fund.

As offerings expand to include new investment pools which may hold less liquid investments, the Town will reconsider its investment objectives where warranted.. Nothing in this IPS prevents Long-Term Funds from being held in cash, short term money market instruments, or overnight deposits when exercising the attributes of a prudent investor.

5.2.3. Long-Term Funds: Local Distribution Corporation (LDC)

The direct investment in LDC shares, prior to June 1, 2020, shall be permitted and included as part of the Long-Term Funds/MNRI held by ONE JIB. Specific details of this investment shall be approved by Council in its sole and absolute discretion, and ONE JIB shall adhere to all terms and conditions as directed. More specifically, ONE JIB shall be prohibited from selling, transferring, assigning, or pledging the LDC shares.

LDC shares are considered restricted, special assets and remain in the custody of the Town of Whitby. LDC shares are to be viewed as separate standalone investments with the subject matter expertise and administrative functions remaining under the purview of the Town. These assets are not marketable securities and were acquired by the Town pursuant to separate legislative provisions and shareholder agreement(s). Council retains direct, de facto control of the LDC shares and ONE JIB shall adhere to all terms and conditions as directed. More specifically, Council controls all acquisition and disposition decisions related to current and future LDC assets. Any voting related to LDC shares will be undertaken solely by the Town.

The investment in LDC shares will not be included in calculations regarding asset mix/allocations or other constraints that apply to the Long-Term Funds.

5.2.4. Long-Term Funds: Other Portfolios

The Town does not currently have any other investment portfolios which require management by ONE JIB under the Prudent Investor Standard.

5.3. Third Party Trust Funds and Designated Funds

In addition to the Town's own money, the Town is from time to time entrusted with third party trust funds, and the responsibilities and obligations with respect thereto may be subject to other legislation and governed by other agreements and instruments. To the extent that there is any conflict or inconsistency between the provisions of this IPS and the terms and conditions contained in such other legislation, agreements or instruments applicable to third party trust funds, the latter shall prevail.

The Municipality's third party trust funds and the designated funds are listed in Appendix A.

For certainty, the third party trust funds are MRI of the Municipality, and such funds are not under the control or management of ONE JIB.

5.4. Investment Management

5.4.1. Investment Management of Short-Term Funds

The Short-Term Funds will be managed by the Treasurer as it consists of funds required by the Town to meet its immediate cash-flow requirements.

5.4.2. Investment Management of Long-Term Funds

The investment of Long-Term Funds shall be controlled and managed by ONE JIB. An investment advisor shall be retained by ONE JIB to define and manage the asset allocation using External Portfolio Managers.

Competent External Portfolio Managers shall be appointed by ONE JIB and they shall enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any External Portfolio Manager changes deemed in the best interest of its member municipalities. For each External Portfolio Manager, ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards, and performance expectations, which are documented in each External Portfolio Manager's guidelines.

5.5. Transition to Prudent Investor Regime

Until the Prudent Effective Date (June 1, 2020), the Municipality will continue to control and manage its MRI, MNRI and investments in Legal List

Securities. Some of such investments were made with MRI and some with MNRI.

Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be not required immediately shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Municipality does not require immediately to be held, and to continue to be held by ONE JIB, in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a bank to be held to maturity and invested upon receipt of cash proceeds.

Management of third party trust funds is not directly affected by the Prudent Effective Date.

5.6. Investment Constraints

5.6.1. Environmental, Social and Governance (ESG) Investing

The Town of Whitby supports ESG investing for Short-Term and Long-Term Funds. The Town believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business, and that these actions contribute to long term financial performance.

The Town has chosen to monitor the developments of ESG factors and will reconsider its approach to ESG investing for the Short-Term Portfolio as and when appropriate to do so.

For the investment of Long-Term Funds, ONE JIB is required to explore how External Portfolio Managers are implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested. Accommodating specific ESG considerations may not be possible either due to availability or to costs.

5.6.2. Securities Lending

The Municipality may invest in pooled funds, and other investment funds that are controlled by an External Portfolio Manager who may engage in Securities Lending if the policies of the External Portfolio Manager that apply to such pools permit such an action.

5.6.3. Derivatives

Derivatives may be used for the investment of Long-Term Funds where they are fully covered by a backing asset, e.g., as for currency or other hedging, to change portfolio duration or in covered call strategies. Derivatives are not utilized for profit purposes but as insurance to protect investments from unwanted external factors and unexpected changes in the financial markets. Derivatives may not be used for speculative purposes.

5.6.4. Pooled Funds

All investment strategies may be pursued directly through holdings of corporate and government issuers and indirectly via pooled funds and investment funds or any combination thereof as approved in this Policy.

5.6.5. Currency Hedging

The Short-Term Portfolio will not utilize currency hedging.

The Municipality's funding requirements are in Canadian dollars. However, some exposure to foreign currencies in the Long Term Portfolio is expected and necessary to provide diversification and potentially enhance returns. Therefore it shall not be a violation of this IPS for investments in global mandates to be unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB.

5.6.6. Letters of Credit

The Town of Whitby will accept irrevocable Letters of Credit in the prescribed format issued by a Schedule I bank with a minimum Dominion Bond Rating Service (DBRS) rating of R-1 low or A (low) or Schedule II (as approved) bank with a minimum DBRS rating of R-1 middle or AA (low).

Letters of credit issued may be accepted from any of the five largest banks set out in Schedule I of the Bank Act listed below:

1. Bank of Montreal
2. The Bank of Nova Scotia
3. Canadian Imperial Bank of Commerce
4. Royal Bank of Canada
5. Toronto Dominion Bank

Letters of credit may be accepted from Schedule I or II banks meeting the minimum DBRS rating criteria on the approval of the Treasurer or designate.

If a Letter of Credit was previously accepted in accordance with this policy and the bank has since been downgraded and no longer meets the minimum requirements, the Town may request a new acceptable Letter of Credit.

5.7. Performance Monitoring, Rebalancing and Management

5.7.1. Short-Term Funds

The Short-Term investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The Town will employ a passive buy and hold strategy as opposed to an active trading strategy. The Investment & Financial Analyst, under the direction of the Treasurer, is permitted to rebalance investments to take advantage of changing market conditions. The structure of the portfolio will always take into consideration the cash flow needs of the Town.

The Investment & Financial Analyst will provide regular performance reporting to the Treasurer on the portfolio, as required.

5.7.2. Long-Term Funds

For the investment of Long-Term Funds, each account's asset mix will be monitored on a periodic basis by ONE JIB. Should the asset mixes deviate outside the ranges set out in the Investment Plan, continuous compliance monitoring will flag deviations from the target asset allocation and the account will be rebalanced as soon as practicable taking into consideration variations in market liquidity and the investment objectives. Cash inflows /outflows will be used to rebalance as much as possible. If they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. ONE JIB shall provide at least annual reporting described in Section 6.7 that demonstrates the Municipality's holdings, declares compliance with this IPS and shows External Portfolio Manager performance.

6. ADMINISTRATIVE POLICIES

6.1. Flow of Funds & Annual Municipal Budget

6.1.1. Transfer to ONE JIB as Part of Budget Process

On an annual basis, as part of the Municipality's budget process, the Municipality shall identify the amount, if any, of Long-Term Funds that it holds. Any Long-Term Funds not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

6.1.2. Transfer to Municipality as Part of Budget Process

On an annual basis, as part of the Municipality's budget process, ONE JIB shall be notified by the Treasurer as to the amount, if any, required by the Municipality from the Long-Term Funds then under the control and management of ONE JIB for the Municipality's operational purposes. Such amount shall be deemed to be Short-Term Funds and shall be returned to the Municipality in a lump sum or by way of periodic payments, as directed by the Treasurer.

6.2. Flow of Funds Otherwise than through the Budget Process

6.2.1. Surplus Funds

The Short-Term Funds capture revenues received by the Municipality during each year after the approval of the Municipality's budget for the year. On an annual basis, any surplus funds allocated to the reserve and reserve funds and deemed to be MNRI by the Treasurer shall be transferred to ONE JIB to be under its management and control as Long-Term Funds. Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

6.2.2. Contingencies

The Treasurer is authorized, from time to time after the approval of the Municipality's budget, to direct ONE JIB to return any amounts determined by the Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Municipality's budget in force for that year. Provided, however that the aggregate of the amounts to be returned to the Municipality under this Section 6.2.2 during the year shall not exceed 25% of the Long-Term Funds under the control and management of ONE JIB as at the date that the Municipality approved its budget for the year (the Budgeted Long-Term Funds). In determining the Budgeted Long-Term Funds for purposes of calculating the 25% limit, any Long-Term Funds to be transferred to the control and management of ONE JIB in accordance with that year's budget pursuant to Section 6.1.1 shall be included and any amount to be returned by ONE JIB to the Municipality pursuant to Section 6.1.2 shall be excluded. External Portfolio Managers should be made aware of material transactions in advance to insure the orderly sale of securities to fund withdrawals.

6.3. Valuation of Investments

Investments shall be valued according to the values provided by the Custodian(s). For the investment of Long-Term Funds, values of unitized vehicles shall be valued according to the unit values published daily by the Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the External Portfolio Manager to the Custodian no less frequently than quarterly.

6.4. Voting Rights

Subject to the provisions of 5.2.3, where External Portfolio Managers have been appointed, such External Portfolio Managers may assume the responsibility of exercising voting rights and will report their voting policies to ONE JIB annually. The Municipality may access these policies at any time

6.5. Internal Controls

The Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring compliance with governing legislation and with policies and procedures established by the Treasurer. To the extent ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

6.6. Custodians

All investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For Long-Term Funds, the Custodian shall be acceptable to ONE Investment. For Short-Term Funds the Custodian shall be acceptable to ONE Investment if ONE Investment is administering the investment of the Municipality's Short-Term Funds, otherwise the Custodian shall be acceptable to the Municipality.

All Custodians shall provide monthly reporting showing all securities held, their book values, market values and all income received.

6.7. Reporting

Regulation 438/97 of the Municipal Act, 2001 requires the Treasurer or delegate to provide an annual report of investments made by the municipality to Council.

6.7.1. Short-Term Funds

For the investment of Short-Term Funds, the Treasurer shall report annually to Council, such report to be in such form and contain such content as Council may request. The report to Council shall include investment performance during the period covered and such other information as the Treasurer may consider to be pertinent, subject to the requirements of the Regulation.

6.7.2. Long-Term Funds

The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of Long-Term Funds at least annually. Such report shall include the following.

a) Investment performance during the period covered by the report;
b) Asset mix of the total portfolio;
c) A listing of individual investments held at the end of the reporting period showing, where appropriate, their average term to maturity and yield relative to the benchmark, book value, market value, realized/unrealized gains/losses and actual income received;
d) Dates of all transactions including the purchase and sale prices;
e) A statement by the Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and

f) Any other pertinent information in the opinion of the Treasurer.

7. APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE

7.1. Revocation / Amendment of Previous Investment Policy

This Policy amends the existing IPS previously approved by Council Resolution #193-18.

7.2. Modifications to the IPS

At least annually Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Treasurer with respect to the investment of Short-Term Funds and from ONE JIB with respect to the investment of Long-Term Funds.

Following the Council's review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

At a minimum, the annual review will take into account:

- The adequacy of funding for capital works;
- The Municipality's ability to reduce other spending;
- Flexibility of the timeframe to payout; and
- Sensitivity to loss.

7.3. Effective Date

This IPS is adopted by Council of the Municipality effective June 1, 2020. The Treasurer is directed to sign a copy of this IPS to evidence approval and to deliver a copy of this IPS to ONE JIB.

Signed by:

Treasurer

____
Date

APPENDICES

Appendix A Third Party Trust Funds

Appendix B Ontario Regulation 438/97 (Eligible Investments & Prudent Investment)

Appendix C Authorized Investments & Sector Limitations (Short Term Portfolio)

Appendix D Dominion Bond Ratings Service Credit Quality

This Policy is hereby approved by Council Resolution #_____ on this _____ day of __________, 20__.

Municipal Client Questionnaire

Recommended Review: Annually. However, if

a. there is a significant change in the Municipality's circumstances (or)
b. there is a significant change in reserves/expenses

then a review is recommended within three months of the occurrence of such change.

1. CLIENT INFORMATION

1.1 NAME OF MUNICIPALITY: ______________________________
(Municipality)

1.2 NAME OF THE TREASURER: ______________________________

1.3 NAME OF PRIMARY DAY-TO-DAY CONTACT**: ______________________________

1.4 TITLE OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.5 ADDRESS: ______________________________

1.6 PHONE NUMBER OF TREASURER: ______________________________

1.7 PHONE NUMBER OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.8 FAX NUMBER: ______________________________

1.9 EMAIL OF TREASURER: ______________________________

1.10 E-MAIL OF PRIMARY DAY-TO-DAY CONTACT: ______________________________

1.11 DATE OF PREVIOUS MUNICIPAL CLIENT QUESTIONNAIRE: ______________________________

1.12 If there have been no material changes to the information contained in the last Municipal Client Questionnaire provided to ONE Investment, indicate here:

____

1.13 Is the Municipality invested under Legal List with ONE Investment? ☐ Yes ☐ No

1.14 Is the Municipality invested under Prudent Investor Regime? ☐ Yes ☐ No

**Primary day-to-day contact should have a comprehensive understanding of the Municipality's financial position and investment needs.

ONE INVESTMENT

Municipal Client Questionnaire

1.15 Please provide the following information for all individuals authorized to provide instructions to ONE Investment:

NAME	TITLE	EMAIL

2. INVESTMENT KNOWLEDGE AND EXPERIENCE

2.1. Which statement best describes the Municipality's level of investment knowledge and experience with financial markets and products?

- ☐ Very limited knowledge
- ☐ Basic knowledge and minimal experience
- ☐ Good knowledge and some investment experience
- ☐ Strong knowledge and experience
- ☐ Advanced knowledge and extensive experience

2.2 Please confirm that the Municipality is prepared to have exposure to the equity markets in accordance with its IPS and the corresponding Investment Plan. If no such exposure is contemplated, so state.

____

2.3 Check the following statements that apply to the Municipality's current investment portfolio? [*Check all that apply*]

- ☐ Canadian money market securities (e.g. Cash, bank accounts, HISA etc.)
- ☐ Locked In Investments (GIC's PPN's etc.)
- ☐ Local Distribution Corporation Securities (cemetery, trusts, hydro funds etc.)
- ☐ Fixed income (government and/or corporate bonds)
- ☐ Equities

3. INVESTMENT OBJECTIVES AND RISK TOLERANCE

This section of the Questionnaire asks about the Municipality's Money Not Required Immediately (MNRI). In general, investors can expect a higher annualized rate of return if the investor is also willing to accept volatility or fluctuation in the market value of their investments. For example, investors can expect that the average annual rate of return for a five year period will be higher where the portfolio's returns are varied when measured on a year by year basis, with some years having negative returns. A portfolio which has a steady return year over year, with little possibility of negative returns in any year, will most likely have a lower annualized return when measured on a rolling five year average.

3.1 Which of the following best reflects the Municipality's investment objectives for its MNRI?

- ☐ Capital preservation is the main objective. Willingness to accept low returns in order to avoid any years with losses.
- ☐ Achieve moderate growth without excessive risk to capital.
- ☐ Willingness to accept higher risk, including risk of loss of capital, for potentially higher returns over the longer term

3.2 What is the Municipality's risk tolerance for its MNRI?

- ☐ Low (Conservative Approach: A very small chance of loss of capital over a 5 year period)
- ☐ Moderate (Moderate chance of loss of capital over a 5 year period)
- ☐ High (Greater uncertainty with potential of higher returns over a 5 year period)

3.3 Annual Return Expectations: Which range best reflects the Municipality's expected annual return for its MNRI?

- ☐ 0% to 2% gain
- ☐ 5% loss to 5% gain
- ☐ 10% loss to 10% gain

3.4 Other information: Is there any other information about the Municipality's investment objectives and risk tolerance for its MNRI that is relevant to the IPS or Investment Plan?

____

____

Sections 4 and 5 of this Questionnaire asks about the Municipality's assets, liabilities and cash flow and is not limited to MNRI. It is intended to assist ONE Investment in obtaining an understanding of the Municipality's financial circumstances, including its cash flow needs.

4. FINANCIAL INFORMATION

4.1 Size of Assets and Liabilities

Description	Amount
Total Assets	
Short Term Assets	
Long Term Assets	
Long Term Debt	
Total Revenues	
Reserves	
Reserve Funds	
Trust Funds	
Sinking Funds	
Pension Funds	
Operating Funds	

4.2 Cash Flow Projections by Year (e.g. Revenue Fund, Reserve Fund, Trust Fund etc.)

Type	2019	2020	2021	2022	2022-2030

Funding/Expenditure Analysis

4.3 Has the Municipality completed a cash flow analysis?

☐ Yes ☐ No

Please answer 4.4 through 4.8 if cash flow analysis has been completed by the Municipality.

4.4 How often is a cash flow analysis of reserves, reserve funds and expected expenditures completed by the Municipality?

4.5 Please specify month and year of the last update to the cash flow analysis.

4.6 How confident is your municipality with your current cash flow forecast?

☐ Very Confident ☐ Moderately Confident ☐ Considerable Uncertainty

4.7 How many years did the cash flow analysis forecast extend?

☐ One year ☐ Two years ☐ Three years ☐ Five years ☐ Seven years ☐ 10 years or more

4.8 How sensitive are the expenditures of the municipality to inflation? Does the investment plan need to emphasize sensitivity to inflation?

4.9 How much and how often does the Municipality require funds from the operating reserves?

Type of Operating Reserve	Amount Needed	Frequency

4.10 How does the Municipality manage unanticipated requests for funding? When was the last occurrence and how was it handled?

4.11 If the Municipality has completed a capital budget and asset management plan, how many years out does this forecast extend?

☐ Less than 3 years ☐ 3-5 Years ☐ 5-10 Years ☐ 10 years or more

4.12 Are the capital reserves growing annually for the Municipality?
☐ Yes ☐ No

4.13 If yes, what approximate annual rate are the capital reserves growing by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.14 If no, at what approximate annual rate is the Municipality's capital reserves declining by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.15 What annual rate is the Municipality's capital expenditures rising by?

☐ 1 to 2 % ☐ 3 to 4 % ☐ Greater than 5 %

4.16 Is there a particular year when the Municipality has unusual, large expected capital expenditure(s)?
☐ Yes ☐ No

4.17 If so, please explain the timing and nature of the expenditure(s)

4.18 What are the total capital reserves available for investment as the Municipality's MNRI?

☐ less than $5 million ☐ between $5 and $10 million ☐ between $10 and $20 million
☐ between $20 and $49 million ☐ between $50 million and $99 million ☐ over $100 million

5. PORTFOLIO INFORMATION

No.	Description	Amount ($)
5.1	Total Amount of MNRI	
5.2	Total Amount of "Money Required Immediately" - MRI	
5.3	MNRI currently invested with ONE Investment	
5.4	MRI currently invested with ONE Investment	
5.5	Total Amount currently invested with ONE Investment	
5.6	Total Locked In portion of MNRI that is not available for investment (e.g. local Hydro company shares)	
5.7	Total Locked In portion of funds not moving to ONE JIB due to legislation or other requirements (e.g. cemetery trust)	

5.8 Please list the name of securities with amounts invested and maturity dates that are not fully liquid (e.g. GIC's, PPN's etc.) which will be pledged as part of the Municipality's Prudent Investor investments (it is contemplated that proceeds from these investments will be transitioned into ONE Investments Prudent Investor pools at maturity or earlier if instructions given to liquidate prior to maturity.)

Type/Description	Amount	Maturity Date

5.9 What percentage of the MNRI portion of the portfolio is required by the Municipality in the following time periods? (Timeframes can be changed based on the Municipality's requirement)

[___] to [___] year: ____________________

[___] to [___] years: ____________________

[___] to [___] years: ____________________

More than 10 years: ____________________

6. PORTFOLIO MANAGEMENT AND ASSET ALLOCATION

Section 6 of this Questionnaire asks about the Municipality's existing investment policies, if any. Such policies may apply to MNRI and to MRI.

6.1 Are the Municipality's investments subject to any prohibited investment or other similar restrictions (Y/N)? If yes, please list:

____

6.2 Are the Municipality's investments subject to any investment concentration limits?

____

6.3 Are the Municipality's investments subject to any specific diversification requirements?

____

6.4 Please provide here any other restrictions and constraints (i.e. other than as contained in Municipal legislation) relating to the Municipality's investments:

____

7. ACKNOWLEDGEMENT

I confirm that information provided to ONE Investment in this form is complete and accurate as at the date hereof.

Dated this ________ day of _______________, 20___

______________________________ ______________________________

______________________________ ______________________________

Name and Signature of Treasurer Second Signature (if Required)

Attachment #3

Town of Whitby

Investment Plan (Draft)

Date: June 1, 2020

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

Contents

200 University Ave., Suite 801
Toronto Ontario M5H 3C6 Canada

1. Definitions

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Asset Allocation (Asset Mix): Proportion of each asset class in a portfolio.

Asset Class: a group of securities with similar characteristics and expected behaviours. Examples include Canadian stocks and global bonds.

Benchmark means an independently verifiable index that is representative of a specific securities market (e.g., the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms. A Benchmark can be a single Index or a combination of one or more indices.

Custodian: A specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks"). ONE Investment's custodian is CIBC Mellon.

Environmental, Social and Governance (ESG) Investing means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a ONE Investment Pool. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation;

Investment Policy Statement (IPS): The investment policy adopted by Council and updated annually determines Whitby's money that it requires immediately (Short-Term Funds) and money that it does not require immediately (Long-Term Funds), and sets out, among other things, Whitby's objectives and risk tolerances.

Long-Term Funds: Money not required immediately by Whitby.

Municipal Client Questionnaire: A document which shall be completed by the Commissioner, Corporate Services & Treasurer of each participating municipality and which includes information on municipal investments and risk preferences that must be reviewed annually.

ONE Investment: A not for profit organization that will serve as an agent of the ONE JIB to operationalize the investment activities of the ONE JIB and provide associated administration.

ONE Joint Investment Board (ONE JIB): Established by certain founding municipalities as a municipal services board under section 202 of the Municipal Act as required under Part II of the Regulation, and is the duly appointed Joint Investment Board for Whitby, as constituted from time to time and acting pursuant to the Terms of Reference set out in the ONE JIB Agreement.

ONE JIB Agreement: means the agreement effective as of June 1, 2020, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of Whitby's Long-Term Funds.

Prudent Investor Standard: Requires ONE JIB, when investing money under section 418.1 of the Act, to exercise the care, skill, diligence and judgement that a prudent investor would exercise in making such an investment, but does not restrict the securities in which a municipality can invest. The Prudent Investor standard applies to the entire portfolio of Whitby's Long-Term Funds under control of the ONE JIB rather than to individual securities.

Regulation: means Ontario Regulation 438/97.

2. Purpose of Investment Plan

As required under the Act's Prudent Investor regime, this Investment Plan (Plan) establishes how ONE Joint Investment Board (ONE JIB) will invest The Town of Whitby's (The Town) money that it does not require immediately (Long-Term Funds or MNRI). These Long-Term Funds have been determined to be not immediately required (MNRI) by Whitby after considering cash flow and budget requirements. This Plan complies with Whitby's Investment Policy Statement (IPS) adopted by Council on March 9, 2020 and is based on the information in the Municipal Client Questionnaire dated February 24, 2020 attached as Appendix A. This Plan applies to all investments that are directly controlled and managed by ONE JIB on behalf of Whitby.

At least annually, following Council's review of its IPS, ONE JIB shall review this Plan and update it as needed. This current Investment Plan should be reviewed by March 9, 2021.

3. Responsibility for Plan

This Plan is the responsibility of ONE JIB, which has authorized its agent ONE Investment to exercise its administrative investment functions in accordance with the Regulation. ONE JIB oversees ONE Investment staff using procedures, reports and regular audits to ensure compliance with the Act and the Regulation in addition to The Town's IPS and ONE JIB's own investment policies and standards.

This Plan is dependent on clear communication between The Town, ONE JIB and ONE Investment regarding Whitby's needs, which is especially important when investment needs change. To ensure clear communication, ONE Investment employs a Municipal Client Questionnaire as part of its annual review. It is the responsibility of Whitby to ensure that ONE Investment is aware of any needs that are not addressed in the Municipal Client Questionnaire and, as soon as practicable, of any material changes that occur during the year. It is the responsibility of ONE JIB and ONE Investment to provide liquidity to the extent possible, to adjust to changing needs in a timely fashion and to communicate any difficulties in so doing as soon as possible to Whitby. The process for communicating changes in the Municipal Client Questionnaire, IPS and other issues is set out in Appendix B [**NTD: Appendix B**]. The process for moving funds in/out of ONE Investment is outlined in Appendix E.

4. Custodian

Save for Town owned hydro assets, all investments under the control and management of ONE JIB shall be held for safekeeping in the name of Whitby by CIBC Mellon.

5. Investment Goals and Objectives

Whitby's total portfolio includes all of its MNRI. Returns have an impact on municipal revenues, as well as a longer-term impact on future years' budgets and should, at a minimum, keep pace with inflation over the long run.

Investments may consist of liquid and non-liquid assets depending on future obligations. Expected investment risks and returns are balanced to create outcomes that provide a high probability that Whitby's investment objectives can be achieved.

MNRI will be invested to generate any or all of the following outcomes:

a. Funding contingencies, where returns are reinvested with a view to growing principal over the long term for large withdrawals in unpredictable situations;
b. Creating stable returns, where principal is maintained and a reliable stream of returns may be available for to spend as/if needed; and
c. Funding target date projects, where Whitby has some definition of an obligation for a specific project at a specific time.

Whitby's investment objectives for MNRI are broadly categorized as follows:

Reserve Classification	Objective	Risk Tolerance, Liquidity	Investment Horizon
Contingency	Contributions for unexpected events	Higher risk with emphasis on growth, liquid	very long (but readily available as needed)
Stable Return	To generate stable returns to fund recurring needs	Moderate risk with emphasis on stable returns, liquid	long (5+ years)
Target Date	Contributions toward specific projects, mitigate inflation impacts and meet target funding requirements. May also include contributions to asset management reserves	Lower risk, liquid	< 5 years
		Moderate risk with emphasis on stable returns, liquid	5 to 10 years
		Higher risk with emphasis on growth, liquid	Greater than 10 years

The above table summarizes The Town's investment needs as detailed in the IPS which provides guidance relevant to how the ONE JIB will determine the investment allocations. Additional context from the Municipal Client Questionnaire and dialogue from the Commissioner, Corporate

Services & Treasurer was used to interpret the details in the table above to construct allocations that are reflective of the municipality's current goals, objectives, circumstances and risk tolerance.

While Whitby's reserve and reserve funds require liquidity (individually), collectively the municipality has considerable flexibility that should allow some exposure to less liquid investments as/if needed. This is more relevant for reserve and reserve funds with longer investment horizons. This currently has no impact on the how investments will be selected as all ONE Investment funds are fully liquid investment vehicles. Less liquid investment vehicles may become available through ONE Investment at a later date.

The Town has significant spending needs through 2025, and this large cash outflow will be funded with MRI balances retained by the Town and potentially by drawing down MNRI invested with ONE Investment. In total, during the first 5 years of the investment plan approximately $48 million is anticipated to be drawn down from MNRI to fund known spending needs. The Investment Plan has contemplated the need for these drawdowns during this time frame. The remaining portion of MNRI, which represents in excess of 50% of the initial portfolio, will be invested for longer term time horizons. Nearer term spending is related to the large planned expenditures on facilities, road infrastructure, parks and fleet and equipment. Significant projects include an estimated $45M for the Whitby North Sports Complex, $43M for the Whitby Civic Centre, $39M for road construction in West Whitby & Brooklin, $11MM for parks design and development and $8M for a new financial system/ERP. The Town also anticipates a significant spending need in the 5 to 10 year period related to the residential development and spending on related infrastructure in Brooklin. Ongoing migration to the Town will lead to continued population growth and densification, requiring ongoing spending for expansion of community infrastructure.

6. Investment Allocations

6.1 Asset Allocations

Asset allocations for each solution are expected to be relatively stable until the next annual review. Any changes to the amounts in each account must be communicated formally as outlined in Appendix B.

The goals, objectives, constraints and circumstances of the municipality are taken into consideration when assigning asset allocations for the municipality via ONE Investment's outcome based approach. These decisions are informed by the requirement to use the Prudent Investor Standard as defined in the Municipal Act. This Standard identifies several key considerations that need to be incorporated in the decision making process, including:

- General economic conditions;
- The possible effect of inflation or deflation;
- The role that each investment or course of action plays within Whitby's portfolio of investments;
- The expected total return on investment and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

The following comments explain how ONE JIB is taking these considerations into account:

- Current economic conditions can be characterized as broadly positive, with modest economic growth, low interest rates and modest inflationary pressures. It would seem that the global economy is in the later stages of an economic expansion, and there is some potential for deceleration of economic growth going forward and potential for global trade tensions or other macro-economic risks to adversely affect growth.

- Inflationary pressures in Canada remain relatively benign and it is reasonable to expect that inflation as measured by the Consumer Price Index (CPI) will remain broadly in the range of 2% per annum. However, to protect the purchasing power of existing monies invested with the ONE JIB returns will also need to consider the change in Non-Residential Construction Price Index (a version of the inflation index that is most relevant for the municipality). Allocations to equity investments in Whitby's plan should help to achieve this goal. Achieving such results will require Whitby to achieve higher returns than seem currently available within fixed income investment opportunities. As such, a meaningful allocation to equities will be appropriate to achieve this goal.
- Investment allocations will be diversified to help reduce the volatility of the investment portfolio and offer suitable risk return characteristics for Whitby.
- Return assumptions have been provided in section 6.6. These return assumptions were based on allocations that the Investment Manager believes to be appropriate for Whitby. As the portfolios will be broadly diversified, these potential returns are expected to be achieved while still maintaining a risk profile that is appropriate for the municipality.

6.2 Account Structure

The amounts of Money Not Required Immediately, as disclosed in Whitby's Municipal Client Questionnaire dated February 24, 2020 have been allocated into investment outcome categories to provide guidance to the ONE JIB when investing these monies.

In summary, the total allocation to each outcome is:

Outcome	**Allocation**
Contingencies	$ 16,849,175
Stable returns	4,440,760
Target Date 2 to 3 years	247,472
Target Date 4 to 5 years	47,749,872
Target Date June 30, 2025	26,692,047
Target Date June 30, 2030	10,625,164
Target Date June 30, 2035	1,350,442
Total MNRI	**$ 107,954,933**

These outcomes will be generated using ONE Investment Pools and products to create solutions via specific asset allocations. Descriptions of the ONE Investment Pools and the asset allocations for each solution are in Appendix C and D.

The process of moving from the current investments to the target weights, both noted below, is outlined in the Transition Plan in Appendix E.

6.3 Contingency Solution

Whitby has identified a need to generate long-term growth for funds within the Contingency Solution that may be drawn upon during times of unexpected need. Emphasis on the preservation of purchasing power / inflation considerations is a key consideration and therefore growth in value of their investments is emphasized. Considering the risk profile of the Town, it is appropriate for Whitby's Contingency outcome allocations to be invested in the 'moderate risk' profile outcome at this time. (further detail about the contingency outcome allocations is described in Appendix C). As the monies in the nearer term target date outcomes described in section 6.5 are drawn down over time, the risk profile of the overall portfolio will drift higher. This may give reason to revisit the risk profile assigned to the Contingency Solution at a later date. These funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile. All income will be reinvested to facilitate continued long-term growth in the assets until they are needed.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Unconstrained Bond Fund	40	50	60	Index A
ONE Canadian Gov't Bond Fund	0	10	15	Index B
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	25	35	45	Index D
Total		100		

Benchmark: 50% x Index A + 10% x Index B + 5% x Index C + 35% Index D
Contingency Solution returns and risk are discussed in section 6.6.

6.4 Stable Return Solution

Whitby has identified a need to generate a stable return on certain funds while also growing principal sufficiently to offset inflation. The Stable Return Solution allocation of approximately $4M is designed to generate income that could be used to fund regular spending needs, and all income generated is intended to be reinvested. Based on the expressed risk tolerances and current circumstances of the municipality, the Investment Manager has assigned the 'low risk' Stable Return Solution (which has a relatively low allocation to equities). Details of all asset mix ranges are available in Appendix C. Stable return funds will be invested based on the following asset mix and will be rebalanced to ensure a consistent risk profile.

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Unconstrained Bond Fund	50	60	70	Index A
ONE Canadian Gov't Bond Fund	15	20	25	Index B
ONE Canadian Equity Fund	0	0	0	Index C
ONE Global Equity Fund	10	15	20	Index D
Total		100		

Benchmark: 60% x Index A + 20% x Index B + 0% Index C + 15% x Index D
Stable Return Solution returns and risk are discussed in section 6.6.

6.5 Target Date Solution

Target date outcomes will be managed with the objective of providing for the return of principal and income and capital gains at a target date in the future. All income will be reinvested to ensure growth of the investments to meet the target date outcome.

Most of Whitby's MNRI is intended to be invested into target date solutions. The most prominent use of funds in coming years will be to finance the infrastructure for Facility, Roads and Related Park, Fleet and Equipment and Information Technology assets. In excess of $70 million will be spent on these initiatives through 2025, with additional spending needs anticipated in for several years thereafter. These projects will be funded with a combination of monies from MRI and MNRI. Target date allocations are designed to provide liquidity of approximately $48M to finance anticipated expenditures funded within the next 5 years. Whitby's longer term planning includes expended spending to accommodate population growth. As the Town continues to expand and residential development intensifies, additional spending will be required to extend and expand infrastructure. Brooklin, in the north end of the Town will be a focal point as development ramps up in the next 5 to 10 years. However, as some of these large expected funding needs are shorter term in nature, the Commissioner, Corporate Services & Treasurer will need to supplement the balances retained in MRI with funds from MNRI to finance some of the near term spending requirements. This means that MNRI will be impacted by large spending needs near term as balances are drawn down for capital projects. The remaining monies will be invested primarily for longer-term growth. The monies invested in Target Date Solutions will be split into several separate target date allocations which collectively are reflective of the need for growth while being reflective of the time horizon on which the funds are required.

Approximately $247,000 will be allocated into the shortest date solution, which is intended to provide some liquidity for the projects through 2022. The 2-3 Year Target Date Solution is invested such that the capital is not subject to volatility in the financial markets, and hence there is no risk that drawing down these funds would realize capital gains/losses. Income is earned on the balances in this solution based on very short-term interest rates. It is anticipated that the entire balance in this target date solution will be drawn down in coming years. Investment allocations for this solution are as follows:

2 – 3 Year Target Date Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE High Interest Savings Account	0	100	100	Index A
Total		100		

Benchmark: 100% x Index A.

2-3 Year Target Date Solution returns and risk are discussed in section 6.6.

The Town has other known spending needs within the next 5 years which will need to be funded. Approximately $ 48 million will be invested in the 4-5 Year Target Date Solution to help fund these needs. Due to the relatively short term time horizon, the monies invested in this target date solution will attempt to mitigate the potential for capital loss by investing only in fixed income investments. Equity investments are not appropriate for this target date solution due to the potential for higher volatility. Equities are included only in target date solutions with a time horizon in excess of 5 years. It is anticipated the entire balance will be drawn down in coming years.

4-5 Year Target Date Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	35	40	45	Index A
ONE Canadian Corporate Bond Fund	35	40	45	Index B
ONE Canadian Government Bond Fund	15	20	25	Index C
Total		100		

Benchmark: 45% x Index A + 40% x Index B + 20% x Index C.
4-5 Year Target Date Solution returns and risk are discussed in section 6.6.

Approximately 25%, or $26.7 M, of the MNRI will be invested in the 2025 Target Date Solution, which is appropriate for investments with an investment horizon between 6 and 10 years. For this and other longer time horizon target date solutions the funds will be invested in building block funds that follow a glide-path of progressively lower risk over time. The glide path is explained in Appendix D. Amounts will be allocated to two target date outcomes that reflect the intended time horizon and risk profile that for the other reserve accounts where near term liquidity is less relevant.

Target Date June 30 2025 Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	35	45	55	Index A
ONE Canadian Corporate Bond Fund	25	30	35	Index F
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	15	20	25	Index D
Total		100		

Benchmark: 45% x Index A + 30% x Index F + 5% x Index C + 20% x Index D
Target Date June 30 2025 Solution returns and risk are discussed in section 6.6.

Approximately 9% of MNRI will be invested in the 2030 Target Date Solution for investments with an investment horizon of 11- 15 years. This target date solution has an overall allocation to equity of about 35%, which should provide an opportunity for the funds invested to grow in value. As a these funds will primarily be used for construction/development projects in the future this growth is highly relevant as it will help preserve the purchasing power for monies invested. The need for investment returns to at least match inflation is a key consideration for monies allocated to these longer dated target date solutions (2030 and 2035). Based on discussions with the Commissioner, Corporate Services & Treasurer and input from the Municipal Client Questionnaire, allocations to the 2030 target date outcome for the Town's reserve and reserve funds are lower due to uncertainties related to Bill 108; specifically the change from Development Charges to Community Benefit Charges.

Target Date June 30 2030 Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	35	45	55	Index A
ONE Canadian Corporate Bond Fund	15	20	25	Index F
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	25	30	35	Index D
Total		100		

Benchmark: 45% x Index A + 20% x Index F + 5% x Index C + 30% x Index D
Target Date June 30 2030 Solution returns and risk are discussed in section 6.6.

At this time, $1.4M in MNRI will be invested in the 2035 Target Date Solution which is appropriate for reserve and reserve funds with longer time horizons. The Municipality's cash flow forecasting is very detailed for the next 10 year period, but planning beyond this window is not as well defined. The amounts mapped to this very long time horizon target date solution are based on an understanding of the long-term nature of certain MNRI balances rather than reflective of known spending on specific projects. Based on discussions with the Commissioner, Corporate Services & Treasurer and input from the Municipal Client Questionnaire, relatively small allocations to the 2035 target date outcome were identified as an appropriate outcome given the uncertainty of the Town's reserve and reserve fund balances beyond the next 10 years.

Target Date June 30 2035 Solution

	% Weight			
Asset class	**Minimum**	**Target**	**Maximum**	**Benchmark**
ONE Global Unconstrained Bond Fund	35	45	55	Index A
ONE Canadian Corporate Bond Fund	5	10	15	Index F
ONE Canadian Equity Fund	0	5	10	Index C
ONE Global Equity Fund	35	40	45	Index D
Total		100		

Benchmark: 45% x Index A + 20% x Index F + 5% x Index C + 40% x Index D
Target Date June 30 2035 Solution returns and risk are discussed in section 6.6.

6.6 Projected Investment Returns

The prospects for improved returns with acceptable levels of investment risks are a key consideration for any municipality investing in the Prudent Investor regime. The table below provides a projection of the annual returns of the investment outcomes (and consolidated outcomes). These estimates were derived from an analysis of long-term returns based on conservative capital market assumptions and economic forecasts. These return details are presented for information purposes only and actual investment outcomes may differ materially from those shown below:

Recommended Portfolio (17.3% Equities)		
Outcome	Weight	Expected Return
Contingency (Medium)	15.6%	4.4%
Stability (Medium)	4.1%	3.8%
Target Date 2-3	0.2%	2.2%
Target Date 4-5	44.2%	2.7%
Target Date 2025	24.7%	3.8%
Target Date 2030	9.8%	4.2%
Target Date 2035	1.3%	4.6%
TOTAL	**100.0%**	**3.5%**

The return profile of MNRI projected above is biased downward due to the large balances that are earmarked to be used to fund capital projects over the next 5 years, which limits the ability of the JIB to invest these monies for long term growth. As the near term Target Date balances are drawn down, the overall investment time horizon of MNRI balances will increase and hence a higher rate of return will likely be achieved as the porfolio transitions to a more growth oriented portfolio. Note that the Town recognizes unrealized gains/losses in investment portfolios on an annual basis, so returns or losses will directly impact the municipal budget.

Other investment allocations were evaluated for use in this Investment Plan which are presented below for comparitive purposes. Reference to these alternate allocations will appear only in the Draft Investment Plan and any reference to them will be omitted from the final Investment Plan to avoid confusion. These are provided for discussion purposes only.

Low Risk Portfolio (15.3% Equities)			High Risk Portfolio (20.4% Equities)		
Outcome	Weight	Expected Return	Outcome	Weight	Expected Return
Contingency (low)	15.6%	4.2%	Contingency (High)	15.6%	5.0%
Stability (low)	4.1%	3.4%	Stability (Medium)	4.1%	3.8%
Target Date 2-3	0.2%	2.2%	Target Date 2-3	0.2%	2.2%
Target Date 4-5	44.2%	2.7%	Target Date 4-5	44.2%	2.7%
Target Date 2025	24.7%	3.8%	Target Date 2025	24.7%	3.8%
Target Date 2030	9.8%	4.2%	Target Date 2030	9.8%	4.2%
Target Date 2035	1.3%	4.6%	Target Date 2035	1.3%	4.6%
TOTAL	**100.0%**	**3.4%**	**TOTAL**	**100.0%**	**3.6%**

6.7 Other Accounts

[this section does not apply]

7. Constraints

Besides those listed here, there are also constraints specific to each externally managed portfolio that are available on the ONE Investment website.

7.1 Environmental, Social and Governance (ESG) Investing

ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing External Portfolio Managers. External Portfolio Managers are assessed for their ESG policies. ONE JIB recognizes the practical difficulties of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by External Portfolio Manager based on a number of factors, including the degree of control exercised by ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations will not be possible due to availability, costs or other factors.

7.2 Securities Lending

Unitized vehicles that are controlled by an External Portfolio Manager may engage in securities lending if their policies permit such an action. ONE JIB intends to consider securities lending and may introduce a formalized policy to allow securities lending.

7.3 Derivatives

Derivatives may be used for the investment of Long-Term Funds where they are fully covered by a backing asset. Examples of such uses of derivatives include, but are not necessarily limited to: the ability to replicate investments otherwise permitted in the Plan and in the IPS, to equitize cash, to hedge currency exposures, to manage risk exposures, to change portfolio duration or to engage in covered call strategies. Derivatives may not be used for speculative purposes or to increase the risk of the portfolio.

8. External Portfolio Managers

ONE Investment uses External Portfolio Managers to create the portfolios and Funds (the ONE Investment Pools) used as building blocks in the asset allocation for each outcome. These External Portfolio Managers are chosen and monitored based on a due diligence process with oversight by ONE JIB and One Investment and input from an external consultant knowledgeable in the asset classes and in the range of investment options and portfolio managers suitable for institutional investors.

9. Rebalancing

Each account's asset mix will be monitored on a periodic basis by ONE Investment's management and staff. Should the asset mixes deviate outside the minimum or maximum weights noted in appendix C, the account will be rebalanced as soon as practicable to bring it within the minimum/maximum range. Given variations in market liquidity, transactions are to be completed as soon as reasonably viable, taking into account the investment objectives. Cash inflows / outflows are used to rebalance as much as possible; if they are insufficient, investments will be sold in a commercially reasonable manner and reallocated as required.

ONE Investment will rebalance all accounts as close as practicable back to target weights twice annually based on a fixed time schedule. ONE JIB has established rebalance dates of April 15 and October 15. Accounts that are within a 2% threshold of the intended targets would not need to be rebalanced as part of this periodic rebalancing process.

10. Accommodating Cash flow Needs

This Investment Plan is intended to be dynamic and responsive to changing needs of Whitby. Once informed of changing needs at Whitby by the Commissioner, Corporate Services & Treasurer or designated staff, ONE JIB may need to revise allocations, deploy incoming monies or sell fund units accordingly. Additionally, income from investments will be automatically reinvested into the investment outcomes where appropriate and cash flow needs of Whitby are expected to be financed with the sale of fund units. Any fee discounts that apply for Whitby are intended to be reinvested into the Stability Outcome or as otherwise directed by the Commissioner, Corporate Services & Treasurer.

11. Non-Liquid Assets

11.1 Legacy Investments / Strategic Investments

There are certain investments made by Whitby that have a strategic purpose beyond solely generating investment returns. These investments often involve provision of services within the community or may have resulted from legacy assets of the municipality. While technically these assets are part of the responsibility of ONE JIB, ONE JIB will not be exercising discretion in the management of these investments. While the value of these assets may count towards the AUM thresholds as stipulated in appropriate legislation governing the Prudent Investor regime, the JIB will not exercise control of such investments. The Commissioner, Corporate Services & Treasurer has expressed a desire to be actively involved with the Hydro investments (described below) for which the JIB is supportive. These investments will remain under the control and custody of the municipality.

Investment in Local Distribution Company.	
Hydro Shares	$ 53,261,000

11.2 Transitional Investments

MNRI that Whitby will transfer to the JIB will be funded out of available cash and through liquidation of the ONE Investment legal list portfolios. Principal Protected Notes valued at $6M will be included as part of their contribution to the ONE JIB.

The transition of monies into MNRI will involve the sale of some or all of ONE Investment portfolios. As these are highly liquid investment vehicles monies can be made available to fund the transfer of MNRI to the JIB within a few days.

12. Comments by Investment Manager

Certain qualitative factors were considered in assigning the investment allocations. Whitby's reserve and reserve fund balances over the next few years will be impacted by ongoing expenditures related to the Whitby North Sports Complex, Whitby Civic Centre, road construction in West Whitby & Brooklin, parks, new financial system/ERP and related activities. Whitby's MNRI is expected to be drawn down significantly through 2025 and periodically throughout the next 10 year period to accommodate a 40% increase in the Town's population by 2032. The Town appears to have strong cash flow to fund future needs and large balances of MRI to address recurring operating needs and provide some flexibility to finance unexpected needs. This strong financial footing should allow the MNRI to be invested with a relatively long time horizon and assume a reasonable amount of investment risk. This offers the municipality flexibility to invest monies for the long term, but as all investments are fully liquid, access to the funds will be retained for any unforeseen circumstances.

One of the investment objectives for Whitby is to achieve growth for the monies invested, with above-inflation returns. Due to the longer term time horizon for some of the municipality's reserve and reserve funds and the need for returns to exceed inflation, a meaningful allocation to equities is appropriate. In the short to medium term there is limited need for recurring income from the investment portfolios and all income generated is intended to be reinvested.

The municipality has cash flow flexibility in coming years as approximately 50% of MNRI will not need to be utilized in the next 5 years. Additionally, the objective to achieve growth for the monies invested, with above-inflation returns was recognized as an important goal for the municipality. This helped influence the level of risk assigned in the allocations and was factored into the size of allocations made into each target date solution. Aside for the funding for the specified near term needs, the municipality has the flexibility to assume a moderate risk profile for the consolidated portfolio, and investment allocations are also influenced by the relatively long time horizon associated with the MNRI. The investment manager has exercised discretion when choosing ONE Investment Outcomes to use in the portfolio and the overall risk profile of the portfolio was considered the most important consideration. At the time of writing, the recommended overall exposure to equity within the portfolios was targeted at 17.3%, effectively doubling the Town's overall exposure to equity investments vs allocations within legal list regime. This level of diversified equity exposure appropriate for the municipality.

Signed by:

Keith Taylor, Investment Manager ONE Investment	[Name], Chair ONE Investment Joint Investment Board

Appendix A: Most Recent Municipal Client Questionnaire

Please refer to Appendix 2 of Council Report CS 01-20 Investment Policy Statement and Transition to Prudent Investor Regime via ONE Joint Investment Board

Appendix B: Process for Communicating Changes in Investment Needs

For effective investment management it is imperative that material changes in Whitby's investment needs be communicated to ONE JIB on a timely basis. These include changes in:

- Risk tolerance;
- The IPS;
- Timeframes and/or estimated amounts for financial obligations, including sooner-than-expected amounts and longer timeframes;
- Desired end use of funds, especially if that is likely to affect the investment approach
- Changes in authorized personnel responsible for investments

These changes must be communicated in writing using the Municipal Client Questionnaire on the ONE Investment website to [name] at [email address]. They cannot be considered received without a formal return email acknowledgement from ONE Investment.

Appendix C: Description of ONE Investment Pools, Products and Solutions

Following is a list of the ONE Investment Pools and products used to achieve target asset allocations. For more information on how these ONE Investment Pools and solutions are managed, please see further detail on the ONE Investment website.

ONE Investment Pool or Product	External Portfolio Manager	Mandate	Asset Allocation
High Interest Savings (HISA)	CIBC Commercial Banking	Savings account	Savings account
ONE Canadian Government Bond Fund	MFS	Bonds of < 5 years' maturity that meet the Legal List requirements	100% short-term government bonds
ONE Canadian Corporate Bond Fund	MFS	Canadian Bond exposure inclusive of corporate credit	Canadian Fixed Income
ONE Global Unconstrained Bond Fund	[Not Disclosed]	Global Unconstrained Fixed Income	Global Fixed Income
ONE Global Equity Fund	[Not Disclosed]	Global Equities inclusive of Emerging Markets exposure	Global Equities
ONE Canadian Equity Fund	Guardian	Canadian Equity with conservative investment approach	Canadian Equities

ONE INVESTMENT

Solutions

The asset allocations for ONE Investment's solutions are the following. Rebalancing will be managed for these asset allocations as explained in the Plan.

Contingency Solution

	Default Lower Risk % Weight			Duration (Years)	Moderate Risk % Weight			Higher Risk % Weight		
	Min	Target	Max		Min	Target	Max	Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	40	50	60	25	35	45
ONE Canadian Government Bond Fund	0	10	15	1.6 – 3.6	0	10	15	0	5	10
ONE Canadian Corporate Bond Fund				3.0 – 6.9						
Total fixed income	**66**	**70**	**74**		**54.5**	**60**	**64.5**	**35**	**40**	**45**
ONE Canadian Equity Fund	0	5	10		0	5	10	5	10	15
ONE Global Equity Fund	15	25	35		25	35	45	40	50	60
Total equity	**26**	**30**	**34**		**35.5**	**40**	**45.5**	**55**	**60**	**65**

Stable Return Solution

	Default Lowest Risk % Weight			Duration (Years)	Low Risk % Weight		
	Min	Target	Max		Min	Target	Max
ONE Global Unconstrained Bond Fund	50	60	70	2.0 – 6.0	50	60	70
ONE Canadian Government Bond Fund	25	30	35	1.6 – 3.6	15	20	25
ONE Canadian Corporate Bond Fund				3.0 – 6.9			
Total fixed income	**88**	**90**	**92**		**76.5**	**80**	**83.5**
ONE Canadian Equity Fund	0	0	0		0	5	10
ONE Global Equity Fund	8	10	12		10	15	20
Total equity	**8**	**10**	**12**		**16.5**	**20**	**23.5**

Asset allocations for target date solutions are in Appendix D.

Appendix D: Target Date Solutions' Glide-path Asset Allocations

Investments with target dates will be managed to reduce risk as the end date approaches. This is known as following a glide-path. Below is the asset allocation glide-path that will be followed with a view to generating asset growth for long term holdings and shifting gradually to safety of principal for shorter term holdings.

Term to Target Date in Years																		
		2 to 3			**4 to 5**			**6 to 10**			**11 to 15**			**16 to 20**			**> 20**	
	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max	Min	Target	Max
ONE High Interest Savings Account	0	100	100															
ONE Global Unconstrained Bond Fund				35	40	45	35	45	55	35	45	55	35	45	55	30	40	50
ONE Canadian Government Bond Fund	0	0	100	15	20	25												
ONE Canadian Corporate Bond Fund				35	40	45	25	30	35	15	20	25	5	10	15	0	5	10
Total Fixed Income	**100**	**100**	**100**	**90**	**100**	**100**	**71.25**	**75**	**78.75**	**60.75**	**65**	**69.25**	**50.25**	**55**	**59.75**	**40**	**45**	**50**
ONE Canadian Equity Fund				0	0	0	0	5	10	0	5	10	0	5	10	0	5	10
ONE Global Equity Fund				0	0	0	15	20	25	25	30	35	35	40	45	40	50	60
Total Equity				0	0	10	21.25	25	28.75	30.75	35	39.25	40.25	45	49.75	50	55	60
Expected return		2.2%			2.7%			3.8%			4.2%			4.6%			4.9%	

Appendix E: Transition Plan

At the writing of this Plan (02/12/2020), Whitby's holdings in ONE Investment legal list products were the following.

Account	Current Holdings	Amount
Account 1	ONE Investment HISA	$ 61,915,658
Account 2	ONE Equity Portfolio	10,303,376
		$ 72,219,334

The objective is to move from existing investment to the current allocations recommended in this Investment Plan (as noted below) as quickly as practicable. The Town will liquidate the securities above and the proceeds will be contributed to the JIB. The settlement cycle on ONE Investment portfolios & HISA is very short so no special considerations will need to accommodate the transition of ONE Investment legal list holdings to the JIB investments.

Below is a summary of the intended ONE Investment allocations under prudent investor. The town will use

Account	Target Holdings	Amount
Account A: Contingency	ONE Investment Contingency Solution	$ 16,849,175
Account B: Stable Return	ONE Investment Stable Return Solution	4,440,760
Account C: Target Date 1	ONE Investment 2-3 Year Target Date	247,472
Account D: Target Date 2	ONE Investment 4-5 Year Target Date	47,479,872
Account E: Target Date 3	ONE Investment 2025 Target Date Solution	26,692,047
Account F: Target Date 4	ONE Investment 2030 Target Date Solution	10,625,164
Account G Target Date 5	ONE Investment 2035 Target Date Solution	1,350,443
		$ 107,954,933

Target holding weights will be maintained within the asset allocation bands identified in section 6 of this document until instructed otherwise. The purchase of these funds will financed by the $72 million from the liquidation of ONE Investment legal list products with the balance being funded by a cash contribution from the Town

The Town also holds $ 6 million of principal protected notes that will be contributed to the JIB in-kind, representing part of their MNRI. As these securities mature over time the proceeds will be invested into ONE Investment Outcomes.

Security	Maturity	Amount
Scotiabank 5 Year PPN	January 3, 2024	$ 1,000,000
Scotiabank 7 Year PPN	January 18, 2027	5,000,000
		$ 6,000,000

Date

Commissioner, Corporate Services & Treasurer	Keith Taylor, Investment Manager ONE Investment

Appendix F: Transferring Funds

Document here how funds will be transferred in/out of ONE JIB and into what municipal short-term account they will come from/go to.

Appendix G: ONE JIB's Investment Approach

Investment Approach

Investment Approach

1. Our Investment solutions are designed to address 3 key investment outcomes. Each one of these outcomes will have a unique asset mix and investment objective. These are intended to be used instead of having an asset mix defined in the IPS.
   - Contingency: needs that function like insurance, entail unpredictable, infrequent bullet payments. Clients may have target sizes for these reserves, so that when the investments grow to that size, either funds can be diverted out or contributions can be reduced. For these reasons, a growth profile is preferred.
   - Stable Return: these are used to fund ongoing capital investments and are needed to generate a consistent reliable return stream. May be needed at different risk levels and tolerances for dipping into principal.
   - Target Date Projects: these are savings vehicles for projects with predictable (but perhaps not perfectly predictable) target dates where the risk of meeting the required payment is clearly defined. Includes sinking fund debentures and serial bonds.
   - As appropriate the JIB can create custom asset mixes to accommodate specific municipal needs, but it is anticipated that the Contingency, Stable Return and Target Date outcomes will be sufficient for most municipalities.

2. ONE Investment will use a series of building block asset class funds managed externally using off-the-shelf pooled funds as much as possible. This approach facilitates the following:
   a. Managers can be added and subtracted in an asset class easily at any point in time;
   b. New asset classes can be added as new building block funds;
   c. Risk profiles and solutions can be added/changed without creating new funds.
   d. The Joint Investment Board will be able to tell easily whether clients are invested in appropriate risk exposures.

Capital Markets Beliefs

Asset Allocation

1. Theoretical underpinnings:
   a. Modern Portfolio theory provides a useful conceptual construct that demonstrates the value of diversification for investment portfolios. Diversification is a key feature that helps reduce risk in investor portfolios.
   b. We believe in Prudent Investing as a process.
2. Our investment objectives will vary with each need we are trying to meet. The following issues are taken into account for each need and their weights will vary depending on the target outcome and risk tolerance:
   a. Safety of principal
   b. Adequate liquidity
   c. Diversification by geographic exposure, asset class, sector, issuer, credit quality and term to maturity.
   d. Capital appreciation.

   e. Income generation

3. Long-term asset allocation is the most important portfolio component driving risk and return. Higher returns generally entail taking more risk. Over most long-term periods, equities have outperformed fixed income. Given their higher risk profile, equities should outperform fixed income over the longer term. In setting asset allocation, consideration is given to macro risks, such as inflation, economic growth and interest rates.

4. Tactical Asset Allocation (market timing) at the total portfolio level is unlikely to consistently add value. In some extreme cases, it may be useful.

5. For clients who present us with a substantial sum for investing, we do not believe that dollar cost averaging into stock markets will generate optimal returns. Because stock markets tend to go up over time dollar cost averaging represents a delay in entering markets and receiving returns. However, some clients may view dollar cost averaging as a way of managing timing risk and we will not oppose those who do.

Asset Classes and Asset Class Strategies

6. ONE Investment clients are non-taxable and are therefore indifferent as to the source of return (interest, dividends, capital gains) except where covenants require use of dividends only. However, as municipalities are required to balance their budgets annually and because they do not recognize unrealized investment gains, they may occasionally have to sell holdings that have risen in value to generate "income" for fiscal purposes. There may be less opportunity to plan the recognition of gains/losses when investing in our Prudent Investor offerings.

7. Our range of client offerings is expected to expand over time, starting with initial offerings in the public equity and public and private debt markets. Other asset classes, including possibility real and private assets, will be considered in due course.

8. Cash and cash equivalents can be used to manage risk and enhance liquidity. Staying in cash for long periods to avoid risk may not be a prudent strategy as it entails an opportunity cost.

9. The use of fixed income during periods of rising interest rates may be appropriate for the following reasons:
   a. To manage volatility;
   b. To match maturities to cash needs;
   c. To generate income; and,
   d. Provide diversification benefits.

10. For fixed income and target return investing, it is not prudent to set a target return or yield and then find an instrument or portfolio that will generate that yield. It is preferable to define a risk level and accept the return or yield associated with it.

11. We are comfortable holding low quality securities in mandates if their weights are constrained. Such allocations can offer correlation benefits that can improve overall portfolio risk metrics while potentially increasing overall portfolio returns.

12. Clients prefer portfolio stability and are quite sensitive to losses. Investment recommendations are not solely focused on return potential but also consider risk. Historical drawdowns experience is a highly relevant consideration when selecting external investment managers.

13. We expect our clients prefer absolute to relative returns. Outperforming a given benchmark is of little consolation if the client is losing money.

14. For benchmark-relative investing, active management makes sense if the manager can add net value (after fees) on a risk-adjusted basis.

15. Derivatives will not be used for speculative purposes. They may be used to manage risk or to replicate specific asset classes, but only where they are fully covered by a backing asset, e.g., as for currency hedging or covered call strategies.

16. Some exposure to foreign currencies may be desirable to improve diversification and potentially enhance returns. Therefore, it shall not be a violation if global mandates are unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB. While the ONE JIB does not intend to implement a currency hedging strategy directly, the external portfolio managers hired to manage the funds may use currency hedging as part of their investment strategy.

Investment Managers

17. Success with active mandates is more likely with strong conviction and less constrained mandates.

18. Considerations included in evaluating managers:
    - Performance
    - Corporate changes
    - Service levels
    - Adherence to portfolio parameters and stated philosophies
    - Appropriate benchmarks
    - Insights and research capabilities
    - Internal controls and operational processes
    - Comprehensive investment management process
    - Risk management
    - Depth of management team

- Cost is an important consideration when choosing a strategy or investment manager, but not in isolation: we will consider value for money in decision-making. We will aim for competitive costs, including tiered pricing. We may consider a performance-based fee structure where the base is equivalent to a passive fee and the bonus is paid in accordance with performance delivered net of fees above the benchmark.

Other

19. Securities lending is permitted by legislation for Legal List investors. For Prudent Investors, we require minimum collateral of 102% with guidelines to be specified later.

20. Borrowing, including shorting, is not allowed. This does not include mortgages on real estate, which we will address when we review the possibility of investing in that asset class.

21. The ONE JIB supports ESG investing and incorporates those principles into its investment decision-making through its due diligence processes when choosing investment managers. Investment managers are assessed for their ESG policies. ONE JIB does not necessarily endorse sole use of negative screening, whereby securities are excluded based on the nature of their business. ONE JIB's preference is to integrate social responsibility into the investment process by looking holistically at potential investments and influencing companies to change their behaviour, where appropriate. ONE JIB's approach will necessarily vary by manager based on a number of factors, including the degree of control exercised by the ONE JIB, contractual restrictions and the nature of the investment. Accommodating all requests for specific ESG considerations may not be possible either due to availability or to costs. We may be able to provide client reporting on this subject. Future offerings may include more specific responsible offerings.

REPORT

To:	ONE Joint Investment Board
From:	Keith Taylor, Chief Investment Officer
Date:	May 19, 2020
Re:	Investment Manager Benchmarks
Report:	20-012

1. RECOMMENDATIONS

1. That the ONE JIB approves the benchmarks recommended by the investment manager as the benchmarks for the Prudent Investor Funds.
2. That the ONE Global Unconstrained Bond Fund benchmark be hedged to CAD.

2. SUMMARY

This report seeks ONE JIB's approval of the official benchmarks for Prudent Investor Funds used for the measurement of investment performance.

Key Points:

- The performance benchmarks that are used by the external managers will be used internally for performance evaluation purposes.
- The benchmarks for 'cloned' Legal List Funds will be identical to those used for Legal List portfolios.
- Manulife presents two versions of their index (the Barclays Bloomberg Multiverse Index), one being hedged to CAD and the other unhedged.
- Either could be valid benchmarks for the Global Unconstrained Bond Fund, but the hedged version is more appropriate for our client base.

3. BACKGROUND

- The table below details the benchmark to be used for the performance evaluation purposes of the Prudent Investor Funds.
- ONE Investment has no intent of using these benchmarks in marketing materials or in any promotional collaterals.
- It is worthy to note that the manager considers the primary performance benchmark for the ONE Global Unconstrained Bond Fund as the unhedged version of the Barclays Bloomberg Multiverse Index, but many Canadian clients instead use the CAD Hedged version.

- Blended benchmarks for the ONE Investment Outcomes will use the ONE Investment Prudent Investor Fund benchmarks below in proportion to their target asset allocation weights.

ONE High Interest Savings Account (HISA)	**na**
ONE Global Unconstrained Bond Fund	**Bloomberg Barclays Multiverse Index Hedged to CAD**
ONE Canadian Government Bond Fund	**(same as LL) 95% FTSE Canada Short Government Bond Index + 5% FTSE Canada 91-Day Treasury Bill Index**
ONE Canadian Corporate Bond Fund	**(same as LL) 48% FTSE Canada Universe Government Bonds + 40% FTSE Canada Short-Term Corporate A + 10% FTSE Canada Corporate AAA/AA + 2% FTSE Canada 91-Day Treasury Bills**
ONE Canadian Equity Fund	**(Same as LL) S&P/TSX Composite index**
ONE Global Equity Fund	**MSCI ACWI (net)**

* LL means Legal List. Three of the above funds have exposures that parallel ONE Investment Legal List products and use the same performance benchmarks.

4. ANALYSIS

Each of the benchmarks are reputable and well-known in the investment industry. The portfolio managers of each mandate were consulted along with the CIO at ONE Investment. Historical tracking of these benchmarks was demonstrated with other mandates managed by these portfolio managers to be relevant. Therefore, these benchmarks represent an appropriate guideline with which to measure the performance of the portfolio management as it relates to the specific ONE mandates listed in the above table.

Drafted by: Keith Taylor, Chief Investment Officer
Approved for submission by: Evelyn Foo, Chief Compliance Officer